

**SOUTH-SOUTH COOPERATION: REASONS, PROBLEMS, STRATEGIES**

by

**Syed Farhan Ali Bokhari**

B.A.(Punjab), 1983

M.A.(TCU), 1985

DICP(Lond.), 1986

THESIS SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF ARTS  
in the Department  
of  
Political Science

© Syed Farhan Ali Bokhari 1989

SIMON FRASER UNIVERSITY

September 1989

All rights reserved. This work may not be reproduced in whole or in part, by photocopy or other means, without permission of the author.

APPROVAL

Name: Syed Farhan Ali Bokhari

Degree: Master of Arts

Title of thesis: South-South Cooperation: Reasons, Problems,  
Strategies

Examining Committee:

Chairman: Dr. T.H. Cohn

Dr. Maureen Covell  
Senior Supervisor

Dr. F.Q. Quo

Dr. Robert Anderson  
External Examiner

Date Approved: Sept. 7, 1989

PARTIAL COPYRIGHT LICENSE

I hereby grant to Simon Fraser University the right to lend my thesis, project or extended essay (the title of which is shown below) to users of the Simon Fraser University Library, and to make partial or single copies only for such users or in response to a request from the library of any other university, or other educational institution, on its own behalf or for one of its users. I further agree that permission for multiple copying of this work for scholarly purposes may be granted by me or the Dean of Graduate Studies. It is understood that copying or publication of this work for financial gain shall not be allowed without my written permission.

Title of Thesis/Project/Extended Essay

"South-South Cooperation: Reasons, Problems, Strategies"

---

---

---

---

Author:

(signature)

Syed Farhan Ali Bokhari

(name)

23 March 1990

(date)

## THESIS ABSTRACT

This thesis examines the rise of the Third World in International Affairs and its attempts to restructure the international order. It suggests that Third World countries have failed to secure their demands because they are weaker than developed countries in the international division of power. In conclusion, it argues for greater South-South cooperation to strengthen the developing countries' coalition.

The thesis begins by examining the critique of international economic and political order, as contained in Dependency theories written by Third World scholars. Dependency theories drew attention to the role of the past colonial experiences of developing countries in preventing their progress, and argued that these disadvantages were perpetuated by the post-colonial international order. These writings inspired Third World leaders to demand new measures for reforming the international order. Initially, it was believed that these reforms could only occur with assistance from developed countries. However, this perception changed with the oil price rise of 1973.

As discussed in chapter-II, the success of oil exporters in imposing a steep oil price rise on oil-importing developed countries, seemed to show that developing countries had the ability to impose their demands if they were united. Developing countries tabled their demands for a 'New International Economic Order' at the U.N. in 1974. After years of subsequent

negotiations, developing countries were unable to meet their goals. The importers' acceptance of the oil price rise was due to their self interest in maintaining their oil supplies. It was found that Western countries were not similarly reliant on other primary commodities. Such self interest had also dictated other areas of developed countries' policies towards developing countries.

As discussed in chapter-III, the Northern disbursement of foreign aid to Southern countries has been one such area. The cases of U.S. aid to Pakistan and Tanzania demonstrate that the primary consideration behind such aid was the attainment of the foreign policy objectives of the donors as opposed to the promotion of development.

In conclusion, I have argued for greater South-South cooperation rather than reliance on altruism of the North. I have examined possibilities for promoting South-South trade, investments and regional cooperation. Greater South-South cooperation can benefit Southern countries individually. It can also enhance their collective ability to impose their demands on developed countries from a position of strength.

## ACKNOWLEDGEMENTS

I would like to thank my Senior Supervisor, Dr. Maureen Covell, for her continued support and guidance, and my Second Supervisor, Dr. Quei Quo, for his useful suggestions in the writing of this thesis. I am also grateful to Dr. Ted Cohn for providing very valuable guidance in considering various ideas for a thesis topic. Margaret MacQuarrie and Maureen McIlroy provided assistance in facilitating many of my personal and academic needs during the time that I was associated with Simon Fraser University.

Last, but not the least, I am especially grateful to my parents, to whom I have dedicated this work. Despite my many flaws, they have always provided me with enormous love, profound affection and a deep sense of understanding, which has carried me through the most difficult times in my life. For that, and much more, I shall always remain in their debt. Any errors or oversights in the research and preparation of this thesis remain to be my ultimate responsibility.

## DEDICATION

To Ami and Pappa,  
With Love and Affection

## TABLE OF CONTENTS

Approval .....	ii
THESIS ABSTRACT .....	iii
Acknowledgements .....	v
Dedication .....	vi
LIST OF TABLES .....	ix
Introduction .....	1
Rise of the Third World - Independence. ....	6
I.    The Third World and Dependency .....	14
Examples of Dependency Writings .....	17
Relevance of Dependency for Third World cooperation ....	30
II.   The New International Economic Order .....	42
The Third World coalition in the 60s .....	43
The Oil Shock of 1973 .....	47
The New International Economic Order .....	51
Negotiating the NIEO .....	54
III.  Foreign Aid in Foreign Policy : Altruism or Self Interest .....	61
Cold war imperatives .....	65
Pakistan: An important ally .....	72
Tanzania: economic reform or at odds with foreign interests .....	80
Foreign Aid for Foreign Policy gains .....	87
General Observations .....	92
IV.   South-South cooperation:empowerment through solidarity .	96
Possibilities of promoting South-South cooperation .....	98
Criticism of South-South cooperation .....	122



Prospects for cooperation : An evaluation. ....	132
Thesis Conclusion .....	135
Bibliography .....	142

## LIST OF TABLES

1. Official Development Assistance from OECD members as percentage of GNP (1960-80)	64
2. Commitment of U.S. foreign aid to Pakistan (1971-76)	78
3. Disbursement of U.S. foreign aid to Tanzania (1970-77)	84
4. Share of major primary commodities in total developing country exports (excluding fuel)	100
5. Direction of primary commodity exports from developing countries (1981-82)	101
6. Direction of Trade (Exports and Imports)	103

## INTRODUCTION

The concept of a Third World is a recent development in international affairs. The term came into common use after world war II when colonialism was rolled back from Africa and Asia. The Third World as a category involved countries which were neither Western countries of the First World nor Socialist countries of the Second World.<sup>1</sup>

In most cases, these countries had been conquered during the European empires' colonial expansion. While Latin-American countries in large part were decolonised in the nineteenth century, they traced back a legacy of economic domination and exploitation of their resources by European countries and later by the U.S. Therefore, the countries of the Third World shared a past history of direct colonial rule or Western domination of their economies.<sup>2</sup>

This impression of a shared political and economic history provided a sense of common identity to these countries. It generated a strong spirit of nationalism and an ambition to be treated as equals in the international arena. Their addition to

---

<sup>1</sup>For a discussion of the development of the term Third World, see Leslie Wolf-Phillips 'Why Third World' in Third World Quarterly 1, No.1 (1979) 105-115

<sup>2</sup>For a reference to colonialism and decolonisation, see M.E. Chamberlain, Decolonization : The Fall of the European Empires, (London: Basil Blackwell Ltd., 1985), 1-11.

the expanding state system provided them with an opportunity to participate more actively at international fora. Their enthusiasm, reflected in attempts to influence the processes leading to the formulation of the international agenda, bore evidence of their desire to make their presence felt. After gaining independence, Third World countries sought to be recognised as equal participants in the world system, by demanding representation at forums such as the United Nations. For instance, they demanded more seats for the Third World countries at the Security Council.<sup>3</sup>

These countries initially expected to benefit substantially from decolonisation. Once they were independent they realised the difficulties they faced, especially in the economic realm. They responded by demanding sweeping changes in the international order.

It is the purpose of this thesis, to examine the emergence of the Third World countries as a new bloc in the international system, and the demands that they have made on the Western countries. I have also used the term 'South' to define this bloc, because of the acceptability of this term in the academic literature, due to the geographical location of all these countries in the Southern hemisphere. I have used the term 'North' to identify Western industrialized countries, using a similar criteria based on the geographical location of most of

-----  
<sup>3</sup>For a summary of the emergence of the Third World, see Peter Calvocoressi, World Politics Since 1945, 4th ed. (London: Longman, 1982), 94-112.

these countries in the Northern hemisphere. The Third World's demands were motivated by the belief that the developing countries' prosperity lay in promoting North-South cooperation and that the Southern demands could eventually force the North to reform the international system. However, the developing countries have had little success in this endeavour. This record will be used to extend an argument in favour of greater South-South cooperation as an important stage in the promotion of North-South cooperation.

It will be argued in conclusion that greater cooperation amongst the countries of the South will lead to the formation of a stronger bloc, which in turn could force the North to accept major changes in the international system. This will be argued to be a more viable alternative, as opposed to expecting the North to respond to Southern needs due to concern for the South's poverty.

My thesis begins by examining the theoretical and practical motivations for the Third World's demands on the Western countries. In chapter-1, I will examine Dependency theory as an expression of the causes and effects of the Third World's dependencies in the international system. This theory influenced various Third World writers who examined these dependencies while analysing the Third World's unequal relationship with the North. Chapter-1 also suggests that there are limitations on the South's capacity to alter its existing relationship with the North in view of these constraints.

The cause and result of these limitations will be further explored in chapter-2 with an examination of the record of the Third World's demand for a New International Economic Order (NIEO). The Third World's failure to force the North to accept these demands, which were meant to introduce sweeping changes in international economic arrangements, will be used to demonstrate the limitations on developing countries' capacity to extract major concessions from the North.

This point will be further assessed in chapter-3 by examining Northern disbursement of foreign aid to the South. The choice of examining the record of foreign aid was made for two reasons. First, one of the key Southern demands for a NIEO was the increased disbursement of Northern foreign aid to the South. When this did not happen, criticism emerged on the types of aid flowing from the North to the South. This is one indicator of the failure of NIEO demands. In addition, the record of Northern foreign aid disbursement dates back to the late 1940s when the U.S. began providing assistance to Third World countries. It was seen as a preferred route over expanded trading opportunities for developing countries' goods to enter Western markets.

Trade preferences although widely exercised, were seen as contrary to the free market principles, while foreign aid was seen as justifiable in assisting poor countries to develop to a point where they could compete with developed countries in international trade. The preference of aid over trade means that the record of foreign aid can provide evidence of the Northern

countries' interests in assisting Southern countries, dating back to the early post second world war years. Second, this record will demonstrate that the emphasis in the policies of a key Western donor such as the U.S. continues to rest on the recipient countries' foreign policy behaviour in relation to donor interests and the recipient's ideological leanings as opposed to economic needs.

This point will be further supported by examining the pattern of U.S. aid to Pakistan and Tanzania. The choice of examining Pakistan has been made because it is a country which is vital to U.S. interests, as opposed to Tanzania which has lost favour with the U.S. due to its Socialist policies. Despite these differences, we shall see that these factors have influenced the levels of foreign aid to both countries.

In conclusion, it will be argued in chapter-4 that while the South needs to have access to the important economic and technological resources of the North, it is equally important that the Southern countries promote unity and cooperation within their ranks, beyond their earlier attempts in this direction. This increased emphasis on South-South cooperation should serve two purposes.

First, it will not only fulfill the Third World's economic needs but the resultant economic gains will benefit Southern economies as opposed to benefitting Northern economies. Second, the expansion of economic interaction among the Southern

countries is likely to make them less dependent on the North, and lead to the emergence of a stronger South over a period of time. A coalition made up of developing countries which are less reliant on the North, should enable them to be in a better position to press the North for seeking their demands.

### Rise of the Third World - Independence.

Once the developing countries became independent they tried to focus attention on their view that the granting of formal independence to the Third World would remain an incomplete process as long as the international system functioned largely in favour of the rich countries of the Northern hemisphere. The realisation of these difficulties led to two major developments in the Third World. The developing countries tried to organise their ranks internationally using forums such as the non-aligned movement, the Group of 77 and UNCTAD (United Nations Conference on Trade And Development).

The first meeting of the decolonised countries of Africa and Asia was held at Bandung, Indonesia in 1955. The first conference of the Non-Aligned Movement was held at Belgrade, Yugoslavia in 1961. The first UNCTAD was held in 1964 and by 1968 UNCTAD had become a permanent organization. The consensus achieved in these forums was used to press for policy changes in international fora such as the United Nations. The objective was to attack the existing system in order to seek major policy



reforms.<sup>4</sup> The Third World also drew attention to the hierarchy of states within the international system in which the Western countries played a dominant role while the Third World was dependent. This hierarchy was said to be a major factor inhibiting the Third World's independent development efforts.

The hierarchy was also claimed to be structural and deeper than the unequal relationship due to differences in size or resources among the Western countries.<sup>5</sup> These arguments were derived from the 'structuralist approach' which primarily discussed the anomalies in the world order as a result of the historical development of North-South relations.<sup>6</sup>

These inequalities were said to have resulted in a hierarchical order of states where the poor, underdeveloped states were dominated by the rich, developed states. Furthermore, the hierarchy was said to be 'structured' in a manner that determined the position of states according to their political and economic capabilities.

-----  
<sup>4</sup>For a background to the emergence of UNCTAD and the Group of 77, see Joan E. Spero, The Politics of International Economic Relations, 3rd. ed., (London: Allen & Unwin, 1985), 225-239.

<sup>5</sup>For an introductory overview of this literature, see, Dudley Seers ed. Dependency Theory: A Critical Reassessment, (London: Frances Pinter, 1981) 13-18 ; For an examination of the concept of Dependence as a framework for analysis of foreign policy behaviour of Third World states, see, Christopher Clapham and William Wallace ed. Foreign Policy Making in Developing States: A Comparative Approach, (Westmead, U.K.: Saxon House, 1977) 7-8.

<sup>6</sup>Michael Banks, ed. Conflict in World Society (Sussex: Wheatsheaf Books, 1984) 14-18.

According to a description of this approach by Ralph Pettman:

"A Structuralist perspective confronts global politics in terms of the horizontally arranged hierarchies that run across geographic boundaries, throwing into high relief the pattern whereby 'overdeveloped' states reproduce characteristic socio-economic and political forms within 'underdeveloped' ones in terms of the uneven spread of the industrial mode of production, the uneven and complex character of the class systems that have grown up in its wake, and the current global division of labour." <sup>7</sup>

The Structuralists regarded the asymmetry between the North and the South as a result of the economic power of the developed states reaching into underdeveloped states. The resultant economic inequalities were also considered to have military, cultural and political consequences.<sup>8</sup> For example, these consequences would include the adoption of Western values, life styles and political traditions in Third World countries.

The basis of the Structuralist argument was that the overall relationship among states involved in the conduct of international relations was related to their economic strength which also determined their place in a hierarchical world. That being the case, the economic relationship between states and its political consequences mattered more in determining the position of states than their theoretical equality. This meant that while all states were independent and equal theoretically, in practice the wealthier states had more influence in international affairs as opposed to the poorer ones. This greater influence was due to

-----  
<sup>7</sup>Ralph Pettman, State and Class: A Sociology of International Affairs (London: Croom Helm, 1979) 53-4

<sup>8</sup>ibid., 59.

the richer states' economic ability. As a result, different economic potential provided different states with different levels of ability to influence the outcome of events. As a consequence, the international system could be looked upon as a hierarchical one, where the richer states were placed higher up in the hierarchy due to their wealth, as opposed to the poorer ones which were placed lower down in the hierarchy due to their poverty. According to a description of the structuralist approach:

"Its (structuralism's) exponents argued that most states were not free. Instead they were subjugated by the political, ideological and social consequences of economic forces. Imperialism generated by the vigour of free enterprise capitalism in the West and by state capitalism in the Soviet bloc imposed unequal exchange of every kind upon the Third World. Militarism and inequality, economic ruination caused by intolerable debt burdens, and the widespread violation of social justice and human rights were all attributed to the structure of the international system. The great powers fought out their conflicts of interest on the territories of the South, always using periphery peoples as low cost labour and occasionally as cannon fodder." <sup>9</sup>

Discussions surrounding this approach questioned the intellectual hegemony of Western scholars in their use of traditional theories to explain international relations. Once this idea became established, it inspired a number of Third World scholars to argue that this structural hierarchy was the cause of the Third World's dependencies on Western countries, and was also responsible for their lack of development. This hierarchy was said to have developed as a result of their relationships with Western countries. While in the past,

-----  
<sup>9</sup> Banks, ed. Conflict in World Society. 17.

colonialism played a role in enforcing these values, it was argued that the present international structure reinforced similar values. These scholars initially examined Latin America to substantiate their claims. Later works focussed upon other parts of the Third World in Asia and Africa. While no single body of thought emerged as a standard Dependency theory, this view drew attention to the systemic inequalities in the international order.

At the policy level the attack related to the extent of participation of Third World countries in international organizations, the benefits and losses they derived from international trade and monetary arrangements, and the transfer of resources at the global level. The Third World's views in this area could be summed up using Roger Hansen's description of five of the most persistent charges from developing countries.<sup>10</sup>

First, they charged that international trade liberalisation under the GATT (General Agreement on Tariffs and Trade) had been biased in favour of Northern products and of little benefit to developing countries. References were made to protectionism against Southern goods especially in agricultural commodities. Developing countries claimed a loss of several billion dollars on the basis of foregone exports.

-----  
<sup>10</sup>Roger Hansen, Beyond the North-South Stalemate. (New York: McGraw Hill, 1979), 48-50.

Second, Third World countries charged that the volume and value of foreign aid flowing from the North to the South had been unjustifiably low. Since the mid-60s the overall trend in giving foreign aid had been on the decline. The members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) never approached their often enunciated target of transferring 0.7 percent of their annual Gross National Product (GNP) to developing countries in the form of Official Development Assistance (ODA).<sup>11</sup> And, there were few indications that this trend was about to change.

Third, the Third World countries charged that the North had systematically rejected or stalled for lengthy periods of time before accepting, in altered form, a wide variety of Southern proposals to increase the availability of scarce foreign exchange needed in the development process. Third World countries pointed to the failure to formulate international commodity agreements which could benefit Southern goods, the rigid conditions attached to World Bank loans, and the lack of progress on the proposals for a Generalised System of Preferences (GSP) under the GATT system.

-----  
<sup>11</sup>This point has been made by various writers who use the available statistics to point towards the declining levels of aid. For instance, according to Arnold, in 1982 only 4 of the 17 members of the Development Assistance Committee of the Organization for Economic Cooperation and Development met this target. See Guy Arnold, Aid and the Third World: The North/South Divide, (London: Robert Royce, 1985) 38.

Fourth, Third World countries accused the Northern multinational corporations of exploiting the Southern countries through measures such as evading taxes by using different price mechanisms, limiting job creation in developing countries by employing sophisticated technologies and other arrangements with the intention of maximizing profits and ensuring their return to the overseas base of the Multinational Corporations (MNC). The corporations were also accused of meddling in internal politics of developing countries with the ultimate objective of ensuring political success for elements which would safeguard their interests rather than promoting policies which were in the best interest of the developing states.

Fifth and last, developing countries not only accused the international trading order of safeguarding developed countries' interests, but also claimed that the terms of trade had gradually moved against raw material exports of developing countries. They argued that the reason for this development was the establishment in the post-war years of a liberal economic order, that did not take account of the Third World's special needs. <sup>12</sup> This was a reference to the creation of the International Monetary Fund and the International Bank for Reconstruction and Development at a meeting of the Western powers at Bretton Woods, New Hampshire, U.S. in 1944. The

-----  
<sup>12</sup>Terms of Trade: An index which measures the purchasing power of a country's exports in terms of the imports it must buy. If the terms of trade improve, a given quantity of exports will earn enough foreign exchange to buy a large quantity of imports than before. For a brief definition, see The Pocket Economist (Oxford:Martin Robertson and The Economist, 1983) 176-7.

meeting was dominated by discussion of issues facing the Western economies while Third World issues were ignored.<sup>13</sup> Most of the developing countries were still colonies and were therefore absent from the meeting. Their absence from the Bretton woods conference provided fuel to their argument that the post-war order was primarily meant to serve the Western powers, and took little account of their impoverished status and special needs. They argued that their coming to independence had created a new situation that required new institutional arrangements which would accomodate their needs.<sup>14</sup>

It is the purpose of this introduction to examine the rise of the Third World as a new bloc in the international system, and the motivations for its demands from the Western countries. The theoretical motivations for these demands would be examined in more detail in the next chapter, which will help to explain the ways in which these concepts were used as a means to explain the causes of the Third World's poverty and the necessary avenues to alleviate this poverty.

-----  
<sup>13</sup>For details of the Bretton woods conference, see, Joan E. Spero, The Politics of International Economic Relations, 3rd. ed., (London: Allen and Unwin, 1985) 35-41 ; David H. Blake and Robert S. Walters, The Politics of Global Economic Relations, (New Jersey: Prentice-Hall, 1987) 60-62.

<sup>14</sup>Charles A. Jones The North-South Dialogue: A Brief History (London: Frances Pinter, 1983) 23-27.

## CHAPTER I

### THE THIRD WORLD AND DEPENDENCY

It was stated in the introduction that the emergence of the 'Dominance' and 'Dependence' tradition has been a development of the recent past. However, its impact on writings in international relations has been considerable and has been recognised by a number of scholars. According to one analysis of this development:

"Whereas the 'politics of power and security' and the 'politics of interdependence and transnational relations' represent two strands in the development of 'Western' or 'developed world' thinking about world politics, the 'politics of dominance and dependence' as a perspective arise from different roots. Embodying elements of 'classical' Marxist-Leninist writings on the nature and implications of monopoly capitalism and imperialism, they also reflect the more specific experience of new and less developed countries in an international system moulded by 'Western' political and economic activity. The perspective in general stresses the importance of the overall structure of relations within which political action occurs, and the mechanisms by which the structural dominance of some groups is consolidated to the disadvantage of others. As a consequence, it also emphasizes the desirability (or likelihood) of a fundamental transformation of the structure so as to create a new world system based on global principles of justice, whilst concerning itself with the ways in which the established structure can accommodate some degree of change and redistribution."¹

This chapter attempts to examine the emergence of Dependency theories and to analyse some specific examples of writings in this tradition. In order to give some clarity to this

-----  
¹Michael Smith, Richard Little, and Michael Shackleton, eds., Perspectives on World Politics (Kent: Croom Helm, 1984), 273.



discussion, these works will be separated into Marxist and non-Marxist frameworks. I will also examine some of the common points raised in these works. The conclusion will examine the strengths and weaknesses of these ideas. Dependency writers of different persuasions have shared a common view regarding the existence of two types of countries in the international system, the poor, weak and dependent ones, and the rich, powerful and dominant ones. These countries are said to be locked in a relationship in which actions by the dominant states, over which the dependent states have little or no control, determine the course of events in the dependent states.

On the other hand, Dependency theorists differ in their analysis of the specific forms of dependencies, their impact on societies and the most viable prescriptions to tackle different facets of this issue. These diverse views continually undermined efforts at evolving a coherent Dependency theory.<sup>2</sup> But in their attempts to give coherence to these views, some scholars produced general explanations to identify some of the common concerns shared in this literature.

For example, in a succinct assessment, Chris Brown writes:

"There is no single coherent body of thought that can be described as 'Dependency' theory. Instead, various theories stress the key notion that some countries (or economies) are conditioned in their development by their dependence on other countries (or economies), and that

---

<sup>2</sup>For an overview of these diverse views, see Ronald H. Chilcote Theories of Comparative Politics (Boulder: Westview, 1981), 296.

this dependence is structural and deeper than the dominance relationship between societies that differ in size, but not in level of socio-economic development." <sup>3</sup>

Although the Dependency tradition itself is by and large a product of the post-decolonisation period, the ideas about dependent situations expressed by Lenin early in this century have received wide recognition from non-Marxist and Marxist scholars alike. Lenin wrote:

"Not only are there two main groups of countries, those owning colonies and the colonies themselves, but also the diverse form of dependent countries, which politically are formally independent, but in fact are enmeshed in the net of financial and diplomatic dependence are typical of this epoch."<sup>4</sup>

Lenin wrote about colonialism since that was the predominant international order in his time. However, he was also concerned about countries which were formally independent, but were subjected to various constraints on their freedom in the international system, due to the economic influence of the richer countries. For example, he was concerned about countries in South America, especially Argentina, which he believed was formally independent but was informally dependent on the international economic system.

-----  
<sup>3</sup>Chris Brown, "Development and Dependency", International Relations: A Handbook of Current Theory, ed. Margot Light and A.J.R. Groom (London: Frances Pinter, 1985), 62.

<sup>4</sup>Vladimir Illich Lenin, Imperialism: The Highest Stage of Capitalism, 13th ed. (Moscow: Progress Publishers, 1966), 79.

## Examples of Dependency Writings

Many people have written in this tradition since the 1960s. They have tried to explain the cause and result of the Third World's dependent status in the international system. I will examine the writings of some of the writers, such as Mahboob ul Haq and Raul Prebisch who have approached the question from a non-Marxist perspective, Andre Gunder Frank and Immanuel Wallerstein whose views reflect a Marxist orientation. An examination of Johan Galtung's non-Marxist theory of imperialism provides a clearer view of the mechanisms of dominance and dependence relations between rich and poor countries. These views provide a framework for further analysis of the questions raised in this thesis.

Mahboob ul Haq's overall concern can be summed up in an opening paragraph of his book, "The Poverty Curtain."

He writes:

"A poverty curtain has descended right across the face of our world, dividing it materially and philosophically into two different worlds, two separate planets, two unequal humanities, one embarassingly rich and the other desperately poor. This invisible barrier exists within nations as well as between them, and it often provides a unity of thought and purpose to the Third World countries which otherwise have their own economic, political and cultural differences. The struggle to lift this curtain of poverty is certainly the most formidable challenge of our time."<sup>5</sup>

---

<sup>5</sup>Mahboob ul Haq, The Poverty Curtain: Choices for the Third World, (New York: Columbia University Press, 1976), 3.

Like most other Dependency scholars, Haq traces the roots of the present inequality between developed and developing countries to their historical past. He refers to the era of colonialism which exacerbated the disparities between the rich and the poor countries, by placing the industrialized West at the centre of the world while placing the poor countries at the periphery as mere suppliers of raw materials. He argues that despite decolonisation these exploitative links have not been severed. He writes:

"The basic reasons for this inequality between the presently developed and developing nations lie fairly deep in their history. In most parts of the Third World, centuries of colonial rule have left their legacy of Dependency. Political independence has often not succeeded in eliminating either economic dependence or intellectual slavery."<sup>6</sup>

Haq's work strongly focusses on providing a prescription for altering the existing relationship in order to benefit both the industrialized West and the Third World countries. He argues the inevitability of a rebellion in the Third World leading to damages to the Western world's political interests, if the present unjust order continues its impact unabated. In his view, the instability of this unjust system has been demonstrated first by nationalist movements for political liberation during colonial times, and more recently by the demands for a NIEO. The emergence of Third World intellectuals who are only willing to deal with the West on an equal basis poses a further

---

<sup>6</sup> *ibid.* 162

challenge.<sup>7</sup> Haq traces the root of the problem as not only related to poor nations, but also to the poor within those nations, so that poverty emerges as a global problem which needs to be attacked and rectified. Haq identifies the joint responsibility of national governments in developed as well as developing countries if this problem is to be rectified. He argues that the developed nations on their part must ensure an equality of opportunity for developing countries to fruitfully engage in and benefit from the international system.

Similarly, the developing countries on their part must engage in domestic reforms to provide an equality of opportunity for their poor so that the domestic structural biases could be removed. Such a two-pronged offensive is seen as the only route to eliminating the existing inequalities.<sup>8</sup> A shared interest in North-South cooperation is seen here as the basis for mutual cooperation in view of such Northern interests as the need for Southern raw materials.<sup>9</sup>

While Haq emphasises the importance of North-South shared interests, I will argue later in this thesis, that such a notion of shared interest will work better if the Southern countries enhance their unity in order to build a stronger coalition. The South needs to strengthen its ranks before expecting the North

---

<sup>7</sup>ibid. 163

<sup>8</sup>ibid. 42-47

<sup>9</sup>ibid. 147

to respond to Southern needs, in order to secure Northern interests. Haq's views reflect a line of argument as adopted by Raul Prebisch during his tenure as the secretary general of UNECLA (United Nations Economic Commission for Latin-America) and later in his time as the secretary general of UNCTAD (United Nations Conference on Trade And Development). Prebisch's views have been outlined in various policy papers produced on behalf of the organizations with which he served, as well as being subsequently published and quoted in various documents.

Prebisch argued that the root cause of the South's dependent status lies in the historical development of centre-periphery relations. While Haq placed emphasis on the impact of colonialism, Prebisch was more concerned with the impact of Western industrialization on the position of poor states. The two authors also examined different geographical regions in support of their arguments.

According to Prebisch, contemporary Third World countries are dependent on Western industrialized countries, as a consequence of the widening North-South technological gap created by the North's rapid industrialization and improved export competitiveness from 1870 to 1924. The result was a deterioration of the 'terms of trade' for the South. Like Haq, Prebisch identifies a shared political and economic interest between the North and the South, and argues that redressing this anomaly is not just a mere moral imperative, but also a matter of self interest for the North. In a policy report during his

tenure at UNCTAD, he wrote:

"Much of the periphery is adrift at the mercy of events, lacking the capacity which the industrial centres are acquiring to master the forces of their economic and social developments. This capacity of the centres does not make them immune to the increasingly obvious economic and social tensions in the peripheral countries, nor to the great upheavals and violence to which this tension will lead unless the same conscientious and deliberate effort to influence development in the right direction is extended to these countries. The great political objective of a development strategy is undeniable. But there is also an economic interest. A new frontier of trade expansion, a very wide frontier offering great political advantages will be opened up in the new worlds, if the peripheral countries are fitted into the new pattern of international trade." <sup>10</sup>

There are three major similarities in the views of Haq and Prebisch that make them part of the non-Marxist school of Dependency theorists. First, they both argue that the existing international economic system can be reformed to accommodate the countries of the South. Therefore, Southern countries do not have to create a new system or leave the present system in order to alleviate their miseries. Second, Haq and Prebisch both see a shared interest between the North and the South and argue that the North ought to reform the system in its own interest. Third, the views expressed by Haq and Prebisch are also influenced by their background and professional experiences.

The former remained a top official of the World Bank for more than a decade, an institution considered by many radicals as one of the forces behind modern day 'Dependency'

---

<sup>10</sup>Raul Prebisch, Towards a Global Strategy of Development (New York: U.N. Publications, 1968), 72.

relationships. The latter served United Nations agencies as mentioned earlier. Their respective views are the product of experiences acquired in important decision making positions as well as being influenced by some Western ideas.

In the final analysis, they take a sympathetic view of the Third World countries. However, they also recognise that the international economic system has benefits to offer for facilitating the Third World's developmental needs. Moreover, the Western countries which greatly influence the international economic system, may want to facilitate the Third World's needs out of a recognition of a shared North-South interest in promoting Southern development.

On the other hand, the Marxists regard the present system as based on the excesses of Northern controlled capitalism. They argue that the present system can not be modified to accomodate the South, because the benefits from the system largely go to the Northern countries. Due to the benefits derived by the North and the very limited ability of the South to alter the system, an emphasis upon a shared North-South interest is considered unrealistic.<sup>11</sup>

Andre Gunder Frank's views representing this tradition gained wide attention with the appearance of his 'Development of

-----  
<sup>11</sup>For an overview of the Classical Marxist thought see, Ankie M.M. Hoogvelt The Third World in Global Development (London: MacMillan, 1982) 149-158. For a Neo-Marxist view of the Third World see, Hoogvelt, 165-167



underdevelopment' thesis.<sup>12</sup> Like Haq and Prebisch, Frank argued that underdevelopment was a product of historical, economic and political relationships between North and South. Frank claimed that the expansion of capitalism in the world had led to the emergence of a metropolis-satellite division of states. The metropolis comprised the rich, dominant and advanced capitalist states, while the satellites comprised the poor, dependent and backward states. He claimed that this division determined the economic, political, social and cultural values in the satellites, according to the preferences of the metropolis. He claimed that the division would continue because it served the metropolitan purpose of absorbing surplus capital from the satellites.

Frank used historical evidence to claim that the most impressive results of development in underdeveloped countries had been achieved when their ties to developed countries were the weakest such as during times of war. He used his research findings on Latin America to argue that countries like Argentina, Brazil, Mexico and Chile experienced their greatest economic development during the Napoleonic wars, the first world war and the second world war, the European depression of the 17th century and the depression of the 1930s.<sup>13</sup>

-----  
<sup>12</sup> Andre Gunder Frank, "Development of Underdevelopment," Monthly Review, 18, No.4 (1966).

<sup>13</sup> *ibid.* 24

Frank also discussed geographic isolation which led to economic isolation of the developing countries and enabled them to achieve sustained development. He used the example of rapid industrialization of resource-poor but 'unsatellized' Japan after the Meiji restoration, to support his claim.<sup>14</sup>

Frank extended this analysis by arguing that a similar metropolis-satellite division existed within the underdeveloped states. These 'national metropolises' or the major urban centres exploited the 'national satellites' or the peripheral areas. However, instead of absorbing this wealth for their own benefit, the national metropolises acted as bridgeheads for the transfer of surplus capital to the world metropolis.<sup>15</sup>

In a case study of Brazil, Frank examined the development of Sao Paulo as a major industrial centre with an export potential, which nevertheless failed to change Brazil's dependent status. Sao Paulo became a source of deriving capital from the far flung parts of the country through a chain of existing economic relations. These profits were subsequently transferred to the advanced capitalist countries of the world metropolis. He argued that such an exploitative structure caused Brazil's underdevelopment, and that its removal was the only key to achieving unconstrained development.<sup>16</sup>

---

<sup>14</sup> ibid. 25

<sup>15</sup> ibid. 20

<sup>16</sup> ibid. 21-23

Finally, Frank distinguished between a state of being 'undeveloped' and being 'underdeveloped'.<sup>17</sup> According to Frank, the developed states of present were undeveloped in the past, a condition which was free of the structural constraints faced by the contemporary underdeveloped states. Therefore, the route to development as adopted by contemporary developed states was not possible for the underdeveloped states. In conclusion, he argued that the looser the ties of the South to the North, the greater would be the probability of achieving rapid and sustained development.

In a more recent work analysing the development of arms manufacturing industries in certain Third World countries, Frank described this development, as well as the frequent military coups disrupting democratic processes, as occurring due to support from capitalist elements tied to advanced states, whose only concern was the accumulation of capital on a worldwide scale.<sup>18</sup>

Frank argued that the economic and political difficulties faced by developed countries in recent years had in turn further exacerbated the situation for many Third World countries. The taking of power by repressive military regimes and the involvement of some Third World countries in the international arms manufacturing structure were developments related to the

-----  
<sup>17</sup>ibid. 18

<sup>18</sup>Andre Gunder Frank, "Arms Economy and Warfare in the Third World" Third World Quarterly 2, No. 2 (1980).

ultimate objective of strengthening the international capitalist order.<sup>19</sup> He described the more common approach by advanced capitalist countries in this regard as that of allowing the production of arms through licencing and/or subcontracting to developing countries with dependence on imported components. This pattern was of greater benefit for developed countries, but a liability for developing countries because it led to their exploitation. In a reference to the benefits derived by developed countries he wrote:

"This model of dependent arms, like other industrial production, responded to the desire of metropolitan manufacturers to transfer part of their productive operations to cheap labour economies, which do not impose political restrictions and many even offer political advantages for export to third countries."<sup>20</sup>

On the whole, Frank's analysis here was similar to his overall view based on his Marxist orientation, that capitalism on a worldwide scale exploited Third World countries, and impeded their prospects for rapid development due to their status as dependencies in the international system. Frank's recent analyses are slightly different from those of the 60s, when he demonstrated a strong optimism that developing countries would be capable of breaking out of the capitalist order. In the late 70s and early 80s Frank came to argue that such revolutionary changes were very difficult to achieve.

-----  
<sup>19</sup>ibid. 228-229

<sup>20</sup>ibid. 235

As mentioned earlier, Marxists like Frank are sceptical of reformist orientations. They believe that international capitalism must give priority to acquisition and accumulation of capital because it is the nature of the system. This leads to a situation where the interests of poorer states are of secondary significance.

A further example of a Marxist analysis can be found in the writings of Immanuel Wallerstein. Wallerstein argued that a Modern World Capitalist System emerged from Europe in the 16th century and extended itself globally. This system was argued to have emerged from the pre-16th century European feudal system.

Wallerstein argued that this new system had resulted in dividing the world in 'core', 'periphery' and 'semi-periphery' regions. This structure had created a new international division of labour, where the economically and politically stronger states of the core, benefitted more at the expense of the states of the periphery. Wallerstein argued that this new division of the world due to the rise of capitalism, exists in the world system even today, and is the prime source of exploitation of states of the periphery. <sup>21</sup>

An attempt to explain the nature of North-South relations from a non-Marxist perspective is also found in the writings of

-----  
<sup>21</sup>For a brief overview of Wallerstein's work, see Brown 'Development and Dependency' in International Relations: A Handbook of Current Theory (ed.) Light and Groom 66-8; Also see, Immanuel Wallerstein Historical Capitalism (London: Verso, 1983) 13-19

Johan Galtung in his 'structural theory of imperialism.'<sup>22</sup> He examined not only the inequalities among nations but also those within them. He concludes that the resistance of this inequality to change was a result of the existing structural relationship of 'Imperialism'.

Galtung defined this relationship as existing between collectivities in the international system. Collectivities were defined as nations belonging either to the centre or the periphery. Within each collectivity a further center and a periphery were identified, each performing a different role and having different interests in the overall structure of 'Imperialism.' Imperialism was defined as a relationship between a center and a periphery based on the following three criteria:

- 1) There is harmony of interest between the center in the center nation and the center in the peripheral nation.
- 2) There is more disharmony of interest within the periphery nation than within the center nation.
- 3) There is disharmony of interest between the periphery in the periphery nation and the periphery in the center nation.

Galtung argued that since there was more disharmony within the periphery, those in power in the periphery or the center of the periphery saw a shared interest with those in power in the center or the center of the center. As a result, the center in the periphery acts as a transmission belt to enrich the center

-----  
<sup>22</sup>Johan Galtung, "A Structural Theory of Imperialism", Journal of Peace Research 13, No.2 (1971).

of the center through commercial relations, supply of raw materials etc. Some of the wealth subsequently trickles down to benefit the periphery of the center.

Overall, this relationship is in the interest of the centers' periphery, which sees itself more as a partner of the center of the center than of the periphery of the periphery. As a result of disharmony of interest between the two peripheries, alliance formation between them is prevented. In this process, the center nation becomes more cohesive and the periphery nation less cohesive.

Galtung shared a concern for the 'Dependency' of the 'Periphery' on the centre similar to that expressed by Prebisch, Haq and Frank, in spite of his differences with them. In the economic sphere this meant that peripheral countries concentrated their economic and trade relations with those countries of the centre with whom they had previous historical and colonial ties. The periphery was regarded as incapable of breaking these ties or even relocating them to another centre because the strength of the existing structural ties prevented such a change.

Unlike other scholars concentrating on the economic dimensions, Galtung extended his ideas to five types of exchanges between the centre and the periphery which led to the consolidation of Imperialism. These were: economic relations, political influences, the periphery's dependence on imported

military hardware, influence through means of communications, and cultural influences.

Galtung's emphasis on the centre and the periphery as well as further subdivisions within these units distinguished him from other non-Marxists like Prebish and Haq who regard the North and the South as homogenous units. He can also be distinguished for his emphasis on the mechanisms of North-South relations. Furthermore, his explanation of the different types of exploitative relationships as mentioned before also distinguish his work from other Dependency writers who focussed on economic dimensions alone. This could subject him to criticism particularly from the Marxists who regard economic relations as the basis of North-South ties.

#### Relevance of Dependency for Third World cooperation

Following the theoretical orientations discussed up to this point with the objective of demonstrating different views emerging from the Dependency tradition, it is now essential to attempt an assessment of the practical and theoretical relevance of the ideas generated by this perspective, their strength and weakness. These ideas have criticised the international economic and political structures and their inadequacy in accomodating the Third World countries. They have also served as a critique of the post-war international economic order, which was largely meant to serve the interests of Western powers. When the



non-Communist powers met at Bretton Woods in New Hampshire in 1944, they agreed to establish a new economic order based on liberal ideas, to be led by the U.S. as its principal guarantor. The U.S. dollar became the world's major reserve currency as it was backed by adequate gold reserves. According to Joan Spero, three conditions which were present at the time provided the political basis of the Bretton Woods system. <sup>23</sup>

First, there was a concentration of power in a small number of states. Second, there existed a cluster of important interests shared by those states which provided a sense of unity. Third, the U.S. was present as a dominant power and was willing and able to assume a leadership role. <sup>24</sup>The system functioned smoothly till 1960 when, for the first time, the U.S. faced a balance of payments deficit. The first run on the dollar also occurred in the same year when speculators on the London financial market started converting dollars to gold. The U.S. faced growing economic pressures during the 1960s when overseas dollar reserves exceeded the gold reserves in the Treasury. A rebuilt Europe and Japan also became more competitive.<sup>25</sup>

-----  
<sup>23</sup>Spero, The Politics of International Economic Relations 25-32.

<sup>24</sup>See W.M. Scammell The International Economy Since 1945 (London:MacMillan, 2nd.ed.,1983) 9-18

<sup>25</sup>ibid. 179-185

An important change to the system occurred in 1971, when the U.S., unable to meet its obligations, announced that the U.S. dollar would no longer be convertible to gold. This ended the very basis of leadership that the U.S. had provided for almost 26 years. Since then, the system has functioned with a multilateral leadership provided by the major economic powers (U.S., U.K., France, West Germany, Japan, Italy, Canada) with the U.S. still as the dominant partner.

Although economic power is now shared by a larger number of Western countries than at the time of the Bretton Woods Conference, yet from a North-South perspective power continues to rest with the North. The success of a small number of newly industrialised countries, often quoted as a model of economic development for the South, has not spread to other Third World countries.

The Southern dissatisfaction with these arrangements has grown, with the realisation of their difficulty in competing against Western industrialised countries. This view has been shared by a number of Third World countries who have been active at international forums, seeking major changes in the existing arrangements. It has also formed the basis of the Southern countries' criticism of institutional arrangements such as the GATT and international commercial policy.<sup>26</sup>

-----  
<sup>26</sup>ibid. 166

Ideas presented by the Dependency scholars have provided the motivation for a focus on the specific needs of Third World countries. These arguments have emphasized that the underprivileged South will remain impoverished unless special measures are adopted to provide an equality of participation in a system which was initially structured to serve the North. It is this idea which fuelled the creation of the Group of 77, UNCTAD and the emergence of the demands for a NIEO. It has been a source of unity amongst the Third World countries. <sup>27</sup>

It has also been evident in the declarations of the non-aligned movement's summit meetings held every three years. The terms of reference used by Third World countries at these sessions may not have been the same as those used in the academic literature, but these concerns can inspire or be motivated by such scholarly works. The major strength of Dependency theories, however, lies in the fact that they counter arguments to some of the Western ideas about economic development in the Third World. The ideas generated by Dependency theories have stimulated concern about policies which do not appear to recognise the Third World's specific developmental needs.

-----  
<sup>27</sup>For further details on the demands for a NIEO, see United Nations Institute for Training And Research, A New International Economic Order: Selected Documents (1945-75) Vol.2; For a reference on Dependency theory as a source of unity amongst Third World countries, see Craig Murphy, The Emergence of the NIEO Ideology (Boulder, Col.: Westview, 1984) 105-112

According to one assessment of these contributions:

"..... the 1950s concept of development is now widely scorned. Many writers doubt that the Western path is a desirable, and many more doubt that it is a possible route to development. The key alternative concept is Dependency. It is argued that the commitment to industrialisation on a Western model is based on a false assessment of the Western achievement and, moreover, the mere existence of the developed capitalist economies of the West prevents the LDCs from taking the Western road." <sup>28</sup>

At a theoretical level the strength of these ideas whether of Marxist or non-Marxist origin, results from extending state to state relations to the wider arena of the global system. Instead of focussing upon relations between two or more states, the Dependency approach extends to the nature of relations between states at a higher level of interaction, by dividing states with common interests into separate camps such as the North and the South. The North is judged according to its past role such as the colonial ties with developing countries, leading to its present position in the international system.

Dependency theories become more important with their emphasis on the historical past of state-to-state relations as having a bearing upon contemporary international relations. The consciousness thereby raised regarding the limited capacity of developing states to break out of these constraints, can be directly applied to discourage developmental strategies that lack an appreciation of the special needs of Third World countries.

---

<sup>28</sup>Brown, Development and Dependency, 62.

A significant outcome of these views has been the provision of a response to traditional Western approaches of international relations, which have by and large used concepts of power, security and/or liberal economic ideas to analyse issues. New and more relevant terms of reference have been introduced in the analysis of Third World related issues, such as the examination of colonial historical dimensions, patterns of economic development specific to Third World countries, and the use of social factors in explaining barriers to development. The non-Marxist ideas have been important in defining the ways in which Third World countries can develop while remaining within the current international system. They have tried to identify common interests between the North and the South in terms of avenues for mutually beneficial industrial production, raw materials supply, expansion of trade, and transfer of technology.

These ideas emerging from a reformist perspective on the international system cannot be underestimated, because they draw attention to the fact that while the Northern countries are economically far better off than the Southern countries with the exception of a few special cases (oil producers etc.), yet there is a need to attend to common issues where the North cannot maintain an absolute independence from the South.

On the other hand, Marxist ideas, although for the most part ignoring the case for a systemic improvement of the capitalist system on the grounds that such an exploitative order cannot be

reformed, have also addressed important areas which were previously given little attention. The emphasis on class structures in societies has focussed attention on the role of dominant classes within states and their influence on state-to-state relations. The important argument here underlines the priority given by those classes to similar classes beyond their borders as opposed to their own people and state.

According to Gabriel Palma, there are three major concerns in the Marxist theory of capitalism, which help to provide some general focus to the Marxist thought.<sup>29</sup>

These concerns are:

1) The development of the economic and class structure of advanced capitalist societies and the resultant factors which drive them to geographical expansion of their economies. There is also a related concern attached to the relations between such societies.

2) The economic and political relations between advanced nations and backward or colonial nations within the world capitalist system.

3) The development and economic and class structure in the more backward nations of the capitalist system (particularly the way in which their dynamic is generated through their particular modes of interaction with the advanced countries).

-----  
<sup>29</sup>Gabriel Palma, "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment", World Development, 6, No. 7/8 (1978), 885.

Palma's ideas help to provide a general focus on the important issues that have been raised by the Marxists.

For a closer analysis of Dependency theories, I am now going to examine some of the criticisms of these ideas. First, the impoverishment of the South on the basis of its historical relationship with the North becomes a weak argument when viewed in the absence of solid statistical data. Here, the weakness of the South could also be due to domestic factors other than its relationship to the North.<sup>30</sup> Second, Dependency theories face difficulty when confronting Third World situations where rapid development has occurred, such as South Korea, Japan, Taiwan and some of the other newly industrialised countries. Since Dependency theories generally account for the poverty of the South on a global basis, rapid development would not have been achieved anywhere if this argument were valid.<sup>31</sup>

Finally, while the Southern countries have demanded a restructuring of the international system, there is nothing to suggest that even if the North carried out those sweeping reforms, that the resultant benefits would essentially eradicate

-----  
<sup>30</sup>For a critique of the Southern view, see Peter T. Bauer "Western Guilt and Third World Poverty," The First World and the Third World: Essays on the New International Economic Order ed. Karl Brunner, (New York: University of Rochester, 1978)

<sup>31</sup>For a reference on the critique of Dependency theories, see Higgott et. al 'Theories of development and underdevelopment: implications for the study of Southeast Asia' in Richard Higgott and Richard Robison (ed.) Southeast Asia: Essays In The Political Economy Of Structural Change (London: Routledge & Kegan Paul, 1985) 31-37; also see Hermann Sautter 'Underdevelopment through Isolationism? Dependency Theory in Retrospect' Intereconomics July/Aug. 1985

poverty from the South. It may simply result in more wealth for the elite. It could also be argued that these demands are meant to divert attention from Southern countries' domestic issues towards international issues. While those domestic factors may be more relevant, they may be overlooked in a concerted Third World effort to search beyond their frontiers for the causes of their impoverishment. <sup>32</sup>

The weakness of the non-Marxist views emerges from their emphasis on a shared interest between the North and the South. They have made such arguments by using a number of examples such as the rise of O.P.E.C. (Organization of Petroleum Exporting Countries) and its impact on the world economy. Critics have, however, pointed to the identification of such a shared interest as naive, and the use of O.P.E.C.'s example as a short lived temporary phenomenon which is unlikely to be followed in any of the other commodities.

In view of the South's inferior economic and political strength, it is difficult to see how such a bond of mutual interest would be successfully established. On the other hand, a concerted Third World attempt to enhance Southern unity and to promote their collective strength, may be a way to improve the possibility of their success. I will discuss this area in further detail in chapter 4 where I will discuss the possibility for furthering South-South cooperation.

-----  
<sup>32</sup>Higgott et. al. Southeast Asia:Essays In The Political Economy of Structural Change 182



On the other hand, the Marxist view that capitalism is the root of the problem, and that a Socialist order would better serve the interests of the South, can be criticised on the grounds that there is no assurance that such a changed relationship, would itself be sufficient to eradicate the structural hierarchy and would not instead make the Third World dependent upon the Socialist bloc. In fact, one could use the example of Cuba as a close Soviet ally, which is dependent on the Soviet Union for supporting its economy and providing markets for Cuban exports.

Marxist ideas can also be questioned on the grounds that they assume a far greater common interest between developed states than is actually the case. The emphasis on historical conditioning of dominance and dependence relations from a Marxist perspective may not be valid for a country such as Sweden, which is undoubtedly developed but has never been a colonial power.

The Marxist prescription for a revolutionary change as a result of social conflict due to the disparities generated from capital accumulation within societies, may itself be questionable. Alternatively, it could be argued that capitalism has generally flourished in the international system, and there are few signs that it would generate large scale social conflict.<sup>33</sup>

-----  
<sup>33</sup>For a discussion of Dependency theories including salient aspects of the Marxist approach, see Richard Fagen, "A Funny Thing Happened on the Way to the Market: Thoughts on Extending

In a final analysis, despite some shortcomings, one has to acknowledge the sense of direction given by Dependency theories to the anticolonialist rhetoric of the 1950s and the 1960s, and the NIEO claims of the 1970s and 1980s. The initiation of a discussion related to Third world developmental questions has focussed attention to concrete areas mainly related to international economic affairs. The acceptance of this approach alongside traditional concepts of analysis in international relations is itself an indication of the validity that it has received in scholarly circles.

Perhaps a more fundamental benefit of this discussion has been its focus on international power configuration. The division of the world between a prosperous North and a impoverished South demonstrates the superior ability of the North to influence the system. While writers in the reformist-interdependence tradition of Dependency writings have emphasized the ties of mutual interest between the North and the South, even they accept that sweeping systemic changes can be introduced only if the North were to actively engage in such a pursuit.

Therefore, the debate continues to extend beyond the present to the desirable state of the Third World countries, and becomes a debate about the Third World's capacity to overcome the asymmetries in its relationship with the Western world. The

-----  
<sup>33</sup>(cont'd) Dependency Ideas," International Organisations 32, No.1, (1978), 287-300

debate inquires into the power capability of the South and examines the prospects for forcing change. Such a question can be examined in the light of an assessment of practical attempts by Third World countries to reform the international order.

The most comprehensive attempt in this direction has been the demand for a NIEO. While various other attempts were made in the 50s and the 60s to introduce change, the example of the NIEO in the early 70s stood out because it was fuelled by the first major Third World success in altering the international economic power structure through the oil price rise of 1973. It is this challenge to the existing power structure by Third World countries that I would like to examine in the next Chapter.

## CHAPTER II

### THE NEW INTERNATIONAL ECONOMIC ORDER

The introduction and the previous chapter have discussed the emergence of the Third World as a new bloc in the international system and the motivation for its demand to transform the international order. Some variants of Dependency theory were discussed to highlight the salient aspects of this approach, and to derive some general conclusions about its applicability to the idea of a Third World coalition in International Affairs. While the concept of Dependency underlines limitations on the capacity of the Third World to change the international order, these countries have also taken various initiatives since their decolonisation to reduce or eliminate these constraints.

The demand for a New International Economic Order (NIEO) has been one such initiative. The set of demands labelled the NIEO called for the establishment of a just world trading order which gave access for Third World exports to First World markets, a restructuring of the international monetary order to cater to the Third World's need for more liquidity, increased Northern aid to the South and greater accountability of international investments in Third World countries. The NIEO demand was based on the belief that the world as it is does not cater to Third World needs. Therefore, a restructuring of the international order is essential to accommodate the Third World. It is the purpose of this chapter to examine the demand for a NIEO as a

Southern attempt to change the international order while remaining within the North-South structure of relations.

### The Third World coalition in the 60s

The Third World's desire for restructuring the international order had been earlier articulated in the 60s at conferences of the Non-Aligned movement, meetings of the Group of 77 and UNCTAD (United Nations Conference on Trade And Development).<sup>1</sup> A brief survey of the emergence and activities of the Group of 77 and UNCTAD during the 1960s should help to highlight the Third World's initiatives to achieve its desired goals through these two major forums.

The Group of 77 was established as a caucus of developing countries to lobby at various international forums for the realisation of Third World interests. Initially, there were 77 members, which gave the group its name. The membership later rose to over 100 countries. The group's first appearance was marked when its 77 founder members cosponsored a joint declaration on behalf of the developing countries at the United Nations General Assembly in 1963. They demanded a reform of international trade in order to create a system that provided a

-----  
<sup>1</sup>For a reference to Non-alignment and issues related to economic development, see Peter Willetts The Non-Aligned Movement: The Origins of a Third World Alliance (London: Frances Pinter, 1978) 27 - 28; For a brief reference to the Third World's views as expressed at the Group of 77, see Philippe Braillard and Mohammad Reza Djalili The Third World and International Relations (London: Frances Pinter, 1986) 162-165.

fair distribution of international resources. By 1964, the group established itself as a visible entity in the international arena.<sup>2</sup>

The Group of 77 played a central role in pushing for the introduction of a GSP (Generalised System of Preferences). The proposal for a GSP was initiated at UNCTAD-I in 1964. It was meant to provide preferential access to Southern goods in Northern markets. By the time that UNCTAD-II was held at New Delhi in 1968, an agreement in principle had been reached between the North and the South to introduce a GSP. However, it could not be implemented by 1971 despite the earlier agreement.

The difficulty lay in the failure of the North and the South to agree on the types of preferences and the establishment of a framework for their implementation. The GSP was later finalised after the Tokyo round of GATT (General Agreement on Tariffs and Trade) which ended in 1979. However, it still left the developing countries dissatisfied, as they did not recognise it a meaningful change in the existing international trading order.<sup>3</sup>

-----  
<sup>2</sup>For a brief discussion of the evolution of the Group of 77, see Karl P. Sauvant The Group of 77 - Evolution, Structure, Organisation (New York: Oceana, 1981) 1 - 3

<sup>3</sup>For a brief discussion of the Group of 77 and the GSP, see Joan E. Spero The Politics of International Economic Relations (New York: St. Martin's Press, 1985) 236-7; For a further discussion of the demand for a GSP and brief analysis of the reasons for the failure of Group of 77 in achieving this objective, see Robert L. Rothstein The Weak in the World of the Strong: The Developing Countries in the International System (New York: Columbia Univ. Press, 1977) 148 - 154

On the other hand, UNCTAD was a useful step in that it provided a forum for the North and the South to hammer out their differences. The first UNCTAD was called at Geneva in 1964 after an earlier decision to this effect at U.N. ECOSOC (Economic and Social Council) in 1962. UNCTAD was established in 1968 as a permanent institution with an office in Geneva. Raul Prebisch became its first Secretary-General and his views came to influence the organization's agenda.

His belief about the decline in the terms of trade between the developed and developing countries led to an emphasis on using international trade as an instrument of economic development in the Third World.<sup>4</sup> The measures suggested at the outset of UNCTAD were meant to improve export competitiveness of the Third World's primary goods, to diversify its exports by including manufactured goods, to gain better access to world markets. The measures saw international trade as an important instrument for development.

Finally, Third World countries were considered justified in protecting their domestic industries from the impact of Northern exports. This was considered necessary on the grounds that Third World industries were passing through a stage of infancy in economic development, a situation which required such

-----  
<sup>4</sup>For a brief discussion of Prebisch's view, see David H. Blake and Robert S. Walters, The Politics of Global Economic Relations 3rd.ed., (New Jersey: Prentice-Hall, 1987) 39-49; For a discussion of the emergence of UNCTAD, see Rothstein The Weak in the World of the Strong: The Developing Countries in the International System 143 - 146

protection.<sup>5</sup> As mentioned earlier, a major achievement of UNCTAD-II at New Delhi in 1968 appeared to be an understanding between the developed and the developing countries, on the creation of a GSP (Generalised System of Preferences). However, the agreement could not be implemented until UNCTAD-III at Santiago, Chile, in 1972. Even then UNCTAD-III produced only minor results, while no major changes were recorded in the principal areas of trade, aid or monetary affairs. One writer quotes a delegate as describing this conference to be a 'gigantic farce'.<sup>6</sup>

Almost a decade after the emergence of the Group of 77 and UNCTAD, the developing countries were unable to force the developed countries to introduce the desired reforms. At UNCTAD, the forum where representatives of developing and developed countries had met, despite the arguments from the Third World for the introduction of major reforms, the conference did not take a clear position.

One principal reason for the Third World's failure was that the First World did not have anything to lose by refusing to comply with these demands. The dialogue seemed to involve a group of weak countries which could only hope that the strong countries would voluntarily comply. However, the Third World's

-----  
<sup>5</sup>For a discussion of UNCTAD's objectives at the time of its establishment, see Michael Zammit Cutajar (ed.) UNCTAD and the South-North dialogue; the first twenty years (Oxford: Pergamon press, 1985) 10 - 19

<sup>6</sup>Charles A. Jones The North-South Dialogue: A Brief History (London: Frances Pinter, 1983) 29-30



weakness seemed to have turned to strength, as the oil price rise of 1973 hit the Western world.

### The Oil Shock of 1973

The heavy dependence of Western industrialized world on oil as its principle source of energy is a development of the post second world war period. During this time, Eastern European Communist countries also became reliant on oil imports from the Soviet Union. After the war, the U.S. was able to meet most of its demand through domestic sources but was unable to provide oil to its European partners. Western Europe and Japan had to rely increasingly on imported oil in order to successfully engage in a rebuilding programme.

Prior to the war, Western Europe and Japan depended mainly on locally extracted coal as their principle source of energy. The war severely damaged the coal industry. Coal fields were either destroyed or ran out of production due to a lack of capital investment and maintenance. After the war, Japan was supplied with some cheaper oil provided by the U.S. oil companies.

As part of a rapid economic and industrial reconstruction programme, the Middle-East became an important source of oil supply. The oil deposits there were found to be extensive, labour was cheap and the local governments were willing to invite Western companies to expand their interests. As a result

of its shift in its pattern of energy consumption, Western Europe became increasingly dependent on Middle Eastern oil.<sup>7</sup> By 1955, oil imports accounted for over 24% of Western Europe's energy consumption. This figure rose to over 62% by 1970 and over 64% by 1973. In Japan's case imported oil accounted for over 59% of total energy consumption by 1963 and it rose to over 85% by 1973.<sup>8</sup>

Although the non-Communist world's dependence on Middle-Eastern oil continued to rise during the postwar years, the major oil companies maintained their influence over domestic production facilities in Arab countries. The nationalism of the 1950s which swept across the Third World had some influence over oil producing countries. The growing determination of developing countries to take charge of their own affairs led to the formation of OPEC in 1960.

Oil producing countries began insisting on a larger share of the oil profits which till then had mainly benefitted the leading oil companies. OPEC's first few years were not a major success in terms of a radical shift of power in favour of the producers.<sup>9</sup> The first indication of the oil producer's determination to change the existing arrangements came with the

---

<sup>7</sup>For Europe's and Japan's increased dependence on Middle-Eastern oil, see Steven A. Schneider, The Oil Price Revolution (Baltimore: John Hopkins, 1983) 49 - 56

<sup>8</sup>ibid. 106 - 7

<sup>9</sup>For a reference on the formation of OPEC, see Peter R. Odell Oil And World Power 7th.ed., (Suffolk: Penguin, 1983) 9 - 23

Libyan government's decision to unilaterally raise the price of its oil in 1969. The oil companies in Libya complied rather than confronting this action. Libya's success in dealing with the international oil companies not only demonstrated the oil producer's ability to change the existing arrangements, but also laid the foundation for future price rises.<sup>10</sup>

The Libyan action prompted other Middle-Eastern producers to renegotiate their terms of agreement with the oil companies. Two rounds of multilateral negotiations took place in Tripoli (Libya) and Tehran (Iran) during 1971. Some improvements were made in the existing terms and conditions in order to benefit the producers. While the Western countries were already dependent on Middle-Eastern oil, this dependence increased with the rising influence of oil producing countries on supply and pricing policies.

The process of oil supply from the Middle-East which began as an economic necessity for the Western world, became politically important with the outbreak of the Arab-Israeli war in 1973. OAPEC (Organization of Arab Petroleum Exporting Countries) as a sub-group in OPEC consisted of members which shared a large portion of the total oil supplies. These Arab countries were angered by the Western world's support for Israel. They announced embargoes on oil sales to the U.S., the Netherlands and Portugal. Their willingness to impose the embargo appeared to be a major threat to Western interests.

-----  
<sup>10</sup>ibid. 216 - 17

While this embargo was lifted three months later, OPEC countries raised the oil prices fourfold, sending the world economy into turmoil. According to one writer, while this action appeared to be an immediate outcome of the Arab-Israeli war, it was also inspired by the strong sense of nationalism generally experienced in the Third World during the post war years. It was this feeling of nationalism that inspired Third World support of OPEC's action.<sup>11</sup>

No country except the oil producers survived the effects of steep inflation and serious difficulties in maintaining national energy consumption policies. This experience demonstrated to the Third World the benefits that could be derived if producers of raw materials would take unified action. It was a widely shared belief that further benefits could also be derived if Third World countries took similar action in support of their other exports such as minerals and raw materials.

According to one observer:

".....OPEC's success in creating an intergovernmental cartel was the first amongst producers of primary products at an international level. Thus, it seemed likely at one stage to provide a model for the producers of other commodities, such as bauxite and copper, which were also not only essential to the economies of the world's industrial nations, but whose large-scale production was restricted to a relatively small number of developing countries".<sup>12</sup>

---

<sup>11</sup>Mason Willrich, Energy And World Politics (New York: The Free Press, 1978) 23 - 4

<sup>12</sup>Odell, Oil And World Power 218

The enthusiasm generated by the oil price rise and the similar possibilities which were envisioned in other areas, prompted Third World countries to seek global reforms. In brief, this became the most important component in motivating the Third World's demand for a New International Economic Order.

### The New International Economic Order

The OPEC action for the first time demonstrated that Third World countries had the ability to force the Western world into compliance. The vulnerability of the Southern countries seemed to be waning. Their success was believed to mark the beginning of a new era, where their demands stood a better chance of success. This success was translated into enthusiasm as it was carried on to the Non-Aligned Movement's summit at Algiers in 1973. Algeria, which assumed the movement's chairmanship, proposed a resolution at the U.N. general assembly's special session in 1974 which underlined the Third World's demands. This resolution became more familiar as the document which outlined the demand for a New International Economic Order.

In an opening reference, it said:

"The developing countries which constitute 70 percent of the world's population, account for only 30 percent of the world's income. It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent states and which perpetuates inequality. The present international economic order is in direct conflict with current

developments in international political and economic relations." <sup>13</sup>

Some of the important areas that the NIEO demands mentioned were as follows:

1/ They questioned the existing arrangements for international trade and called for new measures to stabilize the prices of Third World exports such as raw materials and primary goods. Part of this proposal was based on the demand for creating an IPC (Integrated Programme of Commodities).

2/ These countries demanded a greater role in managing international institutions related to finance, economic affairs and development. These included major institutions such as the I.M.F. and the I.B.R.D. They also demanded increased liquidity (more SDRs) at the I.M.F. to support their developmental needs.

3/ They demanded greater freedom to regulate the activities of Western based multinational corporations with large operations in developing countries. It was argued that such corporations undermined developing countries' economic and political interests.

4/ They demanded the rapid and free transfer of modern technology to developing countries, in order to support their attempts at industrialization.

---

<sup>13</sup> A New International Economic Order Vol.II, selected documents 1945-1975 (New York: UNITAR, 1975) 891

5/ The NIEO demands placed a great emphasis on increased Western aid to developing countries. This demand was motivated by the decline in Western aid to these countries since the mid 1960s.

These demands were later incorporated in the Charter of Economic Rights and Duties of States. This charter was strenuously opposed by the Western countries. When it was voted upon in November 1974 at the U.N. General Assembly, 120 nations voted in its favour, while 6 voted against it and another 10 abstained. These last 16 were all Western industrialized states. Joining the United States in opposing the charter were Belgium, Denmark, West Germany, Luxemborg and Great Britain.

The states which abstained were Austria, Canada, France, Ireland, Israel, Italy, Japan, Netherlands, Norway and Spain.<sup>14</sup> Two major arenas in the mid and late 1970s followed up on these demands. They were the CIEC (Conference on International Economic Cooperation) and two of the UNCTAD conferences. The Third World countries failed to force the Western world to meet these major demands. It is essential here to examine the course of these negotiations in support of further analysis.

-----  
<sup>14</sup>For a brief reference on the voting pattern of countries at this session, see Robert A. Mortimer The Third World Coalition in International Politics (Boulder: Westview, 1984) 59

## Negotiating the NIEO

The Western world responded to the oil price rise by looking at ways to deal with this threat. The U.S. as the leader of the Western alliance, took the initiative and called a conference of 13 major Western oil consumers at Washington in February 1974. The meeting produced an ambitious communique. It outlined measures for improving oil and energy conservation, and stressed on the development of alternative means of energy in order to reduce dependence on imported oil.

The IEA (International Energy Agency) was formed later that year. Its objective was to coordinate the Western world's energy policies. While the U.S. encouraged its allies to confront OPEC, European countries most notably France disagreed and insisted upon initiating a dialogue with the developing countries. The Western Europeans' response was partly a product of their higher dependence on imported oil. The European position helped in initiating the CIEC (Conference on International Economic Cooperation) which was launched at Paris in 1975. It was a multilateral forum to discuss and solve North-South differences as opposed to confronting the South.<sup>15</sup>

-----  
<sup>15</sup>For a reference on the U.S. response to nationalization of oil companies' assets and the price rise, see Stephen D. Krasner Defending the National Interest; Raw Materials, Investments and U.S. Foreign Policy (Princeton: Princeton University Press, 1978) 260-9; For a discussion of the Western world's response to the oil crisis of 1973, see Wilfrid Kohl 'The United-States, Western Europe and the Energy problem' Journal of International Affairs 30, no.1, (1976)



This dialogue continued for 18 months. It ended in failure in June 1977. The Group of 19 representing the developing countries and the Group of 8 representing the developed countries left the conference without any major agreements. The developing countries failed to receive any major commitments on the areas of international fiscal and monetary affairs. The developed countries failed to receive any assurances on future oil pricing and supply policies.

Some limited progress was made on commodity price stabilization, foreign aid transfers from the North to the South, and Northern commitments to establish a special fund to meet the needs of the poorer countries. The North agreed to underwrite a common fund to finance buffer stocks for certain raw material exports of developing countries. This result however fell far short of the sweeping reforms demanded by the South.<sup>16</sup>

The North agreed to make an effort to raise its foreign aid commitment to the South to a minimum of 0.7% of each donor countries' GNP, a figure which was earlier established by the United Nations. The record in later years demonstrated that this level was never achieved except in the case of some Scandinavian countries. The North also agreed to provide a sum of one billion U.S. dollars for the special action programme to provide

-----  
<sup>16</sup>For a discussion of the CIEC and an analysis of its outcome, see Jehangir Amuzegar 'Requiem for the North-South conference', Foreign Affairs 56 (1977); also see Schneider The Oil Price Revolution 270-1

assistance to the LDCs. This amount, which included some aid pledges already being negotiated, fell far short of Southern expectations. The South expected the conference to conclude with a firm acknowledgement of its needs, backed by a commitment for appropriate action to redress these anomalies. However, little progress was made in the crucial areas of international trade and monetary arrangements. <sup>17</sup>

According to Amuzegar,<sup>18</sup> the two sides took divergent conceptual views of the situation, which undermined progress. The developed countries assumed that they could unite and successfully confront the South. The developing countries overemphasized the strength of the oil producer's cartel, and believed that they had unwavering support of the world's public opinion due to the strength of their arguments. Given these differences and a rigidity on both sides, the results were minimal.

While the CIEC negotiations were going on, the fourth UNCTAD conference (UNCTAD-IV) was held at Nairobi in May 1976. Some of the earlier NIEO demands were repeated here. This was meant to influence world public opinion as well as the ongoing CIEC negotiations. UNCTAD-IV addressed various issues which were of concern to the South. These demands included those which called for the removal of impediments to transfer of modern technology

-----  
<sup>17</sup>For a reference on the aid levels from the major Western donors to the South, see Guy Arnold Aid and the Third World: The North/South Divide (London: Robert Royce, 1985) 38-44

<sup>18</sup>Amuzegar, 'Requiem for the North-South conference' 150-1

to the South, special measures to aid LDCs and landlocked countries, and removal of barriers to Third World exports. Southern countries also demanded a higher profile at institutions such as the United Nations. UNCTAD-IV did not have a major influence on the ongoing CIEC negotiations.

In a second attempt to boost the NIEO after the failure of the CIEC, UNCTAD-V was held in Manila in May, 1979. The key objective here was the resolution of the key differences between the North and the South, in an attempt to proceed with further negotiations. The developing countries intended to seek major trade and monetary reforms. According to Morbach, the outcome was a disappointment for the developing countries as the results were just 'modest'.<sup>19</sup>

He identifies two key areas in dispute, which undermined progress. First, the demands of the developing countries were vigorously opposed by the developed countries. Second, the developing countries insisted on major structural changes in developed countries, which the latter refused. Considering that all the power lay with the developed countries, the developing countries could not force any changes. The high hopes which emerged in the early 70s were dashed by the time that these negotiations ended. It was realised that despite the oil price rise the North still had the strength to resist pressure from the South. In due time it was recognised that the case of oil

---

<sup>19</sup>Reiner Morbach, 'The Results of Manila', Intereconomics, 14 (July-August 1979) 163-167

was an exception rather than becoming the norm for the South. The lack of progress at these negotiations revealed three aspects related to the limitations faced by developing countries.

First, it was realised that the success of the oil producers did not necessarily establish a precedent for other exporters of raw materials. As earlier discussed, the success of oil producers had more to do with the dependence of the Western world on this commodity, than a fundamental change in the division of power between the North and the South. This dependence was not necessarily the case with other raw materials. The success of oil as a weapon was also due to absence of suitable substitutes, while such substitutes were available in the case of many other raw materials like textiles and some metals.

Second, the NIEO demands asked for increased disbursement of Northern aid to the South. However, the rich oil producers who were part of the Third World coalition disbursed their bilateral assistance to countries which shared their ideological and political leanings. Primarily, these donors were the Arab countries who were accused of dispensing larger amounts in aid to other Islamic countries. This practice became the subject of criticism from the North. It was argued that if richer countries of the South did not meet their obligations by assisting the poorer countries, then it was unreasonable to expect the North

to demonstrate a better performance.<sup>20</sup> Finally, the 80s have been an era of OPEC's decline in influence as opposed to its high days of the 70s. This has happened due to the development of alternative oil production facilities in Western non-OPEC countries such as Britain and Norway. Various energy conservation measures in the West also resulted in lower than expected oil consumption. These developments have led to a decline in oil prices.<sup>21</sup>

These developments undermined the Southern influence of the 1970s. While at the time of the NIEO it seemed that the experience with OPEC could force the North to accept its demands, it became increasingly clear in later years that this was not possible. With the decline of Southern influence in the 80s, there was now even less reason for the North to negotiate on the South's terms.

The NIEO experience provided a focus for a closer examination of North-South relations. It was realised that the Northern response to meeting Southern needs was more a product of Northern needs than of altruism or a realisation of the South's plight. When the North did respond to Southern demands such as participating in the CIEC or the UNCTAD conferences, it was largely an exercise to safeguard Northern interests.

-----  
<sup>20</sup>For a reference on this criticism, see Shireen Hunter OPEC and the Third World (London: Croom Helm, 1984) 57-77

<sup>21</sup>For a reference on this aspect, see Peter R. Odell Oil and World Power 245-262

As earlier mentioned, the experience with foreign aid is one indicator of this record, which will be discussed in the next chapter. The case of U.S. aid to Pakistan and Tanzania will be used to make the point that Pakistan has been a favoured recipient of economic assistance due to its position as a strategic Western ally, as opposed to Tanzania which lost favour due to its Socialist policies. And, aid did not make a major contribution to the economic development of either country.

In the case of Tanzania, aid flows were not sufficient to help in the successful implementation of developmental policies. In the case of Pakistan, while larger amounts were provided in aid, a significant portion of these flows came in the form of military assistance. Some of the allocations for economic development were primarily given to support strategic interests, such as the development of some of the road communication networks.

## CHAPTER III

### FOREIGN AID IN FOREIGN POLICY : ALTRUISM OR SELF INTEREST

The discussion of foreign aid is important in an examination of North-South relations. Postwar developmental experts prescribed it as a crucial part of their developmental strategy for the South. At first it appeared that the North would give significant amounts of aid to Third World countries. Southern countries became more important as the cold war set in, which encouraged the superpowers to attract Third World allies. The winning over of Third World allies became an important part of the superpower ideological confrontation.

According to Jonsson the 'fluid' Third World also appeared to be attractive, because the shift of confrontation there reduced the risk of a direct nuclear confrontation between the two superpowers.<sup>1</sup> This scenario resulted in large flows of aid to some Third World countries in the 50s and the 60s. The initiation of Detente in the 60s was partly responsible for the declining aid levels. The decline was partly also a result of the failure in achieving development, and increasing the donors' influence in recipient countries.<sup>2</sup>

Therefore, foreign aid can primarily be seen as a means of achieving foreign policy goals by Western donors as opposed to

-----  
<sup>1</sup>Christer Jonsson Superpower; Comparing American and Soviet Foreign Policy (London; Frances Pinter, 1984) 108

<sup>2</sup>ibid. 135-139

seeking developmental goals in recipient countries. Third World countries have also criticised this pattern because it is contrary to the argument that foreign aid is largely motivated by the North's altruistic desire to assist the South. This pattern needs a rethinking of the idea that Northern donors will step up their development assistance to benefit Southern countries, irrespective of the recipients' political and strategic significance.

This means that the extent of the donors' commitment to the recipient will primarily be a result of the recipient's political and strategic significance as opposed to economic needs. If foreign aid is allocated according to strategic rather than economic considerations, it cannot be relied on as a means to improve economic conditions in underdeveloped countries. While this pattern may not be true for all donors, it holds true for some of the larger donors such as the U.S.

This is important since the policies of the U.S. have had some influence on policies of other donors. This influence has been derived by the U.S. at times from having been the largest donor among the developed countries, and from providing aid in order to defend the liberal values of the First world as a whole, by encouraging measures to discourage the spread of communism. Third World countries have also criticised the overall level of development assistance and pointed towards a decline in real terms. Some Western countries such as the Scandinavian countries have emerged as significant donors to



poorer countries. However, most donors still donate less than 0.7% of their GNP in foreign economic assistance. Therefore, their donations fall short of the minimum level suggested by the United Nations and demanded by Third World countries at various forums. <sup>3</sup>

In their demand for a NIEO, Third World countries sought a major increase in the levels of aid. They also demanded that aid disbursements should flow through multilateral channels, in order to prevent donors from using aid as an instrument of their foreign policies. The fact that their demands were never met by a majority of the donors, has led to criticism of the Northern aid policies. Hence, foreign aid remains of central importance to the North-South dialogue. According to Arnold:

"Aid is perhaps the most visible and obvious expression of whatever North-South dialogue actually exists. It is concrete and represents precise action; it involves a flow of resources-both financial and of people-between rich and poor....."<sup>4</sup>

Criticisms of foreign aid have been based on a decline in the levels of aid in real terms. There has also been a concern that a large donor such as the U.S. gives more to recipients where it has foreign policy and strategic concerns as opposed to recipients where such concerns do not apply.

-----  
<sup>3</sup>According to an OECD estimate, by 1985 a number of major Western donors fell short of achieving this target. See table 3.1 for details.

<sup>4</sup>Guy Arnold Aid and the Third World: The North/South Divide (London: Robert Royce, 1985) ix

Table 3.1

Official Development Assistance from OECD members(1960-85).

(as percentage of donor's GNP)

---

	1960	1965	1970	1975	1980	1985
Italy	.22	.10	.16	.11	.10	.26
UK	.56	.47	.37	.37	.38	.33
New Zealand	n.a.	n.a.	.23	.52	.49	.25
Japan	.24	.27	.23	.23	.30	.29
Australia	n.a.	.11	.07	.17	.19	.48
Netherlands	.31	.36	.61	.75	1.03	.91
France	1.38	.76	.66	.62	.63	.78
Belgium	.88	.60	.46	.51	.67	.55
German Federal Republic	.31	.40	.32	.40	.31	.47
Norway	.11	.16	.32	.66	.98	1.01
Denmark	.09	.13	.38	.58	.70	.80
Canada	.19	.19	.42	.54	.66	.49
USA	.53	.49	.31	.26	.26	.24
Sweden	.05	.19	.38	.82	1.00	.86
Switzerland	.04	.09	.15	.19	.17	.31

---

Source: OECD estimates as cited in Leslie Wolf-Phillips  
'Why Third World' Third World Quarterly Jan. 1979,  
1(1), 113. Figures for 1985 were cited in OECD  
Development Cooperation Report, (Paris:OECD, 1988), 68.

In this chapter, I will examine the overall motivation behind U.S. foreign aid during the post-war years. I will specifically examine the motivation behind U.S. aid to Pakistan and its response to Tanzania's development plans for the achievement of self sufficiency. These two cases will show that foreign aid is primarily a product of Northern foreign policy interests rather than of Southern countries' economic needs. This suggests that any substantial change in North-South economic relations is unlikely to occur as a result of the North's altruism. Change is more likely to occur when Northern self interest is seen to be tied much closer to the South's prosperity than it has been perceived to be in the past. This requires a rethinking of the possibility of further North-South cooperation unless Northern interests are involved.

### Cold war imperatives

At the end of the second world war the U.S. emerged as the leader of the Western alliance. Initially, the U.S. placed a high priority on establishing a liberal trading order for the postwar world, based on the belief that it was the economic nationalism of the 1930s which had brought about economic disaster through high trade barriers raised by various countries. <sup>5</sup> International financial institutions such as the

-----  
<sup>5</sup>For a reference on the U.S. view as expressed by Secretary of State, Cordell Hull see Richard N. Gardner Sterling-Dollar Diplomacy In Current Perspective: The Origins And The Prospects Of Our International Economic Order (New York: Columbia University Press, 1980) 6 - 12

IBRD (International Bank for Reconstruction and Development) and the IMF (International Monetary Fund) were set up to facilitate freer trade amongst countries. Although the reconstruction of war torn Europe was the highest priority, by 1946 the cold war set in. This triggered a variety of initiatives by the two superpowers to attract Third World allies.

In 1947, President Truman's administration proclaimed the 'Truman doctrine' which subsequently became part of the containment policy adopted by successive U.S. administrations. The containment policy assumed that the Soviet Union was engaged in an expansionist drive to encourage the emergence of Communist governments in other countries. The doctrine stated that the U.S. would take appropriate action to contain this Soviet threat. In March 1947, President Truman used the doctrine to justify asking Congress for approval of a major economic and military aid package to Greece and Turkey.<sup>6</sup> The Chinese revolution of 1949 and the Korean war of 1950-3 expanded the superpower confrontation from Europe to other parts of the Third World.

The ECA (Economic Cooperation Administration) was formed in 1948 to administer the U.S. foreign aid programme. Congress abolished the ECA in 1951 and replaced it with the Mutual Security Agency, thus placing greater emphasis on the belief

-----  
<sup>6</sup>Charles L. Robertson, International Politics Since World War II: A Short History (New York: John Wiley & Sons, 1966) 85-89 ; John G. Stoessinger, The Might Of Nations: World Politics In Our Time (New York: Random House, 1975) 163-165

that the international situation required a greater need for assisting militarily important foreign allies.<sup>7</sup> The MSA was replaced in 1953 by the Foreign Operations Administration and in 1955 by the International Cooperation Administration and the Development Loan fund. Foreign aid, first intended as a temporary feature of American policy, became a more permanent feature by 1955. The concern with the Soviet threat dictated policy formulation during Eisenhower's presidency from 1953 till 1961. Despite his initial preference for promoting trade with developing countries as opposed to expanding aid to them, Eisenhower later reconsidered his policy in the light of a perceived Soviet threat in Asia.

In April 1955, Eisenhower requested Congress to give \$200 million for the establishment of a President's Fund for Asian Economic Development. He sought these funds to provide for economic development in Asia, as a means to counter Communist expansionism.<sup>8</sup> It was a similar belief in a Soviet threat in Latin-America which encouraged the Eisenhower administration to request aid for that region in a National Security Council (NSC) directive on Latin America (NSC 5163) in 1956.<sup>9</sup> Summing up Eisenhower's record on foreign aid, Kaufman writes:

"The administration's determination to wean the Third World countries away from international communism and toward the West, particularly following the launching of

-----  
<sup>7</sup>Burton I. Kaufman Trade And Aid: Eisenhower's Foreign Economic Policy (1953-61) (Baltimore: John Hopkins, 1982) 1-4

<sup>8</sup> *ibid.* 53-54.

<sup>9</sup> *ibid.* 162-164

the Soviet economic offensive in mid-1950s, had largely determined the White House's foreign economic program".<sup>10</sup>

When John F. Kennedy became President in 1961, he sought to broaden the previous administration's policy of winning allies in exchange for foreign aid. While not denying the existence of the cold war he sought to shift the emphasis of the aid programme, to the promotion of self sustaining economic growth in poorer countries.

In his first message to the Congress on foreign aid, Kennedy said:

"(The) fundamental task of our foreign aid program in the 1960s is not negatively to fight Communism: Its fundamental task is to help make a historical demonstration that in the twentieth century as in the nineteenth, in the Southern half of the globe as in the North, economic growth and political democracy can develop hand in hand".<sup>11</sup>

Kennedy believed that economic aid could promote economic and social progress which would create situations which could be receptive to the American liberal ideas as opposed to Communism. This was believed to further the cause of democracy and freedom in developing countries. In March 1961 Kennedy initiated the 'Alliance for progress' to promote social and economic progress in Latin America. He considered democracy to be a very salient goal for his initiative. The emphasis on social and economic progress in support of a Western style democracy still fits in

---

<sup>10</sup>ibid. 207

<sup>11</sup>Robert A. Packenham Liberal America and the Third World (Princeton: Princeton Univ. press, 1973) 59

with U.S. strategic objectives. Such a goal can be considered as compatible with the objective of resisting Communist expansion in Third World countries.

However, in December 1961 partly motivated by the cold war emphasis in U.S. foreign policy that Kennedy decided to increase the U.S. military presence in Vietnam, and the U.S. also increased its counter-insurgency assistance to other parts of the Third World. This broadening of policy objectives to include security dimensions demonstrated the significance of security interests in determining U.S. foreign aid priorities.<sup>12</sup>

When President Johnson took office after Kennedy's assassination in 1963, he clearly demonstrated a preference for securing American security interests through increased aid to the South Vietnamese regime. By 1966 the U.S. was deeply involved in the conflict and a large portion of its foreign aid was being devoted to Vietnam. According to Packenham, up to 1966 or 1967 about 65% of American aid was used to promote long term economic and social progress and 20-25% to combat immediate and continuing security problems around the world. However, after 1966 due to increased expenditure in Vietnam, the proportion of worldwide U.S. economic aid used for immediate security purposes rose to 40%.<sup>13</sup>

---

<sup>12</sup>ibid. 82-85

<sup>13</sup>ibid. 87

By the late 1960s, partly due to the emerging U.S.-Soviet detente and partly due to the realization that economic aid did not always succeed in providing reliable Third World allies, the U.S. and the Soviet Union became less inclined to provide the same levels of economic assistance as they had provided in earlier years. In previous years, the Soviet Union trailed behind the U.S. in terms of its economic resources, which constrained its ability to compete with the U.S. in foreign aid disbursements. By 1971, the capacity of the U.S. was also being undermined due to its growing trade deficit and declining gold reserves.

In 1973 the U.S. foreign aid fell to a postwar record low of \$ 2.97 billion.<sup>14</sup> Some of the other members of the OECD (Organization of Economic Cooperation and Development) increased their aid, but this was offset by various economic factors including the oil price rise. According to the earlier cited OECD (Organization of Economic Cooperation and Development) estimate (see table 3.1), the U.S. official development assistance declined between 1965 and 1975 as compared to other member countries of the DAC (Development Assistance Committee), as a percentage of the GNP of donor countries.

With the election of the Carter administration in 1976, there was a new emphasis on increased aid to Third World countries in order to promote development. However, in spite of the rhetoric the record during the Carter years showed a greater

---

<sup>14</sup>Spero The Politics of International Economic Relations 195



tilt towards aid for countries which were vital for U.S. interest such as Israel and Egypt. American aid to Egypt was raised to \$ 1 billion annually in 1978 in support of the Camp David peace accord.<sup>15</sup> This was the same year that President Carter's proposed \$ 8.4 billion foreign aid bill was slashed by 13% by the Congress and cuts were also threatened of U.S. contribution to the World Bank.<sup>16</sup>

The record during the Reagan administration shows that the U.S. like a number of other OECD member countries had failed to reach the target of giving 0.7% of its GNP in foreign aid. This administration came to office at a time of greater financial restraints and increased emphasis on assisting key allies. While calamities such as the famine in Africa required increased assistance, priority was given to close allies.

According to a Strategic Survey of the London based International Institute for Strategic Studies, a U.S. administration proposal in 1986 to seek \$15.5 billion in foreign aid was cut to \$13.4 billion by the Congress. Key allies such as Israel and Egypt were kept completely immune from the cuts, while others such as Greece, Turkey, Cyprus, and Pakistan were protected from the most severe cuts. Many of the remaining countries suffered the consequences by facing reductions in the

---

<sup>15</sup>For a reference on aid to Egypt, see Guy Arnold Aid in Africa (London: Kogan Page, 1979) 200

<sup>16</sup>ibid. 82

order of 30% to 50%.<sup>17</sup> This record shows that while economic aid may at times be influenced by humanitarian concerns, yet primacy in aid disbursement is given to those recipients where political or strategic interests are prominent. The following case studies which examine the pattern of U.S. aid to Pakistan and Tanzania, look at the subject in some detail.

### Pakistan: An important ally

Pakistan and India were born with a conflict which has soured bilateral relations, triggered three major and a number of minor conflicts in their brief history, and has spilled over to a number of other areas of disagreement. When the two countries became independent in 1947, the conflict related to the division of the state of Kashmir led to their first encounter just a year later. The result of the 1948 Indo-Pakistan war was inconclusive, and the issue has continued to divide the two countries.

In the first year after independence, Pakistan sought support for its cause from the world community at large. Pakistan needed this support because it was smaller in size and population than India. Its economic and technological resources were limited, which undermined its ability to match India's defence potential. Therefore, it could not take on a larger adversary alone. It was frustrated in its efforts to receive

-----  
<sup>17</sup>Strategic Survey(1986-87). (London: International Institute For Strategic Studies, 1987) 81

support from the international community at large including other Islamic states.<sup>18</sup>

This quest for external support continued in the early 1950s up to the time that the U.S. expressed its determination to contain what it saw as an advancing Soviet threat to the free world. As a result the U.S. Secretary of State John Foster Dulles toured various countries in Asia, seeking their participation in U.S. backed military alliances designed to contain the Soviet threat. By 1953, there emerged a similarity of interests between the U.S. and Pakistan.

The U.S. found Pakistan an attractive ally due to its geographical location at the periphery of the Soviet Union. Pakistan found the U.S. an attractive ally, willing to provide large amounts of military and economic aid. Pakistan hoped that the U.S. would support Pakistan's position on Kashmir.<sup>19</sup> As a

-----  
<sup>18</sup>For Pakistan's vulnerability in its defence and economic potential at the time of its independence, see Keith Callard Pakistan's Foreign Policy: An Interpretation (New York: Institute of Pacific Relations, 1959) 8-13; On Indo-Pakistan conflict prior to their independence, esp. the background of differences leading to the Kashmir conflict, see Sumit Ganguly The Origins of War in South Asia: Indo-Pakistan Conflicts Since 1947 (Boulder: Westview Press, 1986) 17-27; For Pakistan's failure to receive support from other Islamic states, see Norman D. Palmer "Pakistan: The Long Search for Foreign Policy" in Pakistan: The Long View ed. Lawrence Ziring, Ralph Braibanti and W. Howard Wriggins (Durham, N.C.: Duke University Press, 1977) 423-426

<sup>19</sup>For Pakistan's alliance with the U.S. and its relations with the two superpowers, see Pervaiz Iqbal Cheema Conflict and Cooperation in the Indian Ocean: Pakistan's Interests and Choices (Canberra: Australian National University, 1980) 36-39; For further discussion on Pakistan's interest in becoming a U.S. ally, see Mohammad Ahsan Chaudhari Pakistan and the Great Powers (Karachi: Mirror Press Ltd., 1970) 18

result of Pakistan's newly found place in the American-backed system of alliances, the country received large sums in U.S. military and economic aid. According to one estimate, by 1965 Pakistan had received between \$ 1.5 and \$ 2 billion in military aid from the U.S. This was in addition to \$ 3 billion that was received in economic aid.<sup>20</sup> These transfers were a direct result of Pakistan's entry into SEATO (South East Asia Treaty Organization) and CENTO (Central Nations Treaty Organization) in 1954. Pakistan also became a member of the RCD (Regional Cooperation for Development) alongwith Iran and Turkey. Furthermore, Pakistan agreed to provide a military intelligence base at Peshawar, which was used for American intelligence gathering U-2 flights over the Soviet Union and flying onwards to Norway.

One such flight was shot down by the Soviet Union and its pilot was captured. Pakistan's relations with the Soviet Union deteriorated considerably in the 60s as a result of its support for the U.S. Pakistan's example of military aid from the U.S. also demonstrates that part of the reason for a large flow of weapons to Third World countries, lies with the priorities of Third World governments too. While the super-powers may have an interest in attracting Third World allies, in many cases it is the Third World countries which encourage these transactions.

Although the U.S. and Pakistan drew closer in their alliance, it became evident that the U.S. had no desire to

-----  
<sup>20</sup>Chaudhari, Pakistan And The Great Powers 33

provide the kind of strong support that Pakistan wanted to strengthen its case on the Kashmir dispute. In 1960 the newly elected Kennedy administration sought better relations with India, recognising that country's importance in Asian affairs. However, the major test for the U.S.-Pakistan alliance came in 1962. The U.S. increased its arms supply to India after the brief Sino-Indian war of 1962 despite Pakistani objections to this policy. Any gains that Pakistan may have attained from the U.S. transfer of sophisticated technology were neutralized by the U.S. supply of comparable technology to India.<sup>21</sup> By 1962, it was clear that Pakistan had antagonized the Soviet Union in order to seek better relations with the U.S. Now the U.S. also seemed to be drifting away.

In order to compensate for its weakness, Pakistan sought to improve its relations with China. The U.S. so resented this decision that by the time of the 1965 Indo-Pakistan war, the U.S. assistance had declined considerably. The U.S. imposed an embargo on the supply of military technology to India and Pakistan after the 1965 war. While Pakistan was denied modern technology except from China, which was of limited use, India acquired more modern technology from the Soviet Union. American interest in Pakistan also declined after the mid-60s when the development of ICBMs (Intercontinental Ballistic Missiles), enabled it to launch attacks on the Soviet Union from American

-----  
<sup>21</sup>On U.S. tilt towards India after the 1962 Sino-Indian war, see Cheema Conflict and Cooperation in the Indian Ocean: Pakistan's interests and Choices 36-39

soil. Hence there was less of a need for allies on the periphery of the Soviet Union. Newer developments in intelligence gathering techniques reinforced this result. Lack of U.S. aid undermined Pakistan's capacity to counter India's successful intervention in the creation of Bangladesh in 1971.

After the creation of Bangladesh, Zulfikar Ali Bhutto took over as the Prime Minister of Pakistan. He carried a large popular appeal due to his progressive policies aimed at social and economic reforms. His policies included large scale industrial nationalizations and attempts at land reforms. Bhutto believed that a country's foreign policy ought to be influenced by its geography. Hence, that meant cordial relations with Pakistan's neighbours and realisation of Pakistan's existence at the periphery of the Soviet Union. He sought closer relations with China and countries of the Islamic world.

Under Bhutto Pakistan was not as close a U.S. ally as it had been in the late 1950s. This was partly due to Bhutto's nationalistic and progressive policies. Although relations with the U.S. remained cordial, Pakistan did not benefit from the large scale assistance that it had earlier received. Moreover, the U.S. did not see its interests as severely threatened in South Asia, and therefore had no reason to seek a close ally there. The crucial U.S. interest of ensuring the security of oil supplies through the nearby Persian Gulf was being met through a close alliance with the Shah of Iran.

As a result, U.S. aid fell considerably as compared to the previous high levels between 1955 and 1966. According to table 3.2, Pakistan contracted approximately \$ 680 million in loans and approximately \$ 95 million in grants from the U.S. between 1971 and 1976. This was almost a sixth of the economic assistance received in the eleven years from 1955 till 1966. That was at a time when the cold war was at its height and the U.S. was more interested in seeking allies. The level of aid between 1971 and 1976 is further reduced, when judged in the light of inflation etc.(see table 3.2 for details)

Bhutto was overthrown in 1977 in a military coup led by General Zia-ul-haq. Pakistan became prominent once again in 1979 after the fall of the Shah in Iran and the Soviet intervention in Afghanistan. Once again the U.S. sought better relations with Pakistan in order to have a reliable ally in South West Asia, and to create a channel for supplying arms to the Afghan guerrillas who were fighting the Soviet and Afghan government forces.

Influenced by the situation in Afghanistan, the U.S. agreed to provide a five year military and economic aid package for \$ 3.2 billion in 1981. This was replaced by another five year package worth \$ 4 billion which began in 1987. Despite Pakistan's alleged nuclear weapons programme and political instability, it has become the third largest recipient of U.S. aid after Israel and Egypt. In this instance again, it is because of the U.S. desire to safeguard its interests that

Table 3.2

Commitment of U.S. foreign aid to Pakistan(1971-76).

(U.S. \$ million)

(Loans)				
1971/72	1972/73	1973/74	1974/75	1975/76.
71.132	206.527	125.101	97.770	178.800.
(Grants)				
1971/72	1972/73	1973/74	1974/75	1975/76.
17.799	16.626	24.056	32.819	2.214 .

Source: Pakistan Statistical Yearbook-1976. (Statistics Division: Karachi, Pakistan, 1976) 155-6.



Pakistan received such large amounts in aid, and not Pakistan's need for economic and political development independently of U.S. interests. <sup>22</sup>

Pakistan being a poor country with its economy largely dependent on the agricultural sector, needs assistance to secure its developmental needs. With its large population (over 100 million) and high population growth rate, Pakistan needs to improve its agricultural productivity while improving its communication and social welfare infrastructure, in order to support its urban and rural developmental needs. Pakistan's needs can be further met if some of its aid expenditure for military acquisitions is diverted towards its developmental requirements. It is true that Pakistan's defense build up is partly a product of its conflict with India. However, the provision of large sums in U.S. aid with a sizeable portion set aside for military acquisitions, provides the means for its military build up.

For instance, in the earlier cited example of a \$3.2 billion foreign assistance package signed by the U.S. with the Zia government, \$1.5 billion was allocated for military acquisitions. In the second package worth \$4 billion which was meant to replace the first package when it expired, \$1.8 billion was allocated for military acquisitions. The military

-----  
<sup>22</sup>For a brief reference on the U.S. assistance to Pakistan irrespective of internal instability, see Strategic Survey (1986-1987) (London: International Institute for Strategic Studies, 1987) 140-141.

acquisitions in both of these packages accounted for almost 50% of the value of the entire package. The other 50% was allocated for economic development. Some of the developmental projects were partly a product of strategic considerations, such as the development of road communications in Northern Pakistan as well as the development of harbours and coastal facilities in Southern Pakistan.

During my conversations with some Pakistani foreign service officers who spoke anonymously, they argued that Pakistan's experience with the U.S. had been that the U.S. was more eager to provide higher levels of aid when its own interests were seen to be at stake. Pakistan's interests have remained subservient to U.S. interests when the U.S. policy makers decided the amount and type of foreign aid. Hence, if U.S. interests were not seen to be at stake, then the level of U.S. aid was likely to decline irrespective of Pakistan's national interests.<sup>23</sup> The case of U.S. aid to Pakistan supports the point of this thesis that U.S. aid has primarily been a product of American foreign policy interests in Pakistan as opposed to Pakistan's economic needs.

#### Tanzania: economic reform or at odds with foreign interests

This section examines the motives behind the flow of U.S. foreign aid to Tanzania, in the light of Tanzania's attempt to

-----  
<sup>23</sup>These conversations were carried out in 1983 when I served as a Reporter for Pakistan Press International news agency at Islamabad, Pakistan.

seek self sufficiency through 'Ujamaa' (the concept of creating self-reliant villages based on Socialist principles). The initiative for Ujamaa was taken with the adoption of the 1967 'Arusha' declaration that called for the creation of self-reliant villages in order to promote development.<sup>24</sup> One of the important pillars of this policy was the achievement of self reliance without dependence on foreign aid. Tanzania had to abandon this policy ten years later in 1977, and still seeks external assistance.

As stated in the previous sections, U.S. foreign aid policy during the postwar years has largely been a result of foreign policy interests. These interests were primarily seen to be threatened in South/South-East Asia due to the perceived Communist threat there. To some extent the American policy in Africa was based on allowing the old imperial powers, Britain and France, to be responsible for the political management of African affairs.

When the U.S. involved itself in African affairs, it was more due to the strategic considerations during the cold war era. According to Arnold, up to 1975 the American involvement in Africa such as in the Congo (1960-61 and 1964) or the longer term support for Emperor Haile Selassie in Ethiopia, was more a product of strategic considerations and the global U.S.-Soviet

-----  
<sup>24</sup>For a brief reference to the events in post independence Tanzania that led to Ujamaa, see James H. Weaver and Alexander Kronemer 'Tanzanian and African Socialism', World Development, Vol.9, Nos. 9 and 10, (1981), 841-843

rivalry. <sup>25</sup>Furthermore, when the U.S. sought to increase its economic aid to Kenya in 1975, it was more due to the cold war pressures in the Indian ocean. Besides, there were some domestic pressures too. This was a time when members of the black minority in the U.S. were becoming more vocal in politics. This put additional pressure on the U.S. administration to extend further assistance to African states, as part of a series of initiatives to expand interaction with them.

In his argument on the importance of strategic considerations in extending foreign aid to Africa, Arnold writes:

"..... Africa receives only limited American attention and interference and this usually results from Cold war pressures and Soviet activities, which act as a spur to American counter measures; as a result the continent, at present, only qualifies for limited American aid".<sup>26</sup>

This pattern of U.S. interest has been evident in the case of U.S. aid to Tanzania during the 1970s. U.S. assistance to Tanzania followed behind that of other donors in the early 1970s. However, in 1975 U.S. assistance rose, with the grant component rising to U.S. \$14 million as opposed to U.S. \$5 million a year earlier, and the loan component rising to U.S. \$18.9 million from U.S. \$2.8 million a year earlier. (see Table 3.3) As mentioned earlier, it was in 1975 that the U.S. also increased its aid to Kenya as a response to Cold War pressures in the Indian ocean. A similar strategic interest could have dictated aid policy towards Tanzania. Domestic factors such as

-----  
<sup>25</sup>Arnold Aid in Africa 79

<sup>26</sup>ibid. 81

the demands from the black minority could have also played a role.

The concept of Ujamaa referred to creating self sufficient agricultural collectives or ujamaa villages. The objective was to make Tanzania self reliant along Socialist lines.<sup>27</sup> The policy of creating ujamaa villages was initiated through an announcement by the Tanzanian leader Julius Nyerere at a speech in Arusha in 1967. He spoke of creating a Socialist economy in place of a capitalist economy, in the hope that this would provide greater economic benefits for the poor and would accelerate the pace of Tanzania's development. As a result, a number of private companies were nationalized and transferred to the public sector. Nyerere also spoke of the need for promoting Tanzania's self reliance through decreasing its dependence on foreign assistance. <sup>28</sup>

These policies had to be abandoned a decade later in 1977. In a major speech marking the tenth anniversary of the Arusha declaration, President Nyerere admitted that the goal of self reliance had not been achieved. He cited endogenous factors, such as the failure of the bureaucracy to adopt stringent measures in support of achieving self reliance.<sup>29</sup> There were

-----  
<sup>27</sup>For a detailed discussion of the concept of 'ujamaa', see Julius K. Nyerere UJAMAA:Essays on Socialism (Dar es Salaam: Oxford University Press, 1968) 1-12

<sup>28</sup>For a reference on Nyerere's proclamation and other details of the Arusha declaration, see Kimse A.B. Okoko Socialism and Self-Reliance in Tanzania (London: KPI, 1987) 126-133

<sup>29</sup>Julius K. Nyerere The Arusha Declaration:Ten Years After (Dar

Table 3.3

Disbursement of U.S. foreign aid to Tanzania(1970-77).

(U.S. \$ million)

(Loans)							
1970	1971	1972	1973	1974	1975	1976	1977 .
4.7	7.0	4.6	2.0	2.8	18.9	9.5	13.7 .
(Grants)							
1970	1971	1972	1973	1974	1975	1976	1977 .
4.0	2.0	3.0	3.0	5.0	14.0	19.0	13.0 .

Source: OECD, Geographical Distribution of Financial Flows to Developing countries, and The World Bank, Debtor Reporting System and staff estimates, as cited in Roger Young Canadian Assistance to Tanzania (North-South Institute: Ottawa, 1983) 27-28.

exogenous factors as well which affected the Tanzanian economy. These included the oil price rise of 1973, and the rising debt burden which was partly a result of loans in the form of developmental assistance.<sup>30</sup> The policy of creating Ujamaa villages created some difficulties, but there were impressive gains as well, as suggested by Weaver and Kronemer in their analysis.<sup>31</sup> Some growth was recorded in the agricultural sector (3.6% per annum between 1966 and 1978), but its effect on the economy was limited as it barely kept ahead of the population growth. Exports also declined significantly. Widespread government inefficiency, corruption and mismanagement led to further economic problems.

However, impressive gains were made in raising the rate of literacy, providing basic health care at the village level, and providing clean tap water to a large number of villages. The easing of exogenous factors such as easier terms of aid or conversion of loans to grants, should have benefitted the policy of self reliance. As evident from the previous table on U.S. aid transfers to Tanzania, it was not until 1975 that U.S. assistance recorded some increase.

As cited in Coulson, the British and U.S. support to Tanzania during the mid 70s was motivated by their desire to

-----  
<sup>29</sup>(cont'd) es Salaam: Government Printer, 1977) 27-31

<sup>30</sup>For a reference on Tanzania's foreign aid debt as of 1974, see Okoko Socialism and Self-Reliance in Tanzania 1987

<sup>31</sup>Weaver and Kronemer 'Tanzanian and African Socialism' World Development, 839-840

maintain stability at a time that they were putting pressure on Ian Smith to reach a negotiated settlement in Rhodesia. This desire for stability in Tanzania was also motivated by potential instability in the region due to the presence of Idi Amin in Uganda and the emergence of left wing governments in Mozambique, Ethiopia and Somalia. There was also a concern for increased corruption and instability in Kenya and Zaire.<sup>32</sup>

Arnold cites further evidence that U.S. policies towards Tanzania were influenced by self interest as opposed to Tanzanian developmental needs. He quotes one instance where the U.S. was chiefly concerned to be doing something to counter the more spectacular activity of the Chinese in building the TANZAM (Tanzania-Zambia) railway. The U.S. therefore undertook the upgrading of a major road building project. According to one version of the USAID's execution of this project, it was deliberately slowed down in order to maintain American presence there. <sup>33</sup> Here, the primary purpose was to counter the Chinese presence in Tanzania as opposed to serving a developmental purpose.

In another instance, Coulson writes that in the late 60s and early 70s, the U.S. government insisted that USAID build a major road which had already been half built by Italian contractors, as a precondition for World bank finance. This was done so that

---

<sup>32</sup>Andrew Coulson Tanzania: A Political Economy (Oxford: Oxford University Press, 1982) 314

<sup>33</sup>Arnold Aid in Africa 80



only American contractors could tender for the road.<sup>34</sup> This was again a situation where the U.S. government was primarily trying to meet its own interests instead of allowing the Italian contractors to complete the construction of the road.

In conclusion, it is important to indicate that while domestic factors may have been partly responsible for Tanzania's setbacks in achieving its developmental goals, Tanzania's difficulty in attracting foreign aid on easy terms from a major donor such as the U.S., failed to provide it the necessary respite to rid itself of its problems.

#### Foreign Aid for Foreign Policy gains

Summing up the purpose of U.S. foreign aid in the post-war years, Mason wrote in 1964:

"The principal purpose of foreign aid in my view is to promote the security of the United States and, insofar as our security is dependent on others, foreign aid is an essential part of a mutual security policy. In certain underdeveloped countries this requires assistance in the form of military hardware plus enough economic assistance to permit these countries to mobilize their own resources for military use. In others the essential objective of U.S. foreign aid is the support of governments able and willing to maintain their independence of Communist control".<sup>35</sup>

Later, Walters compared U.S. and Soviet aid in the same light. In a comparative analysis of the motives behind U.S. and

---

<sup>34</sup>Coulson Tanzania: A Political Economy 172-3

<sup>35</sup>Edward S. Mason Foreign Aid And Foreign Policy (New York: Harper & Row, 1964) 33-34

Soviet aid to Third World countries, Walters lists five considerations for each of the two donors, of which humanitarianism is only one of the given concerns. For the U.S. he cites the five factors as: short term political influence to ensure general goodwill from the recipients for the donors, anti communism and promotion of Western security interests, economic benefits such as the expansion of export markets for American goods, cultural influence of the U.S. and humanitarianism.<sup>36</sup>

For the Soviet Union, he cites the five factors as: Short term Soviet political influence on the recipients, anti Westernism and fulfilment of Soviet security interests, economic benefits for the Soviet Union such as finding ways to promote export of Soviet goods which would not be able to compete with Western goods otherwise, expansion of Soviet cultural influence and humanitarianism.<sup>37</sup>

It is evident here that both superpowers have been in the aid competition primarily in order to fulfill their foreign policy interests as opposed to economic needs of poorer countries. However, the U.S. has provided larger sums in aid due to the availability of larger resources than the Soviet Union possesses. On the other hand, the Soviet Union has had a number of barter trade agreements with its allies in order to compensate for the lack of resources. In a more recent

-----  
<sup>36</sup>Robert S. Walters American and Soviet Aid: A Comparative Analysis (Pittsburgh: Univ. of Pittsburgh press, 1970) 8-25

<sup>37</sup>ibid. 26-46

assessment of U.S. foreign aid policy, Guess argues that security and national interest have been the major determinants in allocating foreign aid.<sup>38</sup> He further writes that conflict over three issues has always dictated the provision of U.S. foreign aid.<sup>39</sup> First, these allocations have been influenced by profitability objectives or cost and return considerations. The notion of deriving financial profits from foreign aid may be largely mythical as the ideal purpose for providing aid is to promote developmental activities.

However, the availability of some profits from foreign aid serves to act as a powerful political force in organizing the program each year. The second notion, that of using foreign aid to repel Communist expansionism and to secure U.S. security interests, has been powerful in terms of allocating aid. It has also been powerful in channeling aid to countries whose security was considered vital to U.S. foreign policy interests as in the case of Vietnam. The Third criterion of humanitarian need has been deemed to be less critical than the earlier cited examples of profitability and promotion of U.S. security interests. Hence, factors related to self interest of the U.S. emerge as more important than humanitarian needs.

A similar line of argument has been adopted by McKinlay and Mughan who argue that U.S. foreign aid policy has largely been a

---

<sup>38</sup>George M. Guess The Politics of United States Foreign Aid (London: Croom Helm, 1987) 1-12

<sup>39</sup>ibid. 26-27

product of U.S.-Soviet rivalry.<sup>40</sup> They argue that the U.S. objective in allocating foreign aid has been primarily related to its security interests. It has tried to achieve this goal through economic aid, military assistance and outright arms sales.

Another analysis points to the weak domestic support in the U.S. for foreign aid allocations. Except for the strong support for aid to Israel or Greece, public opinion has not been strong in support of foreign aid allocations. Budgetary constraints in recent years have further undermined the prospect for increased foreign aid.<sup>41</sup> In this situation, security related programs have survived at the expense of reductions in other kinds of programs.

Under the Reagan administration, while security related assistance represented 50% of total U.S. aid in 1981, this figure rose to 62% by 1987. Nearly all of the \$5 billion increase in foreign aid since 1980 has been in security assistance, while economic and humanitarian assistance actually fell by \$100 million during this period.<sup>42</sup> This pattern demonstrates the higher priority attached to security assistance as it is considered an intrinsic part of U.S. national interest,

-----  
<sup>40</sup>R.D. McKinlay and A. Mughan Aid and Arms to the Third World: An Analysis of the Distribution and Impact of U.S. Official Transfers (London: Frances Pinter, 1984) 107-133

<sup>41</sup>David R. Obey and Carol Lancaster 'Funding Foreign Aid' Foreign Policy 71(1988) 146-149

<sup>42</sup>ibid. 150

as opposed to developmental and humanitarian needs of poorer countries.

In an analysis of the aid policies of OECD (Organization of Economic Cooperation and Development) member countries, Schultz writes that not only has there been a decline in the levels of aid contributions in recent years, but that almost four fifths of foreign aid is now channelled bilaterally.<sup>43</sup> He argues that bilateral aid is preferred by many donors because there are greater political and foreign policy benefits. This is contrary to the desire of many recipients who favour multilateral aid, as this can provide the funds from different sources for projects which are beyond the reach of individual donors. Recipients also favour multilateral aid as it provides greater influence for them on the disbursement of aid.<sup>44</sup>

In conclusion, Schultz writes that except for a small number of donors such as the Scandinavian countries who have maintained their aid at 0.7% of their GNP, the other donor members of the OECD are unlikely to raise their aid levels in the foreseeable future. In the case of the U.S. there is little evidence that non-military aid will rise over the next few years. On the whole, the outlook for most of these donors is that of very slow growth in their aid disbursements, and in some cases there could

---

<sup>43</sup>Siegfried Schultz 'Western Aid and Trade Policy Trends' Intereconomics, March/April 1985, 65

<sup>44</sup>ibid. 66

even be a decline.<sup>45</sup>In another examination of the motivations for aid to developing countries, Maizels and Nissanke argue along similar lines.<sup>46</sup> They compare the motivating factors for Western donors in providing aid to Third World countries. This comparison is conducted in the light of examining the needs of recipients as opposed to the interests of the donors. In conclusion, they argue that the needs of the recipients are subjugated by the economic, political and security interests of the donors.<sup>47</sup>

### General Observations

This chapter has demonstrated that foreign aid at times has been given in view of the donors' political interests as opposed to developmental needs of poorer countries. Hence, developmental concerns have taken a second priority. Therefore, aid cannot be relied on as a useful avenue for promoting Third World development. This was true in the 1950s and the 1960s when the U.S. was the largest donor and its aid commitments were primarily a product of the superpower rivalry. The detente of the late 1960s contributed to a decline in the levels of U.S. aid. These declining levels invited Third World criticism of donor policies. These criticisms were voiced in the NIEO demands

-----  
<sup>45</sup>ibid. 72

<sup>46</sup>Alfred Maizels and Machiko K. Nissanke 'Motivations for Aid to Developing Countries', World Development, 12(9), 1984, 879-900

<sup>47</sup>ibid. 891-2

of 1974. Third World countries repeated their criticism of Western aid policies and demanded that the rich countries provide at least 0.7% of their GNP in annual assistance to the poor countries. Later records show that the Southern demands have not been met. Moreover, the developed countries' interest has continued to be focussed on using foreign aid as a means of achieving foreign policy ends. This is one indication of the failure of Third World countries to force the North to accept their demands.

This record demonstrates the difficulty of arousing interest amongst the developed countries to assist the developing countries. This lack of progress has continued despite the various socio-economic difficulties faced by a number of the developing countries. These poor countries have suffered from a number of difficulties caused by rapid population growth, natural disasters and the availability of limited resources to face these tragic challenges. The severity of their dilemma has been furthered by problems such as their growing debt, their slow pace of economic development, and their inability to compete against rich countries' exports in international markets.

Given these circumstances, one has to question the viability of expecting further North-South cooperation, when the North has shown little interest in introducing major reforms for the benefit of the South. An example of this lack of interest is the case of Northern foreign aid to the South. This lack of interest

is also due to the fact that the deterioration of the South is not recognised as severely undermining Northern interests. At the same time the South needs to have access to the all important economic and technological resources of the North. Therefore, a total isolation of the South from the North is not a feasible option. The key to Southern progress lies in its ability to persuade the North to introduce reforms that facilitate the South's development and prosperity.

One way for the South to achieve this objective would be to strengthen its own ranks in order to attain a better bargaining position vis-a-vis the North. In brief, enhanced South-South cooperation may be essential along with attempts at improving North-South cooperation. The success of this endeavour will be dependent upon two factors. First, Southern countries will have to take account of the collective benefit of strengthening their ranks. A vision of a collective interest should encourage Southern countries to unite. Second, the strengthening of the South to promote South-South cooperation should be regarded as complementary to North-South relations and not a replacement thereof.

It is important to add here that such a proposal can be further supported by the experience of the oil price rise in 1973. At that time, a group of Third World countries who were united did succeed in altering the terms of trade in relation to oil. The Third World countries managed to raise the price of oil steeply as a result of the successful operation of the oil



cartel. Oil exporting countries became rich overnight, due to their ability to stand united in favour of the collectively beneficial objective of enhancing their income.

While the case of oil may have been an exception, it is also true that the enhanced unity of Third World countries in a variety of areas is likely to enhance their collective strength. This could then work in their favour. In this light, I would like to conclude this thesis in the next chapter by arguing for greater South-South cooperation as an important prerequisite for greater North-South cooperation.

## CHAPTER IV

### SOUTH-SOUTH COOPERATION:EMPOWERMENT THROUGH SOLIDARITY

The discussion of foreign aid in the previous chapter showed that aid is not always a satisfactory tool for Third World economic development. It is largely the foreign policy motivations of the donors which encourage them to provide assistance to poorer countries. The objective of using aid to promote Third World development is not always the highest priority. As discussed in chapter-2 on the New International Economic Order, other forms of North-South interaction such as trade have also come under criticism from Third World countries, for primarily being a tool to promote developed countries' foreign policy interests.

This chapter aims to examine the possibility of further promoting cooperation amongst Southern countries in order to strengthen their international bargaining position and to press the North to meet their demands. The idea of enhanced South-South cooperation is not new. Ever since the decolonisation of the 1950s, Southern countries have been trying to promote cooperation in order to emerge as a stronger bloc vis-a-vis the North. A stronger South has been considered as essential to force the North to accept their demands.

In my discussion on the development of the Third World as a distinct group, I mentioned the efforts made in the 50s and the 60s to promote collective unity. The non-aligned movement was

meant to assert the independence of Third World countries from the two major power blocs. The creation of the group of 77 and UNCTAD was meant to unite Third World countries in order to forcefully make their economic demands.

However, the experience with the oil price rise of 1973 gave new meaning to Southern attempts in this direction. Not only did the OPEC case provide them with an example to emulate, but it also demonstrated the vulnerability of the North in an important area. This example provoked a debate in the South on the possibility that Southern countries may unite themselves in other areas and force the North to accept their demands. There was also a discussion of the increased economic benefits that would follow from increased interaction.

Various attempts in this direction were considered, such as the expansion of bilateral and multilateral economic relations through increased trade, the creation of regional organizations to increase interaction among geographically neighbouring countries, and the promotion of diplomatic unity at various international forums. Southern countries hoped that such arrangements would eventually reduce their dependence on the North, and enhance their ability to negotiate their demands from a stronger position.

These attempts have not resulted in the wide-ranging changes that were expected. However, I will argue that they have provided a sense of direction for the Southern countries. This

chapter examines some of the possibilities for increased South-South cooperation, through trade expansion, new arrangements for investments by the relatively rich Southern countries in other Southern countries and expanded cooperation through regional organizations. Some of the criticisms of this approach will also be examined. The conclusion will evaluate the possibilities for the South in expanding upon this approach.

### Possibilities of promoting South-South cooperation

The NIEO demands, as previously discussed, called for better access to Northern markets for Southern goods. This demand was a result of the difficulty that Southern goods faced in entering Northern markets. Primary commodities and raw materials were affected by unpredictable changes in world market prices. Finished goods were denied entry to Northern markets in the face of growing protectionism. Such constraints had an overall detrimental effect on the Southern economies.

These circumstances led to suggestions of greater South-South cooperation in order to protect developing countries from the adverse affects of North-South trade. It was believed that increased South-South trade would enable developing countries to reduce their dependence on developed countries. Additional benefits were seen to include easier terms of payment, the avoidance of the use of foreign exchange, and the possibilities for exchanging goods through a barter system.

Developing countries felt frustrated over the working of the established international trading order. According to Scammell, Third World countries saw the GATT (General Agreement on Tariffs and Trade) as a rich man's club and its policies as only being relevant to the rich countries.<sup>1</sup>

For example, developing countries criticised the various trading barriers used in the North to prevent the entry of Southern goods. They were further concerned about the export prospects for their primary products which comprised over 80% of their total exports. By 1982 the share of developing countries in the world primary commodity exports was down to 46.9% from 85.5%, almost two decades before. (see Table 4.1) However, this was still a very significant portion of their overall exports.

Various developments which affected the prices of these commodities, also had an important bearing on the Third World economies. And, developing countries were helpless in deciding the terms of their exports, as the Western developed countries provided the most important markets for Third World exports. (see Table 4.2) Hence, developing countries were forced to export unfinished products rather than finished goods. Despite successive rounds of GATT, tariffs and/or other forms of protectionist measures, such as quotas, were continued to be imposed on Third World goods.

---

<sup>1</sup>W.M. Scammell The International Economy Since 1945 (London: MacMillan, 2nd.ed., 1983) 166-167

Table 4.1

Share of major primary commodities by volume in  
total developing country exports  
(excluding fuel)

---

Commodity	Share of developing countries in world primary commodity exports		Share of developing countries in world exports
	1961-63	1980-1982	1980-1982
-----			
Per cent			
-----			
Total exports of primary commodities	85.5	46.9	27.3
Vegetable oilseeds and oils	5.7	2.8	29.7
Food, beverages	42.1	26.3	28.4
Minerals, ores and metals	14.4	9.7	26.2
Agricultural raw materials	22.8	8.1	24.8

---

Source: UNCTAD Statistical Pocketbook (New York: United Nations, 1984) 38.

Table 4.2

Direction of Primary commodity exports  
from developing countries (1981-82).

---

World	. Developed Market		. Developing		. Socialist			
	. Economy countries		. countries		. countries			
	\$b.	%	\$b.	%	\$b.	%	\$b.	%
Developing countries	99.6	100	60.9	61.0	24.3	24.0	13.6	14.0

---

Source: UNCTAD Statistical Pocketbook (New York: United Nations, 1984), 39.

While there has been some improvement in South-South trade during the last two or three decades, the Southern countries continue to trade in large measure with Northern countries. (see Table 4.3) However, various scholars have argued that there is a greater potential for expanding South-South trade. The fact that Southern products face growing difficulty in entering Northern markets makes it all the more essential that South-South trade should be expanded.

In one such analysis, Amsden examined the prospects for South-South trade expansion as a result of industrialization in some developing countries.<sup>2</sup> The objective was to examine the effect of industrialization on two-way trade of manufactured goods among Third World countries. Amsden chose eight countries for this examination (Argentina, Brazil, India, Hong Kong, Mexico, Spain, Taiwan and Yugoslavia). In six of these eight cases it was found that the countries concerned had needs which could be fulfilled through expanded mutual trade.<sup>3</sup>

In a later study, Amsden again concluded that there may be a potential for expanding South-South trade in manufactures.<sup>4</sup> Exports from a group of ten developing countries (Argentina, Brazil, Colombia, Hong Kong, India, Mexico, Pakistan, Singapore,

-----  
<sup>2</sup>A.H. Amsden 'Trade in manufactures between developing countries' The Economic Journal 86 (344), 1976

<sup>3</sup>ibid. 782 - 789

<sup>4</sup> A.H. Amsden 'The Industry Characteristics of Intra Third World Trade in Manufactures' Economic Development and Cultural Change 29(1), 1980



Table 4.3

Direction of Trade. (Exports)

-----						
Destination : DC    DMEC    SCEE    SCA    World						
Origin						
-----						
	(Year)	Per cent				
-----						
Developing countries(DC)	(1962)	22.0	71.5	4.4	0.9	100
	(1983)	31.5	62.3	3.9	1.2	100
-----						

Direction of Trade. (Imports)

-----						
Destination : DC    DMEC    SCEE    SCA    World						
Origin						
-----						
	(Year)	Per cent				
-----						
Developing countries(DC)	(1962)	20.7	22.3	8.4	20.4	21.8
	(1983)	31.8	24.3	12.2	23.2	25.2
-----						

Source: UNCTAD Statistical Pocketbook (New York: United Nations, 1984) 05.

Abbreviations.

DC : Developing Countries  
DMEC : Developed Market Economy Countries  
SCEE : Socialist Countries of Eastern Europe  
SCA : Socialist Countries of Asia

South Korea and Thailand) to other developing and developed countries were examined. This study showed that these countries could profitably trade their manufactured goods with each other, as opposed to trading with Northern countries. Such an exchange could result in collective benefit for these countries.

Amsden found four reasons in support of the claim that LDCs would stand to benefit from increasing their imports from other LDCs. <sup>5</sup> First, goods produced by transnational companies at existing plants in LDCs could be exported to other LDCs to fulfill their needs. While these goods were produced by transnational companies, the proceeds from these goods could carry some benefits for the LDCs where these plants were located.

For example, there could be increased employment available for nationals of those countries where the plants were located. And, there may also be some economic benefits for those countries due to income raised from taxes on the operations of transnational companies. Second, particularly in the case of Latin America, tariffs on capital goods imported from neighbouring countries were lower than those on imports from more industrialized countries. This could be used as the basis to promote intra-regional trade.

Third, importing capital goods from semi-industrialized economies could be attractive to LDCs because of the lower

---

<sup>5</sup>ibid. 13-15

prices of these goods. These goods could also be attractive to importing LDCs because the technology that they brought could suit the needs of the importing countries, although it may be less advanced than the technology of the developed countries. Finally, it could be expected that the LDCs which exported such goods may acquire more sophisticated technology over a period of time. This acquisition of technology could occur as earlier imported technologically sophisticated goods were subsequently produced locally. These exporters may then be able to export some of the technology as well, to other less developed countries.

In a similar line of argument, Stewart examined the obstacles to North-South trade and argued in favour of greater South-South trade to facilitate developing countries' exports. She argued that the concentration of the development of new products in the North left the South at a disadvantage. Such innovation had resulted in improved production efficiency and application of economies of scale in the North, and had contributed to increased income for Northern consumers. However, products of Northern origin which were aimed at high income consumers were not always marketable in the South, because there were fewer high income consumers.<sup>6</sup> At the same time, such sophisticated technology may also not be appropriate for meeting the developing countries' developmental needs, which could be

-----  
<sup>6</sup>Frances Stewart 'The Direction of International Trade: Gains and Losses for the Third World' in G.K. Helleiner (ed.) A World Divided: The Less Developed Countries In The International Economy (Cambridge: Cambridge University Press, 1976) 97-98

fulfilled through less sophisticated and cheaper technology. Stewart claimed that increased intra-South trade would increase the South's bargaining power, by providing the route towards greater economic interaction and reducing the South's dependence on the North. Increased trade was also seen as providing the conditions in which innovation towards the development of appropriate technology would be more likely. As earlier discussed, this means that there could be greater potential for the transfer of technology to importing LDCs from the exporting LDCs.

Stewart mentioned four possible difficulties in the expansion of South-South trade.<sup>7</sup> First, a switch to South-South trade may involve a switch to less efficient products and processes for some Southern countries. Therefore, there would inevitably be short term losses for some of the Southern countries. Second, the gains from South-South trade will be distributed unequally, with the more advanced countries benefitting more than the less advanced countries, which would suffer the adverse effects of this reorientation.

Third, improvement in trade ties would have to be preceded by an improvement in intra-South communications and transportation networks, to support the needs of increased intra-trade. Finally, there would be a need for changes in income distribution in Southern countries, to ensure that benefits from increased trade would benefit a larger number of

-----  
<sup>7</sup>ibid. 100-102

people. Stewart adds, elites and businessmen who may suffer from this reorientation would resist these changes. Therefore, increased South-South trade would have to come with commitments from politicians, to ensure that these resistances do not prevent trade expansion. Overcoming these resistances is considered essential to promote South-South trade and thereby strengthening the Southern bloc.

In a similar analysis, Yeats also favoured greater South-South trade expansion. He argued that expanded trade would have important benefits for developing countries.<sup>8</sup> Some of these benefits may include the ways in which integration influenced the growth rate of the participating countries, through its impact on the volume and allocation of investments, the achievement of economies of scale associated with larger markets, the increase in economic efficiency and trade due to changes in competitive pressures, and the increased familiarity with trade policies of participating countries.

He argued that as a result of these benefits, markets will expand and economies of scale will be achieved. This can be an important catalyst for increased production, investment and employment. Furthermore, expanded trade and cooperation may have important psychological benefits associated with reduced dependence. The success of LDCs in some cooperative ventures may encourage them to undertake other joint projects for promoting

-----  
<sup>8</sup>Alexander J. Yeats Trade And Development Policies (London: Macmillan, 1981) 33 - 36

industrialization. They could also enhance their collective bargaining power through this process. While Yeats was confident that South-South trade could be expanded for collective Southern benefit, he discussed three barriers to the expansion of intra-South trade.<sup>9</sup> First, LDCs did not have direct shipping connections to one another. Their shipping connections were usually confined to a few industrialized countries, making it difficult for them to use these links for expanded intra trade.

Second, LDCs used very high tariff and non-tariff barriers as a form of protection of their economies. As a result, nominal protection of over 50% was a regular occurrence, while rates of over 200% were observed for industrial chemicals, transportation equipment, tobacco, plastics and wood products. This could pose a barrier to the expansion of South-South trade. Lower tariffs could facilitate intra-South trade. Finally, the differences in economic and trading capacities among the developing countries could hinder the efforts aimed at integration of LDCs. While not offering any specific solutions to these problems, Yeats argues that they will have to be resolved as their existence constrains LDC integration efforts.

The examination of these discussions was meant to provide examples of writings in favour of South-South trade as an important strategy in the promotion of South-South relations. In conclusion, three points are important to observe. First, there are possibilities for expanding trade among the Southern

---

<sup>9</sup>ibid. 36-41

countries. These possibilities can be relied on for intra-South trade expansion. Some of these examples were discussed in Amsden's work. There may be grounds for emulating these examples elsewhere. These examples are a strong defense for efforts at promoting South-South trade, and also call for exploratory initiatives to examine possibilities for further cooperation.

Second, the promotion of South-South trade does not need to be at the cost of disrupting North-South trade. Increased South-South trade carries additional benefits for the Southern exporters and importers. However, they may still have to rely on the North for some of their imports. Therefore, South-South trade can be pursued for the benefit of Southern countries, while the important needs of Southern countries which cannot be met through intra-South trade, can be met through trade with Northern countries.

Finally, the suggestion for South-South trade expansion has come under some criticism for its relatively slow pace of progress. However, the possibilities which are apparent in this area suggest that there are grounds for making further progress. While there may be possibilities for trade expansion in various areas and there may also be technocratic plans, an important reason for the slow progress is the fact that stronger commitments are needed from governments and politicians to accelerate initiatives for South-South trade cooperation. Such a political will is important to ensure that governments and leaders can arrive at suitable decisions to ensure a wide enough

distribution of the costs and benefits from South-South trade expansion across the Southern countries.

Another area of importance is financial cooperation among developing countries. Financial cooperation is important for two reasons. First, developing countries have often argued that the existing international monetary system restricts their access to international financial markets. Trends associated with monetary issues also affect developing countries' interests. For example high interest rates undermine their ability to service or repay their debts. Hence, LDCs are seen as totally dependent on the West for the availability of finance.<sup>10</sup> As a reflection of Southern criticism of the international financial system, Stewart writes:

"The dominance of Northern institutions in monetary arrangements reinforces trading links between North and South, and gives no encouragement to the development of intra-South trading links. The biases in the international monetary system as it has evolved, with the institutional dependency which reinforces and creates other forms of dependency, themselves provide a strong case for promoting Southern financial arrangements. But there is also a more positive case: monetary arrangements within the South could promote a dynamic, efficient and independent pattern of development".<sup>11</sup>

She further cites three problems with the current financial system which create difficulties for the Third World countries.

-----  
<sup>10</sup>For a background to the relationship of the least developed countries with the international financial system, see Gerald K. Helleiner INTERNATIONAL ECONOMIC DISORDER: Essays in North-South Relations (London: Macmillan, 1980) 130-136

<sup>11</sup>Frances Stewart 'Money and South-South Cooperation' Third World Quarterly 9(4), Oct. 1987, 1189



First, developed countries control the international financial system and therefore the developing countries have to accept whatever decisions are made by the developed countries. Second, the exchange rates of various developing countries are determined according to the policies of developed countries, which makes the developing countries quite helpless. Finally, due to the influence of the developed countries, there can be no changes in the international financial system, independent of the interests of the rich countries.<sup>12</sup>

The second reason why financial cooperation is important for developing countries is that as a result of the promotion of intra-South trade some countries may face financial losses due to a change in their trading patterns. The availability of sufficient financial means within the South, should enable them to withstand some of the negative effects of this change in their trading pattern. Availability of finance on easier terms to some of the Southern countries could become an incentive for expanding South-South trade.

At the same time, the availability of investment opportunities for some of the richer Third World countries (OPEC countries etc.) to invest in other Third World countries may provide them the incentive to invest in these countries. Some writers have argued that investors stand a better chance for a higher return on their investments in Third World countries. Here I will examine some of the arguments which propose enhanced

---

<sup>12</sup>ibid. 1186

South-South financial cooperation. In 1982, a gathering of experts from the Group of 77 met in Jamaica to discuss the question of financial cooperation among developing countries. In a paper submitted to the expert group and later published, Dragoslav Avramovic argued for expanded South-South financial cooperation in order to meet the Southern countries' liquidity needs.<sup>13</sup> Avramovic reviewed the findings of the group that had examined the prospects for increased South-South financial cooperation, to solve the problem of balance of payment deficits and to meet the need for development finance.

Avramovic argued that the relatively rich and the relatively poor Southern countries had a joint interest in expanding financial cooperation. He concluded that the richer countries stood to gain from returns on investments in other LDCs, while the poorer countries could gain from the availability of finance on easier terms of repayment. Avramovic quoted an IFC (International Finance Corporation) study, which forecast higher rates of return for 87 LDC enterprises than the rates in developed countries.

This showed that investors could gain more from their investments in some Third World countries. This could provide the financial incentive for the wealthier Third World countries such as the oil producing and newly industrializing countries to

-----  
<sup>13</sup>Dragoslav Avramovic 'Financial Cooperation Among Developing Countries: Issues And Opportunities' in Dragoslav Avramovic (ed.) South-South Financial Cooperation: Approaches to the Current Crisis-The Jamaica Papers (London: France Pinter, 1983)

invest in these poorer LDCs. A later IFC study for the period of 1976 to 1980 which explored the possibility of a 'Third World equity fund', also showed that investors could get a higher return on investments in some Third World countries when compared with investments in the U.S.<sup>14</sup> Avramovic suggested that these cooperative activities could be aimed at promoting joint ventures in industry, agriculture and mining as well as development of other infrastructural needs. Projects suggested for investments included the new initiatives to meet energy needs, provision of credits for expanding exports, and cushioning the poorer countries' commodities from price fluctuations.

In a separate paper submitted to the Jamaica group, Cuddy agreed with Avramovic's analysis. He argued that in recent years there has been a growing recognition in oil exporting countries, that their investments and imports have been too closely tied to the industrial countries. The OPEC countries' imports grew from \$ 9.5 billion in 1970 to \$ 99.0 billion in 1979, of which almost two-thirds were comprised of imports from the developed countries.<sup>15</sup> He argued that for these oil rich countries, a diversification of the destinations of their foreign investments and of the sources of imports, could lead to considerable economic gains. As earlier suggested in Avramovic's reference to

-----  
<sup>14</sup>ibid. 8-10

<sup>15</sup>J.D.A. Cuddy 'Joint Ventures Among Developing Countries' in Dragoslav Avramovic (ed.) South-South Financial Cooperation: Approaches to the Current Crisis-The Jamaica Papers (London: Frances Pinter, 1983) 99-100

the IFC study, there were possibilities of significant returns for the investors too. Cuddy conceded that previous cooperative attempts in the Third world through customs unions, common markets, regional planning and development institutions had not always been notably successful. He suggested that Third World countries should instead promote Joint Venture enterprises involving the private and public sectors, multinational corporations and host governments. These enterprises could provide an opportunity for these different sectors to cooperate with each other. They could flourish on the basis that Third World countries' dynamic resources could be developed for mutual benefit.

Cuddy suggested that the developing countries could initiate their cooperative ventures in areas where they were able to produce their goods at a lower cost than their competitors, such as in processing agricultural products and industrial raw materials. Joint ventures in high technology areas were also seen as beneficial initiatives. For example some of the needs of oil exporting developing countries could be met by other technologically advanced Third World countries.<sup>16</sup>

Stewart also agrees that there were prospects for increased South-South financial cooperation. She cited examples of some of the Third World cooperative attempts, in areas related to monetary cooperation as evidence that such measures could be feasible. She examined the existing multilateral clearing

-----  
<sup>16</sup>ibid. 94-95

arrangements in Latin-America, Africa and Asia which facilitate the use of local currencies to promote intra-trade. This enabled countries to economise on the use of hard foreign exchange. For example, the Central American Clearing house established in 1961 by the central banks of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua provides a mechanism for multilateral clearing and reciprocal credits.

The purpose was to expedite monetary transfers within the region and to support the Central American Common Market (CACM). Other similar examples were those of the reciprocal payment and credit system of the Latin American Free Trade Area established in 1965 which facilitates the orderly settlement of balances and the extension of some credit between its members, and the West African clearing house established in 1975 which provides a common unit of account for its members to encourage the use of local currencies for trade etc. <sup>17</sup>

Stewarts' examination of these examples has shown that there has been progress in instituting Third World monetary arrangements and there is room for further progress. The pace of progress may have been slow and there may have been problems at times. This does not invalidate the possibility for rectification. Stewart also cites arrangements aimed at facilitating credit to promote trade among some of the Third World countries. These initiatives demonstrate that there exists

---

<sup>17</sup>Stewart 'Money and South-South cooperation' Third World Quarterly 1194-5

a basic framework for promoting cooperating among some of the Southern countries in different regions. These frameworks can be further strengthened. There may also be some possibilities for establishing new systems of cooperation, emulating the previous initiatives in this area.

Furthermore, in areas where initiatives for South-South financial cooperation are new, there is evidence that there may be incentives for the wealthier LDCs to invest in the poorer LDCs. They could make such investments in return for financial gains. The possibility of comparable returns on investments can become an incentive for the investors. The promotion of South-South financial cooperation does not only have to be pursued for enhancing Southern unity, but can also be in the self interest of the investors.

Another area of Third World cooperation discussed in previous years has been the creation of regional organizations. It has been argued that given the compatibilities between geographically close Third World countries, there may be some potential for enhanced cooperation among these countries. For example, markets in these countries may have similar requirements. However, none of these countries may themselves be able to produce the goods to meet these requirements. As a result, they may be forced to import some of these goods which are not produced locally. As opposed to importing these goods from Northern countries, those Southern countries may be able to import the goods from neighbouring Southern countries subject to

their availability. These countries may be able to develop their industries and other avenues for export promotion, in view of the import needs of neighbouring developing countries. They may also be able to reach agreements in order to avoid double taxation, and to prevent unnecessary barriers to the freedom of mutual trade.

In such an arrangement, goods imported from distant lands can be replaced by goods produced in nearby Third World countries. Trade expansion within regions can be promoted through exchange of goods, thereby saving the valuable foreign exchange required for imports from developed countries. Moreover, payments can also be made in local currencies.

The existing models involving Third World countries have been initiated on the pattern of regional integration in Western Europe with the establishment of the European Community. However, Third World situations are different from the European situation. For example, European Community member countries could afford to open their markets to goods from neighbouring countries due to a comparable level of development. However, Third World countries in different regions may not be developed to a comparable level. This could result in adverse effects for some countries. Also, European countries with prosperous economies were better prepared to withstand the shock of any economic setbacks due to expanded regional trade than are many of the poor Third World countries.

Therefore, results in this area have been mixed, with evidence of success in some areas of activity of some organizations, while of failure in promoting cooperation in other areas with respect to other organizations. Here, I am going to discuss the extent of success achieved by one regional organization in promoting cooperation, in order to demonstrate that this approach does carry some potential for expanded Third World cooperation.

The organization to be considered here is ASEAN (Association of South East Asian Nations), which was formed in 1967 with Malaysia, Indonesia, Philippines, Thailand and Singapore as its members (ASEAN currently has six members with Brunei as the latest addition). It has had some success in promoting greater trade among its members. It has also been recognised as having provided a forum for leaders of its member countries to discuss matters of mutual interest and understand each others' points of view. Furthermore, it has prevented the emergence of conflicts and differences which existed between some of its members before its formation. At the same time, ASEAN has not been successful in reaching the same extent of integration as the European Community.

ASEAN was primarily a product of the shared political interests of its members. There were concerns about Communist expansion in South East Asia, due to the possible success of North Vietnamese Communists in South Vietnam, and the fact that during the Chinese Cultural Revolution, left wing elements were



calling on Asian Communist parties to embark on 'peoples' wars. In addition to these political considerations, there were also economic arguments in support of closer association among these countries, but there was very little progress in promoting economic cooperation till 1975.<sup>18</sup> The Communist takeover of South-Vietnam prompted ASEAN leaders to promote cooperation in order to counter this Communist threat. A major summit of all the leaders was held at Bali(Indonesia) in 1976, where the leaders agreed to settle some of their political differences and also expand economic cooperation beyond previous attempts.

In 1977, ASEAN countries reached an agreement on instituting a system of Preferential Trading Arrangements(PTA) aimed at expanding intra-regional trade. In 1980, further liberalizations were introduced with across the board tariff reductions on 'lightly traded' items. These items were those which were not being intensely traded and the liberalizations were meant to be an incentive to the increase of trade. Member countries also reached an understanding on promotion of industrial projects to meet regional needs.<sup>19</sup> By 1982, the list of preferentially traded goods consisted of 8,529 products. Some commentators have criticised this arrangement as having done little for promoting

-----  
<sup>18</sup>For a reference on origins of ASEAN, see David Armstrong The Rise Of The International Organisation:A Short History (London: Mamillan, 1982) 112-113; For a more detailed discussion, see Linda G. Martin (ed.) The ASEAN Success Story:Social, Economic and Political Dimensions (Hawaii: East-West Center, 1987)

<sup>19</sup>For a reference on the Bali summit and the developments which followed, see Khaw Guat Hoon 'ASEAN in International Politics' in Diane K. Mauzy(ed.) Politics in the ASEAN States (Kuala Lumpur: Maricans and Sons, 1984) 232-235

intra-ASEAN trade.<sup>20</sup> On the other hand, Gerald Tan writes that while inter-ASEAN trade may not have dramatically expanded, yet the establishment of the PTA system has helped to overcome initial fears of intra-regional trade. This can contribute towards deeper and wider tariff cuts in the long term.<sup>21</sup> According to another source, ASEAN countries imported and exported 21% of their goods from other ASEAN countries in 1983, up from 14% a decade earlier in 1973, which shows some intra-regional trade expansion.<sup>22</sup>

With relatively steady progress in promoting economic cooperation, the establishment of ASEAN may contribute towards meeting some of the foreign policy goals of member countries in the long run. The success of the ASEAN countries may also be attributed to the better economic performance of these countries as compared to other Third World countries. Their economic background coupled with their political interests may have supported this initiative. This may also demonstrate that the success of economic cooperation is more likely if there are common political interests shared by the countries which are participating in the integrative process. Other Third World regions may not offer similar economic opportunities for the

-----  
<sup>20</sup>For a brief reference on these criticisms, see Stuart Drummond 'Fifteen Years of ASEAN' Journal of Common Market Studies XX(4), June 1982, 308-309

<sup>21</sup>Gerald Tan 'Intra-ASEAN Trade Liberalisation: An empirical analysis' Journal of Common Market Studies XX(4), June 1982, 324-325

<sup>22</sup>Hans Christoph Rieger ASEAN Co-operation and intra-ASEAN Trade (Singapore: Inst. of Southeast Asian Studies, 1985)5-9

promotion of cooperation. While it may be difficult to have the same success as that of ASEAN, there may be some situations where a commonality of political interests provides the opportunity for the successful establishment of regional organizations. For example, SADCC (Southern African Development Cooperation Council) may provide such an opportunity due to the member countries' common opposition to apartheid in South Africa.

Other examples of Third World regional organizations are those of ECOWAS (Economic Community of West African States), OAU (Organization of African Unity), OAS (Organization of American States) and SAARC (South Asian Association of Regional Cooperation). With some of these other organizations, a limited success in some of the areas of cooperation has been recorded, although a closer integration such as that of the European Community has not been achieved by most Third World regional organizations. However, in some cases, the extent of success as a result of attempts towards integration, makes them a valid option for Third World countries.

There may be scope to promote trade through the Latin American Free Trade Association as a measure to counter the economic difficulties caused by large foreign debt of Latin American countries. In South Asia, the SAARC (South Asian Association for Regional Cooperation) may have the scope to expand regional cooperation in agricultural production, given the similarities in problems and patterns of production. Other

regional organizations which have been less successful may be able to benefit from the experiences of the more successful organizations. These areas of potential cooperation need to be further examined.

This section has examined the various possibilities for furthering South-South cooperation. These attempts have been subject to various criticisms too. It is these criticisms that I would like to examine in the next section.

### Criticism of South-South cooperation

The previous section has examined some of the potential areas for expanded South-South cooperation. Existing and newly emergent opportunities in the areas of trade, financial investment and regional integration were examined. Some of the writings in favour of greater South-South cooperation were also examined. Those writings reviewed some of the areas which offered prospects for cooperation. It is the purpose of this section, to examine some of the criticisms of South-South cooperation, in order to evaluate the utility of this approach for improving Third World development and strengthening the Third World coalition. As earlier discussed, the arguments for greater South-South cooperation were based on the Third World countries' success with the oil price rise of 1973. At that time it was believed that the OPEC action would be the first in a number of similar initiatives where Third World countries would

unite in order to get better terms for their exports. Therefore, OPEC was regarded as the model for the promotion of Third World cooperation.

However, some writers have argued that OPEC created a division between the rich oil producing and the poorer non-oil producing countries. In one analysis of the relationship between OPEC and the Non-OPEC countries, Hallwood and Sinclair have argued that the interests of OPEC and Non-OPEC (NOPEC) countries have diverged for a number of reasons. In their estimate of the negative impact of the oil price rise of 1973 on the NOPEC countries' economies, they write, that on the average ten times more primary commodities had to be sold in 1982 to purchase a barrel of oil than before the price rise.<sup>23</sup>

In emphasising this point, they write:

".....the oil-price 'tax' levied by OPEC was being paid for by the NOPECs through larger net exports to industrial countries and other areas, including OPEC itself".<sup>24</sup>

They argue that while some countries were able to withstand this pressure through improved export performance (eg. Brazil and South Korea), other countries which suffered from the consequences of the price rise received very little OPEC assistance. OPEC aid, which largely came from Arab donors, was primarily disbursed in consideration of the stands taken in the

-----  
<sup>23</sup>Paul Hallwood and Stuart W. Sinclair 'The Non-Oil Developing Countries and OPEC:Coalition or Conflict?', Intereconomics, Nov./Dec. 1984, 291-292

<sup>24</sup>ibid. 292

Israeli-Palestinian dispute, regional security, pan-Arab and Islamic issues. They further add that while OPEC aid in more recent years has been disbursed over a larger geographical area, many NOPEC countries' economies have suffered badly from the oil price rise. In conclusion, they argue that there has been a divergence of interests between OPEC and NOPEC countries. They predict that given this divergence, oil producing and non-oil producing countries are unlikely to cooperate closely in the 1980s.<sup>25</sup>

Halbach also shares the concern for the weakness of the Southern countries, which would prevent them from promoting new systems of South-South cooperation. He examines the case of Southern raw material exports, which had been argued to facilitate expanded cooperation among raw material exporters. It was argued that these exporters could emulate the example of OPEC in forming cartels of their own. For the success of these exporters in being able to sell their exports at their desired terms and conditions, it was considered essential for them to have a large enough share of the market. However, Halbach argues that their position is weak in the international market, and they do not have the potential to expand cooperation.<sup>26</sup> He estimates that the South's share of world trade has declined between 1970 and 1982, while the rise in South-South trade of

-----  
<sup>25</sup>ibid. 293

<sup>26</sup>Axel J. Halbach 'Processing and Marketing Raw Materials; Structure, Opportunities and Obstacles' Intereconomics January/February 1986, 27-33

raw materials was only marginal. In 1970, the South's share of world raw material exports was 26.4%. It fell by 1982 to 24.4% and the South's share in raw material exports to the South was 4% in 1970 rising to 6.6% by 1982.

This shows that while Southern countries may have argued for increased cooperation in setting the terms for export of their raw materials, yet their position in this area remains weak. Therefore, any attempt to unite the Southern countries for influencing the international market of raw materials is unlikely to be successful.

Although attempts were made to form cartels of commodities such as coffee, aluminium and other mineral resources, the exporters of these commodities were not as successful as the oil producers. Limitations on their attempts were due to the fact that the importers had access to substitutes if the exporters raised the prices of their exports, such as the availability of synthetically produced materials. In some cases, importers were also able to find substitutes from domestic sources, such as the development of new sources of off-shore oil production by Britain in the North sea. A concern for the slow pace of the expansion of South-South cooperation is also expressed by Haq, who argues that while various initiatives have been suggested for the promotion of cooperation, developing countries have failed to provide the political will that was necessary for their success.<sup>27</sup> He argues that such a political will was

-----  
<sup>27</sup>Mahbub-ul-Haq 'Beyond the Slogan of South-South co-operation'

necessary in order to curb domestic opposition from groups in developing countries closely tied to Northern countries. These elites will not permit an attempt at closer integration of Southern countries and a distancing from the Northern countries, he argues.

In expressing this view, he writes:

"We must recognise that technocratic proposals for South-South cooperation have a scant chance of success without a strong political movement behind them. The initiative must come from the political leaders of the South. UNCTAD and other forums can respond to such an initiative; they cannot generate it".<sup>28</sup>

In a review of Haq's article, Goetz agrees that there are interest groups within the South which prevent closer South-South cooperation. This means that members of these groups will obstruct attempts at greater cooperation, as they are closely connected to the North.

In a reference to such groups, he writes:

"The constraints to greater South-South cooperation build up in the South itself because of entrenched interests of dominant economic groups and traditions which connect it with the North economically, politically and intellectually. Not only are there constraints because of interests and traditions in this particular or private sense, but, and for our purpose specially, because of the intrinsic diversity of national economic interests among the developing countries themselves".<sup>29</sup>

---

<sup>27</sup>(cont'd) World Development 8(1980), 743-751

<sup>28</sup> *ibid.* 745

<sup>29</sup>Arturo L. Goetz 'Beyond the Slogan of South-South Co-operation' World Development 9(6), 1981, 583



Goetz suggests further cooperation in political decision making, economic interaction and intellectual liberation of the South from the North, if the objective of South-South cooperation is to be moved from the stage of 'slogan' to that of 'reality'.<sup>30</sup> Haq and Goetz have both drawn attention to the difficulty of getting a political commitment from governments to actively support new initiatives for expanded cooperation. They have expressed the belief that while ideas for expanded cooperation may be developed and may be present, yet for their eventual success, it is important that governments and leaders be prepared to provide support.

Earlier, in my discussion of the various potential areas for expanded South-South cooperation, I discussed regional integration as one possible strategy in this direction. Here, I would like to discuss two examples criticising the utility of regional integration for developing countries. In the first study, Altmann argues that regional integrative efforts are bound to stagnate, due to sharp diversities between members of existing Third World regional organizations. In his view, the best that can be achieved would be enhanced cooperation between member countries in a selected few areas.<sup>31</sup>

He takes issue with the word 'integration' which in his view, implies a lasting and comprehensive amalgamation of

---

<sup>30</sup>ibid. 584

<sup>31</sup>Sigmaringen Jorn Altmann 'South-South Cooperation and Economic Order' Intereconomics, 3, May/June 1982, 143-147

autonomous countries. On the other hand, cooperation can occur among partial or temporary associations of countries. In this article, Altmann discusses the role of integrative efforts aimed at either developing countervailing power for Third World countries on the world markets through export orientation, or the build-up of inward oriented alliances aimed at developing substitutes for imports from industrialized countries. He argues that in the latter case, industrial enterprises may have to cope with increasing intra-regional competition, which in turn could discourage the inclination to liberalize trade and may stimulate protectionism.

On the basis of his examination of various Third World regional organizations, Altmann argues that there is a danger of the development of asymmetrical relations, due to differences in size and capacity of member countries. This may lead to predominance of one or more of the members. For example, Kenya benefitted more from the East African community, Columbia and Venezuela benefitted more from the Andean pact, and Nigeria is expected to benefit more from the Economic Community of West African States (ECOWAS). Other problems have related to the difficulty in establishing procedures for supranational planning, and the lack of inclination of member countries to transfer national decision making to supranational bodies. This has further hampered the process of regional planning which is

necessary to avoid regional disequilibria.<sup>32</sup> Altmann concludes by arguing that heterogeneity of partners in integrative efforts has meant either that the integration was limited to undisputed aspects, or that the goals of various initiatives were unrealistically defined. Hence, regional integration schemes have been limited to partial success, which means that they should be defined as attempts at enhancing cooperation, rather than a move towards a comprehensive unification or amalgamation of autonomous countries.

In another criticism of regional integrative efforts, Penaherrera examines the difficulties faced by Third World countries.<sup>33</sup> He outlines four areas of conflict which have beset the integration efforts of developing countries in various parts of the Third World.<sup>34</sup>

These are:

(i) Incompatibility of political systems with integration in general or with the machinery selected for implementing it;

(ii) Problems of political relations between states, frequently with territorial implications (geopolitical problems);

---

<sup>32</sup>ibid. 144

<sup>33</sup>Germanico Salgado Penaherrera 'Viable integration and the economic co-operation problems of the developing world' Journal of Common Market Studies XIX, 1 (1980) 65-76

<sup>34</sup>ibid. 68-76

(iii) Differences among member countries in the degree of industrial development they have achieved and their potential or capacity for such development, the main expression of which is the dissatisfaction of some of these countries with the distribution of benefits and the costs of integration;

(iv) Other differences in economic structure between the member countries which affect the machinery and therefore the objectives of integration.

This section discussed some of the difficulties with the earlier suggested strategies for promoting South-South cooperation. It has been emphasized here, that as there are benefits to expanding South-South cooperation, there are also obstacles in this process. In addition to these criticisms of South-South cooperation, it should be added that there is potential for conflict among Southern countries due to their mutual disagreements. This potential for conflict may undermine attempts at promoting mutual cooperation.

For example, Pakistan and India have been rivals over the division of the state of Kashmir, Libya and Chad have had a boundary dispute leading to armed clashes, and Iran and Iraq have recently ended their eight year war. Such conflicts have emerged in addition to other forms of disagreement during proceedings of international organizations (UN etc.), as well as differences within Third World coalitions (Group of 77, Non-Aligned Movement etc.).

Southern countries will have to try to resolve some of these disputes, as well as preventing the emergence of new disagreements in order to promote their collective interests. The criticisms in this section have made some valid points regarding the difficulties for expanding South-South cooperation. But they may have fallen short in giving due credit to the potential for growth of cooperation. The concept of greater South-South cooperation has been based on relatively new initiatives which have only been developed during the last 3 or 4 decades. This was so because most of the Southern countries were colonies before that time. These critics have not adequately appreciated the fact that patterns of cooperation need time to be developed. The fact that these patterns have not developed very far since decolonisation, does not mean that there has not been any cooperation and that there would not be any future progress.

These critics also need to appreciate the fact that the development of South-South cooperation as a concept, should itself be regarded as a positive development for the Southern countries. This is because it is a relatively new concept which may develop further over a period of time. These criticisms should also take some account of the progress that has been made in promoting South-South cooperation among developing countries. Some of these areas of progress were discussed before. Further recognition needs to be given to the potential of South-South cooperation in meeting the needs of developing countries, as

well as contributing towards improving the South's collective bargaining position vis-a-vis the North over a period of time.

Prospects for cooperation : An evaluation.

The initiative for expanded South-South cooperation has resulted in partial success. As seen in the previous sections, there has been some headway in expansion of cooperation, though it has not been the sweeping success which was expected after the successful oil price rise of 1973 and the presentation of the NIEO declaration a year later.

For the pessimist, the record shows that large scale expectations were unrealistic and that success was limited. However, for the optimist, the record has shown that while very little hope may have been attached to possibilities for enhanced South-South cooperation, the actual record has been that of some success. Therefore, it may be unrealistic to rule out further cooperation.

In a final evaluation, four very essential points need to be emphasized here. First, South-South cooperation must be seen in complementarity with North-South relations and not as a replacement thereof. It is important to recognise that while cooperation amongst Third World countries is essential to meet their collective needs, there are benefits to be derived from the existing North-South relations too. For instance, some of the advanced technological needs of Third World countries which

are important for their development, can only be fulfilled through imports from Northern countries.

Furthermore, there are individuals and governments in Northern countries, which are sympathetic to the Third Worlds' developmental needs. They can be relied upon to support various initiatives to promote development. Examples could be those of the former West German chancellor, Willy Brandt, and the late Swedish Prime Minister, Olof Palme, who at various times have argued for increased developmental assistance to the South. Some Western governments such as the Scandinavian countries could also be relied upon for future assistance, as their past record of supporting Third World developmental needs has been better than some of the other developed countries.

Secondly, while there are limitations to South-South cooperation, there are also various possibilities for expanded cooperation. Some of these possibilities were discussed in this chapter. It is important to recognise that there are bound to be differences of views and opinions among the countries of the Third World, due to their cultural and social diversity and varied historical and economic backgrounds.

Bridges of cooperation should be built in relatively less controversial areas in order to consolidate their diplomatic unity. For example, initiatives can be taken for expanding tourism, sharing of information on developmental strategies, exchange of delegations of technocrats and businessmen, and

other ways of promoting interaction. These new forms of cooperation would help in strengthening the Third Worlds' commitment to furthering their unity.

Thirdly, expansion of South-South cooperation will be a relatively slow process, instead of the sweeping change as first predicted. This reality should not form the basis for frustration and loss of hope. The needed change may not occur overnight but may be a result of a slower process. However, given the fact that some progress in this direction has been made and that there are tangible benefits from enhanced cooperation, it is arguably a move in the right direction.

Finally, despite the technocratic proposals for various initiatives, there is an important need for greater political will on the part of Third World governments to boost this process. Various proposals can play an important role in defining different strategies. However, there is a need to remove those constraints in domestic and foreign policies of Third World countries which undermine the expansion of South-South cooperation. Third World governments must realise the potential benefits from expanded cooperation. Once the political will is there to expand cooperation, the technocratic proposals should stand a better chance of success. In conclusion, I would like to reiterate an earlier point, that South-South cooperation may face difficulties in its promotion but it is a move in the right direction.



## THESIS CONCLUSION

This thesis has examined the emergence of the Third world as a new bloc in international affairs, the impact that its (Third World's) demands have had on the formulation of the international agenda, and the degree of its (Third World's) success in forcing the countries of the First World to accept these demands. The focus of attention has been on the Third World coalition which appeared and consolidated itself with the decolonisation of the 1950s. Third World countries of diverse social, economic, cultural and geographical backgrounds have tried to unify themselves as one cohesive entity, expecting this unity to provide them the strength with which they could compel the Northern countries to accept their demands.

These countries used similarities in their colonial history to unify and strengthen their ranks. It was argued that the colonial experience had undermined the ability of Third World countries to compete with developed countries in the international trading, financial and other economic arrangements. Developing countries argued that this handicap undermined their political independence too. Their ideas were articulated by a number of Third World leaders in various forums such as the Non-aligned movement, the Group of 77, UNCTAD and sessions of the United Nations.

Their relative weakness compared to the developed countries, became the basis of their demands from developed countries.

Their demands also influenced, and were influenced by, the writings of various Third World scholars. These scholars used historical background and colonial experiences of Third World countries, to explain their present weakness. Dependency theories played a key role in articulating the views of Third World leaders and scholars in explaining the reasons for their economic and political handicaps, and putting forth suggestions to redress this anomaly.

These theories sometimes fell short of explaining the causes of underdevelopment in various Third World countries. The large variety of literature in the Dependency tradition, with differences in explaining the causes of underdevelopment, and varying prescriptions for achievement of sustained development, undermined prospects for emergence of a single mainstream theory. Despite this shortcoming, Dependency theories provided a sense of unity for the Third World countries and gave some cohesion to their views.

These works emphasized the division of the world between the rich and the poor countries, and the need for taking fresh initiatives to either redress the current order or to create a new one. Dependency theories became the basis for various initiatives to seek changes in the global order. These initiatives are known as the New International Economic Order (NIEO). During the two decades before the NIEO demands were made, Third World countries' representatives had articulated their demands at various forums, which were generally not met.

This was demonstrated by the refusal of the first world countries in providing generous preferential trading opportunities or increasing the levels of foreign aid. However, before the NIEO demands were made in 1974, the bargaining position of developing countries was perceived to have improved with the OPEC oil price rise of 1973. This was the first concrete evidence of the developing countries' enhanced potential to unite in support of their position, and to use this unity to press the North to accepting their demands.

Many expectations were raised with this experience. It was believed that Southern countries had acquired the ability to unite, strengthen their ranks, and subsequently force the North to accept their demands. Furthermore, it was believed that OPEC's example could be repeated with reference to other primary goods exported by Third World countries. The negotiations that followed the NIEO lasted for a few years (CIEC negotiations and sessions of UNCTAD).

However, Third World countries failed to force the Northern countries to accept their demands. It was also realised that the OPEC experience was unique and short-lived, and that it could not be repeated with reference to a range of Third World primary exports. The South failed to achieve the objective of forcing the North to accept the desired changes. This experience raised the question of the capacity of the South to be able to force the North in accepting its demands. Examples of previous North-South relations had shown that many times, Northern self

interests were the primary motivating factor for Northern action to accommodate Southern needs, and that the North had the power to make its interests prevail. One example of this was the earlier discussed experience of Northern foreign aid to Southern countries. While some Northern countries such as the Scandinavian countries were more willing to provide assistance to Southern countries, a number of other major donors proved that their self interest was a driving force in responding to the South. This was evident in the case of U.S. foreign aid to Pakistan and Tanzania, earlier examined in chapter three.

It can be concluded that to a great extent, the Northern response to the past demands of Southern countries, has primarily been based on Northern self interest as opposed to the economic needs of poorer countries. This has been due to the power imbalance between the North and the South. The Southern countries need to correct this imbalance in order to compel the Northern countries to accept their demands.

It is therefore essential for Southern countries to unite their ranks in order to strengthen their coalition. Such a strengthening will itself be a more important reason for Northern countries to accept Southern countries' demands. Greater independence of the South from the North would also lessen their vulnerability to Northern influence. This realisation led to a renewed emphasis on South-South cooperation as an important means of achieving greater unity within the South, in order to force the North to accept the desired

changes. The objective of South-South cooperation could be considered as occurring in addition to existing and future North-South cooperation, and not a replacement of it. The idea was to unite the Southern countries in order to strengthen their coalition, while also recognising the importance of Third World countries' ties with the North. This was important to continue getting those benefits which were a result of the existing North-South relations. However, a gradual shift towards greater South-South interaction could eventually weaken the exploitative aspects of existing North-South relations.

The idea of promoting South-South cooperation in order to strengthen the South, suggested the strengthening of multilateral economic relations among Southern countries, the promotion of cooperation at regional levels, and the improvement of diplomatic unity at international forums. The concept of South-South cooperation came with some optimistic assumptions about the possibility of promoting wide-ranging cooperative measures. However, success in promoting cooperation was not as rapid as had been expected.

As a result, South-South cooperation was criticised for its failure to promote unity among Third World countries. While there were prospects in various areas for further cooperation, there were also serious limitations as pointed out by various critics. They argued that Southern countries were heavily dependent on Northern countries for their economic needs. Hence, South-South cooperation as a major weapon for forcing the

Northern countries to accept the Southern demands, was stated to be an unattainable goal. Despite these criticisms, Southern countries have made progress towards the objective of expanding mutual cooperation.

It is important to recognise here that some of the criticisms about the lack of progress in South-South cooperation may have been made in haste. There has not been a major breakthrough in this area, but there has at least been a move in the direction of further consolidation of the Southern bloc. Furthermore, it is also important to recognise that South-South cooperation can also occur and prosper along with the existing North-South relations. The Southern countries' earlier experience with the OPEC price rise demonstrated the possible benefits to be achieved through greater cooperation. While OPEC's example may have been unique and some would argue short-lived, it did show that the Northern countries were more willing to entertain Southern views, when their own interests were perceived to be at stake.

In view of these findings, one has to recognise the significance of South-South cooperation as an important stage in promoting North-South cooperation. The promotion of South-South cooperation would not only benefit individual Southern countries, but would also promote a spirit of a collective interest among developing countries. This is likely to spill over into greater diplomatic unity among Third World countries. While the pace of progress in the direction of greater

South-South cooperation may be subject to criticism, it is arguably a move in the right direction and carries long term benefits for Third World countries. The Northern response to Southern demands is likely to be more favourable while dealing with an economically integrated, diplomatically united and stronger South, as opposed to an economically dependent, diplomatically fragmented and a weak one.

## BIBLIOGRAPHY

- Amsden, A.H. 'Trade in manufactures between developing countries' The Economic Journal, 86(344), 1976
- Amsden, A.H. 'The Industry Characteristics of Intra Third World Trade in Manufactures' Economic Development and Cultural Change, 29(1), 1980
- Amuzegar, Jehangir 'Requiem for the North-South conference' Foreign Affairs, 56(1977)
- Armstrong, David The Rise of the International Organisation: A Short History (London:MacMillan, 1982)
- Arnold, Guy Aid in Africa (London:Kogan Page, 1979)
- Arnold, Guy Aid and the Third World: The North/South Divide (London: Robert Royce, 1985)
- Attmann, Sigmaringen Jorn 'South-South Cooperation and Economic Order' Intereconomics, 3, May/June 1982
- Avramovic, Dragoslav (ed.) South-South Financial Cooperation: Approaches to the Current Crisis-The Jamaica Papers
- Bauer, Peter T. 'Western Guilt and Third World Poverty' in The First World and the Third World: Essays on the New International Economic Order ed. Karl Brunner (New York: University of Rochester, 1978)
- Banks, Michael (ed.) Conflict in World Society (Sussex:Wheatsheaf Books, 1984)
- Blake, David H. and Robert S. Walters The Politics of Global Economic Relations (New Jersey:Prentice-Hall, 1987)
- Braillard, Philippe and Mohammad Reza Djalili The Third World and International Relations (London:France Pinter, 1986)
- Brown, Chris 'Development and Dependency' in International Relations: A Handbook of Current Theory ed. Margot Light and A.J.R. Groom (London:Frances Pinter, 1985)
- Callard, Keith Pakistan's Foreign Policy: An Interpretation (New York:Institute of Pacific Relations, 1959)
- Calvocoressi, Peter World Politics Since 1945, 4th.ed. (London:Longman, 1982)



- Chamberlain, M.E. Decolonization: The Fall of the European Empires (London: Basil Blackwell ltd., 1985)
- Chaudhari, Mohammad Ahsan Pakistan and the Great Powers (Karachi: Mirror Press ltd., 1970)
- Cheema, Pervaiz Iqbal Conflict and Cooperation in the Indian Ocean: Pakistan's Interests and Choices (Canberra: Australian National University, 1980)
- Chilcote, Ronald H. Theories of Comparative Politics (Boulder: Westview, 1981)
- Clapham, Christopher and William Wallace (ed.) Foreign Policy Making in Developing States: A Comparative Approach (Westmead, U.K.: Saxon House, 1977)
- Coulson, Andrew Tanzania: A Political Economy (Oxford: Oxford University Press, 1982)
- Cutajar, Michael Zammit (ed.) UNCTAD and the South-North dialogue: the first twenty years (Oxford: Pergamon press, 1985)
- Drummond, Stuart 'Fifteen Years of ASEAN' Journal of Common Market Studies XX(4), June 1982
- Fagan, Richard 'A Funny thing happened on the way to the market: Thoughts on extending Dependency ideas' International Organization, 32(1), 1978
- Frank, Andre Gunder Development of Underdevelopment Monthly Review, 18(4), 1966
- Frank, Andre Gunder 'Arms Economy and Warfare in the Third World', Third World Quarterly, 2(2), 1980
- Galtung, Johan 'A Structural Theory of Imperialism', Journal of Peace Research, 13(2), 1971
- Ganguly, Sumit The Origins of War in South Asia: Indo-Pakistan Conflicts since 1947, (Boulder: Westview Press, 1986)
- Gardner, Richard N. Sterling-Dollar Diplomacy In Current Perspective: The Origins And The Prospects Of Our International Economic Order (New York: Columbia University Press, 1980)
- Goetz, Arturo L. 'Beyond the slogan of South-South cooperation' World Development, 9(6), 1981

- Guess, George M. The Politics of United-States Foreign Aid, (London:Croom Helm, 1987)
- Halbach, Axel J. 'Processing and Marketing Raw Materials; Structures, Opportunities and Obstacles' - Intereconomics, January/February, 1986
- Hallwood, Paul and Stuart W. Sinclair 'The Non-oil Developing Countries and OPEC:Coalition or Conflict?' Intereconomics, November/December, 1984
- Hansen, Roger Beyond the North-South stalemate (New York: McGraw Hill, 1979)
- Haq, Mahboob-ul 'Beyond the slogan of South-South co-operation', World Development, 8(1980)
- Haq, Mahboob-ul The Poverty Curtain:Choices for the Third World, (New York:Columbia University press, 1976)
- Helleiner, Gerald K. International Economic Disorder:Essays in North-South Relations, (London:MacMillan, 1980)
- Higgott, Richard et. al.(ed.) Southeast Asia:Essays in the Political Economy of Structural Change, (London: Routledge and Kegan Paul, 1985)
- Hoogvelt, Ankie M.M. The Third World in Global Development, (London:MacMillan, 1982)
- Hunter, Shireen OPEC and the Third World (London:Croom Helm, 1984)
- Jones, Charles A. The North-South Dialogue:A Brief History, (London:Frances Pinter, 1983)
- Jonsson, Christer Superpower;Comparing American and Soviet Foreign Policy, (London: Frances Pinter, 1984)
- Kaufman, Burton I. Trade And Aid:Eisenhower's Foreign Economic Policy(1953-61), (Baltimore:John Hopkins, 1982)
- Kohl, Wilfrid 'The United-States, Western-Europe and the Energy problem', Journal of International Affairs, 30(1), 1976
- Krasner, Stephen D. Defending the National Interest: Raw materials, Investments and U.S. Foreign Policy, (Princeton:Princeton University press, 1978)
- Lenin, Vladimir Illich Imperialism:The Highest Stage of Capitalism, 13th. ed. (Moscow:Progress publishers, 1966)

- Maizels, Alfred and Machiko K. Nissanke 'Motivations for Aid to Developing Countries' World Development, 12(9), 1984
- Martin, Linda G. (ed.) The ASEAN success story: Social, Economic and Political Dimensions, (Hawaii: East West Center, 1987)
- Mason, Edward S. Foreign Aid And Foreign Policy, (New York: Harper and Row, 1964)
- Mauzy, Diane (ed.) Politics in the ASEAN states, (Kuala Lumpur: Maricans and Sons, 1984)
- McKinlay, R.D. and A. Mughan Aid and Arms to the Third World: An Analysis of the Distribution and Impact of U.S. Official Transfers, (London: Frances Pinter, 1984)
- Morbach, Reiner 'The Results of Manila' Intereconomics, 14 (July-August 1979)
- Mortimer, Robert A. The Third World Coalition in International Politics, (Boulder: Westview, 1984)
- Murphy, Craig The Emergence of the NIEO Ideology, (Boulder, Col.: Westview, 1984)
- Nyerere, Julius K. The Arusha Declaration: Ten Years After, (Dar es Salaam: Government printer, 1977)
- Nyerere, Julius K. UJAMAA: Essays on Socialism (Dar es Salaam: Oxford University press, 1968)
- Obey, David R. and Carol Lancaster 'Funding Foreign Aid' Foreign Policy, 71(1988)
- Odell, Peter R. Oil and World power, 7th.ed., (Suffolk: Penguin, 1983)
- Okoko, Kimse A.B. Socialism and Self-Reliance in Tanzania, (London: KPI, 1987)
- Packenham, Robert A. Liberal America and the Third World, (Princeton: Princeton University press, 1973)
- Palma, Gabriel 'Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment', World Development, 6(7/8) 1978
- Palmer, Norman D. 'Pakistan: The Long Search For Foreign Policy' in Pakistan: The Long View, ed. Lawrence Ziring et. al. (Durham, N.C.: Duke University press, 1977)

- Penaherrera, Germanico Salgado 'Viable Integration and the economic cooperation problems of the developing world', Journal of Common Market Studies, XIX,1(1980)
- Pettman, Ralph State and Class:A Sociology of International Affairs, (London:Croom Helm, 1979)
- Prebisch, Raul Towards a Global Strategy of Development, (New York:U.N. Publications, 1968)
- Rieger, Hans Christoph ASEAN Co-operation and intraASEAN Trade, (Singapore: Institute of Southeast Asian Studies, 1985)
- Robertson, Charles L. International Politics Since World war II:A Short History, (New York:John Wiley and Sons, 1966)
- Rothstein, Robert L. The Weak in the World of the Strong:The Developing Countries in the International System, (New York:Columbia University press, 1977)
- Sautter, Hermann 'Underdevelopment through Isolationism? Dependency Theory in Retrospect', Intereconomics, July/Aug. 1985
- Sauvant, Karl P. The Group of 77-Evolution, Structure, Organisation, (New York:Oceana, 1981)
- Scammell, W.M. The International Economic Since 1945, 2nd.ed.,(London:MacMillan, 1983)
- Schneider, Steven A. The Oil Price Revolution, (Baltimore: John Hopkins, 1983)
- Schultz, Siegfried 'Western Aid and Trade Policy Trends', Intereconomics, March/April 1985
- Seers, Dudley (ed.) Dependency Theory:A Critical Reassessment, (London:Frances Pinter, 1981)
- Smith, Michael et. al. (eds.) Perspectives on World Politics, (Kent:Croom Helm, 1984)
- Spero, Joan E. The Politics of International Economic Relations, (London:Allen and Unwin, 1985)
- Stewart, Frances 'Money and South-South Cooperation', Third World Quarterly, 9(4), Oct. 1987

- Stewart, Frances 'The Direction of International Trade: Gains and Losses for the Third World' in G.K. Helleiner (ed.) A World Divided: The Least Developed Countries In The International Economy, (Cambridge: Cambridge University press, 1976)
- Stoessinger, John G. The Might of Nations: World Politics In Our Time, (New York: Random House, 1975)
- Strategic Survey/1986-87, (London: International Institute for Strategic Studies, 1987)
- Tan, Gerald 'Intra-ASEAN Trade Liberalisation: An empirical analysis', Journal of Common Market Studies, XX(4), June 1982
- The Pocket Economist, (Oxford: Martin Robertson and The Economist, 1983)
- United Nations Institute for Training And Research, A New International Economic Order: Selected Documents (1945-75) Volume 2
- Wallerstein, Immanuel Historical Capitalism, (London: Verso, 1983)
- Walters, Robert S. American and Soviet Aid: A Comparative Analysis, (Pittsburgh: University of Pittsburgh press, 1970)
- Weaver, James H. and Alexander Kronemer 'Tanzanian and African Socialism', World Development, Vol.9, Nos. 9 and 10 (1981)
- Willetts, Peter The Non-Aligned Movement: The Origins of a Third World Alliance, (London: Frances Pinter, 1978)
- Willrich, Mason Energy and World Politics, (New York: The Free press, 1978)
- Wolf-Phillips, Leslie 'Why Third World' Third World Quarterly, 1(1), 1979
- Yeats, Alexander J. Trade and Development Policies, (London: MacMillan, 1981)