

POOR COUNTRIES vs. RICH; POOR PEOPLE vs. RICH

Whom will NIEO benefit? *

by

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1. On the impact of NIEO on poor countries.

The instrument of the New International Economic Order and related resolutions and conventions are, as the name indicates, of an international character.¹ They deal with the international economic order, not with the intra-national order - except indirectly, through the hypothesis that changes in one will not only lead to changes in the other, but also to beneficial changes in the other. There is an implicit hypothesis to the effect that redistribution of world resources towards the poor countries, so that they accrue to them more than before and benefit them more than before, even so that they are controlled by them more than before, will ultimately also benefit poor people in poor countries.² It is this hypothesis that will be examined in the following.

Let us start by assuming that the New International Economic Order and related instruments will in fact make poor countries richer when considered - as they are in the theory and practice of international economics - as homogeneous entities, as undifferentiated wholes. It is not obvious that their relative standing will improve, but improved terms of trade and other instruments should have this effect, even short-term, as has already been seen in the aftermath of the highly successful OPEC actions.³ The question is what happens to the poor people in those countries.

To discuss this the concept of surplus is useful: what is left when the costs of production, including the costs for minimum reproduction of the labor force (including future labor force through ability to maintain, if only on a minimum basis, a family) are subtracted? Much of the surplus is generated at the bottom of society;⁴ the question is whether it stays at the bottom or is transported upwards. Some of the surplus enters the top of society;⁵ the question is whether it remains at the top or trickles downward. In principle this gives rise to four types of societies, as indicated in Table 1:

Table 1. What happens to the economic surplus within countries?

		<u>Surplus entering on top</u>	
		stays on top	trickles down
<u>Surplus generated at the bottom</u>	transported upwards	I exploitative societies	II welfare states
	stays at the bottom	III double societies	IV progressive societies

The analysis can now start by commenting on the four combinations.

The first combination is the best known one among the Third World countries today: the surplus generated at the bottom is transported upwards; the surplus that enters at the top stays at the top. As a result the masses remain in misery, their situation may even deteriorate further, whereas the elites improve their standard of living rapidly through surplus from below and from the outside. The inequalities in society become more pronounced for every year, and the vested interests of the elites in maintaining the structures that steer the surplus flows towards the elites also crystallize over time. These are clearly exploitative societies, and one of the basic methods is to pay farmers and peasants very badly for their products, at the same time as they are made dependent on participation in the monetary economy for some goods needed for production and services needed for reproduction; and at the same time paying workers and people lower down in the service categories minimum salaries. In order to maintain this system a repressive machinery is usually needed to maintain fragmentation of workers away from peasants and away from each other, to prevent consciousness formation and mobilization of the masses.⁶

In the second category there are societies where the surplus is transported upwards, but then permitted to trickle down again. This is typical of the welfare states in the First World, and to some extent also in the Second World (the socialist countries). The salaries paid to the workers in the secondary and tertiary sectors of society are still only a fraction of the market value

of the goods and services they produce or help produce - this being particularly true in the secondary sector.⁷ But at the same time the State enters the picture with a huge machinery for internal redistribution: progressive taxation and other measures which tax the relatively well-to-do, putting money at the disposal of the State for redistribution in the form of social services such as public health, public education, public transportation and communication (or subsidised versions of any one of these four). The system will almost have to be bureaucracy - intensive as the surplus both has to be "pumped" up and then down again, the bureaucracy more or less effectively regulating and pumping some of the flow. But as a net result social inequalities tend to remain relatively constant. If the elites improve their standard of living so do the masses, at a respectful distance, but in more or less parallel fashion.⁸

The third combination is a relatively rare one: the surplus generated at the top remains at the top and the surplus generated at the bottom remains at the bottom. We are thinking here of a special category of societies that actually are truly dual societies: there is a modern/urban/incorporated sector which may be run like combinations I or II above; then there is another sector in society totally outside, untouched by the first one, truly marginalized. They neither benefit from possible trickling-down effects, nor are they exploited or considered worthy of exploitation. We are thinking of various nomadic groups, aboriginal societies still able to hold out in the deeper recesses of the countries, etc. Of course, they are marginalized only in so far as they are not used as a reserve army of labor that can be brought in or kicked out again depending on the business cycles.

Then, finally, there is the fourth combination: the surplus that enters or is generated at the top is transported (at least partially) downwards; the surplus generated at the bottom (by and large) remains there. Only in this type of society will it be possible effectively to narrow the gap between the poor and the rich and at the same time raise the standard of the poor - two highly important political goals, both logically and empirically independent of each other. The mechanisms would be a high level of local self-reliance permitting the local

communities to design their own production-consumption cycles for their own primary consumption, they themselves deciding which fraction should go to the center of society for exchange on an equal basis.⁹ An absolute prerequisite seems to be land distribution in such a way that ownership of land remains in the hands of those who cultivate it, individually or collectively. Another condition seems to be a relatively low level of monetization of the economy so that the temptation to use soil for the production of cash crops for internal and external export in return for consumer goods for the satisfaction of non-basic needs does not become too overwhelming. At the same time these policies have to be combined with effective channels for the redistribution of resources in the form of services of various kinds, from the top to the bottom. Needless to say, the People's Republic of China, after the introduction of the Peoples' Communes, represents one example of a society in this group of countries.¹⁰ Others can be mentioned that more or less fall into this category, but hardly more than a maximum dozen of the countries members of the Group of 77.¹¹

The question is how the New International Economic Order and related instruments will affect this general picture; what kind of effects these changes in the international economic structure will have on and in the four types of countries. For the purpose of the discussion we can leave out types II and III and concentrate on the Third World countries located along the diagonal in Table I, mainly in the first category.

For the sake of the argument let us take it for granted that as a result of the package referred to as the New International Economic Order there will be a redistribution not only of capital, but also of technology towards the poor countries. Concretely this will take the form of an increased flow of financial instruments and capital goods and/or blueprints and training programs entering the Third World country. Given the nature of this flow the point of entry will usually be in the capital of the country, and usually towards the top. The landing point for capital will have to be in the leading banks of the country, particularly the State Banks; and the landing points for technology

will have to be in public or private corporations and/or research institutions. In short, the landing points will be in the center of the country; the periphery almost by definition being insufficient in terms of landing platforms for such things.¹²

The question then becomes to what extent the country has adequate channels for further distribution of such assets into the hinterland. This should not be confused with channels for redistribution of surplus, for instance in the form of health and education. The problem is to what extent the country has a network of finance institutions capable of placing financial assets locally so that they can be put to work locally, and a corresponding network of institutions that can put technology to work in a local setting. The answer is clearly both yes and no: in some cases these networks exist, in other cases not. If they do not exist, the result may be pretty much the same, for the networks themselves will tend to create an archipelago of mini-centers in district capitals and even the smaller cities and towns, imitative of the institutions in the national capital which in turn are imitative of the First World countries (or at least their capitals). Money as such does not fill up empty stomachs, only after it has been used to produce or to buy food; and the same applies to technology - it has to produce first.

But the technology imported from rich countries will tend to be capital-intensive, labor-intensive, research-intensive and administration-intensive (even generating researchers, bureaucrats and capitalists), the conditions under which it can be put to work are very special: there has to be a concentration of capital, researchers and administrators and relatively few laborers. In other words, there has to be an urban setting with a population structure not too different from what is found in rich countries. Such structures will attract hungry masses from the countryside, but as they will not be absorbed by this type of technology because it is too labor-extensive, the result will be extensive slum-formation around the cities. And in this there is an interplay between the increased flow of capital assets and capital-intensive technology: one will be used to buy the other. The more cash there is available the higher will the tendency be to prefer capital-intensive to capital-saving

technology; especially if this technology in addition generates jobs for researchers, bureaucrats and capitalists - for the kith and kin of those in charge of the landing platforms for these assets, to express it cynically.

In short: the argument would be that the outside flow either will not reach the periphery of the recipient country, or will reach it in a way that will create enclaves cushioned by slum-formation. That the flow should reach the one billion or so really poor people in the world at present seems unlikely, unless special conditions obtain inside the country - the conditions that have been described above as a combination of a guarantee that most of the surplus generated at the bottom will remain at the bottom and that the surplus entering the top will trickle down. In such countries the assets that enter can be converted into health, education, transportation and communication services subsidized in such a way that they are within the reach of the masses, rather than being converted into luxury consumer goods or capital goods for the production of things out of the reach of the masses, or within their reach but then catering to non-basic needs (such as carbonated soft drinks).

There seems by now to be overwhelming evidence that capital and research intensive technologies will tend to produce goods and services that cannot be consumed by those who are not participating as producers because the unit price is too high.

And that points to the other main internal strategy: to create conditions under which everybody can participate in the production of what is needed for the satisfaction of basic material needs. Experience seems to show that when peasants and small farmers are given real control over land they will use it first of all to produce food-crops rather than cash-crops;¹³ things that can be eaten locally by those who need it. Food production for local consumption shortens the economic cycle food-stuffs have to go through, thereby cutting down expenses for storage and packaging and transportation. Similar arguments can be used with regard to clothing and shelter, making maximum use of local/traditional technologies and local materials.

The safest way of guaranteeing that local natural resources will be used for the satisfaction of basic material needs locally is that these resources are controlled by the local population through patterns of local self-reliance, with mass participation. These conditions are profoundly political, but then the whole question is basically a political one, not an economic one in a restricted, technical sense.

Up to this point the argument has been that the package of instruments known as the New International Economic Order, when fed into societies of category I will tend to increase rather than reduce the inequalities, and will not in and by themselves raise the level of material needs satisfaction of those most in need, the bottom 25, 33, even 50 or more, per cent. The argument can then be taken one step further: not only will the situation not improve, but it will probably aggravate further. In other words, we shall argue against the often heard proposition to the effect that reduction of inequality and raising the level of living at the bottom are measures that belong to the domain of domestic policies, and will have to be solved domestically, making measures from the outside in this direction, even arguments in this direction, intervention into internal affairs. The task of the New International Economic Order and related measures is to prepare the external conditions so that when the internal structure of the country is changing, then there will not only be more equitable sharing, there will also be a bigger cake to share.

This type of argument draws a dividing line between international and intra-national affairs compartmentalizing the two away from each other in an unrealistic manner. Moreover, measures or arguments from the outside in the direction of reducing inequalities are seen as "politics", whereas measures that tend to increase inequalities and maintain, even lower further, the bottom levels, are seen as non-political, as deplorable consequences of a natural course of events, possibly to be overcome later, "when time is ripe".

There are at least five ways in which policies associated with a New International Economic Order may aggravate the situation

in category I countries further.

First, with better and more stable prices for raw materials and cash crops the temptation to use natural resources for the purpose of export will of course increase. As a result it is not only possible, but probable, that less land will be available for food crops to be consumed locally, and that other types of natural resources will also be less available for local consumption in ways completely within the reach of the masses, and for basic needs.

Second, through export (including internal export, from the periphery to the national capital, and also in other combinations) the control pattern over resources changes. Soil cultivated for local consumption, or for exchange in relatively small economic cycles, often on a barter basis, is compatible with a highly decentralized pattern of resource control. The moment cash crops are grown and exported there will be a counter-flow of money entering the country at very few points, sometimes only at one point (the banking institution entitled to make transactions in foreign currency). Monetization combined with international commercialization narrows the flow of resources and concentrate it to a channel that can very easily be controlled, by bureaucrats or capitalists or both. In the older days much of the debate was concerned with public vs. private control of this flow, it being assumed that public control at least potentially could benefit the population in general more than private control. Today, with the experience the world has in how public money can be used for prestige projects, not to mention for increasing military budgets and for maintaining local elites in power,¹⁴ the focus should perhaps be more on whether the control is in the hands of the elites or better distributed than on what particular type of elite.

Third, given this control pattern it is to be expected that the elites will find ways of using the assets that at least do not counteract interests of the elites. One does not have to invoke images of luxury import (e.g. of the legendary Mercedes); it suffices to think in terms of enclave expansion so as to make the elite grow in absolute and relative size. One ideology would be that ultimately the elite could encompass the whole country,¹⁵ but then it is forgotten that the assumption behind the elite

is that there are others who produce and are so badly paid that there is a surplus sufficient to maintain the elite. In other words, the condition for the elites is the continued existence of the masses, if not in one's own country, at least in some other country. The First World managed to expand through schooling, welfare state practices and general political participation, but above all by having masses in the Third World do much of the work. The Third World elites can do something of the same relative to their masses (who constitute the true Fourth World, the Fourth World consisting of poor people, not of poor countries); what shall the Fourth World do? They cannot repeat the trick since there are no more worlds left to exploit. Consequently the masses are very much dependent on how the elites will use these assets, which again depends partly on the kind of structures favored by these elites, and partly on their attitudes. The argument above would be that if the instrument used for internal restructuring are essentially based on capital-intensive technologies, then the result is likely to be a hardening of the elite enclaves, regardless of the attitudes of the elites.

Fourth, there is one particular type of capital-intensive investment which will be made by most of these elites: to increase the power of the military and the police. That the capital-intensive technologies known as arms are available on the market is well known; it is also well known that this is one of the ways in which the First World gets much of the money "lost" because of improved terms of trade from the Third World point of view back.¹⁶ The question is how these machineries will be used, and it is not very farfetched to assume that at least some of it can be used for internal repression in order to maintain the status quo.¹⁷ This, then, raises the question of whether it is easier or not for the masses to fight against their own elites than against foreign elites in an imperialistic setting, and one argument would be that it seems to be more, not less difficult. There are several reasons for this: in a war against an external enemy (such as the old Western colonial and neo-colonial powers) at least part of the local bourgeoisie will tend to be on the side of the people in general (the others having too many vested interests in foreign domination); the foreigners will tend to make gross mistakes because of their lack of knowledge of local conditions thereby compensating negatively

for some of their tremendous material power; and the foreigners will not have the same ability as the local elites to penetrate into the most remote corner of the country, to put spies and informers inside working places, schools, even families. On the other hand, it also looks as if liberation wars fought by a national alliance **bringing** together elites and masses, will tend to result in a liberation that falls into the hands of those elites, thus leading exactly to the category I type of country described above. And this seems to be even more true the easier the liberation war was: only when the war was really tough, so tough that only masses with nothing to lose really kept out in the fighting - does this seem to guarantee that at least for a period of a generation or so the system introduced will really benefit the people.

Fifth, the system is self-reinforcing, for the New International Economic Order is international, meaning that similar processes will take place in other countries, constituting a harmony of interests among elites. The idea "if I help you importing some of your goods, you will help me importing some of my goods and we shall both be able to control what happens in our countries better" would be an unspoken basis for that harmony. It should be noticed that this harmony is compatible with strongly worded anti-imperialist language against the First World as there would be a shared interest in moving a higher share of the total world-cake in the direction of the poor countries and away from the rich countries. In fact, this anti-imperialist language may be a major source of legitimation downward towards the masses, making the whole population believe that work for poor countries is also work for poor people, ipso facto.

One important, ~~transitional~~, feature of this harmony of interest should be pointed out: it also extends to all countries on the diagonal of Table 1 from the most reactionary to the most progressive. They will all have an interest in, for instance, improved terms of trade; the conservative regimes because they see it as a chance to enrich the elites, the radical regimes because they see it as a chance to raise the level of the people in general. For this reason "Third World solidarity" can be

maintained: the conclusions may be the same although the premises for voting may be entirely different depending on where the country is located on that dimension. And the distribution along that dimension is highly skewed; it seems reasonable to assume that at least one hundred of the Third World countries are located in category I, and that most one dozen - including the socialist Third World countries - are located in category IV. About half of the category I regimes are military. ¹⁸

The picture so far painted is a pessimistic one because it takes as a point of departure for the analysis some images of the internal realities of most Third World countries, and leads to the conclusion that more resources entering at the top will not change those realities to the better, may even reinforce and develop them further in the wrong direction. Let us then argue against this position and try to point out some possible trends in the opposite direction as a result of the NIEO and related instruments.

The basic argument would be that NIEO will bring about internal changes in Third World countries, and these changes will indirectly lead to a higher level of living for the masses and decreased inequality even if they will not directly, short-term, have this effect. There are several possible intermediate variables here, some of them mentioned in liberal theory, some of them in marxist theory.

Thus, liberal development theory would point to the general impact of industrialization in forcing more "modern" attitudes on people. Industrialization is not only a mode of production, it is also a mode of living, and this pattern of life would spread to other sectors of society and cause basic change. More particularly, there will be spin-off effects resulting from the introduction of modern technology: challenges to adapt the technology, change it, even invent new technology that will lead to patterns of creativity that in turn will benefit people in general.

From a marxist point of view the emphasis will perhaps more be on the class relations that will follow in the wake of the introduction of this type of technology, particularly the rise of an industrial proletariat. If the industrial proletariat is

seen as a progressive force, because it is - through revolution - a force capable of building a socialist society, then the causal chain industrialization → industrial proletariat → class struggle → revolution will be one such mechanism, even if it takes time.

Against the liberal theory, however, it may be argued that if this were the case, one should have the effect already since Western penetration through investment in capital goods is far from a new phenomenon in the Third World. It is already more than a century old in many of those countries and regions and as yet those effects have not come about, possibly because of the encapsulation effects mentioned above. And as to the marxist theory: much experience seems to indicate that the industrial proletariat becomes co-opted into the center of these Periphery countries, as an "industrial aristocracy";¹⁹ marking a clear distance between themselves and the true proletariat of the Third World, the rural masses. Questions would also be raised about the costs incurred when a revolution is used as an instrument to bring about a higher level of living and decreased inequality - but that type of cost-benefit analysis should of course be balanced against the cost-benefit analysis of present society with its tremendous suffering due to wide-spread misery.

Then there is the argument that through collective action Third World solidarity has managed to create a major actor on the world political scene, and this is a dynamic actor, externally and internally. Through solidarity and affinity the more progressive Third World countries may influence the less progressive ones, forcing them to introduce some mechanism whereby surplus generated at the bottom remains at the bottom and surplus entering - at the top is, at least to some extent, redistributed downwards. There may be something to this, but there is also an important empirical counter-argument: the countries in category IV (China, North Korea, North Vietnam, Cuba, and then such countries as Algeria, Tanzania, Sri Lanka, in a certain period Peru, and maybe some others) did not develop their present internal structure because of improved terms of trade or similar international measures. The changes took place through internal struggle and in spite of (or perhaps rather because of) extremely adverse

external conditions. Nevertheless the cases of Tanzania and Sri Lanka serve to demonstrate that a revolution in the classical sense may not be a necessary condition. In other words, countries may have "soft" elites who for several reasons, idealism and profound identification with the people in general being among them (and other ones possibly being that they are enlightened enough to see the handwriting on the wall), initiate important changes in their domestic structures. Some of this may come about because of pressure and experiences from abroad, and in this setting it is certainly not impossible that Third World solidarity and the international community of the United Nations family may play some role, facilitating a flow of progressive ideas. ²⁰

So far we have only looked at relations within countries in the Third World as a result of the New International Economic Order; but what about relations between countries? One might try to repeat the idea underlying Table 1 to get some insight into this question, and the result is Table 2:

Table 2. What happens to the economic surplus between countries?

		<u>Surplus generated in the richer country</u>	
		stays there	is invested etc. in poorer country
<u>Surplus generated in the poorer country</u>	transported to richer country	(i)	(ii) exploitative relations
	Stays there	(iii) mutually independent	(iv)

The assumption is that the two countries are Third World countries, but that one of them is richer, has more "assets" in the conventional sense than the other. The problem is what happens to the surplus generated, and the distinction is made between two possibilities: it stays at home, or it is invested, given as loans or grants of whatever into the poorer country. That country will also generate some surplus, and the question is whether it is transported upwards, "siphoned off" into the richer country, or stays in the poorer country. This yields four combinations, four possible relationships out of which no. (i) and no. (iv) are unlikely,

and nos. (ii) and (iii) are highly likely, the former more than the latter. In the former case surplus is invested, for instance in energy, or raw materials, or in marketing infrastructure, and surplus comes back - the assumption being that the latter surplus exceeds the former so as to add up to "business". This way relations of dependency are created, both ways: both countries (or groups within both countries) will depend on the maintenance and even expansion of this type of economic cycle. At the same time the relation is usually exploitative, meaning that disproportionately more of the surplus ends up in one of the countries, usually the richer one. In that way another typology can be introduced among developing countries: those on top and those at the bottom of economic relations (not merely differences). This

relation that was relatively meaningless as long as trade among these countries was minimal (because they all traded with the First World metropolitan powers),¹⁹ increasingly becoming more meaningful as trade relations expand. Possible candidates for such top positions in the Third World economic hierarchies would be Brazil for Latin America, Nigeria for Africa south of Sahara, Iran (and possibly also Saudi-Arabia) for the Arab world and Western Asia, India for South-Asia, Indonesia (and possibly Singapore) for South-East Asia, South Korea (and possibly Hong Kong) for East Asia - all of them essentially following in the wake of the country that started it all outside the classical West: Japan. These are also big countries, bigness compensating for poverty.

It should be noted that there is a relation between the typologies in Tables 1 and 2: for a country to be part of category (ii) in Table 2, it has to have an economic structure of category I in Table 1. To be able to operate internationally there has to be a concentration of economic resources at central points in the country and elites with bureaucratic, capitalistic and other skills capable of handling these resources internationally. If surplus generated at the bottom tends to stay at the bottom and that which enters the top tends to be shifted downwards through welfare-state practices etc., there will be too little for foreign trade policy oriented elites to handle for investment purposes.

Again the question can be raised of whether NIEO will generally favor or impede the emergence of such structures. In a

sense the answer is given by some of the analyses following the typology of Table 1: if NIEO facilitates the emergence of countries where the surplus accumulates at the top, there will be a problem of what to do with the surplus, and the limitation on how much can be absorbed in luxury consumption. Investment abroad is one possibility, and increased Third World cooperation in trade and financial transactions will direct the economic flows into intra-Third World economic cycles. Given the tremendous asymmetries between and within countries the cycles are almost bound to become exploitative, for the many reasons mentioned. For that reason it is probable that in the years to come the most outspoken adherents of Third World economic cooperation will be the richer people in the richer Third World countries, certainly not the poorer people in the poorer Third World countries.

To conclude: we end up with a typology of three types of Third World countries: dominant, exploitative societies; dominated, exploitative societies and progressive societies. Only a few years ago they were all societies dominated by the First World. As that pressure is reduced, not the least due to solidary action, new relations will emerge, and new social dialectics within and between countries, as is to be expected. And the New International Economic Order will play a significant role in this connection - partly in its own right and partly as a codification of the existing trends in the world economic system.²²

2. On the impact of NIEO on rich countries

So far we have only discussed the relations within and between Third World countries; what about the likely effects of the New International Economic Order and related measures in the rich, industrialized countries? What will be the effect in a world with not only one, but two, three, many Japans - non-Western countries practising the Western approach, competing with the West, in their own countries, in the Third World in general, and in the First (and Second) worlds, on industrial society, as we know it, in the West?

If one wants to discuss the future of industrial society today, one has to have a clear image as to the meaning of the expression "industrial society", and to study that problem in a global context. An "industrial society" is a society where a large part of the total economic system is devoted to one thing: the transformation of raw materials into manufactured goods - in other words processing on a mass scale, with the help of machines. Of course, some transformation of raw materials there has always been in human society, but under industrialism as a system mass production makes it possible to produce on such a scale that not only the market around the factory quickly gets saturated. The same also applies after some period to the national market, and there is the necessity of going abroad to find a market for the products, and also to find the production factors in raw form - raw materials, often supplemented by "raw capital" and "raw labor" (unskilled labor). Thus there is an obvious linkage between degree of processing (how much the original raw materials have been changed), the volume of processing (simply the production output), and the extension of the economic cycle involved (meaning the geographical extension of the area within which raw factors are fetched and products are marketed).

The way world economic history has developed not only districts within countries, but also countries, even regions of countries, play different roles in these increasingly world-encompassing economic cycles. In few words: some parts do the processing, some parts receive the products and provide the factors, particularly raw materials. If we concentrate the attention on countries this means that countries have developed unevenly where industrialization is concerned, leading

to patterns of vertical division of labor whereby some countries do the tasks of an industrial society, others do tasks associated with non-industrial societies - leading to the division that today often is expressed using the words: "more developed countries" and "less developed countries", MDCs and LDCs. It should be emphasized that there is no logical necessity why it is so. One could also imagine a development leading to horizontal division of labor, whereby each country would be industrialized to about the same degree, but at the same time specialized so that they could engage in an exchange with each other. To a large extent this is what takes place within the industrialized world and it accounts for much of the world trade, but in the world of today it is the vertical trade, or inter-sector trade, with processed goods flowing in one direction and raw materials in the other that is politically most sensitive and important. It is this trade which is the focus of the New International Economic Order - and the purpose of this paper is to gain some perspective on it.

Thus, as a point of departure a trade composition index might serve as a useful guide. The index is based on the foreign trade of all countries in the world, and measures the extent to which the country is on the top of this vertical division of labor, exporting only or mainly processed goods, importing only or mainly raw materials and semi-processed goods. The results are as follows:

Table 3: Trade composition index: some selected countries*

1. Japan	+ 106.68	38. U.S.S.R.	- 46.42
2. Italy	+ 78.42	111. Niger	- 140.72
3. U. K.	+ 74.30	112. Zambia	- 144.06
4. Germany, Fed. Rep.	+ 67.42	113. Ethiopia	- 144.52
5. Hongkong	+ 63.32	114. Burma	- 144.98
6. Korea, South	+ 58.44	115. Venezuela	- 146.24
7. Czechoslovakia	+ 52.54	116. Gambia	- 148.14
8. Switzerland	+ 39.70	117. Uganda	- 162.70
9. Germany, Dem. Rep.	+ 30.16	118. China	- 200.00
10. France	+ 29.52		
11. U.S.A.	+ 13.52		

*Figures calculated by Amalendu Guha for World Indicators Program, Chair in Conflict and Peace Research, University of Oslo.

We have presented data from only 20 out of 118 countries for the conclusion is obvious: on top of the Table are the countries that enter international trade as industrialized countries, at the bottom are the complementary economies that enter international trade as markets and suppliers of raw materials. (Actually, we should also have data about the other "raw" factors - "raw capital" and "raw labor" - but such data are extremely difficult to get in any systematic manner).

As can be seen from the Table the industrialized countries are indeed on the top of this index of vertical division of labor: with Japan not only being number one, but also, as judged by the figures, far ahead of the next in line, Italy, United Kingdom and the Federal Republic of Germany. It should also be noticed that after these four leading industrial powers come two other countries that have served as location rather than generation of industrial production - Hong Kong and South Korea - then two of the countries in socialist Europe and - of course - Switzerland. Only then comes France, and the United States is way down the list as number 17, to the surprise of many. The explanation is simple, however; US exports a surprisingly high amount of raw materials and semi-processed goods, and also imports a considerable amount of processed goods - not the least from Japan.

To be inserted on page 18, between the second and the third paragraph:

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There are actually several countries somewhat in the same position as the United States: Netherlands (no. 30), Denmark (no. 31), Norway (no. 34) and Canada (no. 42). Although usually identified as "rich industrialized countries", they get this position according to the trade composition index not because they do not have a well-developed industrial capacity, but because of the, relatively speaking, low proportion of really processed goods among their export commodities. For that reason their position in the international market is much more similar to the developing countries, and they actually mix with them statistically, along this particular dimension. This is not the place to go into any details but maybe some consequences could be indicated. First, the countries mentioned are also known, today, for their sympathetic attitude to the Third world countries, particularly in an UNCTAD context. What these data inform us about is that an attitude of that kind perhaps should be seen less as an expression of ideology, and more as an expression of a structural position: the countries concerned might simply have shared interests with the developing countries - many of their semi-processed goods are destined for further processing and ultimate consumption by the countries on the top of the trade composition index. (And in addition to this: the trade that these countries have with developing countries may not be that significant in the total trade volume). Second, the location in the middle of the trade composition index dimension might point to a higher level of invulnerability, a certain balance that may be useful in times of crisis - hence, a higher potential for political risk taking. But this is then balanced, to some extent, by the third consideration: if the importers of their semi-processed products should get into major difficulties these countries will themselves be hurt, not so much as a direct consequence of the New International Economic Order as an indirect consequence. Thus, the countries mentioned find

* The index values are -17.42, -19.38, -32.66 and -54.80 respectively.

18-B

themselves in an ambiguous situation, in a sense corresponding well to their reputation as the countries representing "capitalism with a human face"; not the least reflected in the radical stands often taken by their development agencies (and here it should be added that the same applies to Sweden - no. 15 on the list* - for which this kind of position may be more difficult for structural reasons and hence probably more of an outcome of ideological considerations).

* Index value + 15.86

At the bottom of the list eight countries have been included, ending with the People's Republic of China. The countries preceding China on the list, with the exception of Venezuela, are all very poor countries. China is not, nor is Venezuela, but the international trade of these two countries takes the form of being at the bottom of vertical division labor as far as trade is concerned.

What kind of conclusions can be drawn from this type of Table for the future, meaning by that the years leading into the 1980s, in other words the near future?

Some ideas about what is going to happen can be obtained by studying the combinations of the six countries underlined in the Table. For one thing, these six countries were the ones that met in Rambouillet fall of 1975, and issued the Rambouillet Declaration, emphasizing the importance of continued economic growth and harmony and cooperation among all countries of the world. In a sense that was a very status quo oriented declaration, extolling the virtues of the old international economic order, only calling -essentially - for more of the same. This, of course, is not strange when one considers the top position of four of the six countries and leading positions of the other two: when one is on top of a system, the likelihood is that one wants the system to continue.

A deeper perspective on this can be gained by dividing the six countries into two groups with three of them in each: Japan, Italy and the Federal Republic of Germany in one; UK, France and US in the other. What makes these groups of countries so important? Answer: their contribution to international warfare during the last generation. The first group was the Axis powers, challenging the hegemony of the second group over the world economy in the big contest known as the Second World war. It is probably safe to say that the Axis powers had no objection to vertical division of labor in the world, only they wanted themselves to be on top of the system. In 1945 they were all three defeated, so how come that they are nevertheless on top? Again the answer is simple: it may pay to be defeated - capital equipment is destroyed but the undestroyable skills

in the human minds survive and can be used to produce the most modern capital equipment, very soon outdoing the worn-out machinery of the allies. International obligations can be erased like for a company that declares itself bankrupt, and as a consequence one can start with a clean slate, arising from the ashes like the famous bird Phoenix. Obviously there are considerable skills and initiatives involved, and it may also be that one should add to this the circumstance that due to the Second World War these three countries had no colonies, and hence were not involved in all the more or less belligerent operations used to maintain colonial rule, nor the obligations towards the colonies. For Japan, Italy and the Federal Republic of Germany the whole world was open after the war - international trade did not have to be asymmetrically divided between colonies and non-colonies.

Having said this it is also obvious from where the second group derives its fame in recent years: these are the countries that more than any other countries have participated in the Third World War, the long and sad series of wars after 1945, the total of at least 116 wars during the 30 years period 1945-1975²⁴. Most of these wars were wars of national independence or - seen from the other angle - wars to maintain colonial rule or minority rule; and the three countries mentioned were the main participants.

Hence, when these six countries come together in places like Rambouillet and issue declarations, the rest of the world will probably expect the content of these declarations to be in the direction of maintaining status quo. Or put differently: what one cannot obtain through warfare or colonialism, one tries to obtain through declarations and negotiations. But against this stand the demands of the Third World as formulated in the New International Economic Order: better terms of trade, better control over all points in the economic cycle at home, and more trade among the periphery countries, the countries at the bottom of the scale of international division of labor - the majority of the countries of the world.

Imagine now that in the years to come the demands of these countries are progressively implemented into practice, changing

the economic geography of the world, redirecting international trade. If we refer to the countries at the top as center countries and the countries at the bottom as periphery countries, there is one simple formula: the vertical trade between center and periphery countries is the trade pattern that is going to be reduced. And that is the trade pattern which is reflected in the Table above, processed goods in one direction and semi-processed goods/raw materials in the other direction. Instead the less developed countries are going to gain more control over the raw materials, the processing plants and the distribution companies at home, and use this to process for their own markets and for increased trade among themselves. There may be an intermediate phase where vertical division of labor will be maintained at the price of better terms of trade for the less developed or less industrialized countries, simply meaning that the countries at the top of the list will have to pay more for the raw materials (the mechanisms for this, such as indexation, stabilization funds, buffer stocks, are well known today).

What will be the consequence of all this for the countries in the center? It certainly does not mean the end to the industrial countries, history is not that simple. First of all, there is the possibility that they will engage in warfare again, this time certainly forgetting the division from the Second World war, joining forces - but this possibility should be ruled out as being, fortunately, extremely unlikely at present.

Second, there is the possibility that they will not only pay better terms of trade, but also engage in more horizontal division of labor with today's non-industrial countries, importing much more of their industrial goods, exporting much more of their own raw materials (the latter being a difficult solution for countries like Japan and Switzerland, although nobody knows fully what can be found inside the mountains of these countries, not to mention under the ocean floor surrounding Japan).

Third, and this is the major possibility: just as the periphery countries will increase their trade among themselves,^{so} can the center countries do, using each other as markets and sources of raw materials (as they already do to some extent). But this runs against the question of whether this is a workable solution. In other words,

to what extent is the demand for capital goods and durable and non-durable consumer goods in the more industrialized countries of the world really of such a magnitude, not the least taking into consideration the low level of population growth,²⁵ that it can absorb the whole impact of a redirection of international trade whereby the center countries focus on each other? And, the equally disturbing question: to what extent are the center countries of the world really in a position to supply the needed amount of raw materials, not the least in the field of energy?

And this leads to relatively sceptical predictions for the industrialized countries, including Japan. When production is too high, there are usually two possibilities: either to increase the demand, or to lower the production. The demand can be increased in at least three ways: by expanding the markets in space (finding external markets, particularly for new population groups),²⁶ by expanding the markets in time through planned obsolescence, new fashions and fads, the fading in and the fading out of products; and through the destruction of goods, as in a war. The production can be cut down in three ways: through unemployment, through lower production because of less input in working hours per day, per week, per month and/or per year, and lower productivity (more labor-intensive modes of production). These are the six choices with which the rich industrialized countries are confronted. Needless to say, they are not choices in the sense that they are mutually exclusive. Quite obviously, these countries have already made use of at least five of the six, in recent years, the sixth one being increasingly labor-intensive work; or in other words some kind of regeneration, or recreation, of more artisanal patterns of production, as opposed to industrial modes of production-- to lower the productivity.

But even if there is not a choice in the strict sense of the word there is a question of point of gravity, and it is interesting to speculate on the Western option in that light. Thus, it is the conclusion from what has been said above that truly expanding markets in space is a relatively closed option, at least after a span of ten years or so - for the simple reason that the Third World countries are going to produce for themselves. In this process the less advantaged may - as mentioned - be exploited by the more advantaged, by the Brasils, the Nigerias, the Irans and the Indias - but that is another matter and does

not produce more favorable conditions from the point of view of the industrialized countries. The world is too small. Life on Mars too dubious; the absence of life was also an absence of customers.²⁷

One might also be inclined to believe that expanding markets in time is a rather closed option: it has probably already been expanded to the saturation point. The reactions, particularly among youth groups, but also among very many others against planned obsolescence are today considerable.²⁸ The Japanese have in a sense shown the way; Japanese products being by and large made to be more long lasting, more sturdy than the products of the western competitors. The days when those competitors talked about "cheap Japanese imitations", and "shoddy Japanese goods" are long past, so are actually also the days of "cheap Japanese labor". Those who want to black-paint Japan in order to produce an acceptable explanation for own defeat in front of the economic successes of the Japanese industrial machine today have to produce other arguments, such as the environmental deterioration. In doing so the critics are certainly right, the environment deteriorated considerably in Japan.²⁹ But the argument is hardly made in order to help Japan out of an environmental crisis, but in order to maintain a low image of Japan, from a platform of Western arrogance .

Then, there is the option of war, and two reasons for war have been indicated above: war as a way of creating (Second world war) or maintaining (Third world war) a position in the world economic structure, and/or as a way of destroying a sufficient amount of processed goods, including capital goods, to start the process all over again. Of course, a war would never be waged openly under such headings but disguised as a war "against communism," "against terrorism," "against subversion," a war "for freedom," "for economic harmony," and so on. Unlikely, but not to be ruled out completely³⁰ - disastrous enough to study all other options seriously.

The rising unemployment is a well known feature of the most recent years in several of the western industrialized countries,³¹ and should be seen as structural rather than conjunctural unemployment. The structure referred to is the loss in position of military, political and economic power - and the unemployment is by and large more felt in the "Third world war countries" (U.K., France, U.S.) than in the "Second world war countries" (Japan, Italy, Federal Republic of Germany). The basic reason for this

is hinted at above. But there is also at least one other factor as seen from the difference between the rapid decline of the economic position of Italy in the world, and the way in which Japan and the Federal Republic of Germany seem to be able to maintain their position.³² It is difficult to find an adequate word for this factor, but it has probably something to do with national character; the Japanese and the Germans simply work harder. An injection of such patterns of puritanism, diligence, hard work and discipline in managerial and working classes alike of Italy and U.K. might very well keep those countries on top much longer. However, it is the contention of the present paper that such factors can only postpone what is inevitable: a more symmetric division of the capacity to process raw materials, in other words industrial capacity, around the world and - as a consequence of this - a relative decline in the comparative advantage of the industrialized countries. In short: the UNIDO Lima Declaration.³³

This narrows the choice down to unemployment and the other ways of decreasing total production. Of course, unemployment is already decreased production of the working stock as a whole - maintaining the old productivity of the employed, mixing it with a zero production of the unemployed, paying them off by means of unemployment insurance and other measures in order to maintain an average productivity adapted to the production volume demanded.

From the point of view of the unemployed this is an unacceptable solution; and it can only appear acceptable to those who have a managerial view of the society as a whole - be that in the private or the public sectors.³⁴ It is unacceptable even when the unemployment insurance is 90% or 100% of the salary normally obtained for the simple reason that having a job, being able to work, is inextricably linked to the dignity of human beings.³⁵ It is a right, not only a duty to contribute to the production, and thereby welfare, of the collectivity to which one belongs. Consequently, some solution will have to be found whereby the total production to be carried out is divided much more equally between the workers at all levels whose task it is to produce. As production = productivity x number of workers x number of working hours the method would be to cut down on the third factor rather than the second, keeping the first one as it was.

For this to happen there are, generally, many solutions; maintaining the productivity per hour, but working fewer hours per year, or per human life, for that matter. In practice this could take on several forms: a six hour rather than eight hour day, a four days rather than five day week, a three week rather than four week month, a ten month rather than eleven month working year and so on - and some combination of these.³⁶ The net result would be increased leisure, divided over the annual calendar in all kinds of fashions, perhaps also leaving it to the worker at all levels to decide for him-or herself how the leisure-pattern is to be distributed. The idea of flexi-time, now frequently found in industrialized countries, is preparing the ground for patterns of that type; and so are increased education and early retirement.³⁷

Politically a major problem with this solution is obvious: whereas unemployment is something one hopes to do away with in order to return to the original or increased production output, maintaining or even increasing the productivity, reduction of annual production has the character of being a more permanent measure - like the introduction of the 48 and 40 hours weeks. Once introduced it is hard to revert to the old pattern. Of course, there is the possibility of compensating for a decrease in the number of working hours per year by an increase in productivity per hour - and that may constitute some kind of transition measure in societies that will not easily admit that the days in which they could saturate the whole world with their products are coming to an end.

However, there is also another difficulty with the formula of increasing leisure for the population at large: it may well be that increased leisure is not what people want or will want. If we postulate a need to create in human beings, then most industrialized modes of production, and more or less industrialized or commercialized modes of leisure, are antithetical to creativity. What they amount to is a combination of routine work with standardized leisure patterns, whether it takes the form of organized hobby-ism or mass-tourism. At this point more labor-intensive modes of production may appear attractive to many: simply the idea of putting more labor and less capital into the finished products. It is generally conceded that this leads to added

quality of the products, as very clearly seen in such sectors as food, clothes, housing, health and education where it is very easy to point to fields where the quality of goods and services offered seem to decline steadily.³⁸ In addition to this there is also the highly important factor, so often forgotten in industrialized countries, that to produce is a social act, an act of communication between human beings very easily lost in standardized mass production with world-encompassing economic cycles, and equally easily regained in more labor-intensive patterns of production where the factors as well as the products move in very small economic cycles. This is the difference between the Christmas and New Year's cakes baked by one's own mother and those bought in a supermarket, probably never even touched by a human hand.

It is more doubtful whether this type of reasoning applies to the production of, say, cars or TV set - but recent experiments in such factories as Sony in Japan and Volvo in Sweden clearly indicate that very interesting compromises can be found between industrial and artisanal modes of production, ultimately even leading to the car or a TV set that will carry the signature of the worker mainly responsible for it. The direct consequence of a higher level of labor-intensity is not necessarily less standardization, however - workers can also be trained like robots to perform highly routinized tasks in a capital-saving production process.³⁹ [The important challenge to western industrial societies would be to devise modes of production whereby not only labor-intensity is increased but also creativity at the same time - making it possible for everybody (not only intellectuals) to produce in a non-alienating way, so that the product is a projection of one's own creativity. What this means in practice is very clearly seen when applied to one particular field of production: the type of processing of paper known as writing an article or a book. It is highly labor-intensive, and usually considered as a creative enterprise. If the industrial mode of production were practiced in the field of intellectual production, intellectuals might well be ordered to produce exactly the same article, say, each Wednesday - neither with any variation from one intellectual to another, nor with any variation over time - simply because the

"Bureau for standarization of articles" says so.⁴⁰ To the objection that in this case the producers would no longer be intellectuals the answer is of course "yes, but why should they have a right to have less alienating work than the rest of the population?".⁴¹ The point cannot be enough emphasized since the level of consciousness and readiness to demand not only a more fair distribution of participation in the total production process of the society, but also the more equitable distribution of the access to creative work, have increased considerably recently.⁴²

To conclude: to go in for a combination of the formulas of increased leisure and increased labor-intensity/creativity could be a way of opting for a much higher quality of life in the industrialized societies. The other options: a combination of unemployment, aggressive marketing and search for raw materials from all over the world, the ever increasing pressure to buy and consume, to discard and waste and pollute, and all of this combined with an ever present threat of war, looks like a rather unfavorable alternative. And yet it is this type of course that is pursued by our political leaders, sometimes even with the knowledge (because they are not that stupid) that this constitutes a dead end street. It is pursued because nobody seems to be willing to take the risk of systematically changing the direction leading into the future.⁴³

And yet this will have to be done. The demands of the non-industrialized countries and non-privileged groups in the industrialized countries (non-privileged not so much in simplistic material terms as by being deprived of guaranteed right to work, as well as being deprived of the right to creative work), soon become strong enough to change the structure of the world as well as the internal structure of the industrialized societies. Whether this will happen through a more evolutionary or a more revolutionary course of events remains to be seen. This is to a large extent up to the privileged elites in the industrialized countries themselves. And for them all of this should constitute no minor challenge: it will be a major task to devise new modes of production, more satisfactory to the population at large, and more compatible with the emerging New International Economic Order.⁴⁴

3. On the impact of NIEO on the relation between rich and poor countries.

Imagine now that the scenarios indicated in the two preceding sections unfold themselves. What, then, would relations between the two groups of countries look like? On the one hand a Third world, increasingly divided by the processes of Tables 1 and 2 into three groups: the dominant, exploitative societies; the dominated exploitative societies; and a (minority) group of progressive societies that might tend in the directions of the other two, and on the other hand a First world exposed to the processes to which Table 3 is a guide - how would they relate to each other?

In the shorter run we would assume that the Old International Economic Order would still dominate the picture sufficiently for the changes to be less pronounced. In other words, the old center countries will exercise whatever leverage they still have left, particularly related to patterns of uneven development, to retain, in some cases to regain, control. In this phase, also, the debate will become increasingly acrimonious as the First world countries fail to yield sufficiently to the demands for the integrated commodity program, the buffer stocks, the debt relief, the access for manufactured goods, and increased aid.⁴⁵ Some of this debate is already visible and audible, and highly understandable. Thus, in the present author's experience⁴⁶ the following ten lines of thought are heard with increasing frequency:

- why should we relinquish nuclear power as a source of energy, or as a deterrent, when you do not - or before you do?
- why should we pay much more attention to the impact on the environment of our industrialization than you did in the same phase?
- why should we offer our workers your standards of salaries and working condition when you did not in the same phase of development?
- why do you suddenly start talking so much about "basic human needs" when you paid so little attention to it when you were in our phase?
- is the basic human needs approach not, in reality, a tactical move in order to focus attention less on the need for transfer between societies, and more on the transfer within societies?

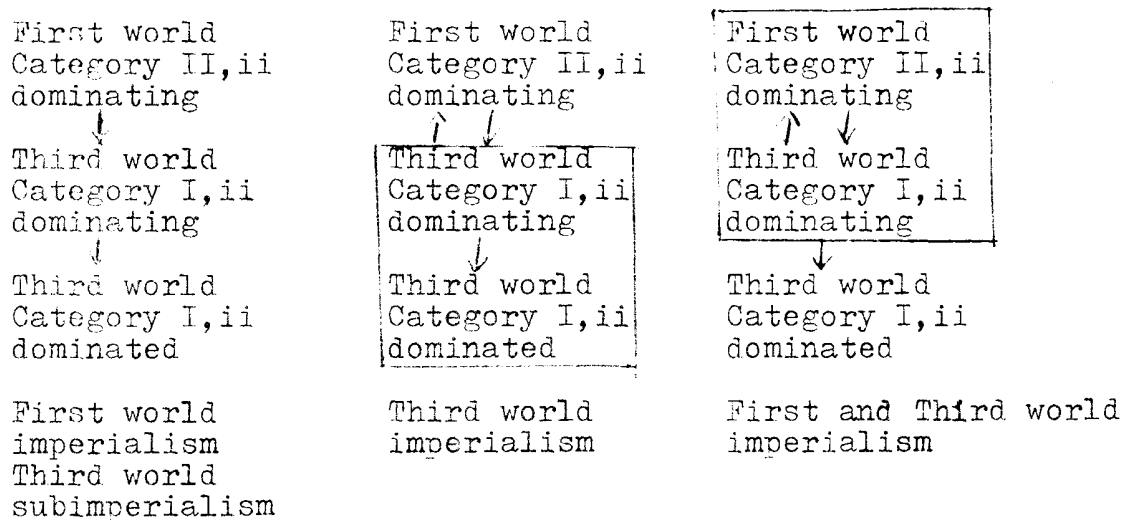
- is the basic human needs approach not, in reality, one more approach to a world managerialism whereby the countries that command most resources can once more plan and direct, even command, the economic flows between and within countries, this time in the name of "the bottom 40%" ?
- is the basic human needs approach not, in reality, even a pretext for intervention in internal affairs, especially when coupled to an aggressive human rights approach?
- is the "you in the Third world are far below the minimum level of satisfaction" approach not a cover for the equally, or much more important, fact that "you in the First world are far above the maximum level of satisfaction" approach, turning attention away from the ills of the rich societies to the shortcomings of the poor societies?
- is not insistence on changing life-styles, and "small is beautiful" in your own part of the world - and, in the Western tradition, also preached for the rest of the world - not something you have invented just because you are no longer able to be as big as before, and in order to prevent us from becoming big?
- before we were poor, to a large extent because you became rich at our expense; now you are in difficulty because of that, and you use your problems as an argument why we shall not "rock the boat"!

The list could easily be extended. All arguments have considerable validity, particularly if one accepts the underlying assumption that the development path for the developing countries, with some minor variations, will be one pursued by developed countries. If one turns it around, however, and says that right now the developing countries have a unique chance to chart new courses of development precisely, because they are not (yet) totally transformed into patterns congruent with the Western model, the argument loses in validity. In a sense the arguments are symptomatic of lack of self-reliance as the goal, accumulation of wealth, is taken for granted and the means are those used by the West - possibly even including exploitation of the least developed. In fact, inserting true self-reliance in the implicit dialogue alluded to above resolves the contradictions: basic needs approach, yes: but dependence on the rich world to implement this goal, no. And this also implies withholding from the First world much of the raw materials (including soil) they (ab)use for luxury consumption - otherwise leaving to the First world to sort out its (numerous) problems in a self-reliant manner.⁴⁷

Thus, as the verbal and action dialogues between the First and the Third worlds (a dialogue in which the Second, socialist, world is very silent, caught between ideological anti-capitalism and its own pursuit of capitalist goals) deepens, the split between the three groups of Third world countries will also deepen. The progressive countries will increasingly become self-reliant, as a necessary if not sufficient condition to become/remain progressive, even constituting some kind of bloc of self-reliant countries, to some extent opting out of the world capitalist system, only attached to it marginally, like China. The basic question, then, becomes what will happen to the other two groups, the exploitative dominant, and exploitative dominated countries?

There are several possible answers to that question, as seen from the following Table:

Table 4. Possible relations between First world and Third world countries (categories refer to Tables 1 and 2).



On the top are the Western industrial, rich, welfare states (the latter more or less so); then the exploitative, dominant Third world countries, and at the bottom the exploitative, but dominated Third world countries. To the left, then, is the current OIEO pattern, using certain Third world countries as bridgeheads into regions, possibly also with military functions. In the middle is what might be called "the merging NIEO Model": Third world unity on relatively equal terms with the rich Western countries as a bloc, but with internal verticalities of considerable magnitude. And on the right hand side is a not unlikely model with some Third world countries co-opted into the First world, joining with the classical First world in exploiting the rest.

It should be noted that there are two models that are not included in Table 4: the classical old economic order model with one First world country exploiting a set, its set, of Third world countries and with no relation among these countries; and a totally horizontal Third world, consisting of countries in a pattern of interaction for not only mutual, but equal benefit, horizontally related to the First world. The former belongs to the past; the latter is, hopefully, for the future, but for a more distant future.⁴⁸ But what about the short term prediction, which model is more likely?

Probably a mixture, with the point of gravity moving from the left to the right in Table 4; and the process is already unfolding. If we assume that the Charter of Economic Rights and Duties of States to some extent is a magna charta for the elites in the richer Third world countries to carry out themselves, whatever internal and external exploitation there is to be done, and to get even with the First world, then the second model expresses exactly this. However, the question is how stable the pattern is. There are doubts about the ability of the Third world as such to "catch up" in this game of power - not about the ability of some countries to exercise sufficient political-economic clout to enter the Club at the top. They should not be too many, however, otherwise there would be nothing left to exploit. This would lead to two strategies: the inclusion of some few and selected Third world countries for membership at the top, and the exclusion of some of the First world countries lagging behind. This type of process is well known from domestic social order, a gradual substitution of elites admitting new categories - and could well be replicated at the world level.⁴⁹

Regardless of which model dominates the picture the dominated Third world countries, with elites that go in for category I as the basic social model, will suffer, and the poor people in all category I countries will remain in their misery. No doubt this will continue to create considerable social ferment, taking countries out of category I and into the self-reliant, category IV bloc. Correspondingly, there will be efforts to readjust the exploitation chains within the Third world with client countries trying to escape, and strong countries reinforcing or creating patterns of domination. To believe that the Third world should be less capable

of external domination and internal repression, both with or without economic exploitation, is racist.⁵⁰ In other words, we would assume many patterns known particularly well from the Western world to reappear in the Third world, and more so the more they take over the Western development models as they will almost be forced to be aggressive because this is a part of the model.⁵¹

In all of this, how will the First world act? Trying to keep its essential privileges as long as possible, yielding strategically on the terms of trade front in order to keep the vertical division of labors so as to operate center-periphery gradients of uneven development still for some years to come.⁵² When this no longer pays off, try to step up intra-first world trade, but then expanding the First world with some new members from the Third world. If that does not work either, and the internal adjustment mechanisms alluded to in the preceding section either are not seriously engaged in or found insufficient: war. Recent idioms and patterns in US foreign policy might also give some hint as to in what name that war will be fought: in the name of human rights.⁵³

However, this is only one among many possibilities. Fortunately, there is more sense available in the First world than past history should make one believe - and the search for new styles of life has already gone on for some time, and continues.

4. Conclusion.

Thus, it may very well be that the major impact of NIEO will be in the First world rather than in the Third world, at least if one thinks in terms of qualitatively new developments. There is something paradoxical in this: as the Third world "modernizes", which is another way of saying "Westernizes", the First world may undergo transformations into something qualitatively different. This will take time, and there are many signs that it has already started, although the signs are not unambiguous. After all, of the six strategies mentioned, five are essentially status quo maintaining, and they are pursued with great energy.

Eventually this may lead to a higher quality of life in the rich, industrialized countries, but probably only through a period of crises. In the Third world the impact is more likely to be in terms of increased inequalities within and between the Third world countries, solidification of dominance relations within and between the countries, continued misery for the masses in most of the countries and a combination of two processes: individual human beings, and individual countries will become rich and pass the border line from periphery to center; and individuals and some countries alike will opt out of the system and become more self-reliant - more "progressive" as it is called in Table 1. In terms of international politics this becomes a question of opting for the OECD world or its alternatives, the Soviet world or the China world. In terms of domestic policy it becomes a question of opting for a centralized vs. a decentralized system - the latter probably more compatible with the OECD world than with the Soviet world.

But then there is also the strong possibility that this is all a passing phase in the history of the Third world - and that the process we can see today are merely the beginning of the Third world eventually becoming its own world - through self-reliance regional, national, local and individual. It is this kind of possibility one should hope for and work for - for the other possibilities are - frankly speaking - not too attractive. To promote this what we need more than anything else is frank discussions, demystifying past and present myths, in a world-encompassing dialogue where no assumption is left unquestioned, no avenue left unexplored. For we certainly do not have the answers, only some of the questions.

N O T E S

* This paper, prepared for the Canadian International Development Agency, has also been presented, at least in part, at the UNIDO Meeting of Eminent Persons, Vienna, May 16-18, 1977; at the UNITAR Diplomatic Training Course on the New International Economic Order and Multilateral Diplomacy, Vienna, May 31 to June 17, 1977, and a number of places in the Scandinavian countries, in Iran and New Zealand. I am indebted to discussants all places, and particularly to Charles A. Jeanneret for encouraging me to undertake this particular assignment.

1. We are thinking of the Declaration from the Sixth Special Session of the UN, May 1974, and the Charter of Economic Rights and Duties of States, adopted on 12 December 1974 by the UN GA. Later documents are instruments in the negotiation process; these two are the clearest expressions of ideas and ideals underlying the NIEO. For a short analysis of the documents, see Johan Galtung: "Self-Reliance and Global Interdependence: Some Reflections on the "New International Economic Order" ", Papers, Chair in Conflict and Peace Research, University of Oslo, No.55, 1977.

2. This hypothesis is usually implicit. In most speeches the reference is to "programs of development", which is not necessarily the same as raising the level of those most in need. In the Charter, Article 14, there is explicit reference to "improvement in the welfare and living standards of all peoples, in particular those of developing countries". But the article goes on to say that, "Accordingly, all States should co-operate, inter alia, towards the progressive dismantling of obstacles to trade - -" - which to many would be seen as very antithetical, at least in the short run, to the goals of improving the living standard. On the other hand, to raise the living standard of a "people" is not necessarily the same as to abolish misery.

3. Thus, Venezuela evidently had her GNP/capita doubled because of the quadrupling of oil prices, which should follow if oil is about one half of the economy.

4. This is more or less by definition: given the way human societies are stratified the majority is usually seen as not belonging to the top and the majority - unless there is really massive unemployment - is responsible for most of the production of goods and services.

5. We are actually thinking of two things: the surplus created at the top, eg. through the export of highly capital- and research-intensive technology, and the surplus that comes in as positive, if only sectorial, trade balances - controlled by the top even if not generated by them.

6. It should be noted that the repression does not have to be violent; it could also, simply be built into the social structure, eg., through the fragmentation mentioned. For an analysis of this, see Johan Galtung: A Structural Theory of Revolutions, Rotterdam, Rotterdam University Press, 1975.

7. Or at least less true for the tertiary sector, the reason being that these "workers" are generally better schooled, and hence in a position to demand - and get - higher salaries. This, of course, is by and large known to the population at large, so the obvious parent strategy for their children would be to push them into the schooling channels, that eventually lead to well paid tertiary sector jobs.
8. Subsidising farmers by subsidising food prices is, of course, an important part of this general instrumentarium.
9. One definition of "on equal basis", then, would be "so as to obtain equality in level of living"; viz., a consumption-oriented rather than a cost/production-oriented concept of terms of exchange.
10. For one analysis of this, see Johan Galtung and Fumiko Nishimura: Learning From the Chinese People, Oslo, 1975 (in Scandinavian languages and German).
11. The countries we have in mind would be the Third world socialist countries that do not seem, so far, to have developed increasing gaps between elites and masses; Tanzania, Somalia, Madagascar, Algeria, for their efforts in the direction of self-reliance; Sri Lanka for the same reason, possibly also Peru in a certain period that right now (1977) belongs to the past.
12. For a relatively detailed theory of these landing platforms for the case of technology, see Johan Galtung: Development, Environment and Technology, UNCTAD, 1977, chapter 2. It might be added that only countries with well developed "landing platforms" are likely to be targets of effective redistribution; the others will not have elites that benefit.
13. See Frances Lappe and Joseph Collins, Food First, Houghton-Mifflin, New York, 1977.
14. Not to mention the privileges accorded to the elites in "centrally planned economies". For a discussion of this, see Hedrick Smith, The Russians, Sphere Books, London, 1976, particularly chapter I.
15. This, then, would be an extreme version of the "trickle-down" theory. However, on a world basis it may look as if the countries on top of the GNP/capita that are not only the richest countries in the world but also the countries with the most egalitarian distribution of wealth (by and large) are examples of this. What is forgotten, then, is the extent to which this is predicated on the existence of a large exploitable periphery around the world.
16. The so-called "recycling of petro-dollars". It should be added here that the private arms business probably is very, very small relative to the governmental trade in arms, giving one more example of how fallacious much of the thinking in terms of private vs. public has been.
17. Jan Øberg, Section for Conflict and Peace Research, University of Lund, has made extensive studies of what he calls "The New International Military Order".

18. Of course, some of the regimes in the other categories may also be military, or rest heavily on military consent - particularly in the category IV countries.

19. It should be remembered that this insight comes from Lenin himself.

20. In short, we assume that there will be a flow from category IV to category I countries. In this we may certainly be wrong: the UN being a meeting place of elites it is also possible that category IV elites will be corrupted by their colleagues from category I, and join them in seeing to it that non-elite representation (eg., through NGOs lobbies) is cut down to a minimum, even to zero.

21. It should be noted that many of these countries can also be seen as typical bridge-heads for sub-imperialism. Moreover, several of them already have extended an effective intelligence services, operating in manners not so different from CIA and KGB.

22. Thus, in 1964, at UNCTAD I in Geneva much of this was already formulated, as pointed out by Albert Tévoédjré, For a Contract of Solidarity, International Institute for Labour Studies, Geneva, 1976, p.12.

23. For some implications of this, see Johan Galtung, "European Security and Co-operation: A Sceptical Contribution", Journal of Peace Research, 1975 or in Essays in Peace Research, Vol. V, Ejlers, Copenhagen 1978, chapter 2.

24. The most important research on all these wars has been carried out by the Hungarian researcher Istvan Kende, eg., as published in the Journal of Peace Research, 1971.

25. The growth rate for Europe, in the period 1965/73, was 0.73 p.a. for the Soviet Union 0.99, for Northern America 1.23 - and for Latin America, Africa and Asia 2.89, 2.67 and 2.33 respectively (World Statistics in Brief, United Nations, New York, 1976). The figures, incidentally, throw another light on the rapid population growth in the developing countries: one hope for the industrialized world would be that it remains so high that the developing countries would be unable to satisfy the demands. The growth rates are decreasing, however - in general - and the growth rates in industrial capacity of the developing countries will certainly outstrip it easily.

26. This also holds for internal markets: formerly marginalized groups in the Center countries (minorities, the very old, the very young), can be probed for new marketing possibilities.

27. Life on other celestial bodies remains, of course, a possibility but is it to be expected that their demand profile will harmonize well with the supply profile of Western countries? Besides, what will happen if the strongest of the Third world countries are able to participate in this outer space search for markets and raw materials, including the search for new sources of energy, to be beamed to (oil-poor) countries?

28. Thus, it is rumored that the French car industry sees a saturation point for cars beyond the mid-eighties when production will be for replacement only. One option studies for excess

production capacity would be snow scooters. Snow scooters are snow intensive, a fact that might create a demand for factories for artificial snow, and hence some more work. How far can our societies proceed in such directions?

29. The Japanese have even contributed to international vocabulary: the Minamata disease.

30. To rule out these possibilities would be tantamount to assuming a very sudden conversion of Western international habits only one generation after the extremely violent Second world war, which was followed by the concatenation of "local wars" that - in our view - add up to a Third world war. Besides, the armament and arms trade level being what it is, the utilization of (preparation for) war as a counter-cyclical mechanism to speed up a sluggish economy is very clear.

31. Riccardo Petrella has collected some of the information in his Systemes Sociaux et Recherche Sociale, Bruxelles, Commission des Communautés Européennes, 1977 (p.32), based on data from OECD and "Intersocial". The highest absolute numbers of persons seeking employment in the EC member countries were (December 1976) for the Federal Rep. of Germany, France, Great Britain and Italy - in all cases well above one million. The percentage of unemployed (seeking employment, and relative to the active population) increased (in the period 1973/76) from close to 5 to close to 8 for the US, from about 3.5 to about 6.5 for Italy, from about 2.5 to about 5.5 for the UK, from a little above 2 to a little below 5 for France, and from 1 to 4 for the Federal Republic - in other words around three percentage points for all of them, which says something about the similarity of the economies. As this was in part at least a result of the OPEC oil shock of 1973/74, and that oil shock, in turn, was very modest relative to the full implications of the NIEO, we feel entitled to predict that the impact of NIEO put into practice, on the developed countries of today, would be considerable. It should always be remembered that the OPEC action concerned one commodity only (as opposed to all commodities coming out of the Third world); that they were withholding the commodity, but only for a limited period; that the action was for price hike only, not (yet) to build up a complete processing industry to get all the value added - material and non-material. And to the extent that a petrochemical industry is being constructed the products are available to the whole world; later on discriminatory prices in favor of (some) Third world countries might come into full use. Incidentally, there are reasons why there is still a tendency to export crude oil rather than refined products: it is easy to shut off a well, not so easy to shut down a \$ 2 billion refinery complex; it is easy to store underground in nature's own storage, not so easy to store gasoline as it ties up capital.

32. As measured by the position of their respective currencies in the international market.

33. The famous 25% target originally discussed in Addis Ababa in 1974, for the Year 2000 is important as a signal of impatience and dynamism. The problem, however, is not necessarily whether the Third world is going to make it - for that may be easier than is currently felt today. Thus, after the "oil shock" the West has increasingly exported capital goods, to the point of exporting turn-key factories, in order to "recycle petro-dollars" - this means a rapid

build-up of production capacities that at least geographically are located in the Third world. At the same time, if the analysis of this paper can serve at least as a guide to what happens and will happen, if not as a blueprint, the industrial output of the West may decrease, and these two trends may well develop in such a way that the 25% target is not only met but overfulfilled before the Year 2000. But this entire kind of thinking is cut out of the old paradigm according to which the target of an economy is to produce "wealth", for the country or groups of countries; not necessarily to meet basic needs - see the Conclusion, Johan Galtung, "Self-Reliance and Global Interdependence" (paper referred to in footnote 1 above). This would set more absolute targets in terms of what human beings need, leading to priority for direct or short-term indirect production for basic needs, more interest in small and medium scale industries, and so on. One might also redefine the 25%, saying that it is 25% of the basic needs oriented industry rather than any industry, including the arms industry, the luxury car industry, the industry for totally unnecessary products, polluting industries and so on.

34. One of the best proofs of the extent to which our societies are class societies is the fact that workers, not the management, are laid off when a recession/depression, or a "stagflation", hits. A law stipulating that for each worker laid off, one bureaucrat, capitalist or researcher, in that firm and/or in the vast public research and administrative superstructure should also be laid off, might have a healthy effect as it is much easier to play with other people's employment situation than with one's own.

35. The classical work here is Paul F. Lazarsfeld, Die Arbeitslosen in Marienthal, from the depression in Austria.

36. In the OECD countries several of these approaches are already in the process of becoming social policy, particularly those with a shorter time perspective - the six hour day and the four hour day week. For the time being such measures are often hailed as progress. For that attitude a very unrealistic perception of the relation between leisure and general well-being is needed. Those who think much human happiness will derive from substituting leisure for work should study the plight of pensioners, of retired people in general, although, admittedly, there is an age factor compounding the picture. Rather, such measures should be seen as compensation for boring and degrading working hours, as is argued in the text, below.

37. Thus, keeping young people in schools and prepensioning the older ones would be among the instruments "reducing" unemployment, eg., by cutting down the age-span of the "active" population (meaning the interval between school and retirement) to 30 years (25-55, for instance). If one considers the right to work, and particularly to creative, meaningful work, a human right, then the concept should expand rather than contract, including rather than excluding the young and the old, seeing everybody, at least above four or five years of age, as "active". Needless to say, that would make unemployment statistics look even less attractive, and would reveal more clearly the structural rather than conjunctural nature of marginalization from work.

38. It is not only the forgotten human factor - for instance that a diagnosis by a sympathetic family doctor differs from long distance computerized diagnosis based on "samples". It is also a question of difference in product quality, eg., between artisanally and industrially produced clothes. For an excellent discussion of the relation between work structures and other aspects of contemporary industrial society, see Lewis Yablonsky, Robopaths, People as Machines, Penguin, Baltimore, 1972.

39. After all, this is what slavery was and is about - showing very clearly the limitations of any formula extolling labor-intensity alone.

40. When using this example in universities there are usually some students who point out that the professor who always published the same article is nothing new, they know already some of them - - but these are malicious students!

41. Actually, the example can be carried further. Imagine a computer programmed to write articles, using as inputs one hundred key words (such as unemployment, productivity, demand, market, etc.) permuting them with due respect to the syntax of the language, scanning the possible outputs for style (not too long paras, some distance between uses of the same word, a rhythm based on long paras and short sentences, and so on) - and there is an image of industrial article-production. Maybe intellectuals would behave like the luddites, destroying such machines? And maybe they would be right in doing so - as, possibly, were the luddites, so often considered the fools of history who failed to understand "progress".

42. That this is not only the concern of left wing intellectuals can be seen from the many strikes demanding not so much salary increases, as increases in meaningful work (and, of course, better working conditions).

43. No doubt democracies have a difficulty here, as long as one assumes that all decision-making in this connection has to come from the top. This changes into a tremendous advantage for democracies if one looks more closely at the reality of these societies: because they are democratic (or, to the extent that they are democratic) they permit not only debate about these problems, but also considerable experimentation - eg., with new forms of energy, new ways of living together (communes of all kinds), etc. from which others may be inspired, and at the macro level. It is true that a society ruled in a more autocratic fashion has the power on the top to make unpopular decisions and enforce them without running the risk of not being re-elected - there being no elections. But they have so much less basis on which to make decisions, not benefitting from a rich debate and a flora of social experiments. Hence great care should be taken before the present crisis is used as an argument against democracy.

44. For one effort to spell out some life style implications of all this, see Johan Galtung, "Alternative Life Styles in Rich Societies", in Marc Nerfin, ed., Another Development Approaches and Strategies, The Dag Hammarskjöld Foundation, Uppsala, 1977, pp.106-21.

45. For an effort to analyze these demands, see "Conclusion" of the paper referred to in footnote 1 above.

46. From a high number of conferences on these topics during the last years. The Aspen workshop June 1977 in Gajareh, Iran, was particularly useful because of the outspoken Iranian participants so well articulated this type of thinking.

47. For an analysis of self-reliance, see Galtung, O'Brien, Preiswerk, eds., Self-Reliance, George, Lausanne, 1977.

48. On the other hand, a glance at Nordic economic history last century or so, with Norway and Finland so much at the bottom, shows that horizontal relations may be built even if the point of departure is highly vertical (it did take some time, though).

49. One might refer to the rise of the working class into positions of power; and immediately add that those who got into elite positions usually were former workers - analogous to "former" Third world countries.

50. The racism of the right usually attributes to the Third world more than its share of evil characteristics; the racism to the left much less than its share. The present author does believe, however, that there are cultures that are more or less aggressive on man and nature and that the Western culture is more aggressive. The capacity to internalize Western culture, however, is evenly distributed on the races of the world.

51. To repeat: how would they handle the problem of overproduction? Will they revert to pre-NIEO internal patterns when the production supply far outstrips the market demand?

52. The Lomé Convention may be seen in this perspective - see "The Lomé Convention and Neo-Capitalism", Papers, Chair in Conflict and Peace Research, University of Oslo, No. 20.

53. Moralism should be left to countries with less power - otherwise it might become very dangerous.