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THE UNIVERSITY OF ALBERTA

SOUTH-SOUTH COOPERATION WITHOUT HEGEMONY: GLOBAL AND REGIONAL DIMENSIONS

by

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A THESIS

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ABSTRACT

South-South economic cooperation has recently captured the commanding heights of the Third World global economic agenda and expressed in concrete schemes such as the regime known as the Global System of Trade Preferences (GSTP). Economic cooperation among developing countries (ECDC), as an instrument for attaining Southern global objectives and strategy for development, encompasses a set of implicit and explicit goals, covers a whole gamut of interactions ranging from bilateral to global, and more important, is based on deliberate and articulate association of common interest, subjective self-understandings, shared values and norms. This study characterises ECDC as "non-hegemonic" as opposed to the leadership model or hegemon-induced cooperation. It concludes that non-hegemonic cooperation is problematic to the extent that the ideological principles upon which it is based suggest maximalist actions and grandiose goals that are difficult to achieve. The cooperation problematic is noted in a regional case study of the Economic Community of West African States - a scheme that is additionally heavily circumscribed by Eur-Africanism and Structural Adjustment.

PREFACE

"Cooperation is elusive enough, and its sources are sufficiently multifaceted and intertwined, that it constitutes a difficult subject to study. It is particularly hard, perhaps impossible, to investigate with scientific rigor. No sensible person would choose it as a topic of investigation on the grounds that its puzzles could readily be 'solved'". Robert Keohane, **After Hegemony: Cooperation and Discord in the World Political Economy**, p.10.

Economic cooperation among developing countries (ECDC) or South-South cooperation is neither a puzzle nor a novel development, albeit perhaps the weakest link in the network of international economic relations. In recent years, developing countries have shared what Charles Lindblom[1] would call "adaptive" adjustments or coordination of policy in their quest to exploit the transformative potential for greater collective self-reliance and mutual cooperation. Such efforts, and shifts in and coordination of policy, to avoid adverse systemic constraints deriving from the hegemonic economic system and the structure-conditioned fragility of Third World economies covers a whole gamut of interactions and issue-areas. Third World coordination of policy and cooperative efforts have ranged from concrete global rules, principles and procedures of a contractual character (exemplified by the Global System of Trade Preferences) to bilateral arrangements and developmental regionalism. Some cooperative efforts, especially technical cooperation and those within regional integrative schemes have been successful, while others have foundered or been stillborn. Notwithstanding difficulties as well as ambiguities and constraints, there is a consensus within Third World institutional units (Group of 77 and the Non-aligned Movement) that South-South

[1]Charles Lindblom, **The Intelligence of Democracy** (New York: The Free Press, 1965) p.33.

cooperation is "an important real factor for the mobilization of the internal resources of developing countries in order to stabilize their economic development and strengthen their independence, for the achievement of progress towards a restructuring of the world economic relations and establishment of a new international economic order".[2]

This thesis tackles the interesting subject of ECDC, one that is not only understudied but often either dismissed on political grounds as utopian or glorified often without empirical justification as a panacea for the economic malaise in the Third World. ECDC constitutes an interesting area of study for two basic reasons: first, it is the reigning concept in the Third World development lexicon, and second, regarding international relations, it is pertinent to analyze the efforts of weak states to reduce vulnerability in the international system given the so-called "anarchy problematic". This purpose of this study is to contribute to our understanding of the dynamics of ECDC by focusing on the subjective and objective determinants of the ECDC process as well as its positive and reactive aspects. It deals with the transformative potential of Southern collective action defined as "the extent of a contender's joint action in pursuit of common ends".[3] My argument is that South-South cooperation should be characterised as "non-hegemonic" in contrast to hegemonic cooperation of the benevolent or coercive variety. In the absence of a hegemon in the South, ECDC is underpinned by Southern adherence to cooperation ideological principles that emphasise the value of solidarity, structural complementarities, homogeneity amidst differentiation and coalition forging at the the global level. The role of ideology in ECDC is problematic, for, while it may be *necessary* for coalition building, it is not a *sufficient* explanatory tool for all Third World cooperative activity. Indeed, to the extent that such principles define or set grandiose goals for ECDC, the argument could be advanced that they may inhibit cooperation or undermine the value of incrementalism in cooperation.

The scope of this thesis is, to obviate the likelihood of a piecemeal treatment of so vital and comprehensive a subject matter, specific as well as all-embracing in its treatment of

[2]**UNCTAD Bulletin** no.217 (Dec.1985) p.4
[3]Charles Tilly, **From Mobilization to Revolution** (London: Addison-Wesley, 1978) p.55.

the sectoral dimensions of South-South cooperation. It is specific in the sense that it offers a regional case study of the Economic Community of West African States (ECOWAS). At the same time in keeping with the need to see South-South cooperation as a multifaceted scheme requiring concerted action in a number of related areas, this thesis will also adopt sectoral analysis of a number of issue-areas and also indicate the sectoral linkages and reciprocally supporting characteristics of different economic activities in a comprehensive manner.

This study begins, in Chapter one, with an introductory analysis and overview of the major concepts to be employed. Among the key concepts to be dealt with are ECDC, collective self-reliance, hegemony and ideology. As a theoretical chapter and state of the art, it lays out the approaches to cooperation and explanations for the Southern pursuit of ECDC. I shall also indicate the components of 'non-hegemonic' cooperation. Chapter two places South-South cooperation within the global economic context and examines some of the objective conditions - systemic/conjunctural - which create the possibility of collective action and the adoption of the strategy of ECDC. The subjective determinants of ECDC will be examined and traced to the *Panch Sheel* and other ideational contributions of Third World leaders and scholars. Third World institutional units have served as major fora for ideational development, reaffirmation of subjective self-understandings, interest-aggregation and guidance on ECDC matters, hence their evolution will be noted. In the regional context, the global level subjective principles are often complemented by regional equivalents, as with Pan-Africanism in West Africa. Pan-Africanism stands for African political and economic independence, equality of all peoples and respect for human dignity, just as the principles of *Panch Sheel* include equality and mutual benefit and peaceful coexistence.

The next two chapters (three and four) will deal with the operational modalities of South-South cooperation, that is, a survey and evaluation of the principal policy initiatives in a number of sectors. Chapter three will deal with trade cooperation, whereas Chapter four will be devoted to technical cooperation among developing countries (TCDC) and financial and monetary cooperation among developing countries (FMCDC). Under the trade sector, the actual patterns of Third World mutual trade - commodity composition, directionality, regional versus interregional dynamic - will be reviewed in addition to the constraints against the achievement of the potential of intra-trade. The phenomenon of countertrade will be discussed, and the GSTP highlighted as the concrete expression of ECDC at the global level. TCDC will be assessed in the light of the much heralded 1978 Buenos Aires Programme of Action. The multidimensionality of TCDC will be stressed and supported with examples at the various levels. FMCDC will be discussed with reference to existing multilateral development finance institutions (MFDIs), clearing/payment arrangements and OPEC aid to the South. The sectors of trade, TCDC and FMCDC are chosen to illustrate different aspects of ECDC. Trade cooperation offers us an insight into the institutional guidance of Third World institutional units in the establishment of the GSTP and lack of involvement in countertrade transactions. FMCDC is pertinent given the conjunctural problems of the Third World in the financial area - the combination of trade financing problems, illiquidity and debt crisis. TCDC shows the involvement of the UN system in ECDC promotion.

The regional focus on South-South cooperation, as indicated earlier, leads us to a comprehensive assessment of ECOWAS in Chapter five. This requires looking not only at the historical objective/subjective determinants of cooperation in West Africa, but also at problems, prospects and possible solutions to rigidities, and irritants undermining cooperation. Eur-Africanism and Structural Adjustment are seen as the major obstacles to cooperation in West Africa. ECOWAS is chosen as a case study because it is the largest multi-country regional grouping in a region with its share of the poorest states on the planet. Cooperation in such a marginalized region of the world deserves serious study.

The concluding chapter will assess the ECDC process and the 'ideology problematic' and the limits of collective action. Following earlier chapters, it offers a number of sectoral, institutional and regionalist recommendations. A brief prospective analysis will point out the pertinence and plausibility of ECDC.

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In the course of writing this thesis, I have gained valuable insights from my supervisor, Professor Fred Judson and other members of my supervisory committee (Professors Larry Pratt, Ann McDougall, Alain Noel and Jeremy Paltiel). I also wish to express my gratitude to Professor Michael Dolan of Carleton University for offering helpful criticisms of the pre-defence draft. I acknowledge the financial support of the Department of Political Science, University of Alberta for my doctoral programme as well as the Edmonton Consular Ball Committee for funding my research trip to United Nations headquarters in New York. Special thanks to my family, and Mr and Mrs Stanley Rich (Washington D.C.) for their unflagging support and encouragement. Finally, I wish to indicate that I am solely responsible for the interpretations and accuracy of the facts in this thesis.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

ACP	African, Caribbean and Pacific states
ACU	Asian Clearing Union
ADB	African Development Bank
ALADI	Latin American Integration Association
ASEAN	Association of South-East Asian Nations
ASTRO	Association of State Trading Organizations
BAPA	Buenos Aires Programme of Action on Technical Cooperation among Developing Countries
CACM	Central American Common Market
CARICOM	Caribbean Community
CEAO	West African Economic Community
CILSS	Permanent Inter-State Committee for Drought control in the Sahel
COPPTECs	Cooperative Pharmaceutical Production and Technology Centres
CPA	Caracas Programme of Action
ECDC	Economic Cooperation among Developing Countries
ECLA	Economic Commission for Latin America
ECO-RE	ECOWAS Reinsurance Corporation
ECOWAS	Economic Community of West African States
FMCDC	Financial and Monetary Cooperation among Developing Countries
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences

GSTP	Global System of Trade Preferences
IBRD	International Bank for Reconstruction and Development
IGFCC	Inter-Governmental Follow-up and Coordinating Committee.
IMF	International Monetary Fund
INRES-SOUTH	Information Referral System
IPC	Integrated Programme for Commodities
JVs	Joint Ventures
LDCs	Less Developed Countries
LPA	Lagos Plan of Action
MDFIs	Multilateral Development Financing Institutions
MFI	Multilateral Financing Facility
MFA	Multifibre Agreement
MFN	Most Favoured Nation
MMEs	Multinational Marketing Enterprises
NICs	Newly Industrializing Countries
NIEO	New International Economic Order
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PTA	Preferential Trade Agreement(for Southern and Eastern African States)

RCCDC	Research Centre for Cooperation with Developing Countries(Ljubljana,Yugoslavia)
RCD	Regional Cooperation for Development
RESADOC	Sahelian Scientific and Technical Information and Documentation Network
SADCC	Southern Africa Development Coordination Conference
STABEX	System for the Stabilization of Exports
STOs	State Trading Organizations
TCDC	Technical Cooperation among Developing Countries
TIS	Trade Information System
TIPS	Technology Information Pilot System
UDEAC	Customs and Economic Union of Central Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UN-PAAERD	United Nations Programme of Action for African Economic Recovery and Development
WACH	West African Clearing House

I. THEORETICAL FRAMEWORK: AN ANALYSIS OF NON-HEGEMONIC COOPERATION

INTRODUCTION

The emergence of South-South interactions, as an important factor in the Southern international development scheme of things, naturally calls for an understanding of the dynamics behind such interactions. Whereas South-South cooperation is as old as history, the current invigorating drive by developing countries to foster increased economic cooperation through action-oriented programmes is closely related to the fact that Third World demands for systemic restructuring under the rubric of the NIEO have now hit a *cul de sac*. Whether viewed as a strategy for sustained and consequential develepment, dissociative development policy, rhetorical tool in North-South discussions, or an "ideology of change",[1] economic cooperation among developing countries (ECDC) is a concept that has captured the commanding heights of the Southern global economic agenda. It is a concept that has undergone considerable elaboration since the incipient stage of cooperative activity endorsed by the Non-aligned movement in the 1950s (exemplified by the Tripartite Preferential mutual tariff agreement between India, Yugoslavia and Egypt), though subject to varying interpretations by scholars. Additionally, ECDC is increasingly being concretised through various programmes of action to bridge the gap between the aims and actual action. From its systematic refinement from concept to strategy, ECDC, as a strategy for Southern development, encompasses a set of implicit and explicit goals, and, more important, is based on deliberate and articulate association of common interest and shared values and norms such

[1]This is the characterization of the Group of 77 as stated in **A Guide to ECDC: Supplement to the ECDC Handbook** (New York: Office of the Group of 77, 1983) p.1. ECDC represents an ideology of change in international relations because it is a realistic assessment of the possibilities of joint efforts directed to the attainment of a more just world order.

as the need to obviate structural inequities in the present international system.

A study of the dynamics of South-South cooperation must unavoidably come to terms with the objective and subjective bases of such cooperative endeavour - that is, the homogeneity of developing countries based on a shared set of needs and aspirations and their differentiation resulting from divergent internal political and economic policies, the nature of their external economic relations and nature of their socio-economic structure. It should be noted that Third World countries are basically weak entities in the global economic order - extremely vulnerable to the vicissitudes and crises of that order - and genuinely responding to the need for associative or cooperative strategies to overcome their vulnerability. The Third World position of vulnerability is also compounded by the persistent concomitant of a group of countries with economies that share features such as colonial trade directionality, a lack of intermeshing of agriculture and industry and generally a shared dependency situation. These countries are defined by a profound heterogeneity and hierarchization, albeit often overlooked or downplayed in favour of commonalities and agreement on subjective principles. Thus an assessment of ECDC requires a thorough understanding of the rationale and limits of collective action by developing countries as well as the mechanisms or institutional structures used to set out specific objectives and interests. Inevitably, an assessment of South-South cooperation must consider global ramifications of a set of programmed-actions whose coverage and impact rival, in a limited sense, the hegemon-established cooperative regimes of the Bretton Woods system.

After a brief overview of some major concepts, this chapter will conduct a review of the literature on the major theoretical frameworks dealing with cooperation, while at the same time making clear my preferred orientation which views South-South cooperation as basically a case of what could appropriately be termed "non-hegemonic cooperation". This perspective should be distinguished from the hegemon-induced cooperation commonly associated with hegemonic stability theory[5] in that it recognises the possibility of collective action by

[5] The Hegemonic Stability thesis has been elaborated and critically discussed in a number of scholarly works such as: Robert Keohane, **After Hegemony: Cooperation and Discord in the World Political Economy** (Princeton: Princeton University Press, 1984); Robert Keohane and Joseph Nye, **Power and Interdependence: World Politics**

developing countries to provide Southern "public goods" [6] in the absence of a hegemon in the South. Non-hegemonic cooperation is the conjoining of the subjective and objective determinants of South-South cooperation. As will be noted later, the former is derived from the *Panch Sheel* and other principles underlying the non-aligned movement, while the latter is based on the vulnerable position of the Third World in the hegemonic economic order. The non-hegemonic cooperation perspective shares some of the assumptions of the approach to the study of international relations known as "neoliberal institutionalism"[7] to the extent that it examines the subjective self-understandings of the Third World cooperative efforts as well as the material or objective factors deriving from the hegemonic system. It also accepts the two basic conditions of neoliberal insititutionalism: that actors in the international system must have some mutual interest and secondly, that variations in the degree of institutionalization exert substantial effects on state behaviour. In terms of the first condition, Third World countries have mutual global interest in systemic restructuring and in promoting ECDC as part of attaining such restructuring. Furthermore, it is an incontrovertible fact that Third World insitutional units have been instrumental in the promotion of cooperation. The existence of these institutional units has helped shape goals and set agendas for mutually beneficial cooperation. This thesis adopts a level of analysis where states are the units of

[5](cont'd) **in Transition** (Boston: Little Brown, 1977); Robert Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-77", in Ole R. Holsti *et.al.* eds., **Change in the International System** (Boulder: Westview, 1980); Charles Kindleberger, **The World in Depression** (Berkeley: University of California, 1973); and "Dominance and Leadership in the International Economy" **International Studies Quarterly** 25 (June 1981) pp. 242-54; D. Snidal "The limits of Hegemonic Stability Theory" **International Organization** 39 (Autumn 1985) pp.579-614; B.V.Yarborough and R.M. Yarborough, "Cooperation in the Liberalization of International Trade: After Hegemony What?" **International Organization** 41 no.1 (Winter 1987) pp.1-26; S. Krasner, "State power and the Structure of International Trade", **World Politics** 38 (April 1976) pp. 317-43, Scott C. James and David A.Lake, "The Second face of Hegemony", **International Organization** vol.43 no.1 (Winter 1989)

[6] For an exploration of the issues associated with the concept of public goods, See Duncan Snidal, "Public Goods, Property Rights, and Political Organizations", **International Studies Quarterly** 23 no.4 (Dec.1979) pp.532-566.

[7] Keohane notes that "neoliberal institutionalism asks questions about the impact of institutions on state action and about the causes of institutional change; it assumes that states are key actors and *examines both the material forces of world politics and the subjective self-understandings of human beings*"(emphasis mine) See Robert Keohane, **International Institutions and State Power** (Boulder, Colorado: 1989)p. 2.

analysis and thereby uses a notion of hegemony that is essentially materialist in conception.

Instead of the leadership model which associates the rise of economic cooperation with the rising power of hegemons as in Victorian Britain and Bretton Woods under US tutelage, the *leitmotif* of the strategy of South-South cooperation involves a de-emphasis of the concepts of hegemony, dependence and domination. Non-hegemonic interdependence among Southern states is built on ideological adherence to principles of solidarity, nonalignment and a shared worldview regarding the operations of the international economic system. Ideology does not sufficiently explain all cooperative efforts in the South, but it is clear that the major thrust of the South is to avoid where possible *raison d'état* or unbridled pursuit of national interest in favour of commonality of interest in attaining global objectives. Commitment to ideological principles explain the establishment of Third World regimes such as the GSTP, though it does not sufficiently account for cases where Third World countries pursue national interest as opposed to goals dictated by mutual interests. The point is that non-hegemonic cooperation is exceedingly problematic and quite uneven. This results from the fact that cooperation ideology of the South sets grandiose goals that cannot in reality be met under the current global economic order. Unevenness of the cooperative enterprise is a consequence of the structural heterogeneity within the South - a fact that is often papered over by Southern institutional units in favour of commonalities.

The thesis that cooperation is problematic permeates discussions on the subject within the liberal, realist and marxist traditions of international political economy. On the whole, liberal institutionalists offer a hopeful prognosis of cooperation. However, liberal scholars have noted the problematic of cooperation with respect to the "free-rider" problem, that is, the difficulty of excluding a non-contributor from enjoying the benefits of public goods provided by contributors. Furthermore, liberal proponents of hegemonic stability theory acknowledge the difficulty of cooperation, especially under circumstances where the preponderant power (hegemon) is in decline. Problems of hegemonic cooperation might result from increased transaction costs of providing public goods or challenges to the hegemon's competitive edge in the production of highly valued goods or supply of capital. Dispersal of power in the global political economy is seen by liberals as a problem, because numerous parties having roughly equal bargaining strength is said to raise transaction costs and sometimes prevents substantive agreements. [8] Liberals also point out the difficulty of cooperation in their discussions of regimes, particularly given the asymmetries in power that underpins regime establishment and maintenance. As noted by Gill and Law, "...international regimes have been primarily configured by the more powerful states, and also that they vary in the benefits they offer. They also vary in their ability to detect and deter cheating and in their capacity to generate significant 'reputation effects' which constrain deviant behaviour", [9] In short, for Liberals, cooperation is problematic because regimes can go to wrack and ruin due to internal contradictions, changes in the underpinning power structures and exogenous factors such as technological change.

The problematic of cooperation follows from the realist assumption of international relations as anarchical, that is, inherently conflictual. This results in competition and conflict among states and hampers their willingness to cooperate even when they embrace certain commonalities. Realists, then, take a dim view of cooperation and the capabilities of international institutions. As described by Joseph Grieco, the realist assumption is that "...states in anarchy are preoccupied with power and security, are predisposed towards conflict and competition, and often fail to cooperate even in the face of common interests". [10] Realism has inspired game theorists to analyze the preconditions under which cooperation may become possible under the "anarchy problematic". Here, even using the simple Prisoner's Dilemma, analysts concede that problems arise with rational actors pursuing self interest in a given pay-off structure. Under the game scenario, the fact that prisoners cannot communicate is likely to lead to distrust and the likelihood of each player trying to defect or inform. As Oran Young points out, "...even rational actors regularly experience difficulties in

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[8] See Oran Young, "The Politics of International Regime Formation: Managing Natural Resources and the Environment", **International Organizations** vol.43, no.3, (Summer, 1989) p.352.

[9] Stephen Gill and Paul Law, **The Global Political Economy: Perspectives, problems and policies** (Baltimore: John Hopkins, 1988) p.38.

[10] Joseph M. Grieco, "Anarchy and Cooperation", **International Organization** vol.42, no.3, (Summer, 1988) p.488.

cooperating, with the result that suboptimal (sometimes drastically suboptimal) outcomes are a common occurrence".[11]

Marxian references to the difficulty of cooperation is clearly evident in Lenin's theory of imperialism, whose thesis asserts the inevitability of inter-imperialist war under capitalism. Lenin challenged Karl Kautsky's view about the possibility of cooperation and compromise between the leading capitalist states. He noted that the differences between the capitalist states were extremely deep-seated and could not be resolved. In essence, Lenin was of the view that "the very ideology which cut across the class divide within a country made capitalist cooperation between countries more politically difficult".[12] Marxists also emphasize the contradictions and antagonisms that are inherent in the capitalist system. These include the anarchy of market relations, competition, class struggle, and relations of production based on exploitation and commodification of labour.[13] For Marxists, then, these antagonisms intrinsic to the capitalist system are likely to make cooperation extremely difficult.

OVERVIEW OF BASIC CONCEPTS

This section, to reiterate, is intended as an overview and definition of the principal concepts, points out the relationships between concepts and, where appropriate, develops a critical stance towards them thereby endeavouring to provide a satisfactory account of the constituent elements of South-South cooperation characterised as non-hegemonic. The first set of concepts to be dealt with, that is, **collective self-reliance** and ECDC, are often used interchangeably in Southern programmes of action on economic interchange and in global-level institutions by Southern diplomats and policy-makers. Are the two concepts coterminous, complementary or simply different? As with a number of concepts in political discourse, "collective self-reliance" and its derivative term self-reliance[14] have been subject to

[11] Oran Young, **op.cit.** p.356.
[12] Gill and Law, **op.cit.** p.59.
[13] See Joyce Kolko, **Restructuring the World Economy** (New York: Pantheon Books, 1988) p.8.
[14] For extensive discussions of the concept of self-reliance, See Samir Amin, "Self-reliance and the NIEO" **Monthly Review** 29 no.3 (July-August 1977) p.1-21.; Thomas J. Biersteker, "Self-reliance in Theory and Practice in Tanzania trade

varying interpretations and thus must be elaborated to prevent any obfuscation that might result from sweeping statements and rhetorical recipes. As shown in Fig.1, self-reliance is a multilevel concept, hence the likelihood of it evoking contradictory analyses and goals. Collective self-reliance is often said to be the "logical, consistent and complemental application" of the strategy of self-reliance beyond national boundaries to the South as a group.[15] Generally, self-reliance is distinguished from a policy of autarchy which connotes complete severance of links with other actors (states) in the international system or as Johan Galtung puts it "the building of tight walls around all units".[16] It may, however, imply as suggested by Thomas Biersteker,[17] partial disengagement from the existing pattern of asymmetrical interactions that perpetuate dependence with the goal of achieving self-sufficiency in some sectors of the economy.

A practical problem that arises in any attempt to extend national self-reliance to the international level is that it ignores the danger of causing fragmentation since many Third World countries (especially the Newly Industrializing Countries) have adopted development strategies that emphasize not selective disengagement but rather business-as-usual engagement with the North and indeed, significantly, carving a niche in the present international division of labour. Thus, one of the characteristic features of the vast quantity of literature on the subject of self-reliance is the rather striking indifference to the difficulty, perhaps threat to Southern cohesion, of making the components of collective self-reliance an extension by

[14](cont'd) relations" **International Organization** 34 no.2 (Spring 1980) pp.229-264; Johan Galtung *et.al* **Self-Reliance: A Strategy for Development** (London: Bogle-L'Overture Publications Limited, 1980); an overview of some definitions of Self-reliance is presented in Metka Fuks, "On Self-reliance" in Breda Pavlic, *et.al* **The Challenges of South-South Cooperation** (Boulder,Colorado: Westview, 1983) pp. 427-44.

[15] See Volker Matthies, "Collective Self-reliance: Concept and reality" **Intereconomics** no.2 (March/April 1979) pp.76.

[16] Johan Galtung, *et.al* **op.cit.** p.27

[17] Thomas Biersteker, **op.cit.** summarises the concept of self-reliance under three broad rubrics: "(1) a deliberate policy of selective disengagement from international transactions (trade, aid, investment, technology, information and manpower exhanges) replaced by reliance on internal capabilities; (2) a conscious restructuring of basic economic, political relations, values and institutions; (3) Reassociation or partial reestablishment of previous economic and political international transactions with the industrialized countries on a changed basis".

definition of national self-reliance.[18] In the interest of keeping the principle of "homogeneity within differentiation", perhaps national self-reliance should more appropriately be viewed as complementing global efforts by developing countries to fashion horizontal economic linkages and not necessarily an indispensable *sine qua non* for collective self-reliance.

[18]It should be realised that national self-reliance programmes like the "Ujamaa" in Tanzania and the "Juche idea" in North Korea are different in terms of content and methods of implementation. Given the differences in national self-reliance programmes, their transferability to the global level is seriously circumscribed or simply impractical.

Fig. 1: (Self-reliance as a Multi-level Concept) has been removed because of the unavailability of copyright permission.

Source: J.Galtung and P.O'Brien, **Self-Reliance: A Strategy for Development** (Geneva: Bogle-L'Ouverture, 1980) p.14.

The strategy of collective self-reliance will be used in this thesis to denote horizontal economic interactions among developing countries based on the objective of the development of autonomous capability (that is, self-sustaining and self-generating programmes and policies) for the rational and efficient use of local resources - in effect reorienting Southern countries away from the vertical straightjacket of North-South interactions and finally through the attaining of cohesive power and bargaining leverage to negotiate changes in the mechanisms of the global economy to make them more favourable to Southern interests. In sum, the concept of collective self-reliance is not based on the presupposition that the constituent units (Southern states) involved in the ECDC process are either embarking concretely on national self-reliance or envisage the idea of internal self-reliance as an objective to be achieved. When all the sectoral programmes of ECDC become fully operational, then one could conceivably suggest the achievement of a measure of collective self-reliance from traditional North-South relations; in the interim, ECDC seems to be the suitable concept to describe the process of collective action by developing countries or put differently, "collective self-reliance" could be conceptualised as the *goal* of the Southern endeavour, whereas ECDC is the *process* of achieving that goal.

As we deal with the concept of **cooperation**, it is arguable that the most advanced and seminal formulation of the concept of "cooperation" has resulted from the work of Robert Keohane. In his discussion of the question of how cooperation can take place in world politics in the absence of hegemony, Keohane explicitly distinguishes cooperation from harmony and discord and states that "intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination";[19] On the other hand,

[19]Robert Keohane, **After Hegemony op.cit.** pp.51-2. Other analyses of cooperation especially in the game-theoretic framework are offered in: Robert Axelrod, **The Evolution of Cooperation** (New York: Basic Books, 1984) and "The Emergence of Cooperation among Egoists" **American Political Science Review** 75 (June 1981); Robert Keohane and Robert Axelrod, "Achieving cooperation under anarchy: Strategies and institutions" **World Politics** 38 no.1 (Oct. 1985); Robert Jervis,

harmony denotes, as he puts it, "a situation in which actors' policies (pursued in their own interest without regard for others) automatically facilitate the attainment of others' goals".[20] Implicit in Keohane's conception of cooperation is the suggestion not only of compatibility of policies of the actors in a cooperative relationship and shared interests but also reciprocal efforts on the part of actors not to jeopardise the objectives of other participants in economic or other interactions. In short, there is consciousness of mutual interest in cooperation as opposed to unconsciousness of such interest under a situation of discord.

The cooperative effort, while it involves coordination of policy and relatedly attempts to lessen discrimination and cushion one's partners from adverse effects, does not preclude disagreement or potential complications among the parties involved in any type of interchange. Keohane even suggests that cooperation should not be viewed as the absence of conflict, but rather as "a reaction to conflict or potential conflict".[21] In the case of developing countries the basis for potential conflict necessitating cooperation is expressed in a number of factors - competition among developing countries in the area of commodities resulting in continued abysmally low prices; at another level cooperation is seen as necessary to ameliorate the retrogression in North-South relations and the inherent "structural violence"[22] of such relations; and finally, there is an unacceptable economic malaise and general state of crisis in many parts of the Third World (marked among others by the peonage, stagnation in trade, and balance of payments disequilibria) that has added to their vulnerability in the world economy.

Cooperation can either be elicited by a hegemonic state through authoritative control and paternalistic redistribution, that is, the traditional "carrot" and "stick" approach, or it

[19](cont'd) "Cooperation under the Security dilemma", **World Politics** 30 no.2 (Jan. 1978); Kenneth Oye, "Explaining Cooperation under anarchy: hypotheses and strategies" **World Politics** 38 no.1 (Oct. 1985); and ed. **Cooperation under Anarchy** (Princeton: Princeton University Press, 1986)

[20]Ibid. p.51.

[21]Ibid. p.54.

[22] The term "Structural Violence" is attributed to Johan Galtung's discussion of structural imperialism See Johan Galtung, "A Structural Theory of Imperialism" **Journal of Peace Research** 8 no.2 (1971)

can proceed on the basis of shared interest and collective action by a group of states in the international system. The latter approach, which has been adopted by the South, requires exceptional political commitment, bargaining and the institutional capacity to forge consensus on the basis of mutual interest, priorities and trade-off among objectives. The standard (whether it is realisable or has been achieved in the Southern context is another question) that is set for this type of cooperation is that it "should basically develop as a relationship wherein all partners enjoy benefits and share costs". [23]

Non-hegemonic cooperation can take place on a bilateral basis, at the regional level within regional integrative schemes and at the global level through programmes such as the Global System of Trade Preferences (GSTP) among developing countries. Here the concept of cooperation and the operative term ECDC will be used to mean coordination of economic behaviour by developing countries to tap their mutual interdependence and the latent complementarities in their economies. Fundamental to the understanding of ECDC, to be elaborated later in the context of non-hegemonic cooperation, is the idea that collective action by developing countries is geared towards meeting a set of objectives, including counteracting their individual weakness and gaining power in the international economic system.

Academic analyses of **hegemony** have now gained prominence with the strong influence exerted in recent years by the so-called hegemonic stability theorists. A hegemonic state (also termed a hegemon) is essentially a leader [24] in the global economic system and establishes the rules of the economic game, espousing and sometimes exporting hegemonic ideological principles to other states in the system, providing the economic and political wherewithal for international stability and also using the necessary combination of benevolence and sanctions to enforce the rules of the system. In short, a hegemonic state is

[23] See Draft of Pyongyang Declaration and Plan of Action on South-South cooperation (9-13 June 1987) NAC/Conf8/SSC FM/DOC 1 p.9.

[24] It is often difficult to make a distinction between leadership and dominance in international economic relations, but in this thesis both are seen as inextricably intertwined. See, Charles Kindleberger, "Dominance and leadership in the international economy" **International Studies Quarterly** 25 (June 1981) p.242.

one with a preponderance of material resources usually control over raw materials, sources of capital, markets and competitive advantages in the production of highly valued goods.[25] Hegemonic cooperation entails the hegemon carrying the burden of system maintenance, including the making and enforcement of rules and commitment to meeting the transaction costs for the effective operation of the rules of the game. Having defined "hegemonic state" in this manner we have to grapple with non-hegemonic cooperation and account for the compelling reasons why developing countries are so eager to cooperate in the absence of a single state (hegemon) guaranteeing the transaction costs, enforcing the rules and ensuring that Southern programmes are implemented for interests mutually defined. In other words, if non-hegemonic cooperation is possible, how are the functions of the absent hegemon to be performed or what is the surrogate for the hegemon? Non-hegemonic cooperation or collective action in the absence of a hegemonic state must be distinguished from post-hegemonic cooperation. The latter refers to cooperation under the circumstances where the power of the existing hegemonic state is declining[26] due to rising transaction costs for system maintenance in addition to internal costs and its comparative advantage being undercut by peripheral states as a result of the diffusion of technological know-how.

This leads us to a definition of the concept of **ideology** which Stephen Krasner[27] has characterised in one of his works as the most important aspect of international political economy. Another scholar points out that " the development of consciousness and ideology has an important, relatively autonomous role in world politics".[28] It should be noted that "ideology" is an omnibus term that is used to encapsulate a miscellany of tenets ranging from ideas and values to doctrines and myths. It will be outside the scope of this section to attempt

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[25] See Keohane, **After Hegemony op. cit.**p.32.
[26] The causes of hegemonic decline are extensively discussed in Chapter four of Robert Gilpin's, **War and Change in World Politics** (Cambridge: Cambridge University Press, 1981)
[27] Stephen Krasner, **Defending the National Interest: Raw Materials, Investments and US Foreign Policy** (Princeton: Princeton University Press, 1978)
[28] Craig Murphy, "What the Third World Wants: An interpretation of the development and meaning of the NIEO ideology", **International Studies Quarterly** 27 no.1 (March 1983) p.59

to synthesize all the intermingling notions of the concept; however, for the sake of brevity two conceptions are noteworthy.

The two generally recognised conceptions of ideology are the "neutral conception", which sees ideology as embodied in every political programme, irrespective of whether the programme is directed towards preservation or transformation of the social order, and the "critical conception" that links ideology to the process of maintaining domination or asymmetrical relations of power. [29] The former conception sees ideology as informing beliefs and action. Since this thesis focusses primarily on programmes developed by Third World states for cooperation, the neutral conception of ideology is adopted by analyzing the themes and tenets enshrined in ECDC programmes.

Instead of characterizing the whole ECDC process as an "ideology of change", the term "cooperation ideology" will be coined to embrace the ideas, principles, concepts (mostly offshoots of dependency theory) found in Third World programmes or broadly speaking the *weltanschauungen* of the South as expressed by Southern leaders and policy makers. It is an ideology that has been elaborated, sustained and spread in Third World organizations and fora. Cooperation ideology is projected here as a historically determined response to the dominant liberal hegemonic ideology and, from the Third World perspective, the concomitant constraints of its institutional structure. Goran Therborn is right in suggesting that "all ideologies exist only in historical degrees of salience and modes of articulation with other ideologies".[30] Similarly, Keohane, for example, sees the possibility of opponents of hegemony inventing cosmopolitan ideologies such as the NIEO ideology to challenge or even articulate with a hegemonic ideology. [31]

The tenets and themes of this ideology are "solidarity", "equity", "mutuality of advantages","mutuality of interests", "commitment to structural changes in the global

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[29] For a fuller discussion of the two conceptions, See John B.Thompson, **Studies in the Theory of Ideology** (Oxford: Polity Press, 1984) p.4.
[30]See Goran Therborn, **The Ideology of Power and the Power of Ideology** (London: NLB, 1980) p.32.
[31]Robert Keohane, **After Hegemony** **op.cit.** p.46.

economy", "renunciation of domination within the South", and "inalienable right of every state to choose its economic and social system and to promote the welfare of its people with rational policies". [32] The key principle of "solidarity" which is crucial in the ECDC process has been concisely defined by Peter Waterman. According to him solidarity "must be understood in terms of reciprocity (mutual advantage), affinity (shared feelings) and complementarity (differential contribution)".[33] Closely related to the principle of solidarity is the notion of horizontality - a term that is employed to designate exclusively intra-Southern interactions based on the themes and tenets of cooperation ideology as opposed to vertical North-South relations. Thus the concept of horizontality is entirely consistent with institutionally-driven measures, that is, to-to-bottom (such as the GSTP) as well as bottom-up interactions (for instance, countertrade). It should be emphasized that the roots of cooperation ideology are in the anticolonialism of the Non-aligned Movement and the salient realization that "cohesiveness" and "solidarity" of the South expressed in concrete cooperative measures constituted an essential pre-condition for development and global restructuring.

Cooperation ideology is fraught with ambiguities. Ambiguities might result in cases where unbridled self-interest or non-cooperation, perhaps discord replaces the tenets of mutuality of interest, or when distributional conflicts arising from unequal distribution of costs and benefits violate the principle of equity, or assuming Third World governments espouse resistance to domination or exploitation at the global level and in turn dominate their regional partners and reject poverty reduction programmes in their domestic polities. Assuming ideology plays a crucial role in non-hegemonic cooperation, that is, acts as a cement that binds small countries together in pursuit of collective action, then, could it be argued that it serves as the functional equivalent or even a surrogate of a hegemonic state by providing a set of expectations, inducements or even incentives for developing countries to pull together in pursuit of what might be called "mutual *raison d'état*"?

[32]The tenets stated here are culled from Third World Declarations and Action Programmes

[33]Peter Waterman, "A new labour and democratic internationalism" **IFDA Dossier** 69 (Jan/Feb.) 1989 p.58.

APPROACHES TO COOPERATION AND ECDC

GAME THEORY AND COOPERATION

The game-theoretic approach to the study of cooperation has recently come into the limelight within the field of international relations. An impressive pathfinder in this area is Axelrod's *The Evolution of Cooperation*, in which he extrapolates from game tournaments constructed as "prisoners' dilemmas" to argue that cooperation can emerge in a world of egoists without central authority. Cooperation theorists using the game-theoretic approach or others in the rationalist persuasion basically concern themselves with the anarchy problematic, that is, the same broader question of how cooperation can emerge in a decentralized world with egoistic actors. In short their main concern is to explicate when and how states are likely to cooperate rather than defect. The anarchy problematic refers to the presence in the international system of multiple state actors and the absence of any effective centre of universal authority. Cooperation is conceptualized as an instrumentalist relation among factually given identical subjects. From this perspective to cooperate in international politics means to make decisions and embark on courses of action deemed advantageous for other states.

The objective of applying games to international situations is to clear the fog or the obfuscation that cooperation under anarchy gives rise to. Game theory is designed to offer a neat account of the options, joint outcomes, preferences, the cooperative and conflictual possibilities, identical decision-making units and absence of any higher authority. It enables theorists to offer a parsimonious account of varied strategies for cooperation or defection under varied conditions. There is no denying that this approach to cooperation has introduced new dynamics (eg. reciprocity) to our understanding of cooperation and its applicability seems to be opportune in areas such as international bargaining. However, several problems have been raised about the theoretical and empirical validity of this approach to the study of cooperation. Joanne Gowa has criticized this approach as "narrowly bounded" and questioned some of its central assumptions such as the pervasiveness of egoism and anarchy in international relations.[34] Another shortcoming of the game-theoretic approach relates to the fact that the context or exogenous factors which shape the interactions of actors in world politics are often ignored. In acknowledging the importance of context, Keohane and Axelrod have cited the structure of international institutions, the pattern of linkage among issues on the global agenda, shifting values attached to sovereignty as wider exogenous factors that come into play when states pursue bargaining strategies. In short, as they point out, "to ignore the effects of context would be to overlook many of the questions raised by a game-theoretic perspective on the problems of cooperation".[35] In the case of the Third World the context of their interactions includes factors such as their subjective self-understandings, the structure-conditioned fragility of their economies and their commonality of interest in promoting an equitable international economic order.

COOPERATION AS "INTEGRATION"

Until recently, analysis of policy coordination and cooperation had been carried out within the framework of "integration" by international relations scholars. This approach places emphasis on non-coercive efforts in the integration process. Indeed the *raison d'être* of modern students of regional integration has been to explain the tendency towards the voluntary creation of larger political units in which the participating units reject the use of force in their mutual relations. In essence the study of regional integration is concerned with tasks, transactions and perceptions, not with balance of

[34] Joanne Gowa, "Anarchy, egoism, and third images: The Evolution of Cooperation and international relations", **International Organization** vol. 40 no.1 (Winter 1986) p.167-186.

[35] Axelrod and Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions", **World Politics** vol.38 no.1 1985 p.277.

power and military capability. The concept of integration was viewed differently depending on whether it was seen as a condition or process or an admixture of both. According to E.B. Haas integration should be conceptualised as a process. To him integration is the process for the creation of political communities, defined in institutional and attitudinal terms. He notes that "Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones". [36] Amitai Etzioni, on the other hand, treats integration as the terminal condition, not as the process of getting there. He asserts that a political community which possesses effective control over the use of the means of violence is integrated. Such a community has a centre of decision-making that allocates resources and rewards throughout the community and forms the dominant focus of political identification for the large majority of politically aware citizens.[37]

There are differing approaches to the study of integration: federalism, pluralism, functionalism and neo-functionalism. These approaches differ in terms of the variables by which they explain the integrative process and the levels of analysis, the purposes and scope of integration, and the outcome of integration. Federalism is an assortment of principles, doctrines, institutions and processes dealing with the problems of concentration, diffusion and sharing of power in political systems. There is a profound emphasis by federalist theorists on political solutions, institutions and institution building and the assumption of transferability of institutions from the national to the regional level. They see integration as superimposing a new state, to keep order among the old ones and after some time, perhaps to replace them entirely. In other words, integration

[36]Ernst Haas, **The Uniting of Europe** (London: Stevens & Sons, 1958) p.16
[37]A. Etzioni, **Political Unification: A Comparative study of leaders and forces** (New York, 1965)

for them is a question of high politics. Legalistic-institutional interpretations of federalism have now been complemented by a modern, dynamic version, namely, the *process* by which a number of political organizations, be they states or any other kind of associations, enter into arrangements for working out solutions, adopting joint policies and making joint decisions on joint problems. Under this process-oriented federalism, we have to look for a sociological rather than a legal criterion. The sociological perspective of federalism minimizes the role of the institutional and constitutional criteria relying instead on the political and social forces for assessing the degree of federalism in any system. In the words of W.S. Livingston, "the essential nature of federalism is to be sought for, not in the shadings of legal and constitutional terminology, but in the forces - economic, social, political, cultural - that have made the outward forms of federalism necessary".[38]

Another approach to integration is broadly termed pluralist. This school encompasses the transactionalist and communications theorists. For both groups the measurement and assessment of patterns and flows of transactions between states is a central element in theorizing on integration. Notable theorists in this school include Karl Deutsch, Donald Puchala and Bruce Russett. As with the federalist thesis, the lynchpin of the pluralist argument is the image of the sovereign nation-state as the basis of international politics. Integration is defined as a process leading to an end-state envisaged as a 'community'.

The functionalist approach to integration concentrates upon the socio-economic and welfare functions of governments. Functionalists argue that in response to needs and the universalizing effect of technology, functional cooperation can be stimulated in specific areas which will, in time, create a global network of such organizations transcending the traditional bounds of the nation-states. In other words, functionalism measures the success of integration by the ability of global functional structures to solve

[38] W.S. Livingston, **Federalism and Constitutional Change** (Oxford: O.U.P., 1956) p. 126.

problems and their degree of responsiveness to functional needs. The dynamic of integration for functionalists is the learning process of citizens who are gradually drawn into the cooperative ethos created by functionally specific international institutions devoted to the satisfaction of welfare needs, which are defined in a rather broad sense as the maintenance of adequate economic and social standards.

Neo-functionalism is an approach to integration that combines a traditionally federalist concern with the economic and political unification of international regions - measured primarily by growth in the capacity, authority and legitimacy of common institutions - with a functionalist emphasis on gradual, incremental change as a response to needs and demands arising in the social, economic and technical sectors. Reduced to its essentials the central proposition can be summarised as follows: There exists a continuum between economic integration and political union; the two areas are linked by an automatic politicization process ("spillover"). Actors are involved in an incremental process of decision-making, beginning with economic and social matters (welfare maximization) and gradually extending to the political arena. E.B.Haas, the leading exponent of this approach, puts it this way: "Under modern conditions the relationship between economic and political union had best be treated as a continuum...".[39] These approaches to integration have been variously criticized. For instance, neo-functionalism has been criticized as "Euro-centric", that is, its research and propositions are geared towards the European setting and perhaps inconsequential or peripherally germane to Third World integrative processes. Federalism is said to be inappropriate to the problem of divisive interests and might in the absence of socio-psychological community add to the divisions of society. All said and done, it can be noted that the various theoretical approaches to integration help us to understand the intricacies of the integrative process in different settings. Conceptually, the lesson of the neo-functionalist approach lies in the potency of institutions as a valuable way to inch a given system towards integration.

[39] Ernst Haas, "International Integration: The European and the Universal process", **International Political Communities** (New York: Anchor Books, 1966)p.261.

gain, the pluralist approach offers a valuable way of looking at integration both with respect to transactions and the sovereign identity of states. Added to this, the functionalist emphasis on the role of the economic and welfare aspects has a particular relevance for the systems on the lower reaches of the integrative process.

HEGEMONIC STABILITY AND COOPERATION

Hegemonic stability theory purports to explain the sources of hegemonic cooperation and what sustains it. Broadly speaking, the analysis of the hegemonic stability school traces the sources of cooperation to the power of the hegemonic state and also delves into the *modus operandi* of such cooperation, including considerations of the provision of collective goods, costs of regime maintenance, leadership, and use of a combination of coercion and benevolence to ensure deference. The theory has been used to explain the global order under British hegemony and the eventual succession to that role by the US after the second World War.

Generally two versions of hegemonic stability theory are presented in the literature, the "crude basic force" and "refined" versions.[40] The former posits automaticity in the link between the possession of the endowments or attributes of a hegemonic power and the formation of regimes that foster cooperation, or as Keohane puts it, "the more one such power dominates the world political economy the more cooperative will interstate relations be".[41] The refined version rejects this automaticity and instead considers the complexity of the hegemon's internal political situation and consequently its "willingness" to provide global leadership. A distinction is also made in the literature between 'benevolent' and 'coercive' hegemony. The former, developed by Charles Kindleberger, states that the hegemon provides the collective goods required for a liberal international economy - the essential pit-props of trade financing mechanisms,

[40]See, for example, Robert Keohane, **After Hegemony op.cit.** p.34.
[41]Ibid. p. 34.

reserve currency status and sufficient liquidity. Coercive hegemony involves the use of the "stick" or the manipulation of the policies of other states. In monetary policy, coercive hegemony is prone to what Susan Strange has identified as the "top currency syndrome". According to Susan Strange:

> *The Top Currency state seems inclined to develop a strong political/economic ideology that asserts (a)that[[its]] domestic and international interests are coincident if not identical, and (b) that a prime aim of the state should be to persuade others that their national economic interests coincide with the maximum development and extension of the international economy. The Top Currency state characteristically does all it can to propagate this ideology and to use it to enlist the support of others for whatever measures of international cooperation and support it thinks are needed to protect, defend, and stabilize the international economic system... Indeed, a high moral tone quickly creeps in, and what I would describe as the Top Currency syndrome is distinguished by an obstinate and to others inevitably an objectionable, tendency to self-righteousness.*

[42]

Scott James and David Lake have identified three 'faces' of coercive hegemony as follows: the use of positive and negative sanctions to influence the choice of policies by other states; the use of its international market power to shape the incentives and political influence of societal actors in other states; and the use of ideas and ideology to structure public opinion and agenda of other countries. [43]

In short, the theory of hegemonic stability holds that the presence of a hegemon providing leadership in the global political economy will lead to stability and beneficial outcomes collectively for *all* (emphasis) the states in the system. This leadership is exercised by the hegemon using its power capabilities to reward, that is provide benefits

[42]Susan Strange, "The Politics of International Currencies", **World Politics** 23, no.2 (January 1971) p.229.

[43] Scott C. Lake and David A. Lake, "The Second Face of Hegemony", **International Organization** vol.43, no.1. (Winter, 1989) p.4.

or ensure compliance and deference by the use of coercion. Conversely, when a hegemon is absent the tendency is for entropy or a general state of instability to set in. Put differently, the theory predicts that the hegemonic system will collapse at the juncture when, in the parlance of public choice theory, the ability of the hegemonic state to supply public goods decreases.

COOPERATION AS COUNTER-DEPENDENCY STRATEGY OF ECDC

Extensive writings that emanated from the "North-South conference diplomacy" of the 1970s did not expressly deal with South-South questions or simply dismissed ECDC as a Third World bargaining ploy not deserving serious study.[44] Scholars writing from the dependencia perspective and their critics on the left[45] have often prescribed self-reliance or internally generated "autocentric" development as a means of reducing the dependency syndrome and consequently ameliorating economic stagnation and the subordination of Southern countries to exigencies of the process of accumulation dominated by the North. However, no systematic attempt was made by these writers to relate notions of self-reliance to the comprehensive ECDC programme of the South nor the main contours of self-reliance clearly delineated as a prescription for internal transformation or collectively for the South *vis-a-vis* North-South relations. Samir Amin, a notable leftist critic of dependencia, has expressed deep reservations about the programme of ECDC being promoted by the Non-aligned movement and the Group of 77 in the South. He points out what he calls the "ambiguities in the rhetoric of collective self-reliance",[46] that is, strong countries using cooperative schemes to occupy a short-term favourable position

[44] An exception to this trend is Roger Hansen's insightful book, **Beyond the North-South Stalemate** (New York: McGraw-Hill, 1979)
[45] These critics are broadly labelled by Richard Higgott in **Political Development Theory** (New York: Croom Helm, 1983) p.57, as the post-frankian "circulationist"school and include Samir Amin, Arghiri Emmanuel and Immanuel Wallerstein.
[46] Samir Amin,"Collective Self-reliance or National Liberation?", in Khadija Haq, **Dialogue for a New Order** (New York: Pergamon, 1980)p.168.

in the international division of labour at the expense of the least developed states of the South.

The cumulative result of years of neglect, coupled with the keen awareness by Third World scholars of the importance of keeping the academic side in step with the numerous Action programmes in Southern fora, is the recent steady growth of academic interest in South-South cooperation. It is difficult to place scholars writing on South-South cooperation within any water-tight schools of thought; however, in the present context, the contrasting understanding of the goals of cooperation and the differing emphases of what constitutes the major ingredients of ECDC, become apparent in the work of these scholars.

Under the first rubric of goal-identification, the problem is whether ECDC should be viewed as geared toward complete delinking[47] or partial disengagement and conversely whether developing countries are simply using collective action to bargain improvements in the existing system. It is not clear whether the goals noted above are mutually exclusive, for example, the extent to which the strengthening of Third World bargaining power through mutual cooperation does not constitute the development of a form of dissociative strategy. It would seem from the policy statements of Third World leaders that the terminal end of South-South cooperation in terms of delinking is inconsequential for the moment, permitting thereby a plethora of views ranging from the majority conception of ECDC captured in the symbolism of a "trade union of the poor"[48] shoring up internal bargaining power for negotiations with the North to the extreme position that is confrontational and sees disengagement as the logical result of ECDC.

[47]The terms "delinking", "disengagement" and "decoupling" will be used interchangeably. For a detailed critique of arguments for delinking, See Carlos F. Diaz-Alejandro, "Delinking North and South: Unshackled or Unhinged?" in Albert Fishlow, *et.al.* **Rich and Poor Nations in the World Economy** (New York: McGraw Hill, 1978) pp.87-154.

[48] This apothegm is attributed to Julius Nyerere, in "A Third World Syndicalism", Arusha, 12 Feb.1979. Address to the Fourth Ministerial Meeting of the Group of 77. (New York: UN Official Records, TD/236 28 Feb.1979, Annex II A)

If we define delinking in Samir Amin's terms as "toning down North-South relations within the Third World",[49] then it is not unreasonable to assume that delinking is an implicit part of ECDC. Simple toning down of relations comes close to the selective decoupling or delinking favoured by a majority of Third World officials. On the other hand, if delinking is defined in autarchic terms as a complete cut-off of economic relations with the North then it would seem that this approach would have very few adherents in policy-making and academic circles in the Third World. Those making the delinking arguments, from the majority viewpoint, see South-South cooperation as an alternative system, not autarchic but involving the dismantling of the features of the asymmetrical hegemon-established Bretton-Woods system that dates back to the aftermath of the Second World War. As a group of scholars have poignantly noted in a report to the UN Secretary General, collective self-reliance involves "delinking from those components of the international system in which a balanced relationship cannot be established, and relinking among Third World countries with whom a balanced relationship may be attained".[50] Similarly Johan Galtung,[51] in suggesting strategies for structural change of the international dominance system advocates "down to total decoupling" to reduce vertical interaction, while at the same time urging the pursuit of self-reliance through the establishment of "multinational symmetric organizations" that retain some contacts with the Centre (North). In an obvious reference to the autarchic interpretation of delinking, Shridath Ramphal (Commonwealth Secretary-General) rejects it on the grounds that "delinking is not a policy of collective self-reliance for development but the philosophy of the drop-out settling for the dubious and transient

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[49]Samir Amin, "The New International Economic Order: What future?" in Philippe Braillard and Mohammed-Reza Djalili, **The Third World and International Relations** (London: Frances Pinter, 1984) p.273.
[50]UN Report, **TCDC as a new dimension of international cooperation for development. An outline** Prepared by E.Oteiza, A.Rahman, R.Green and C.Vaitsos for the preparatory committee for UN Conference on TCDC, (New York: UN A/Conf. 79/PC/12, 1 July 1977) p.12.
[51]Johan Galtung,"A Structural Theory of Imperialism", **op.cit.** pp.107-109.

satisfaction of life in the commune of the poor".[52]

The second rubric marking work on South-South cooperation is the differing emphasis on what ECDC programmes should contain and more broadly the process or *modus operandi* for reaching a terminal end. A controversial and consistently suggested theme for ECDC programmes, but barely scrutinized in Southern declarations, centres around the overused term of "basic needs". According to Enrique Oteiza and Fransisco Sercovich the strategy of collective self-reliance involves *inter alia* "the reorientation of development efforts in order to meet the basic social needs (not just the minimum) of the peoples involved".[53] Some of the prerequisites cited by Mahbub ul Haq for South-South cooperation are "relevant development strategies to meet the basic needs of the people, mass education, intellectual liberation and internal restructuring within the Third World nations".[54] Similarly, Volker Matthies notes that self-reliance as an alternative to the development strategies of the conventional developmentalist school, should be geared toward "the satisfaction of basic needs and thus to the development of human beings and not inanimate objects".[55] The satisfaction of basic needs is also an integral part of Roy Preiswerk's conception of self-reliance or dissociation. He defines it as "a global option encompassing all aspects of the life of a community (local, national, regional) in food production, technology, education etc."[56]

What should be pointed out in any association of the term "basic needs" with South-South cooperation is that given the skepticism that it has historically raised in the

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[52]Shridath Ramphal, "South-South: Parameters and preconditions", in Altaf Gauher, ed. **Third World Strategy: Economic and Political Cohesion in the South** (London: Praeger, 1983) p.19.
[53]Enrique Oteiza and Fransisco Sercovich, "Collective self-reliance: Selected issues", **International Social Science Journal** 27 no.4 (1976)
[54] Mahbub ul Haq, "Beyond the slogan of South-South cooperation", in Khadija Haq, **Dialogue for a New Order** (New York: Pergamon, 1980) p.151.
[55]Volker Matthies, "Collective self-reliance: concept and reality", **Intereconomics** no 2 (March/April 1979) p.77.
[56]Roy Preiswerk, "Hidden Dimension of the so-called NIEO" in Herb Addo ed. **Transforming the World Economy?** (London: Hodder and Stoughton, 1984) p.43.

South, the task of determining[57] what constitutes basic needs should be the prerogative of developing countries. For a strategy (South-South cooperation) that aims at change in the global economy, the immediate and perhaps long-term issue that the masses in Third World countries would be concerned with is the extent to which this heralded South-South programme meets their most basic human needs. There is no doubt that South-South cooperation will be judged by the masses on the basis of whether their basic needs are being met; otherwise it will be dismissed as mere "elite cooperation" lacking practical relevance for the eradication of poverty.

In the halcyon days of the North-South dialogue the term "basic needs"[58] appeared in the development literature and in the work of international development organizations as a possible focal area for poverty-eradication programmes. Basically the aim of a basic needs approach is to meet the minimum living requirements of human beings; in other words to ensure access to certain minimum essential goods and services. In the words of Paul Streeten, one of the exponents of this approach, the eradication of poverty in this manner "...consists in securing access to these goods and services by the poor so that people have the opportunity of leading decent and full human lives, free from hunger, and in good health".[59] The strategy of basic needs aroused suspicion from the members of the Group of 77 for the reason that it was seen as a diversionary strategy introduced into the North-South debate by Northern institutions and officials to prevent *substantive* (emphasis added) restructuring of the international order. While the goals of basic needs have been introduced sparingly into the South-South sphere by Third World

[57]The determination of what constitutes "basic needs" in the South-South context should perhaps be included as one of the terms of reference of the just established 28-member South Commission(based in Geneva) under the Chairmanship of Julius Nyerere.

[58] The basic needs debate is discussed in Katrin Lederer, ed. **Human Needs: A contribution to the current debate** (Cambridge, Mass.: Oelschlager, Gunn and Hann, 1980); Frances Stewart, **Basic Needs in Developing Countries** (Baltimore: John Hopkins, 1985)

[59]See Paul Streeten, "Can Basic Human Needs be met by the year 2000?" in Khadija Haq, ed. **Dialogue for a New Order** (New York: Pergamon Press, 1980) p.220

policy-makers, I regard basic needs, defined by developing countries themselves, as an important component of the non-hegemonic cooperative effort of developing countries. To restate an earlier point, non-hegemonic cooperation involving collective action on the basis of a systematised set of ideas has to be judged, from the vantage point of the masses in developing countries, not on the basis of grandiose objectives and maximalist positions, but on such action satisfying the basic requirements of human life in the South.

What is also evident in the literature on the process of South-South cooperation is what is noticeably a dualistic approach that is expressed in terms of simultaneity in strengthening horizontal links and continuation of North-South bargaining where possible for transformation of the rules and principles established under hegemonic cooperation. There seems to be a divergence of opinion as to whether bargaining should proceed only after the bargaining leverage is gained through a fully operational South-South programme or bargaining continued even in the present phase of on-going elaboration of the actual concept and content of ECDC.

From this dualistic framework, Karl Sauvant[60] distinguishes two broad approaches for the achievement of greater South-South self-reliance: firstly, self-reliance through direct actions, that is, the achievement of structural changes through unilateral measures by the South and secondly, self-reliance through bargaining, that is, achievement of structural changes through negotiations between North and South. We can also see this dualism in Stein Rossen's contention that South-South cooperation can serve two interrelated objectives, namely (i) to achieve beneficial economic interchanges among developing countries and, (ii) to build up organised economic strength in the Third World and common negotiating position *vis-a-vis* the developed countries.[61] Another scholar

[60]Karl Sauvant, "Organizational Infrastructure for Self-reliance: The Non-aligned Countries and the Group of 77" in Breda Pavlic, ed. **The Challenges of South-South Cooperation** (Boulder: Westview, 1984) p.33.

[61] Stein Rossen, "Trading Rules, Market Forces and Government Policies", in Gerald Helleiner, ed. **For Good or Evil** (Toronto: University of Toronto Press, 1982) p.70.

notes that South-South cooperation involves both internal initiative within the South based on "genuine concern for the welfare of the masses" and equally important organising countervailing bargaining power to "correct existing market imperfections". [62]

[62]Mahbub ul Haq, "Beyond the slogan of South-South cooperation", op.cit. p.151

THE DYNAMICS OF NON-HEGEMONIC COOPERATION

Non-hegemonic cooperation, first of all, will be used in the context of the South to characterise cooperative activity based not on dominance and leadership by a hegemon, but, as noted earlier, on a set of economic proposals and programmes in a number of sectors. This cooperation is internally generated and starts from the analysis that hegemonic cooperation is not beneficial to all states nor are the gains evenly distributed. It is an attempt to eschew all the complications of hegemonic cooperation (dominance, self-interest, the use of economic blackmail and stiff conditionality to ensure adherence to regimes)[63] and offer an alternative that allows the developing countries to develop horizontal linkages with their partners in the South and also curtail the psychological and economic deference to the institutions and rules of the North.

As the term non-hegemonic cooperation suggests, the approach presumes the absence of a hegemon in the South; therefore, the pertinent question is what constitutes a substitution or surrogate for the functions performed by a hegemon under hegemonic cooperation? In other words, looking at Third World cooperative efforts from the non-hegemonic perspective requires dealing with the following issues: how the functions of system maintenance and regime formation are fulfilled, how transaction costs are to be borne, whether we have "collective leadership", "institutional leadership", or absence of leadership to make up for hegemonic leadership, what mechanisms will be used to ensure compliance of ECDC programmes, what steps are envisaged to obviate asymmetrical distribution of the benefits and finally, of future relevance, how the power gained through ECDC can be translated into concrete transformation and system restructuring at the global level. Candidly enough, the Chairman of the Group of 77 in a report to the High-level meeting on ECDC (18-23 August 1986, Cairo-Egypt) drives the point right home when he notes that:

"*the nuts and bolts of identifying issues and questions, complementarities and benefits,*

[63] The imposition of strict conditionality on Third World countries for structural adjustment lending by the Bretton Woods institutions is part of the mechanisms used to ensure Third World adherence to the rules of the hegemonic game.

financial costs, infrastructural requirements, technical support mechanisms, time frameworks and the concrete modality of implementation, cannot be glossed over and need to be handled with the required expertise in the area".

[64]

Having considered some of the functional issues that would have to be noted under non-hegemonic cooperation, it will be useful to posit some of the conditions for such cooperation, the components, objectives and ideological basis of this approach. The conditions for this type of cooperation result from what historically could be termed appropriately "collective separateness" - a situation of minimal or in some cases complete absence of linkages between developing countries. If the hegemonic system has occasioned dependency and the state of separateness and paucity of economic relations between developing countries, then non-hegemonic cooperation seeks to redress this condition by replacing collective separateness with collective self-reliance that will make developing countries make full use of their economic potential. Collective separateness spells individual economic weakness of Third World countries when compared to the major countries of the North, hence the conscious need to marshall their collective economic potential.

The subjective basis of non-hegemonic cooperation defined as cooperation ideology was developed through the Non-aligned Movement. With their limited involvement in the setting up of of the hegemonic economic system and participation reduced to what amounts to a *pro-forma* basis, Third World countries were, before the formation of the Non-aligned Movement, the objects of global economic/political relations - dependent on metropolitan countries and their economies balkanized according to the exigencies of external forces and determinants. The Non-aligned Movement launched at the Bandung Conference in 1955 sought to assert the mutual interests of the developing countries, strengthen their resolve to change the configuration of power in the global economy and achieve recognition as subjects,

[64] Report of the Chairman, "Review of ECDC - Ideas for Future Strategy" Presented to the high-level meeting on ECDC 18-23 Aug. 1986 Cairo Egypt (New York: Office of the Group of 77, 1986) Document no. G77/H-L MTG ECDC/86/A.1

a *force majeure* to be reckoned with in international relations. While the historical elaboration of the concept of ECDC as a concerted strategy for the Third World started at Bandung, it should be noted that South-South economic interaction, in the form of barter trade and movement of merchants, students, emissaries etc., could be traced back several centuries to the centres of civilization in the South. The Bandung Conference has generally been recognized as setting forth the political programme of the Non-aligned Movement and unleashing political energies that subsequently gave vitality to the movement. Leopold Senghor, former President of Senegal, has characterised Bandung as the most important historical event since the Renaissance,[65] and other scholars have described the Conference as "the turning-point in modern history".[66] If Bandung set in motion the assertiveness of the Third World in the international scene, it also stressed the importance of economic cooperation as a key element in that endeavour, a fact often not highlighted by analysts of non-alignment.

In tracing Third World collective response to the need for achieving the goal of collective self-reliance to Bandung, as a precursor of the Non-aligned Movement, it should be noted that some of the basic principles and ideas underlying the Third World cooperative efforts are derived from the *Panch Sheel* - the five principles considered as "no more than an elaborate re-statement of the essential idea of non-alignment". [67] The five principles are as follows: (a) mutual respect for each other's territorial integrity and sovereignty; (b) mutual non-aggression; (c) mutual non-interference in each other's affairs; (d) equality and mutual benefit; (e) peaceful coexistence. While these principles generally govern political relations among Third World states they also form a strong bedrock for mutual economic relations. In particular the principle of equality and mutual benefit, a tenet of cooperation ideology, has

[65] Leopold Senghor, "Les nationalismes d'outre-mer et l'avenir des peuples de couleur", **Encyclopedie Francaise XX** pt.11, Section C, Chap.11, 1959. Extract cited in Philippe Braillard and Mohammed-Reza Djalili, **The Third World and International Relations** (London: Frances Pinter, 1986) pp.57-59.

[66] A.W.Singham and Shirley Hume, **Non-alignment in an age of alignments** (London: Zed Books, 1986) p.65.

[67] The *The Panch Sheel* was introduced into international discourse by Mr Nehru in September, 1954 at a meeting with Indonesian Premier Ali Sastroamidjojo before the Bandung Conference was held eight months later.

been re-echoed over the years as the basis for Third World programmes for the promotion of economic cooperation. Early commitment by the movement to political solidarity and anti-colonialism is patent, but it should also be noted that members were not unaware of the need for economic decolonisation and the strengthening of new patterns of economic interchange as a prerequisite for attaining that goal. As Robert Mortimer points out, the concept of ECDC is the "economic counterpart of the political theme of solidarity".[68] The political programme of the Non-aligned Movement established the Third World as a force in international relations and also created the sense of cohesion and commonality of interests and goals upon which later mutual economic cooperative efforts could be generated. For the Third World, collective action has been generated by commitment to a body of ideas and principles that have been progressively evolved through debate, self-criticism and reaffirmation. Essentially these ideas have their basis in the *Panch Sheel* and allow developing countries, on the one hand, to reject domination, hegemony and other obstacles to their complete economic emancipation and socio-economic progress, and on the other to collectively recognize collective self-reliance as an integral part of their efforts to seek a restructuring of the hegemonic economic order. Relatedly, the Group of 77, which was formed to aggregate the interest of the Third World, forge common positions and proposals for the purposes of negotiations with the North, has increasingly become a major vehicle for the promotion of South-South cooperation.

Another condition for non-hegemonic cooperation, alluded to previously, is the detrimental effects of the workings of the hegemonic system on developing countries and the attendant perception that they have, as it were, to pull themselves up by the bootstraps. The crises that developing countries have to contend with in the global system are multifaceted and multisectoral in scope and have had a debilitating impact on their economies. These include, *inter alia*, "the collapse of commodity prices and deteriorating terms of trade, which have deprived them of export earnings needed to sustain their development and to service their

[68] Robert Mortimer, **The Third World Coalition in International Relations** (Boulder: Westview, 1984) p.127.

debt; the intolerable debt burden which has compelled many of them to adopt, with high social costs, adjustment programmes constraining their development potential; the stagnation of official development assistance and the sharp contraction in financial flows, particularly from commercial banks; the proliferation of protectionist and distortive measures and policies in developed countries, which are impeding developing country exports and obstructing structural adjustments which would permit the expansion of those exports"[69]. The sectoral crises in the hegemonic economic system together with the failure of the Third World thus far to achieve any measure of systemic restructuring, that is, of the principles, modalities and structures of the existing order, have provided developing countries with the objective reality that makes collective self-reliance imperative if not a *sine qua non* for achieving a new order that takes into account their mutual interest and gives them recognition, to use the words of Nyerere, as "full actors rather than reactors"[70] in the global economy. The objective reality for non-hegemonic cooperation is inextricably linked with the Third World development of subjective ideas and principles that seek to avoid attachment to existing politico-military structures and instead link through collective self-reliance and interdependence the economic structures of developing countries.

What are the components of non-hegemonic cooperation? From the perspective adopted we also have to see ECDC as consisting of a series of concrete and technically justified programmes and proposals. These programmes are multisectoral covering *inter alia* trade, finance, monetary cooperation, and investment. To understand ECDC under this approach we have to transcend viewing it merely as a concept or a set of ideas (important though these ideas are in galvanising the cooperative effort) and also project it as consisting of a multitude of specific actions for the expansion of economic linkages in a number of sectors. Taking advantage of the interrelationship between the sectoral activities requires the

[69] This is a summary of the crises mentioned in the Havana Declaration adopted at the Sixth Ministerial Meeting of the Group of 77 (Havana, Cuba 20-25 April, 1987) Document no.77/MM(V1)/2. p.3

[70] Address by Julius Nyerere to the Fourth Ministerial Meeting of the Group of 77, "A Third World Syndicalism" Cited in U.N. Official Records, TD/236 28 Feb. 1979, Annex II A.

corollary component of effective institutional coordination which is provided at the global level primarily by the Group of 77,[71] albeit the Non-aligned Movement serves as a useful forum for the development of major proposals, conceptual upgrading of existing ideas and review of the progress made in implementing previous action programmes.

It would seem that non-hegemonic cooperation depends to a great extent on the institutional capacity for generating collective action, that is an organ at the global level for interest aggregation and the negotiation of "common positions" and for utilizing the power gained through cooperation for negotiations with the major actors of the wider system. Non-hegemonic cooperation, as South-South cooperation would also seem to suggest, is also "cooperation linking top to bottom" since it consists of institutional mechanisms ranging from national focal points (responsible for the coordination, promotion and information on matters pertinent to ECDC) through a whole gamut of regional and global bodies for the monitoring, coordination, follow-up and evaluation of the ECDC process. In the following chapter the evolution of the institutional units will be traced in addition to the overall problems in the hegemonic economic order necessitating the adoption of cooperative strategies.

[71] A discussion of the evolution, structure and organization of the Group of 77 is offered in Karl Sauvant, **The Group of 77** (New York: Oceana 1981)

II. THE DEVELOPMENT OF ECDC: OBJECTIVE AND SUBJECTIVE DETERMINANTS

INTRODUCTION

This chapter comprises an analysis of the two basic components of non-hegemonic cooperation among developing countries - the *objective* reality of the fragility of the South in the global economic order and the *subjective* ordering principles that weld the South into a cohesive force for ECDC. Non-hegemonic cooperation - involving the intensification of linkages among developing countries - is part of the general desire by these countries for global structural change and hence derives its logic both from the asymmetrical features of the hegemonic economic system and trends in the workings of that system which have hampered their development prospects. To delineate the objective reasons for ECDC, reference has to be made to the wider hegemonic system - the historically evolved rules, principles, international division of labour and patterns of production and economic exchange - that sets options and points out the constraints for collective self-reliance. This approach is pertinent for two reasons: first, the Third World strategy of collective self-reliance, as a counter-dependency strategy, purports to redefine the relationship between developing countries and the North from one of dependence towards one of a more equitable sharing of the gains from economic exchange; second, collective self-reliance also involves an enhanced potential for common policies and common action by developing countries in their economic relations with developed countries.

The hegemon-established Bretton Woods economic system, based on market mechanisms as opposed to equity-type regulation as the preferred means of resource allocation, was set up without adequate consideration of the interests and special developmental needs of developing countries. While these interests and developmental problems have been subsequently marginally accommodated through waivers, exceptions and qualifications to the hegemonic regimes, these changes do not represent fundamental restructuring of the rules of the economic game. Developing countries have mainly borne the brunt of the unfavourable trends and their vulnerability has increased in the sectoral crises in the global economy.

This chapter, then, examines some of the compelling reasons for the pursuit of ECDC in the international economic environment, that is, the objective basis necessitating the pursuit of South-South cooperation and the institutional and coalition-building units that have provided political guidance on the development of the subjective component of the process. The subjective basis of ECDC will be discussed with reference to the evolution of Third World institutional units, that is, the Non-aligned movement and the Group of 77. Since collective action, as Charles Tilly points out, "results from changing combinations of interests, mobilization and opportunity"[72], it is important to ascertain the role of the institutional units in terms of interest-aggregation, reaffirmation and concrete efforts to express the transformative potential of ECDC. As noted in chapter one, the role of the institutional units under non-hegemonic cooperation is paramount in the absence of a hegemonic state in the South. Given the importance of ideological principles within the ECDC process, the role of the institutional units is to mobilize the South in a non-coercive, non-alienating manner with due recognition of the hetereogeneity within the group.

Basically, the idea is to point out that South-South cooperation, defined as non-hegemonic, has to be understood as a response by developing countries to the long-stated disillusionment with the economic system fashioned under US hegemonic leadership. In other words, it should be noted that there is an inherent connection between the *process* of ECDC, that is the approaches and policy instruments for achieving collective self-reliance, and the nature of the crisis in the global economy. To the extent that the principles, structures and operative mechanisms of the system have been challenged, as evident under the new

[72] Charles Tilly, **From Mobilization to Revolution op.cit.** p.7.

international economic order (NIEO) proposals, it is to be expected that the programmes for the pursuit of South-South cooperation will attempt to reflect Third World objectives and also deal with the crises of the hegemonic system. For instance, instead of adopting piecemeal approaches and uncoordinated bilateralism, developing countries have expresssed the determination to substitute for the unacceptable aspects of the hegemonic system (pending systemic restructuring) mutual cooperative action on a universal scale among themselves.

The post-war hegemonic order, with its constituent regimes in the major sectors of the global economy, was essentially conceived so that its rules and modalities reflected the reality of hegemonic leadership and a high degree of political convergence, especially regarding the value of systemic stability and acceptance of pro-liberal democracy, and economic linkages among developed countries. The hegemon (US) constituted the underpinner of the system - in terms of maintaining the key currency, opening its market, providing capital and technology and extending financial aid - thereby providing the framework for other developed countries to proceed with relative ease to their post-war reconstruction. By definition the post-war hegemonic system also reflected and endorsed the ideological preferences and values of the hegemon for stability and normal working of market forces over what later became the Third World approach for securing an equitable international system, that is, regulative and authoritative allocation. [73]

As a reflection of a new global order, the hegemonic economic system was to go beyond intra-developed country interactions to set the choices open to developing countries, to set the structural context within which they operated and to influence the nature and degree of their participation in that system. The lack of input by developing countries in the formation of the post-war system and their consequent minimal involvement in decision-making in no way motivated the developed countries to accord them genuine economic instruments for dealing with the inadequacies and rigidities of the system nor did it

[73]For a discussion of this Third World approach, See Stephen Krasner, **Structural Conflict: The Third World against Global Liberalism** (Berkeley,California: University of California, 1985) and Alfred Maizels, "A Clash of Ideologies", **I.D.S. Bulletin** vol.15 no.3 1984.

encourage their full and effective participation in the global economic order.

It is important to note that cumulative changes in the global economy, such as increased interdependence both of t parts and of problems and issues, shifts in the relative economic strengths of countries and groups of countries and the emergence of the developing countries as a major factor in international affairs, have put serious strain on the multilateral system of the hegemon and called, from the perspective of developing countries, for fresh approaches that deal explicitly with the developmental problems of the Third World. Numerous theoretical arguments have been adduced to explain and account for the state of crisis, instability and overall changes in the global economy, including the standard hegemonic stability theorists' explanation that traces instability in the system to a "decline" of the hegemon and others that dwell less on hegemonic decline but on inconsistencies in the hegemon's internal political system and external economic policies. [74] It is also pertinent to point out the empirical manifestations of the crisis, its impact on developing countries and its relationship to the pursuit of collective self-reliance as a component and instrument of structural changes required for the goal of an equitable global economy. Since the crisis of the hegemonic system has multifaceted manifestations, the approach adopted here is a sectoral analysis, that is, it highlights the position of developing countries sector by sector, with the caveat that the sectors are interconnected and not hard-and-fast categories. The sectoral analysis will concentrate on the trade and financial sectors considering that later chapters will focus on ECDC efforts in these sectors. Trade cooperation shows the limits and problematic nature of existing intra-trade patterns.

[74] See for example, Susan Strange, "The Persistent Myth of lost Hegemony", **International Organization** vol.41 no.1 (Autumn, 1987); See also Robert Gilpin, **War and Change** (Cambridge: Cambridge University Press, 1981) Chapter four for reasons for hegemonic decline.

DEVELOPING COUNTRIES IN THE HEGEMONIC ECONOMIC ORDER: Crisis, Limited Opportunities and Structural Rigidities

In the trade sector the hegemonic system comprised an elaborate General Agreement on Tariffs and Trade (GATT), entered into force in January 1948, that provided rules for trade, a legal framework for non-discrimination and a forum for the discussion of trade problems. Affirming the importance of trade as an engine of growth, the basic goal was to avoid "beggar-thy-neighbour" policies and a downward spiral of global trade through the achievement of an open trading system; furthermore, trade in goods was to be mainly determined by price differences between international and domestic markets. Together with the other major institutions of the hegemonic order, the International Monetary Fund and the World Bank, GATT was designed to help countries achieve the multiple objectives of full employment, stable exchange rates and freer and expanding trade. The Preamble of GATT sets its objectives in these terms:

> "*...ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods.*"

[75]

To achieve these objectives the proposed method was for the signatories to enter into,

> "*reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariff and other barriers to trade and to the elimination of discriminatory treatment in international commerce.*"

[76]

Tariff duties rather than non-tariff barriers were to be the acceptable means of protecting domestic industry, because the former were more transparent among other things. GATT offered a framework for the progressive lowering of tariffs and the generalization of bilateral trade concessions through the fundamental twin principles of the

[75] Keesings Archives, no.13388

[76] Ibid. no.13388

"most-favoured-nation"(MFN) clause, which guarantees equality of treatment, and "reciprocity" of trade concessions, thereby curbing trade discrimination. Significantly, many of the issues raised by Third World countries regarding changes to the trade rules revolve around these bedrock principles of GATT. The MFN principle binds the contracting parties to grant to each other treatment favourable as they give to any country in the application and administration of import and export duties. It rejects the idea of contracting countries discriminating against each other through, for example, one country giving special trading advantages to some countries to the detriment of others. Thus all trade concessions negotiated by contracting parties are to be extended to all other contracting parties. In short, the guiding standard is that "all are on an equal basis and all share the benefits of any moves to lower trade barriers". [77]

Developing countries have criticized the MFN principle on the grounds that given the asymmetry between them and the developed countries in economic and bargaining power equality of treatment is a misnomer when applied to them. As one scholar puts it, "the fact that all countries were to be treated equally was seen as reinforcing the imbalance in the structure of world trade". [78] In an assessment of GATT rules and principles, Raul Prebisch points out that they "are based on an abstract notion of economic homogeneity which conceals the great structural differences between industrial centres and peripheral countries with all their important implications".[79] Similarly, an UNCTAD Secretariat Report makes a case for differential treatment for developing countries by noting that "the traditional most-favoured-nation principle is designed to establish equality of treatment... but does not take account of the fact that there are in the world inequalities in economic structure and levels of development; to treat equally countries that are economically unequal constitutes

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[77] GATT Information Service Publication, **GATT** (Geneva: GATT Information Service, June, 1987) p.3

[78] Diana Tussie, **The Less Developed Countries and the World Trading System: A Challenge to the GATT** (London: Frances Pinter, 1987) p.25

[79] Raul Prebisch, "Towards a new trade policy for development" in Philippe Braillard and Mohamad-Reza Djalili, **The Third World and International Relations** (London: Frances Pinter, 1986) p.178.

equality of treatment only from the formal point of view but amounts actually to inequality of treatment". [30] Also subject to criticism is the principle of reciprocity, one that is nowhere explicitly defined in the treaty, but nevertheless so much a core concept in the international trading system. The common complaint from developing countries is that the principle of 'reciprocity', which emphasizes the offering of tariff reductions for equivalent concessions from other trading countries, is inappropriate for the reason that in most cases they could not request a tariff reduction considering their inability to offer a bargain or "reciprocate".

The evolution of the post-war hegemonic trading system is marked by an early and incessant questioning of the principles and objectives of GATT by developing countries eager to change the focus from the existing view of international trade as the spontaneous and benevolent engine for development and rather as a tool for eliminating the wide disparities among countries. Third World objections to the trading system have embraced both systemic - that is, the underlying principles and rules - as well as conjunctural factors such as impact of protectionism, lack of market access and global recession. Developing countries have expressed concern at the assumption of symmetry that was at the core of the trading system, that is, the concept of simply removing the barriers to the free play of market forces in the interest of expanded trade for the mutual benefit of all countries in a system that is clearly asymmetrical, and concomitantly the absence of a set of clear objectives for meeting the challenges of development in the Third World.

The first major drive by developing countries as a group for changes to the trading system resulted in a submission by fifteen countries (Brazil, Burma, Cambodia, Chile, Cuba, Federation of Malaysia, Federation of Rhodesia and Nyasaland, Ghana, Greece, India, Indonesia, Pakistan, Peru and Uruguay) of a *Note on the Expansion of International Trade*. This note, which questioned the principles of reciprocity and equality of treatment, followed the comprehensive report on the GATT and developing countries (GATT, Trends in International Trade, Report by a Panel of Experts, 1958) known as the Haberler Report. In

[30] See UNCTAD Proceedings, v.III (New York: UN, 1964) p.11.

1963 a group of twenty-one developing countries proposed a Programme of action that urged developed countries to adopt a number of measures to support the exports of developing countries:

(a) a commitment not to introduce new tariff and non-tariff measures;

(b) the elimination of illegal quantitative restrictions on imports;

(c) duty-free entry for tropical products;

(d) a schedule for the reduction and elimination of internal taxes on products wholly or mainly produced by less developed countries.

[11]

The pressures for changes to the hegemonic trading regime culminated in two related developments, one within the GATT system and the other outside it. Within GATT the previous actions of developing countries led to the addition to the treaty in 1965 of Part IV on trade and development committing developed countries to "positive efforts designed to ensure that less developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development".[12] Part IV represented the acceptance in GATT of the principle that developed countries do not expect reciprocity from developing countries in trade negotiations. In effect Part IV laid down the principle that developed countries would not expect developing countries, in the course of trade negotiations, to make contributions inconsistent with their individual development. The creation of UNCTAD in 1964 as a permanent institution and the emergence of the Group of 77 within it constitute a significant development in the Third World call for a "dynamic international trade policy that would allow international trade to become a more powerful instrument and vehicle of economic development."[13] It is also noteworthy that developing countries gained

[11] GATT. Basic Instruments and Selected Documents. 12th Supplement. p.36.
[12] GATT Part IV: Trade and Development (London:HMSO,1965) Cmnd. 2618 Art.XXXVI
[13] See Joint Declaration of the Developing Countries, UN General Assembly Resolution 1897 (XVIII) II (Nov.1963) Annex.

acceptance of the principle of differential treatment within the global trading community when UNCTAD worked in 1968 for a Generalised System of Preferences (GSP) for developing countries - a scheme whose implementation started in 1971.[14]

It is outside the scope of this thesis to elaborate the facts of all the changes that have occurred in the hegemonic trading system; however, it should be noted that world trade has blossomed, albeit with fluctuations, under the current system, but the qualifications and minimal modifications of the rules have not been sufficient to mitigate the crises that have eroded the global trading system. These crises have compounded the objective structural rigidities, to be discussed later, that account for benefits not accruing to the South. It is noteworthy that the volume of world trade grew at an average rate of 8 per cent over the period 1953-1973.[15](see also Table 1 for the period 1960-1979).

[14] The legality of the GSP was confirmed in GATT by the Enabling Clause of 1979 negotiated during the Tokyo Round in 1979.

[15]UNCTAD Secretariat Report, **Protectionism and Structural Adjustment** (Geneva:UNCTAD, 26th March 1984, TD/B/981 (Part 1) p.1

Table 1.**GROWTH IN WORLD TRADE, 1960-1979**
(Annual average increase in volume(percentage)

	Imports		Exports	
	1960-70	1970-79	1960-70	1970-79
Developed market-economy countries	8.8	4.8	8.3	6.1
Developing countries	5.3	7.7	6.2	4.4
Socialist countries of Eastern Europe...	8.1	7.6	8.7	7.5
World .... *	8.0	5.5	8.0	5.8

Sources: ECE, "Changes in foreign trade trends in the 1970s and some long-term implications" (EC.AD(XVII)/AC.1/R.3)p.3; and UNCTAD Handbook of International Trade and Development Statistics, Supplement 1980(UN Publications, sales no. E/F.80.11.D 10 and corrigendum) table 1.5.

* Excluding socialist countries of Asia

This growth gradually petered out from 1973 on and negative growth rates set in during the 1981-82 recession. Reflecting the interrelatedness of the global economy and developing countries' integration within it, it is estimated that trade lost during the 1981-82 recession added $100 billion to the external debt of developing countries. [86] These figures on the growth of world trade combined with the fact that GATT, since its establishment, has succeeded in bringing down tariff levels, would seem to suggest a buoyant trading system, but beneath the veneer of buoyancy, the reality points to a serious erosion of the system. In terms of the crisis of the trading system, a GATT report outlines the following as the major strains: "the drift away from the principle of non-discrimination, the increasing reliance on quantitative restrictions and other non-tariff measures, the growing use of market-sharing arrangements and the spread of subsidiz[illegible] other report prepared by the UNCTAD Secretariat for the Seventh Session of UN[illegible]ntions a number of symptoms of the erosion of the trading system, including "[illegible]ne of the reliance on the tariff as an instrument of trade policy, the proliferation of mechanisms for the management of the quantities, prices and often the sources of imports; an unravelling of previous commitments and undertakings, including with respect to particular products or in favour of the developing countries and general dissatisfaction with and lack of commitment to multilateral dispute settlement mechanisms."[88]

The most serious strain on the hegemonic trading system is the alarming increase in protectionist measures around the world, [89] particularly the more sophisticated non-tariff mechanisms such as voluntary export restraints, orderly marketing agreements, countervailing

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[86] Ibid. p.1.

[87] GATT, **International Trade 1985-1986** (Geneva:GATT, 1986) p.28.

[88] UNCTAD Secretariat Report, "Revitalizing Development, Growth and International Trade: Assessment of Policy Options", Report to UNCTAD VII (Geneva, 9-31 July, 1987) TD/328 Rev.1 p.147.

[89] For a survey of the developments pertaining to the issue of protectionism and related policy issues, See S.J.Anjaria,N.Kirmani and A.B.Petersen, **Trade Policy Issues and Developments** International Monetary Fund Occasional Paper 38 (Washington D.C.:IMF, 1985); Max Corden, **Protection and Liberalization: A Review of Analytical Issues** International Monetary Fund Occasional Paper 54 (Washington D.C.:IMF, 1987) and World Bank **World Development Report**,1986 and 1987.

and anti-dumping actions, prohibitions and import surveillance, and preferential procurement arrangements. Thus, whereas, as noted earlier, tariff levels have gone down and their importance diminished due partly to the breakdown of the hegemonic system of fixed, but adjustable, exchange rates the non-tariff variety also termed "managed trade" has become pronounced. As Table 2 shows, a considerably larger share of developed country imports from developing countries is subject to non-tariff measures than imports from other developed countries.

Table 2: **SHARE OF IMPORTS-SUBJECT TO NON-TARIFF BARRIERS IN INDUSTRIAL-COUNTRY MARKETS, 1983**

Market	Percentage of imports from:-		
	Industrial countries	All developing countries	Major borrowers
EC	10.2	21.8	24.9
Japan	9.3	10.5	9.6
United States	7.7	12.9	14.5
All Industrial States	10.5	19.8	21.9

Note: Data are based on 1981 weighted averages for all world trade in all products except fuels.

Source: **World Development Report** 1985.

For the few developing countries who have made export-oriented inroads into world markets in particular products, this new form of protectionism has undermined the security of market access. The crisis of protectionism is clearly an affront to the hegemonic trading rules and also shows their perceived unworkability in the face of importing countries violating them under the strains and stresses in their economies. Additionally, it shows the limited opportunities open to developing countries under the system, that is, denial of market access even in areas where developing countries have secured some competitive advantage. While the erosion of GATT and other conjunctures in the trading system have had deleterious effects on the South they have pointed to the underlying structural biases that marginalize them. Third World countries not only have to deal with protectionism in manufactured products but also their exports are affected by protectionism in agriculture. Sometimes protectionism is even institutionalized - as in the Multi-Fibre Arrangement (MFA) on textile exports from developing countries - which paradoxically is a case of GATT enforcing protectionism.[90] The MFA was drawn up in 1973 as a replacement to the short-term and long-term arrangements on cotton textiles.

Arguments have been raised against protectionism in developing countries and the need to give symmetrical treatment to the phenomenon wherever it occurs. The question is whether protectionism in developing countries is relevant to world trade or simply an issue of internal development strategy. It has been noted, for example, that developing country tariffs are on average about four times higher than developed countries' tariffs, and also that developing country non-tariff barriers (NTBs) cover a fraction of import categories more than twice that of developed countries.[91] A report by the Secretary-General of UNCTAD to the Sixth Session of the Conference in Belgrade, Yugoslavia rejects the parallel between protectionism in developing countries and developed countries as "superficial".[92] According to

[90] See Dianne Tussie,**op.cit.** p.99

[91] J.Michael Finger and Sam Laird, "Protectionism in Developed and Developing countries - An overview", **Journal of World Trade Law** vol.21 no.6 (Dec.1987) p.9.

[92] UNCTAD Report..**Development and Recovery: The realities of the new interdependence** Report by the Secretary-General of UNCTAD to the Sixth Session of the conference, Belgrade, Yugoslavia, 6 June 1983. Document no. TD 271

the report: "For the most part, developing countries strive to curtail consumer imports not so much to protect local industries as to release resources for imports of capital goods, machinery and raw materials - items for which tariff rates tend to remain low. In the present situation, protectionism in developing countries is not restrictive of aggregate trade... But it is important to recognize that developing countries have recourse to tariffs and other restrictions on imports as instruments of macro-economic policy - for the absorption of purchasing power and for influencing the composition of imports".[93] What this assessment misses is the negative impact of policy distortions on the development of intra-Third World trade. As will be seen in the discussion of the global system of trade preferences (GSTP) in Chapter three, developing countries have recognized the importance and logic of reducing trade barriers among themselves in pursuit of South-South trade. The GSTP, a central scheme for the promotion of South-South trade, represents a clear instance of developing countries responding to the specifics of the global crisis, namely the combination of conjunctural and systemic factors in the trading system, with concrete measures that open up new opportunities for mutual Third World.

The problem of market access, previously discussed, is very much related to the structural rigidity of the hegemonic trading system which in turn leads us to a special segment of the trade sector dealing with the primary commodity problem. By structural rigidity is meant the trade patterns whereby the developing countries for the most part export primary commodities to the developed countries and import manufactured goods (see table 3).

[93]Ibid. paragraph 80.

Table 3: TRADE OF DEVELOPED MARKET-ECONOMY COUNTRIES WITH DEVELOPING COUNTRIES, 1960-79: STRUCTURE AND GROWTH (PERCENTAGE)

Commodity Group	Percentage of all commodities* 1960	1970	1979	Growth Rate 1960-70	1970-79
Imports:					
Food	36(49)	27(41)	13(19)	4.2	14.6
Agricultural raw material	17(23)	9(13)	4(6)	0.4	14.7
Ores and Metals	14(19)	16(24)	5(8)	[illegible].8	10.8
Fuels	26	35	61	10.4	33.3
Manufactures	7(9)	14(22)	17(26)	15.4	27.5
All Commodities	100	100	100	7.9	24.9
Exports:					
Food...	14(15)	12(12)	5(5)	4.9	19.6
Agricultural raw materials...	3(3)	3(3)	2(2)	5.5	18.9
Fuels....	2	2	2	1.6	26.3
Manufactures	67(68)	72(73)	74(75)	7.5	21.5
All Commodities	100	100	100	6.8	21.2

Sources: for the year 1960: UNCTAD, *Handbook of International Trade and Development Statistics 1976* (UN Publication, Sales no.E.76.11.D.3 and corrigendum); for the year 1970: UNCTAD, *Handbook of International Trade and Development Statistics, 1979* (UN Publication sales no.E/F.79.11.D.2); for the year 1979:UN Monthly Bulletin of Statistics, vol.XXXV, no.5 (May,1981)

NOTE: All data are derived from values in current dollars

* Figures in parentheses represent the percentage of all commodities, excluding fuels.

It also extends to the structural context under which developing countries are in a subordinate position in the marketing and distribution of commodities with developed country multinationals in control of the basic instruments of the commodity trade - promotional services, information and distribution channels, markets, transport, finance and technology. This vulnerability also extends to the structural characteristics of the market, with a multiplicity of freely competing sellers with limited market staying power facing a few, well organized buyers, with considerable resources at their disposal. Within this systemic context, it is not surprising that developing countries have favoured greater intervention into global commodity markets and have pursued greater coordination of policy and efforts to establish the Integrated Programme for Commodities (IPC).

The question of limited marketing power of developing countries is addressed in the South-South concept of Multinational Marketing Enterprises (MMEs). These enterprises seek "(a) to reduce these countries' dependence on the international firms for the marketing of their main commodities to help them regain a measure of influence on pricing decisions of which such dependence deprives them; (b) to recoup the often excessive profit margins separating producers' prices from the prices paid by the wholesalers and retailers in the importing country; and (c) to help exporting countries diversify their markets, including other developing countries".[94] Among the measures suggested by the Asian Group of the Group of 77 at the Sixth Ministerial Meeting (Dhaka, 14-16 March,1987) for giving renewed momentum to South-South economic cooperation was a proposal for " ... the creation of new producers' associations, especially among developing countries to undertake various measures including trade promotion programmes, exchange of information and statistics on the market situation, production, stocks and product developments and also to undertake supply rationalisation measures with a view to bringing stability to the commodity field". [95]

[94]UNCTAD, **The History of UNCTAD: 1964-84** (New York: UN, 1985) p.205.
[95]Dhaka Declaration, Sixth Ministerial Meeting of the Asian Group of 77, Document no. AS/MM/77(VI)/3, p.59.

PRIMARY COMMODITIES

For virtually all developing countries - except perhaps the NICs and other export-oriented countries focusing on manufactures - primary commodity production is still the single most important contributor to monetary GDP.

Table 4: **IMPORTANCE OF PRIMARY COMMODITIES IN THE EXPORT EARNINGS OF DEVELOPING COUNTRIES AND TERRITORIES,* 1970 AND 1980**

Share of Primary Commodities in Export Earnings	1970		1980	
	Number of Countries	Share of total export earnings(%)	Number of countries	Share of total export earnings
90-100	36	29.2	29	12.3
70-90	26	42.7	21	24.4
50-70	6	1.7	14	29.1
Sub-total	68	73.6	64	65.8
10-50	9	16.7	12	10.0
0-10 @	1	9.7	2	24.1
Total	78	100.0	78	100.0

Source: UN Statistical Office, IMF, **International Financial Statistics**
* Excluding countries where exports or re-exports of fuels exceed 10 percent of total exports.
@ Hong Kong and, for 1980, Republic of Korea.

The figures set forth in table 4 indicate that although the share of primary commodities in the total export earnings of non-oil exporting countries in the decade 1970-80 fell from 66 percent to 42 percent, the number of these countries for which primary commodity exports earnings account for more than 50 percent of total export earnings hardly declined at all, that is from 68 to 64. Moreover, it was the countries with the most heavily dependent commodity exports, that is, those where commodities account for over 70 percent of total export earnings that benefited least from the expansion in world trade during the 1970s. The problem in the commodity sector arises from the acute instability of prices and associated income fluctuations which impact on the external payments situation of developing countries. For example between 1980-81 of about $16 billion in the aggregate external deficit of non-oil exporting countries the fall in commodity earnings during the period accounted for about $18 billion.[96] As Alfred Maizels has correctly pointed out, "international commodity markets have operated as perhaps the predominant mechanism through which recession and inflation in the central industrial countries have been transmitted to the developing countries".[97]

The commodity crisis is often characterised in terms of the fevered debate on the so-called 'secular decline' of the terms of trade.[98] Raul Prebisch, perhaps the progenitor of the post-war Third World concern about commodity price instability in relation to manufactured imports, argued forcibly, in a policy statement submitted to the first Session of UNCTAD in 1964 that external imbalance in the developing countries was mainly a reflection of the disparity between the rate of growth of their primary exports

[96]UNCTAD VI Report, **Commodity Issues: a Review and Proposals for further action.** (June,1983) TD/273.
[97]Alfred Maizels,"Commodities in Crisis: An overview of the main issues", **World Development** vol.15 no.5 (1987) p.538.
[98]See David Evans, "The long-run determinants of North-South terms of trade and some recent empirical evidence", **World Development** vol.15 no.5 (1987) pp.657-671; J. Spraos, "Deteriorating terms of trade", **Trade and Development** no.4 (Winter, 1982); "Inequalising Trade? A study of traditional North-South specialisation in the context of terms of trade concepts", (Oxford:Clarendon Press in cooperation with UNCTAD, 1983); D.Sapsford, "The Statistical debate on the net barter terms of trade between primary commodities and manufactures: A comment and some additional evidence",**Economic Journal** vol.95 (Sept.1985)

and that of their imports of industrial goods. To him there was not only a tendency for the terms of trade of primary commodities to deteriorate vis-a-vis manufactured goods, but this phenomenon was due to inherent structural differences between the economies of the developing countries and the North. Further theoretical reasons adduced by Prebisch and Hans Singer (the Prebisch-Singer thesis) for the long deterioration in the terms of trade include technological superiority of the North, the skewed impact of labour union power in the North and labour surplus in the South on the division of the benefits of productivity, and low price elasticities of demand for primary commodities compared with manufactures.[99] Some other scholars have criticized the terms of trade theory, particularly the time period for which price trends are used. The argument is that the longer the period the evidence does not support the contention that there is an inherent tendency for primary commodity prices to decline vis-a-vis manufactures. For instance, Paul Bairoch notes that Third World commodity prices fell after the Korean crisis until about 1962, then stabilized for the rest of the 1960s.[100]

Apart from providing a case for remunerative prices in the trade of primary products, the 'terms of trade' issue has highlighted and indeed provided the basis for Third World proposals for structural diversification of productive capacities through increased processing of primary products and increasing market access for such products in the North. Remedial initiatives have been undertaken within the hegemonic system, with limited success, to address the problem of price instability including the International Monetary Fund (IMF) Compensatory Financing Facility and the STABEX scheme under the Lome agreement between the European Community and the African, Caribbean and Pacific states, international and national buffer stocks and multilateral contracts. [101] The

[99] For a discussion of the Prebisch-Singer thesis, See David Evans, **op.cit.**
[100] See Paul Bairoch, **The Economic Development of the Third World since 1900** (Berkeley: U.of California, 1975) p.127.
[101] Control mechanisms in the commodity area are discussed in Jock Finlayson and Mark Zacher, **Managing International Markets: Developing Countries and the Commodity Trade Regime** (New York: Columbia, 1988); Alasdair MacBean and D.T.Nguyen, **Commodity Policies: Problems and Prospects** (London: Croom Helm, 1987)

major Third World response to the commodity problem has taken the form of the demand for structural change embodied in the UNCTAD resolution which established the IPC in 1976. The agreement at UNCTAD IV was for members to enter into negotiations for the setting up of a Common Fund to finance buffer stocks, within the framework of international commodity agreements.

The difficulties facing developing countries under the hegemonic trading system have given impetus to arguments and proposals for linkages among Southern countries to tap the dynamic benefits of mutual trade. Among the areas (to be assessed in Chapter 3) where policy coordination is being focussed are negotiations for a GSTP, cooperation among State Trading Organizations (STOs), the increasing use of countertrade transactions in the South and efforts at establishing multinational marketing enterprises for centralized selling on the world market and financing schemes to obviate the financial constraints on trade expansion.

FINANCE: The Debt Peonage

For the purposes of imposing order and stability on the hegemonic system in the monetary sector and the preservation of its unity as a single working system, counterparts to GATT were required to remove restrictions on financial transactions and maintain orderly exchange arrangements, extend reserve credit to finance seasonal and cyclical balance of payments deficits and serve as fora for consultation and collaboration on global monetary and financial problems. Two key institutions established to prevent recurrence of the pre-war international payments difficulties and around which the post-war system in money and finance revolved were the IMF and the World Bank. The former has the authority to exercise surveillance over the international monetary system and compliance of its members in meeting the basic objective of the fund: "to promote exchange stability, to maintain orderly exchange arrangements among members and to avoid competitive exchange depreciation" (Article 1, Section iii of Bretton Woods Agreement). Additionally the Fund was endowed with credit facilities permitting member countries to borrow convertible currencies for financing balance of payment disequilibria. As stated in Article 1(v) of the Bretton Woods Agreement one of the principal functions of the Fund is "to give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustment in their balance of payments without resorting to measures destructive of national or international prosperity". The World Bank was established to promote growth, trade and balance of trade equilibrium of its members, by facilitating the investment of capital for productive purposes in the form of straight lending and more recently structural adjustment loans defined in the Bank's Operational Manual as "non-profit lending to support programs of policy and institutional change necessary to modify the structure of an economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term".[102]

Basically the monetary system, in its inception, functioned through an international reserve system based on gold and the US dollar. The exchange rate system, which was pegged to gold and in which national currencies generally had fixed parities with the US dollar, was essentially a system of fixed exchange rates, with provision for changes in consultation with the IMF. However, this system was weakened in August 1971 when the US terminated the convertibility of the dollar into gold and subsequently changed into a system of managed floating exchange rates,[103] one considered by developing countries as particularly onerous, volatile, and unstable because of their heavy trade dependence. Indeed an IMF Report notes that the increase in the volatility of exchange rates which has accompanied generalized floating "has contributed to greater unpredictability of import prices and export receipts in both the short run and the intermediate term which in turn has made it more difficult for both the public and the

[102]Cited in Constantine Michalopoulous, "World Bank Lending for Structural Adjustment", **Finance and Development** vol.24 no.2 (June,1987) p.7.

[103] For a detailed analysis of developments leading to the establishment of the managed floating rate system, See, "The Institutional Evolution of the IMF", Article prepared by the Editorial Staff, **Finance and Development** vol.21, no.3 (Sept., 1984) pp.7-10.

private sectors to plan their activities, manage their finances, and choose between import suppliers".[104]

Since March 1973 there has been a considerable increase in exchange rate volatility, compared to the situation prevailing up to the delinking of the dollar and gold in 1971, [105] and moreover since 1974 the hegemonic monetary system has been beset with the crises of unprecedented payments deficits, manifested in the fact that the current account deficits of non-oil developing countries rose threefold from $10 billion in 1972 to $30 billion in 1978 and then more than doubled reaching $70 billion in 1981.[106] There is a critical liquidity problem expressed in the current debt crisis and dissatisfaction, especially among developing countries, with the strict conditionality attached to IMF and World Bank loans.

Consistent with the Third World perspective on the origins and purposes of the hegemonic system, developing countries have made a case for greater participation in the decision-making process regarding systemic restructuring, examination of the adequacy of developing countries' reserves, the easing of conditionality[107] and difficulties encountered by developing countries in meeting the performance criteria, the creation of international liquidity in an efficient way to prevent the increasing influence of transnational banks. Third World concern about the expansion of transnational banks is extremely relevant when discussing the debt crisis. As an indication of this expansion it is noteworthy that private financial markets, principally transnational banks, accounted for 59 per cent of total gross financial flows to developing countries in 1981, compared to only 38 percent in

[104] **IMF Annual Report** 1979 (Washington,D.C.: 1979) p.42

[105] See D.Brodsky, G.Helleiner and G.Sampson "The Impact of the current exchange rate system on developing countries", **Trade and Development:An UNCTAD Review** no.3 (Winter,1981)

[106] UNCTAD Secretariat Report, **International Financial and Monetary Issues** Document no. TD/275 (Jan.,1983) p.1.

[107] Some of the issues relating to conditionality are discussed in, Williamson, John, ed. **IMF Conditionality** (Washington, D.C.:MIT Press, 1983); Tony Killick, ed. **The IMF and Stabilization: Developing Country Experiences** (New York: St Martin's Press, 1984)

1972.[108] This concern explains Third World proposals, launched by Sri Lanka at the fifth summit of Non-aligned countries in Colombo in 1976, for a South Bank to perform a range of functions including development finance, balance of payments support, export financing, commodities stabilization and support to regional payment and credit arrangements. [109]

The debt problem of developing countries and the general crisis in international lending epitomize the structural weakness, conjunctural malfunctioning, and as one scholar puts it, regarding the debt problem, "the frequently cited indicator of injustice"[110] in the hegemonic monetary system. The debt crisis has generated two seemingly contradictory tendencies within the Third World concerning the ECDC process. First, external indebtedness, compounded by high interest rate and debt service charges, is generally recognised as having a debilitating impact on the political and social fabric of the debtor countries' development prospects. For example, in the period 1980-86, the 22 countries in sub-saharan Africa identified by the World Bank as "debt distressed"(Benin, Comoros, Equatorial Guinea, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Saõ Tomé and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zaire and Zambia) experienced a 17 percent decline in per capita income and a 50 percent drop in exports.[111] This situation also applies to the highly indebted countries, mostly in Latin America. Furthermore, debt service obligations have encouraged debtor countries to impose various trade restrictions which have triggered a slump in intra-trade and also transactions through Third World

[108] UNCTAD Secretariat Report, **The Current World Economic Crisis and perspective for the 1980s** Item 8 Policy Paper TD/272 (11 May 1983) p.25.
[109] See also Inter-governmental Follow-up and Coordination Committee Reports. (1983) IFCC-11/G-77/Rpt.1 and IFCC-11/G-77/B-8.
[110] Iqbal Haji,"Finance, Money, Developing Countries and UNCTAD" in Michael Cutajar, ed. **UNCTAD and the South-North Dialogue: The First Twenty Years** (New York: Pergamon Press, 1985) p.154.
[111] IMF Survey, Feb.22, 1988. p.54.

payment arrangements. [112] As Augustin Papic has recently pointed out, "the declining volume of convertible foreign exchange resulting from the decrease in exports, and deterioration in external liquidity due to the outflow of resources for debt service payments, has limited the possibilities of developing countries' mutual trade".[113] It is estimated that as a result of the liquidity problems of developing countries between 1980 and 1985 Third World intra-trade fell by one-third in the Latin American in the Andean Group and in the Caribbean Community (CARICOM) and by one-half in the Central American Common Market (CACM) and the Customs and Economic Union of Central Africa (UDEAC).[114]

Secondly, the debt crisis has ushered in an organized and coordinated activity on the part of developing countries, especially in Latin America, in their negotiations with creditors from the North. For instance, the Plan of Action,[115] adopted by Heads of State and governments of Latin America and the Caribbean in Quito (Ecuador) at a meeting to discuss common economic problems, focussed attention on the debt problem and established some common approaches as follows: while renegotiating the external debt, export earnings should not be committed beyond reasonable limits; formulas should be derived to reduce debt service payments by drastically reducing interests, commissions and spreads; the maintenance of net, adequate and increasing flows of new financial resources is requested; debt renegotiations should be accompanied by measures essential for improving terms of access to exports from the region. Also, at least at the level of rhetoric, there is talk of some form of Third World 'debtor cartel' and also attempts to

[112]The impact of the liquidity problem on Third World payment arrangements is discussed in, Mojmir Mrak, **Financial and Monetary Cooperation among Developing Countries** (Ljubljana,Yugoslavia: RCCDC and Zimbabwe Institute of Development, 1987) p.35.

[113] A.Papic, "World Economic Environment: Its impact on Developing Countries and their economic cooperation", **Development and South-South Cooperation** vol.2 no.2 (June, 1986) p.47.

[114] Figures cited in the Dhaka Declaration of the Asian Group of 77, Integration Association (ALADI)(from $10.2 billion to $6.8 billion), **op.cit.** p.55.

[115]Declaration of Quito and Plan of Action, Quito, January, 9-13 1984 cited in Mojmir Mrak, **op.cit.** p.162.

use the debt issue as a form of stimulus, such as the OPEC action in 1973, to revive the now moribund North-South dialogue. As Fidel Castro points out in an interview granted to the Mexican Daily Excelsior:

"The solution of the debt would simply be a first step; we have to get at the real, root cause of this debt, of the economic crisis that has been unleashed, reaching the elements that gave rise to it. Solving the problem of the debt would be no more than the beginning. We would have to demand an end to unequal terms of trade; an end to protectionist policies; an end to the practice of dumping and to unjust, abusive monetary policies, excessive rates of interest, overvaluation of the dollar and other diabolical procedures that make our countries' development impossible".

[116]

The magnitude of the debt problem in quantitative terms, and its impact deserve a close emphasis here. According to World Bank estimates the external debt of developing countries rose by 6 and a quarter percent in 1987 to $1,190 billion and is projected to reach $1,245 billion in 1988 (see table 5)

[116]Fidel Castro, Interview granted to Regino Diaz Editor of the Daily Excelsior, of Mexico, concerning Latin America's foreign debt, March 21 1985 (Havana:Editora Politica, 1985) p.37.

Table 5: **EXTERNAL DEBT OF DEVELOPING COUNTRIES(billion US Dollars)**

	1981	1982	1983	1984	1985	1986*	1987@	1988@
DRS reporting c'tries+	672	745	808	877	949	1,021	1,085	1,135
LT Debt#	498	557	639	714	784	871	930	980
From official sources	181	200	222	257	296	343	375	405
From private sources..	317	357	417	457	489	528	555	575
ST Debt $	159	168	138	130	128	110	113	} 155
Use of IMF credit..	15	20	30	33	38	40	42	
Other DCs &	83	86	86	81	89	99	105	110
Total External Debt...	755	831	894	958	1038	1120	1190	1245

* Data for 1986 are preliminary
@ Data for 1987 are estimated and for 1988 are projected
+ Data for 109 countries that report public and publicly guaranteed debt under the World Bank's Debtor Reporting System.
# Data for Poland are included only from 1984 onward
$ Data reflect the known rescheduling of some $45 billion of short-term debt to banks into long-term debt in 1983-86
& Includes data for developing countries that do not report throuh DRS and for those that report in a form that does not permit publication in the standard tables; excludes debt of the high-income oil exporting countries.
ST refers to Short-Term; LT refers to Long-Term
DC denotes Developing Countries
Data: World Bank, World Development Tables, 1987-88 Edition
Source: IMF Survey Feb.22,1988

Furthermore, historically very high interest rates have had a profound impact on the ability of developing countries to meet their debt-service obligations. The trade problems of developing countries noted in the previous section have also had a direct impact on the capacity of developing countries to service both official and private debts. For example, Brazil suspended debt-service payments to private creditors in 1987 and other Southern countries like Bolivia, Costa Rica, Ivory Coast, Dominican Republic, Ecuador, Guyana, Nicaragua and Peru accumulated interest arrears with private creditors.[117]

Another indicator of the severity of the problem is the increasing frequency with which developing countries have had recourse to debt rescheduling, often symptomatic of balance of payment deficits or a general liquidity crisis. This is shown by the fact that 19 countries renegotiated a total of $103 billion of debt in the first nine months of 1987 including $48 billion in previously rescheduled debt.[118] Rescheduling often brings in its wake the submission of Third World economies to strict conditionality and adjustment programmes that are shaped by external institutions with limited consideration of development objectives. For instance, the so-called Paris Club, with its emphasis on a case-by-case approach, has been criticized for reaching agreements that fail to take into account a country's longer-term development. Generally, developing countries favour international approaches to the debt problem with utmost consideration for a debtor country's development context. In the words of one scholar, "[The] developing countries have frequently emphasized the importance of considering simultaneously two different types of economic problems and of integrating two different objectives in multilateral debt renegotiation: overcoming short-term liquidity crises and fostering long-term structural change to accomplish developmental objectives". [119] The inherent danger for budding attempts at South-South financial cooperation in the whole exercise of Third World 'adjustment' for further lending is the possibility of such action stifling

[117]IMF Survey, Feb.22, 1988 p.54.

[118] Ibid. p.54.

[119]Irving S. Friedman, **The World Debt Dilemma: Managing Country Risk** (Washington, D.C.: Council for International Banking Studies, 1983) p.123.

commitment to closer South-South interaction by deepening dependence on Northern commercial banks and other financial consortia.

THE NORTH-SOUTH STALEMATE AND ECDC

One of the remarkable landmarks in the operation of the hegemonic economic system and perhaps a response to the difficulties within it has been the increasing assertiveness and solidarity of developing countries exemplified, in the wake of the OPEC action in 1973, by their demand for a "new international economic order based on equity, sovereign equality, interdependence, common interest and cooperation among all states".[120] As defined by Laszlo and Krutzman, NIEO is "not a set of temporary demands by a group of dissatisfied countries; it is timely policy initiatives universally needed to amend existing imbalances and growing inequalities of the current world economy, in the name of economic as well as social justice and equity, and in the interests of the human community".[121] To press for systemic restructuring, developing countries put forward a range of demands at the Sixth Special Session of the UN General Assembly including the following: (a) Full and effective participation of developing countries in the international decision-making process in financial and monetary affairs; They also called for respect for the principle of economic sovereignty, including the right to full and permanent sovereignty over natural resources. (b) Rising volume, improved terms and better distribution of concessional development finance and of development finance generally, including improved access to capital markets; (c) Predictability, continuity and certainty of concessional finance;. In this area, developing countries demanded the figure of 0.7 percent of the GNP of developed countries as ODA;. (d) Use for development of resources released by disarmament; (e) Alleviation of the debt burden of developing

[120]Declaration on the Establishment of a New International Economic Order, General Assembly Resolution 3201(S-VI)

[121]E.Laszlo and J.Kurtzman, **Structure of the World Economy and Prospects for a NIEO** (New York: Pergamon Press, 1980) p.xxi.

countries; (f) Reform of the international monetary system, including the elimination of instability, the maintenance of the real value of currency reserves of developing countries and the creation and distribution of liquidity consistent with global development requirements; (g) Improvements in compensatory financing to meet the fluctuations in export earnings ... financing of buffer stocks and in the general methods of operation of the International Monetary Fund.

These demands passed by the General Assembly in the core resolutions on the NIEO[122] challenged the normative and institutional foundations of the hegemonic order but also elevated the concept of ECDC as both a means for the implementation of the NIEO and an end or beneficial feature of the new order. The Programme of Action for the establishment of the NIEO (General Assembly Resolution 3202(S-V1) emphasized ECDC as the key element in strengthening the role of the South in establishing the NIEO, while the Declaration on the establishment of a NIEO (General Assembly Resolution 3201(S-V1) called for full respect for the principle of strengthening, through individual collective actions, mutual economic, trade, financial and technical cooperation among the developing countries, mainly on a preferential basis. The demands of the Third World remained at the level of rhetorical challenge of the hegemonic institutions and principles. Robert Mortimer points out that "the passage of NIEO resolutions established neither a new order nor even a new idea, but they gave a new rhetorical force and political salience to the Third World's long standing claim of a right to development". [123]

Paradoxically, Third World recognition of the importance of ECDC as an indispensable instrument for the implementation of the NIEO also served as a plausible explanation, perhaps even a premonition, for the failure of the North-South dialogue. In other words, as the post-1974 North-South conference diplomacy fizzled it became evident that the strengthening of Third World bargaining power through mutual cooperation had to be a precondition for achieving significant restructuring of the

[122] General Assembly Resolution 3201(S-V1) and Resolution 3202(S-V1)
[123] Robert Mortimer, **op.cit.** p.56.

hegemonic order. Indeed the absence of such bargaining leverage and undue Third World dependence on Northern economic altruism and political goodwill clearly sounded the death knell for the North-South discussions. The problem for the Southern countries was their lack of countervailing power to exert pressure on the North. In addition progress on the NIEO was inhibited by the global economic recession of the early 1980s. Oil prices plummeted, which naturally weakened OPEC, then the arrow in the quiver of the South, and of course affected what little bargaining power the South as a whole had.

Another reason for the failure of the North-South dialogue was the Third World adopting a maximalist negotiating stance without the concomitant bargaining leverage that derives from collective self-reliance. Gerald Helleiner also cites the same reason for the deadlock in North-South relations by noting that the NIEO package was too "grandiose" and "unrealistic". And in return, the North's response to the challenge of the South's poverty-stricken situation was in increased charity on the basis of 'basic needs', not structural reform.[124] Ironically, South-South cooperation has now gained momentum, given the fact that the dialogue that started after the Sixth Special Session is virtually stalemated if not outrightly moribund.

The sectoral crisis in the hegemonic economic system, together with the failure of the Third World thus far to achieve any measure of systemic restructuring, have provided developing countries with the objective reality that makes collective self-reliance imperative if not a *sine qua non* for achieving a new order that takes into account their mutual interest and gives them recognition. The objective reality for cooperation is inextricably linked with the Third World development of subjective ideas and principles that seek to encourage the notion of empowerment through solidarity and collective action and also link through collective self-reliance and interdependence the economic structures of developing countries.

[124]Gerald Helleiner, **International Economic Disorder: Essays in North-South Relations** (London: Macmillan, 1980)p.8.

EVOLUTION OF ECDC: INSTITUTIONAL UNITS UNDER NON-HEGEMONIC COOPERATION

Unlike the material conditions necessitating South-South cooperation, particularly as a means for global structural change, which derive largely from the Third World position in the hegemonic economic order, the subjective basis defined in chapter one as cooperation ideology has been entirely a Southern phenomenon and laid down within the Non-aligned Movement. The subjective aspect of ECDC has been extensively debated and discussed in numerous Third World meetings since the 1950s and increasingly, as will be seen in chapters three and four, been translated into concrete programmes. Coalition-forging, ideational development and counter-vulnerability measures have taken place under the auspices of the Non-aligned Movement. Non-alignment is a concept with many dimensions, though in conventional usage it is identified with the commitment by Third World states to reject the notions of international order based on the bloc system. Military blocs were seen as instruments *par excellence* of foreign control, intervention and global confrontation. Essentially, non-alignment represents Third World attempts to focus world attention on Third World problems with a view to working for their amelioration.

Before tracing the evolution of the Non-aligned Movement, it should be noted that while the emphasis in this section is on formal institutional units, due attention will be given to the ideational development of concepts that form the basis of the Third World coalition and ECDC. The ideas embodied in the Non-aligned Movement have been elaborated by Third World leaders and scholars. At this level of ideas, the viewpoints of Third World leaders on the need for supranational approaches informed the early development of solidarity among Southern countries. Jawaharlal Nehru embraced the idea of *Pan-Asianism* through pacifism and benevolence, while Kwame Nkrumah stressed the need for *Pan-Africanism* in the following terms:

> *Proof is therefore positive that the continental Union of Africa is an inescapable desideratum if we are determined to move forward to a realization of our hopes and*

plans for creating a modern society which will give our peoples the opportunity to enjoy a full and satisfying life".

[125]

The *Arabism* of Nasser focused on the agglomeration of neighbouring states intimately connected by material and moral links. These ideas have been complemented by the stream of scholarly activity under the rubric of the dependency research programme with its internal critiques and autocritiques. The point to be made here is that, in the evolution of supranational institutional units, declaration of principles, ideational development and policy recommendations are inseparable.

As noted in Chapter one, the Bandung Conference of Afro-Asian leaders set in motion the interactions that gave rise to the non-aligned movement. The Bandung Communique expressed a general desire for economic cooperation among the participating countries on the basis of mutual interest and respect for national sovereignty. It also set the early guidelines for not viewing ECDC as a move towards autarchy. The section of the Communique dealing with Economic Cooperation specifically states that "the proposals with regard to economic cooperation within the participating countries do not preclude either the desirability or the need for cooperation with countries outside the region, including the investment of foreign capital".[126] Furthermore, some of the concrete South-South economic programmes now endorsed by the Third World such as the establishment of multinational marketing enterprises (MMEs) and multilateral Financing Institutions (MFIs) were recognized under the Bandung recommendation for collective action by participating countries for stabilizing the international prices of and demand for primary commodities through bilateral and multilateral arrangements, as well as the encouragement of regional banks and insurance companies. [127] Bandung inaugurated technical cooperation among developing countries

[125]See Kwame Nkrumah, **Africa must Unite** (London: Heineman, 1964)
[126] Final Communique of the Bandung Conference, 24 April 1955 in **Documents on Documents on International Affairs** 1955 (London: OUP, 1955) pp.429-36.
[127]See subsections 5 and 8 under Economic Cooperation section of the Bandung Communique

(TCDC) as a component of ECDC when "the participating countries agreed to provide technical assistance to one another, to the maximum extent practicable, in the form of: experts, trainees, pilot projects and equipment for demonstration purposes; exchange of know-how and establishment of national, and where possible, regional training and research institutes for imparting technical knowledge and skills in cooperation with the existing international agencies". [128] At Bandung, the *Panch Sheel*, which is derived from Indian traditions of non-violence, was elaborated into ten principles. As noted in chapter one, the principles of the *Panch Sheel* form the core of what I characterised as "cooperation ideology".

A distinguishing feature of the Non-aligned Movement from the first formal summit in Belgrade to the Third Summit in Lusaka (1970) was the preeminence of the Third World political programme of keeping a posture as a positive, non-bloc, independent factor in the context of a world marked by the polarization of forces resulting from the rivalry between military blocs, military alliances and the cold war. The movement also pursued other political objectives such as the right of independence and self-determination of all colonial peoples and opposition to hegemony, imperialism, colonialism and all forms of foreign domination. The political programme of the Non-aligned Movement established the Third World as a force in international relations and also created the sense of cohesion and commonality of interests and goals upon which later mutual economic cooperative efforts could be generated.

It is erroneous to conceive of non-alignment unidimensionally as purely a response to the cold war in view of the fact that the pioneers of the movement indicated the importance of achieving an egalitarian global economic order. Even at the zenith of the Third World pursuit of 'high politics' in the 1960s, the Declaration of the second non-aligned summit in Cairo (1964) expressed the commitment of the South to work for the elimination of the underlying structural imbalance and inequities in the prevailing world economy by linking development with peace and also urging

"All the countries to contribute to the rapid evolution of a new and just economic order

[128] Final Communique of Bandung. Subsection 2 of Section on Economic Cooperation.

under which all nations can live without fear or want or despair and rise to their full stature in the family of nations (because) the structure of the world economy and the existing international institutions of international trade and development have failed to reduce the disparity... or to rectify serious and growing imbalances between developed and developing countries".

[129] The Cairo Summit was preceded by the first UNCTAD meeting in Geneva convened at the asseveration of the non-aligned movement, at which North-South met to discuss the international trading system and from which the Group of 77 (primarily members of the Non-aligned Movement) emerged to provide the institutional leadership in Third World economic matters and bargaining with the North. UNCTAD was the first UN agency to recognise and encompass ECDC as part of its regular work programme. As early as July 1968 a special organizational unit ("Special Programme on Trade Expansion and Economic Integration among Developing Countries") within the office of the Secretary-General of UNCTAD was set up to help, through problem-oriented research and technical assistance, existing Third World integrative schemes and encourage the establishment of new ones.[130] Another initiative of the non-aligned movement before the Cairo Summit was the convening of a Conference on the Problems of Economic Development in the Egyptian capital in July 1962. The Cairo Declaration of this Conference called upon developing countries "to undertake initiative for the promotion of mutual, bilateral and broader relations in the fields of trade, payments, financing, technical and scientific cooperation, industrial cooperation, transport and communications".[131]

Non-aligned Countries at their third summit at Lusaka, Zambia (1970) had a major *volte face* in terms of priorities, that is, economic issues came to the fore and for the first time since Afro-Asian leaders expressed the desirability of mutual cooperation at Bandung,

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[129]Cairo Declaration cited in D.Singh,"Non-alignment and NIEO" **Review of International Affairs** vol.XXII no.755 (Sept.20,1981) p.8.
[130] See UNCTAD, **History of UNCTAD op.cit.** p.184.
[131]Cairo Declaration of Developing Countries - Conference on the Problems of Economic Development, Cairo, 9 - 18 July 1962. (Text available in Philippe Braillard and Mohammad-Reza Djalili, **op.cit.** p.205.

the Lusaka Summit formally initiated the concept and programme of mutual economic cooperation. Before the Conference, Julius Nyerere introduced the concept of self-reliance into the international development debate at the April 1970 Preparatory Conference of the non-aligned countries in Dar-es-Salaam, Tanzania. With economic issues acquiring unquestioned salience, the early elaboration of the concept of ECDC was carried on at the third Conference of Foreign Ministers of Non-aligned countries in Georgetown, Guyana in 1972 and subsequently at the fourth summit in Algiers. Within the framework of an "Action Programme for Economic Cooperation among Developing Countries", the Georgetown Conference identified four issue areas for action: "trade, industry and transport among the non-aligned countries and other developing countries; technology, know-how and technical assistance; financial and monetary cooperation; and international cooperation for the economic development of the developing countries".[132]

The next significant signpost in the evolution of the strategy of ECDC was erected at the Fourth Summit meeting of the Non-aligned Movement at Algiers (1973). Held at the confluence of the OPEC action and continued crisis in the hegemonic system, the Algiers summit issued a radical statement calling for the establishment of a NIEO and also adopted an Action Programme as part of the conference documents. In terms of the ECDC process, the Action Programme of Algiers reaffirmed the resolve of the Third World to attain collective self-reliance and offered new opportunities for South-South cooperation such as in the field of mass communications, the collective ownership of communication satellites, the establishment of producer associations and clearing arrangements to facilitate mutual trade. As alluded to earlier, the Non-aligned Movement was instrumental in the convening of the 1974 Sixth special session of the UN General Assembly at which ECDC was projected as an important means for the implementation of the NIEO. The Algiers summit and the Sixth Special Session of the General Assembly led, as Karl Sauvant points out, "to a *de facto*

[132]Odette Jankowitsch and Karl Sauvant, **The Third World without Superpowers: The collected documents of the non-aligned countries** (Dobbs Ferry, NY: Oceana, 1978) p.456.

merger of the Group of 77 with the Non-aligned Movement - if not in membership, at least in programmes and objectives".[133]

All subsequent non-aligned meetings from the fifth in Colombo to the eighth in Harare have continually included ECDC in the final resolutions. Briefly, Colombo adopted an Action for economic cooperation which further elaborates actions needed for ECDC. It cited novel areas and institutions needed for building up collective self-reliance including the following: multinational marketing enterprises, a Third World Bank for commercial and merchant banking, enterprises in the field of maritime and air transport, regional cooperative pharmaceutical production and technology centres (COPPTECs), centre for science and technology and international centre for public enterprises in developing countries. The Havana Sixth Summit reviewed within the framework of its "Economic Declaration" the progress made in achieving greater self-reliance and, in its economic resolution number 7 provided policy guidelines on the reinforcement of collective self-reliance between developing countries. The Havana economic resolution number 9 called for global negotiations on international economic cooperation for development and laid out a detailed plan for implementation in the UN system by the Group of 77. Similarly, the Seventh Summit in New Delhi reviewed progress made in achieving greater self-reliance and provided policy guidelines in the coordination and harmonization of action programmes on ECDC. The Harare Action Programme for economic cooperation adopted at the eighth summit in 1986 stressed that economic cooperation among non-aligned countries and other developing countries should "proceed from perceived economic and social benefits so that subsequent follow-up and implementation is, to the extent possible, a self-generating, self-sustaining and self-financing process". [134]

It would seem from the foregoing survey of the evolution of ideas for economic cooperation that the Non-aligned Movement has been a useful institutional unit in terms of

[133] Karl Sauvant, "Toward the NIEO", in Karl Sauvant and Hajo Hasenpflug, **The New International Economic Order** (Boulder: Westview, 1977) p.10.
[134] Harare Action Programme for Economic Cooperation (Text cited in **Review of International Affairs** vol.XXXVII no.876 (Sept.20, 1986)

the definition and elaboration of the objectives and modalities for mutual economic cooperation. The movement of non-aligned countries has been successful in maintaining Third World cohesion around a body of principles and prevented the decoupling of the economically powerful states from the movement. The movement has been lacking, however, in regime formation, that is, the setting up of explicit rules and regulations to translate ideas into concrete cooperative action. For a movement committed to the consolidation of Third World power through joint cooperative action, its lack of a permanent secretariat and insufficient resources constitute a serious constraint on institutional guidance required for non-hegemonic cooperation.

A number of institutional mechanisms have been devised by the movement to deal with the absence of a permanent secretariat with limited impact. Four distinct patterns have emerged in this endeavour: (a) The Coordinator Country Arrangement; (b) The *ad hoc* Expert Group System; (c) Sectoral Institutionalization and (d) Central Institutional Systems. Under the coordinator country system the principle of 'unity in diversity' is put into practice through the allocation of tasks on the basis of common interest in the decision-making process. The *Ad hoc* Expert Group System enables experts from the Third World to collaborate in the formulation and implementation of policy proposals. The last two institutional devices are geared toward establishing South-South linkages amongst Third World institutions and the creation of a network of institutions for the pursuit of ECDC.

THE GROUP OF 77 AND ECDC

The Group of 77 originated out of the awareness that individual Third World countries are vulnerable in the international system, hence the need for cohesion based on adherence to subjective priniciples and commonality of interests. Nyerere has noted that "the Group of 77 is based on shared historical experience, a shared continuing economic dependence and a shared set of needs and aspirations". [135] As noted previously, the

[135]Cited in Karl Sauvant, **The Group of 77: Evolution, Structure and Organization**

Group of 77 is mainly concerned with interest-aggregation and the formulation of common positions for negotiations with developed countries, though increasingly it has become a major vehicle for the promotion of South-South cooperation. In a similar vein with the Non-aligned Movement, the Group of 77 has been elaborating the concept of ECDC, though its major focus has been with implementation, regime formation and coordination of Action Programmes. The first expression of Group of 77 incorporation of ECDC into its programme occurred at the 1976 Manila Third Ministerial meeting of the Group during which a resolution on economic cooperation among developing countries was adopted. Significantly, this resolution linked up the work of the Group of 77 and the Non-aligned Movement, and urged the establishment of a Committee on ECDC within UNCTAD. A decision was also reached to convene a meeting in Mexico city in September 1976 to prepare a detailed programme on economic cooperation.

The Mexico city meeting convened in September 1976 represented the first ministerial-level conference of the Group of 77 not directly related to an impending activity within the UN system. In the evolution of ideas regarding South-South cooperation, the Mexico city Conference established the general principle of collective self-reliance as the basis for mutual cooperation and established intersectoral programmes for ECDC. It also continued with the reaffirmation of previous ideas. Addressing the Conference, the former President of Mexico, Luis Echeverria Alvarez, defended this practice with the statement that "... the efforts deployed for the institutional coordination and organisation of our programmes on economic cooperation will be of little avail if these are not confirmed by subsequent political decisions after they have been approved".[136] Reaffirmation is extremely important in ideational development and internalization within a collective like the Third World marked by a high degree of

[135](cont'd) (New York: Oceana, 1981)

[136] See Statement made by H.E. Luis Echeverria Alvarez, Constitutional President of Mexico at the Conference on Economic Cooperation among Developing Countries, Mexico City 13-22 September, 1976 in UN General Assembly, Official Records, A/C.2/31/7/Add.1 20 Oct. 1976, Annex III.

hetereogeneity.

The Mexico City Programme included *inter alia* three trade-related items: (a) the creation of a global system of preferences; (b) the promotion of State trading organizations (STOs) of developing countries and (c) the establishment of multinational marketing enterprises. and a trade information system. Some of the specific proposals emanating from Mexico were later incorporated into the Caracas Programme of Action. After Mexico City the next significant meeting of the Group of 77 was the 1979 Fourth Ministerial Meeting held in Arusha in preparation of UNCTAD V. Arusha had a two-tracked declaration that emphasized the inherent connection between ECDC and North-South negotiations for restructuring the hegemonic order. The first part of the Arusha programme for collective self-reliance and framework for negotiations underscored "the importance of collective self-reliance through an intensification of their joint efforts to mobilize their resources and markets for building a structure of genuine economic interdependence and complementarity between their economies", while the second part formulated a framework for negotiations for UNCTAD V.

Perhaps a watershed in Third World efforts at cooperation occurred with the adoption in May 1981 of the Caracas Programme for ECDC aimed at accelerated implementation of ECDC in the sectoral areas of trade, industrialization, technology, food and agriculture, energy, raw materials and technical cooperation. For the first time ECDC process moved from theory to practice as previous ideas were given operational content and mechanisms established for follow-up at both sectoral and inter-sectoral levels, with responsibility for certain sectors assigned to individual chapters of the Group of 77. The CPA also strengthened the process of TCDC by introducing sectoral considerations and provision of follow-up and implementation machinery. [137] A report of the Chairman of the Group of 77 indicates that the Caracas Programme established the

[137] UNCTAD, ECDC Division, "Progress achieved and future support activities of UNCTAD relevant to the Caracas Programme of Action" UNCTAD/ST/ECDC/31 31 July,1986 p.1.

postulate that ECDC can be given concrete content. According to the Chairman " the Caracas Programme of Action, which marked the culmination of the process, is particularly noteworthy for the specific sectoralisation of objectives, the creation of support mechanisms, and the articulation of an implementational strategy". [138] The mode of implementation under the Caracas Programme could be characterised as 'top to bottom' or vice versa since it covers all levels from national focal points for ECDC to Annual Ministerial meetings in New York. At the national level, member states are required to designate national focal points "in accordance with their structures and legal regimes in order to have an effective mechanism for the coordination, promotion and information on matters pertinent to ECDC ...".[139]

For review and general follow-up there is an intergovernmental follow-up and coordination committee (IGFCC) consisting of heads of national focal points and senior officials responsible for performing the following functions:

(a) review periodically the progress made in the implementation of the ECDC programme;

(b) review periodically the programme and calendar of activities;

(c) agree on measures designed to give more impetus to the implementation of activities within the ECDC programme when so required;

(d) recommend to the Annual Ministerial meeting new policy guidelines designed to impart greater operationality and coherence to the programme;

(e) report to the Ministers on any significant matter relating to the programme.".

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[138] Report of the Chairman, "Review of Economic Cooperation among Developing Countries (ECDC) - Ideas for future strategy", (New York: Office of the Chairman of the Group of 77, 1986) p.2 Document no.G.77/H-L MTG ECDC 86/A.L.

[139] **A Guide to ECDC: Supplement to the ECDC Handbook** (New York: Office of the Group of 77, 1983) p.17

[140] Ibid. p.8.

At the operational level modalities such as groups of experts meetings, action committees, national research and training centres of multinational scope and meetings of heads of national agencies have been envisaged and guidelines stated for their establishment. The Group of 77 gave authorization to its Chairman to establish a "Group of 77 account for ECDC" to finance ECDC supporting activities. Member states are urged to contribute to build up and maintain the resources of the Financial Account with the added stipulation that contributions are voluntary, freely determined by each contributing country. Here we see that unlike the hegemonic system under which the hegemon bears the initial transaction costs, the non-hegemonic system spreads the cost to all member states, albeit on a voluntary basis. This voluntarism which permeates most ECDC activities exemplifies the uniqueness of non-hegemonic cooperation but perhaps is also a source of weakness, that is, with the torpid pace that voluntarism often engenders. A "Core of Assistants" was envisaged under the Caracas Programme to assist the Chairman in the following activities:

> *(a) The collection, collation, printing and distribution of documents regarding meetings convened under the Caracas Programme;*
> *(b) The carrying out of his internal administrative duties including those related to the Group of 77 Account on ECDC;*
> *(c) The intensification of constructive relations with the Chairman of the other chapters of the Group of 77;*
> *(d) The promotion of effective relations with agencies of the UN system and other relevant intergovernmental organizations in relation to ECDC activities;*
> *(e) The fostering of working relations with research and other relevant organizations of the developing countries;*
> *(f) The systematic gathering and/or registration of documents related to ECDC matters;*
> *(g) The preparation of papers on ECDC matters for the use of the Group of 77 and/or follow-up and coordination Committee, as may be required;*
> *(h) Any other matter that he may consider necessary for the effective discharge of his responsibilities as laid out in the Caracas Programme of Action".*

[141]

With the Caracas Programme of Action moving the ECDC process from generalised reiterations of propositions and reaffirmations to a concrete methodology of implementation, subsequent meetings have had a noticeable break from the lacuna of actions and results that marked the work of the Non-aligned Movement and the

[141]Ibid. p.16.

pre-Caracas meetings of the Group of 77. The inter-governmental follow-up and coordination committee and Group of 77 ministerial meetings (fifth in Buenos Aires and Sixth in Havana) have continued but with a decidedly action-oriented emphasis. To illustrate this trend, the Sixth Havana ministerial meeting (20-25 April 1987) highlighted the following efforts to promote ECDC in the face of the crisis of the hegemonic economic system:

(a) The increasing recourse by countries facing severe payments problems and shortage of reserves to bilateral agreements and, in particular, compensatory instruments including countertrade;

(b) The launching of the negotiations on the establishment of the GSTP which is the first major proposal for interregional cooperation that has matured to the state of actual and concrete negotiation...

(c) The establishment of the Association of State Trading Organizations to promote trade among developing countries through direct trade measures such as long-term contracts and countertrade;

(d) The efforts made by some of the payment and credit arrangements to raise external funds to re-launch or extend payments cooperation as well as the sustained periodic review and consultations in the Coordination Committee on Multilateral Payments Arrangements on ways and means of reinforcing the operations and activities of these arrangements;

(e) Holding of the first Consultative meeting on foreign debt of non-aligned developing countries in Lima in November 1986. [142]

CONCLUSION

Collective action by Third World states without a hegemon setting up the framework for such action is based on the ideational development of units and principles

[142] See **Group of 77 Bulletin** no.32 (June,1987) p.1-2.

that assert the value of cooperative effort and reject the systemic and conjunctural crises in the hegemonic system. This chapter has outlined the objective conditions of the hegemonic order necessitating collective action as well as the institutional and ideational manifestations of the perception of those conditions and the need for cooperation. Non-hegemonic cooperation operates from the assessment that weak states in the international system buoyed up by a common perception of strength in collectivity rather than in individuality and the realization of individual vulnerability can assert their political solidarity and power through joint action. From the subjective determinants we have a Third World perception of the desirability of common action. The objective conditions also define the limits, possibilities and opportunities for cooperation. For the Third World, collective action has been generated by commitment to a body of ideas and principles that have evolved progressively through debate, self-criticism and reaffirmation. Essentially these ideas have their basis in the *Panch Sheel* and other ideas of Third World leaders and scholars, and allow developing countries, on the one hand, to reject domination, hegemony and other obstacles to their complete economic emancipation and socio-economic progress, and on the other to recognize collective self-reliance as an integral part of their efforts to seek a restructuring of the hegemonic economic order. Since the hegemonic economic order is based on power and explicit rules and norms, it seems evident that serious negotiations for changing the position of developing countries in the global economy and the crises from same, would have to be predicated on countervailing power attained through ECDC. This definitely requires regime formation as is now being attempted by the Third World in the trade area with the GSTP (See next chapter). Finally, in the absence of a hegemon under non-hegemonic cooperation the institutional units make it possible for developing countries to trade-off among objectives, elaborate and debate issues, provide new opportunities for cooperation and achieve what is generally termed "unity amidst differentiation" for the pursuit of the sectoral programmes.

III. THIRD WORLD MUTUAL TRADE: ISSUES, MECHANISMS, AND INSTRUMENTS FOR ACHIEVING ITS POTENTIAL

INTRODUCTION

Trade has been regarded traditionally as an engine of growth in that it generates the foreign-exchange earnings necessary to finance the import of capital goods and above all stimulates industrialization and through it, development in general. The classical optimism [143] about trade and growth and the classical recommendations for specialization along the lines of comparative advantage and policies to promote international specialization and trade were based in part on the static arguments for gains from trade and on the generally optimistic conclusions about the sharing in the benefits of growth through adaptation of specialization and trade. Trade cooperation among developing countries is based not on the classical optimism, but on the optimism that intra-trade will change historical trade directionality, grant widened ranges of choice and steer the Third World away from the systemic and conjunctural crises, and structural bias (á la Prebisch) of the hegemonic system. Third World cooperation in the trade sector ranges from coordination of efforts in systemic programmes such as the IPC to regional-level countertrade transactions. In the main, trade cooperation is directed towards changing the existing chasm between actual and potential trade as well as historical trade directionality.

The directionality of Third World trade is not a trivial matter, for as Alice Amsden points out, "historically, the directionality of trade mattered to a country's development".[144]

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[143] The Classical and neo-classical trade models are reviewed in Stein,L., **Trade and Structural Change** (London: Croom Helm, 1984) Chapters 1 and 2.

[144] Alice Amsden "The Directionality of Trade: Historical Perspective and Overview" in Oli Havrylyshyn, ed. **Exports of Developing Countries: How Direction affects Performance** (Washington,D.C.: World Bank, 1987) p.123.

The South-North focus of Third World trade is a product of the colonial system under which the structure and direction of the external trade of the colonies were determined by the exigencies of the metropolitan countries basically as suppliers of primary products in exchange for manufactures. One scholar [145] has argued that colonial trade patterns have imposed a straightjacket on developing countries, leading to a bias away from potentially more lucrative trade with one another because of transport, financial and marketing constraints. This argument, based more on potentiality than actuality, is that South-South trade is better than trade with the developed countries because of opportunities for learning by doing, the shared technological requirements of the South, and the advantages of the appropriate technology supposedly embodied in capital goods produced by developing countries. It will be argued later that the heightened interest within Third World institutional units and policy-making circles in South-South trade is based more on potentiality than on actual trade flows, and also that the achievement of this potential has been hampered by a combination of external constraints and internal policy distortions or barriers. Proponents of South-South trade regard it as directly associated with a strategy for industrial development that permits the generation and the transfer of technological knowledge within the South. Third World mutual trade also proceeds from the basis that the internal markets of individual developing countries are small, thus an expanded market offered through such trade can help developing countries, especially those engaged in manufacturing, establish a competitive edge and generate appropriate technology.

Effective development of Third World mutual trade is challenged on the intellectual front[146] by those who come up with broad suggestions and hypotheses based on classical trade theories and cite predictions of neo-classical theorists, that is the Hecksher-Ohlin thesis, that trade will take place between most dissimilar countries as measured by endowments of capital and labour. The implication is that there is little reason for mutual Third World trade.

[145] See Frances Stewart, The Directionality of international trade: Gains and Losses for the Third World" in Gerald Helleiner, ed. **A World Divided: The Less Developed Countries in the International Economy** (Cambridge: CUP,1976)
[146] See, for example, Oli Havrylyshyn, "Evidence of Differences between South-South and South-North trade" in Havrylyshyn, ed. **Exports of Developing Countries: How Direction affects performance op.cit.** p.23-43

Basically, the Heckshcr-Ohlin or factor proportions theory attempts to give a specific account of how comparative advantages arise by rooting them in international differences in factor endowments that is, stocks of capital and labour at a given point in time. Unlike the comparative advantage theory which depends on the assumption of different techniques of production for any given product, the factor proportions theory assumes that each commodity is produced by the same technique in each country. Also, whereas competitive advantage theory assumes the full mobility of resources within a country and complete immobility between countries, factor proportions assumes that factor supplies between nations are given and immobile but not within nations. While not dealing with directionality, in its usual two-country form, the Hecksher-Ohlin theory predicts that developing countries as a group will export labour intensive products to industrial countries, though some economists have modified the theory to predict that a country will trade in both directions. [147] South-South trade, in the narrow interpretations of Hecksher-Ohlin and other neo-classical approaches, often becomes the baby that is thrown out with the bath water. An assessment of neo-classical trade theories is outside the purview of this thesis, but it should be noted that they have been heavily criticized. For instance, in his introduction to a compendium of views on the descriptive accuracy of the economic theory frequently employed in North-South debates and its ramifications for policy prescription, Gerald Helleiner concludes that "traditional theory has run into serious problems in terms either of the validity of its assumptions or its predictive power or both". [148]

Apart from the conventional thinking, South-South trade has also been stifled historically by the biases against it in the form of inadequate infrastructure or infrastucture created by colonial authorities to support vertical North-South trade, high transport costs and marketing barriers. As Sanjaya Lall points out, "historical factors have biased the whole

[147] See Anne Krueger, "Growth, distortions and patterns of trade among many countries", **Princeton Studies in International Finance** no.40, 1977; Robert Baldwin, "Determinants of trade and foreign investment: Further evidence", **Review of Economics and Statistics** vol.LX1, no.1. (February, 1979) pp.40-48.
[148] Gerald Helleiner,ed. **For Good or Evil: Economic Theory and North-South Negotiations** (Toronto: University of Toronto Press, 1982) p.12.

pattern of trading routes and links towards North-South trade. Infrastructural deficiencies in communications, transport, etc. have accentuated this bias". [149] Some of the sources of the biases are found in the domestic policies of developing countries themselves, and scholars like Oli Havrylyshyn and Martin Wolf would view internal policies as "the main biasing factor". [150]

The development of Third World mutual trade emerged out of the industrialization strategies in the late 1960s and the ECLA school of Prebisch and Singer which provided the intellectual fillip for the Third World to challenge the conventional wisdom and the trading rules upon which it was based. Further inspiration for South-South trade was derived from the work of other dependency theorists, especially those termed "circulationists", who have attacked the Ricardian conception of international trade as beneficial to all participants and the theory of comparative advantage. Arghiri Emmanuel, for instance, uses the notion of unequal exchange to show how low-wage countries in the South are unable to redress the balance of exchange and progressively lose by trading with rich countries. With overtones of collective self-reliance, perhaps as would be seen from a radical conception of ECDC, Emmanuel's recommendation for the South to overcome unequal exchange is direct: let the underdeveloped countries shut themselves up, let them curtail imports and exports and embark on a course of development directed towards the internal market. [151] Emmanuel's recommendation comes close to the pursuit of autarchy, a strategy that Third World institutional units have rejected. The attack on the classical optimism on trade is also reflected in the works of Samir Amin and Immanuel Wallerstein. [152]

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[149] Sanjaya Lall, "Trade between Developing Countries", **Trade and Development** no.6 1985 p.10.

[150] Oli Havrylyshyn, and Martin Wolf, "Recent trends in trade among developing countries", **European Economic Review** 21 (1983) p.360.

[151] See Arghiri Emmanuel, **Unequal Exchange: A Study of the imperialism of trade** (London: Monthly Review Press, 1972) pp.268-270.

[152] See Samir Amin, **Unequal Development: An essay on the social formation of peripheral capitalism** (New York: Monthly Review Press, 1976), I. Wallerstein, **The Capitalist World Economy** (New York: Cambridge University Press, 1979)

At the policy-making level, South-South trade received great attention after the 1974-75 recession and indications of a sharp increase in Third World mutual trade. An overview and analysis of the trends in South-South trade will be presented in the next section. In addition, some of the constraints leading to a gap between actual and potential trade flows as well as the economic and political reasons for and against South-South trade will be examined. The following section of this chapter will cover the phenomenon of countertrade in Third World mutual trade, variants of this method of trade financing and reasons for its use in the South. The final section will briefly outline one of the instruments for the promotion of South-South trade, that is, the Global System of Trade Preferences (GSTP) as a "regime within a regime".

OVERVIEW OF TRENDS IN THIRD WORLD MUTUAL TRADE

To consider the benefits of and constraints on South-South trade and whether directionality of Third World trade matters, it is instructive to begin with an overview of the extent of such trade in the global economy. But a caveat has to be made at the outset that it is almost labyrinthine assessing the trends in South-South trade. This is the result of varying statistics for the quantity and direction of trade flows and also on the assumptions made and definitions used in coming up with country groupings and the commodities employed. There are varying interpretations of Third World mutual trade, which is legitimate, but they create doubt about the significance of existing trade statistics. It is outside the scope of this thesis to pursue an analysis of the methodological and analytical problems that arise in the compilation of trade statistics, but suffice it to say that at the national level there are varying approaches to trade valuation, the noncomparability of foreign trade statistics and finally the coverage of foreign trade statistics differ depending on a nation's administrative priorities. With this caveat, it is hoped that the statistics used will convey the extent, though perhaps not all the nuances, of actual South-South trade.

I will use the terms "nascent development", "mature development" and "oscillatory dynamism" to characterise three distinct stages in the development of Third World mutual trade. The first stage of nascency refers to the period between 1955 and 1971 when there was a gradual increase in value terms but decrease in its share in world trade. This period was marked by the early development, following the gaining of independence by many Third World countries, and, to use the symbolism of a growing plant, the "sprouting" of South-South trade. The second period is characterised as "mature" not so much for actual trade flows, but for the recognition given by Third World governments and institutional units to the need for expanded trade among themselves. In the second period from 1971 to 1981, South-South trade grew faster than trade with the rest of the world. For the third period of "oscillatory dynamism" between 1981 and 1986 there was a decline in terms of value and share in world trade. It is estimated that between 1981 and 1986 Third World intra-trade decreased from $152.3 billion to $122.2 billion and the share of mutual trade in world trade declined from 7.8 percent to 5.7 percent.[153]

South-South trade in the first period is sketchy due to the lack of reliable data, especially in the early post-war years up to 1955; however, as indicated in Table 6, the share of Third World mutual trade amounted to 6.2 percent of World trade and 24.4 per cent of their exports in 1955. Table 6 also shows that between 1955 and 1970 there was a noticeable fall in the share of Third World mutual trade in total world trade and in total developing country exports.

[153] UNCTAD, **Trade among Developing Countries by main SITC and by regions** 10 June, 1988. TD/B/C.7/86.

TABLE 6

The Relative importance of Trade among Developing Countries,(DCs), 1955, 1960 and 1963 - 1984 (Based on Export Matrix)

Year	Trade among DCs (billion US $)		Percentage share of trade among DCs in their total exports		Percentage share of trade among DCs in World trade	
	Including mineral fuels	Excluding mineral fuels	Including mineral fuels	Excluding mineral fuels	Including mineral fuels	Excluding mineral fuels
1955	5.8	3.7	24.4	20.3	6.2	4.3
1960	6.1	3.8	22.3	19.4	4.8	3.3
1965	7.6	5.0	21.0	19.9	4.1	3.0
1966	8.0	5.2	20.6	19.4	3.9	2.8
1967	8.2	5.3	20.4	19.5	3.8	2.7
1968	8.9	5.5	20.4	19.3	3.7	2.6
1969	9.0	6.4	20.1	19.8	3.6	2.6
1970	11.0	7.2	19.6	19.5	3.5	2.5
1971	12.2	7.8	20.1	20.8	3.5	2.5
1972	15.3	9.8	20.9	21.6	3.7	2.6
1973	23.2	14.5	21.0	21.5	4.0	2.8
1974	48.0	21.3	21.3	23.9	5.7	3.2
1975	51.9	23.1	24.6	26.9	5.9	3.3
1976	58.3	26.2	22.8	24.7	5.9	3.3
1977	68.6	32.2	23.8	25.9	6.1	3.6
1978	73.3	37.9	25.7	26.4	5.6	3.5
1979	100.9	50.2	24.3	28.1	6.2	3.9
1980	138.9	63.6	24.9	30.0	6.8	4.2
1981	152.2	71.2	28.0	32.8	7.8	4.8
1982	144.8	66.8	30.0	32.0	7.9	4.7
1983	133.9	66.5	29.6	29.7	7.4	4.6
1984	132.9	71.1	28.3	28.2	7.0	4.6

Source: Trade among Developing Countries by main Standard Industrial Trade Classification(SITC)
and by regions, UNCTAD, TD/B/C.7/45, 1981, p.4,
Monthly Bulletin of Statistics May 1985, May 1986 U.N.

The figures in table 6 are confirmed by a study undertaken by Helen Hughes, in which she observed a long-term decline in the share of Third World mutual trade in total developing country exports from about 24 per cent in the mid-50s to 20 per cent in the 1970s.[154]

This nascent period, particularly the 1960s, has been characterised as one of rapid expansion of world trade, with the economies of developed countries acting as a centripetal force pulling the developing economies, coupled with falling world trade barriers facilitating the expansion of South-North trade. It becomes evident, then, that one cannot isolate the discussion of South-South trade from the flows of trade between South and North and hence the perennial question of whether the former should be pursued to the detriment of the latter. Vivianne Ventura-Dias has noted that "the growth of intra-trade is intrinsically dependent on the general conditions of demand in developing countries and on the permanence of the supply conditions in the more advanced of those countries. The demand for manufactured goods in developing countries depends on the maintenance of a given level of income in the importing country, which is in itself dependent on the purchase of products by industrial countries". [155]

The 1960s was also a period when economic linkages, especially trade between Third World countries and their former metropoles continued, though horizontal South-South trade did occur despite the old linkages, actuated largely by trade liberalization within regional and sub-regional schemes. Intra-trade also resulted from nascent industrialization which provided increased scope for mutual interchange. Indeed in the period following gradual liberalization of tariffs within such groupings, mutual trade among the participating countries, particularly in manufactured goods, began to rise rapidly.[156] For example, it is apparent that in Latin America a substantial export base was established in manufactures through trade liberalization

[154] See Helen Hughes, "Inter-Developing country trade and employment", Paper presented at international Economic Association, Sixth World Congress on Human Resources and Development, Mexico City, 4-9 (August 1980)

[155] Vivianne Ventura-Dias, "The theoretical background for analysis of South-South trade" in **Informal Symposium on South-South trade: Obstacles to its growth**. Geneva 26-29 June 1985 p.25

[156] See Metka Stare, **Trade cooperation among Developing Countries** (Ljubljana: RCCDC, 1987)p. 25.

within integrative schemes and consequently exploited by a number of Latin American countries that shifted to export promotion in the late 1960s. Furthermore, as a result of preferential tariffs, the trade within integrative groupings of developing countries grew faster in the period 1960-70 than the overall trade among developing countries.[157]

The second period, for a variety of reasons, was characterised by impressive dynamics of Third World mutual trade which exceeded all indices of world trade. For instance, in the half decade from 1969-70 to 1974-1975, South-South trade expanded more rapidly than did Third World trade with the rest of the world.[158]

[157] Ibid. p.25.

[158] Figures cited in, Centre for Development Planning, "Salient features of economic cooperation among developing countries", p.3.

TABLE 7

Developing Countries' Intra-trade, 1970-81

Year	Value of developing countries' Intra-trade (US $billion)	Share of Intra-trade in developing countries' exports(percent)	Share of Intra-trade in World exports (percent)	Index of Intra-trade (1970=100)
1970	11.0	19.6	3.5	100
1971	12.2	20.1	3.5	106
1972	15.3	20.9	3.7	120
1973	23.2	21.0	4.0	135
1974	48.0	21.3	5.7	148
1975	51.9	24.6	5.9	150
1976	58.3	22.8	5.9	150
1977	68.6	23.8	6.1	173
1978	73.3	25.7	5.6	183
1979	101.3	24.3	6.2	na
1980	141.2	25.3	7.0	na
1981	149.0	27.3	7.6	na

n.a. not available
Source: UNCTAD, **Handbook of International Trade and Development Statistics**, Supplement 1976, 1977, 1980 and 1981; UN **Monthly Bulletin of Statistics**, July 1980 and July 1982.
Note: Constant US dollars

Table 7 shows that from 1970 to 1981 developing countries' mutual exports increased nearly fourteen fold, reaching 27 per cent of the total exports of developing countries and 8 per cent of world exports in 1981. The rise in oil prices and hence increased mutual trade in mineral fuel (including petroleum products) partly explains the rapid expansion of South-South trade, though as shown in Table 8, trade in manufactures increased during this period from $3 billion in 1970 to approximately $47 billion in 1981.

TABLE 8

Developing Countries' Intra-trade in manufactures, 1970-81

Year	Value of intra-trade in manufactures (US $billion)	Index of value (preceding year=100)	Index of volume (1970=100)
1970	3.0	-	100
1971	3.8	125	110
1972	4.8	127	137
1973	6.8	143	151
1974	10.9	160	187
1975	11.5	105	197
1976	14.9	130	224
1977	18.7	126	250
1978	23.2	124	275
1979	32.0	138	na
1980	41.6	130	na
1981	46.9	113	na

na not available
Note: Manufactures are defined as goods in Standard Industrial Trade Classification (SITC) 5-8.
Source: UNCTAD, **Handbook of International Trade and Development Statistics** 1976, 1977, 1980 and 1981;
GATT, **International Trade** 1981/82, UN, **Monthly Bulletin of Statistics**, July 1980

TABLE 9

Commodity Composition of Trade among Developing Countries,
Selected Years, 1955-74 (per cent)

Year	Food ø	Agricultural raw materials[1]	Ores and metals±	Fuels@	Manufactured Goods<
1955	27.6	16.2	2.2	37.3	15.8
1965	27.3	10.3	4.8	34.5	21.6
1975	15.5	4.8	3.7	54.1	21.3
1976	12.7	4.8	4.3	55.3	22.4
1977	13.4	4.8	4.1	53.0	24.2
1978	13.5	5.2	4.6	48.4	28.0
1979	12.7	5.2	4.9	47.1	26.9

ø SITC 0+1+22+4
[1] SITC 2-22-27-28
± SITC 27+28+67+68
@ SITC 3
<SITC 5+6+7+8-67-68
Source: UNCTAD, **Handbook of International Trade and Development Statistics** 1976,1977,1980 and 1981

With regard to commodity composition of Third World mutual trade (Table 9), it is noteworthy that there has been a significant decline in the shares of food and agricultural raw materials since the mid-1950s, perhaps the result of the shift in many developing countries to industrial production and diversification of exports. Furthermore, as indicated in Table 4, by 1981 manufactures accounted for more than 30 per cent of South-South trade while fuels accounted for the bulk of South-South trade over 50 per cent in the late 1970s. During the period 1970-83 there were changes in the product structure of Third World mutual trade in manufactured goods, with an increase in the share of petroleum products, engineering and metal products, and a concomitant decline in the share of textiles, food products, drinks and tobacco. These changes could also be explained by the process of recent industrialization in the South - one that did not simply emulate the experience of the first industrializers that could move up the ladder of comparative advantage, for example, from the production and trade of textiles to textile machines. Southern industrialization, as is typical of late-industrializers, has been associated with increasing international mobility of capital, and it was carried out mostly through joint actions of the public sector, domestic entrepreneurs and multinational corporations in industrial countries. [159]

In addition to the oil price hike and the extraordinary dynamics of trade in manufactures, another stimulus to trade, as Metka Stare points out, "was provided by an enormous increase in import capacities of the oil-exporting developing countries, which resulted in greater demand for goods and services from other developing countries (food, agricultural products, equipment, technology, construction work)"[160] It should also be noted that financial cooperation among developing countries expanded during this period, particularly OPEC development aid, thereby enhancing mutual trade. (See section on finance and monetary cooperation in Chapter four)

[159] See B.Balassa, **The Newly Industrializing Countries in the World Economy** (New York: Pergamon, 1981)
[160] Metka Stare, **Trade Cooperation among Developing Countries** (Ljubljana,Yugoslavia: RCCDC, 1987)p.17

Another important trend in the 1970s is the fact that inter-regional trade grew at a higher rate than intra-regional trade in all product categories except agricultural raw materials and non-ferrous metals. For instance, the inter-regional share in total South-South trade increased from 29.7 per cent in 1970 to 47.9 percent in 1979 while the share of inter-regional trade in non-fuel South-South trade changed from 12.8 percent to 34.2 percent.[161] The distinction often made in the literature between total trade and non-fuel trade is important, because it shows that fuel plays a more important role in interregional trade than in intraregional Third World mutual trade. In the 1960s the trend for interregional trade noted above was only true of South and East Asia; however in the 1970s this was also the case for Latin America and the Caribbean, West Asia and Africa.

In the period of oscillatory dynamism (1981-86), trade among developing countries dropped in value. This was a period when the South experienced serious economic difficulties from global economic crises. The recession of the early 1980s affected Third World mutual trade, with its value declining by 12 percent between 1981 and 1983 before recovering again in 1984. Total South-South trade amounted to $143 billion (about 7 percent) of world trade in 1984 compared to the all-time high of $152 billion in 1981. [162] The level of South-South trade in the second and third periods has given political justification to proponents of South-South trade for intensified action to maintain and increase such trade.

DISAGGREGATION OF INTRA-TRADE TRENDS

It is important not to assess South-South trade simply on the basis of aggregate figures, but also to indicate other components of such trade through the requirement of an element of disaggregation. On this point, a group of UNCTAD consultants has

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[161] Figures cited in Rolf J. Langhammer, "Tariff reductions among developing countries" in Oli Havrylyshyn, ed. **Exports of Developing Countries: How Direction affects Performance** (Washington D.C.: World Bank, 1987) p.71.

[162] UNCTAD Review of Developments in the Areas of Trade Expansion and Monetary and Financial Cooperation among Developing Countries. (TD/B/C.7/74) Oct.1985.

correctly noted that

> *"... aggregate figures conceal the multiplicity of development situations in the developing countries. Some of those countries are now more industrialized and have acquired international competitiveness in many areas of world trade in manufactured exports. Actually, the vigorous growth of South-South trade in the late 1970s resulted from the emergence of two growth poles in the South: the dynamic industrializing economies in Asia and Latin America and the oil-exporting countries. The former found markets in the South to complement or replace the traditional destinations for their exports. The latter were were able to diversify their sources of imports by importing more from the former. However, the share of South-South trade in the exports of non-oil exporting and newly industrializing countries has remained fairly constant over the past decades."*

[163]

One facet of South-South trade not captured by aggregate figures is the fact that mutual trade in manufactures is limited to a small number of countries. For example, ten countries accounted for 84 per cent in 1983.[164] Both exports and imports among Third World countries are highly concentrated among relatively few countries. As shown in Table 10 only seven countries accounted in 1983 for half of total developing countries' exports to the South, and 18 countries for 80 percent of that trade. OPEC states such as Indonesia, Iraq, Iran, Kuwait and Saudi Arabia are strongly represented together with the NICs and other industrial exporters such as India, Brazil and Argentina. The NICs have established an important precedent for other prospective exporters of manufactured goods in the South by dispelling the mood of export pessimism prevailing throughout the 1960s and by popularising the introduction of outward-looking growth policies by countries previously adhering to import substitution. In this context, a number of policy

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[163] UNCTAD Secretariat, **Strengthening the Weakest Link: A review of certain aspects of South-South trade and finance** (UNCTAD/ST/ECDC/28) p.6.

[164] Metka Stare, **op.cit.** p.37.

instruments have been increasingly applied, such as the establishment of export processing zones, the liberalization of imports needed for exports and the widespread use of various direct and indirect investment and export incentives. In the Asian region, NICs such as South Korea, Taiwan, Hong Kong and Singapore have exerted an important pull for other developing countries. The non-NICs have benefitted from direct investment and subcontracting by NIC entrepreneurs well placed to transfer some production processes and also some product lines to lower wage-cost areas. The NICs have also provided markets for low-cost manufactures supplied by newcomers. It was estimated in 1985 that in the Asia-Pacific region, which is an important market for exports of developing countries within the region, the intra-regional trade of developing countries grew 17 per cent, while exports to countries outside the region grew only 9 per cent. [165] Thus, while a disaggregation of the level of South-South trade in terms of its regional distribution might reveal concentration among such a small group of countries, it should be emphasized that countries within the NICs group are playing a crucial role in nurturing a new wave of developing-country exporters of manufactures. As will be noted later, some scholars in the Wallersteinian tradition have a less sanguine view, labelling the NICs as semi-peripheral countries acting as a core towards the periphery.

[165] See Painda M. Manely, "Third World Trade - a force to be unleashed", **Far Eastern Economic Review** vol.127 (21 March,1985) pp.118-119.

Table 10: **TRADE WITH DEVELOPING COUNTRIES, 1983**
All Commodities

Exporters	Billion$	(%)	Importers	Billion$	(%)
All DCs & territories	117.1	100.0		123.7	100.0
S. Arabia	17.6	15.0	Singapore	13.6	11.0
Singapore	11.7	10.0	Brazil	9.0	7.3
R.of Korea	7.0	6.0	R.of Korea	8.2	6.6
Malaysia	6.5	5.6	Taiwan	6.3	5.1
Taiwan	6.4	5.5	Indonesia	6.3	5.1
Brazil	6.0	5.1	H.Kong	5.5	4.4
Indonesia	5.5	4.7	Malaysia	5.4	3.9
Iraq	5.0	4.3	S.Arabia	4.8	3.9
Iran	4.4	3.8	Netherland Ant.	4.4	3.6
Kuwait	4.1	3.5	Turkey	4.1	3.3
			India	3.7	3.0
UAE	3.4	2.9	Thailand	3.7	3.0
Venezuela	2.7	2.3	Philippines	3.2	2.6
Turkey	2.7	2.3	Iran	3.1	2.5
Thailand	2.5	2.1	Iraq	2.7	2.2
			Pakistan	2.4	1.9
Argentina	2.3	2.0	Yugoslavia	2.2	1.8
			Bahrain	2.2	1.8
Yugoslavia	2.1	1.8	Sudan	2.0	1.6
			Argentina	1.6	1.3
India	2.0	1.7	UAE	1.5	1.2
			Colombia	1.3	1.0
H.Kong	2.0	1.7	Algeria	1.2	1.0
			Jordan	1.2	1.0

Source: Data Bank of the UN Statistical Office
Data are based on unadjusted figures reported by individual countries and on estimates when reported figures are not available. Data under "All Developing Countries" are merely the sums of individual country figures.
Cited in UNCTAD, *Review of developments in the areas of trade expansion and promotion and of monetary and financial cooperation among developing countries* TD/B/C.7/74 Add p.8.

Regarding regional versus interregional intra-trade, trends indicate that intra-trade is carried out within the same region. According to UNCTAD this was the case for 54 percent of total trade and two-thirds of non-petroleum trade, corresponding to $72 billion and $43 billion respectively in 1983. Intra-regional trade has grown ten-fold between 1970 and 1980/81, at about the same speed as exports to the world. Inter-regional trade also grew substantially faster than overall exports and reached its highest level in 1981 with $77 billion, or 25 times its 1970 level.[166]

Intra-Third World trade in primary commodities is by no means a myth. It is one aspect of South-South trade that has to be highlighted through disaggregation. This trade has increased with the development of industrial production in developing countries and with the use of synthetic substitutes in the North and the resultant relative decrease of demand for primary commodities. For example, in 1982 developing countries' intra-trade represented 10.7 per cent of total value of developing countries' exports of selected primary commodities. This represents an increase of intra-trade share over 1974 (8.0 percent), though in 1983 a decrease of the share of intra-trade of selected primary commodities is observed (6.4 per cent), which shows an even lower level of intra-trade than in 1974.[167] Of course, critics of South-South trade, especially in manufactures, have suggested that it is for primary rather than manufactured goods that trade among developing countries has been particularly valuable. Oli Havrylyshyn and Martin Wolf, in a study for the World Bank, have suggested that it may be appropriate to proffer a different view of Third World intra-trade, that is, "one that stresses the benefits of the resulting increased opportunities for exports by developing countries with a comparative advantage in primary commodities, that points to complementarities between more and less industrialized developing countries in export and further processing of primary

[166] See UNCTAD, **Review of trade expansion and promotion and of monetary and financial cooperation among developing countries** TD/B/C.7/74 p.7.

[167] Figures for Third World intra-trade for primary commodities are cited in Andrej Kumar, **Cooperation among Developing countries in the field of primary commodities** (Ljubljana: RCCDC, 1986) p.53.

commodities or exchange of food and raw materials for capital goods, and that highlight the potential for increased employment". [168].

Irrespective of the interpretation placed on the trends in Third World mutual trade, that is the actual trade flows, there is wide acceptance of the fact that actual trade lags behind the potential of South-South trade. In spite of the dynamic growth that characterized the post-1970 period, South-South trade not only falls short of its potential but remains a peripheral component of world trade (constituting only about 7.5 percent of world trade in 1984). The gap between actual and potential trade, as suggested later, reflects obstacles and barriers that hamper the full development of mutual trade. Changing the directionality of Third World trade from its North-South focus to South-South interchange and achieving the potential of the latter, requires obviating the restrictive tariff and non-tariff barriers, marketing, transport and other constraints. On the basis of the trends in actual trade, it does not seem unreasonable for the conclusion to be made that developing countries have made only a slight movement in changing the directionality of their trade towards reaching the potential of South-South trade.

[168] Oli Havrylyshyn and Martin Wolf, **Trade among Developing Countries: Theory, Policy Issues, and Principal Trends** (Washington, D.C.: World Bank Working Paper Draft no.1981-2) p.28.

SOUTH-SOUTH TRADE: THE PROS AND CONS

The debate on the plausibility of promoting South-South trade or the corollary issue of whether such trade should be complementary to or substitutive of North-South trade is a mixture of theoretically predicted conclusions about the undesirability of Third World mutual trade, challenges to such conclusions with doses of realism about South-South trade, and politically motivated statements (derived from dependency theory) that traditional concepts, rules and theories of trade have stymied the economic development of the South. Following the ideational development of Third World principles and subjective basis for cooperation, the third part of my tripartite designation includes the viewpoint that the North-South directionality of Third World trade under present conditions has not been an "engine" of development for the South, but may have engendered stagnation and economic decline, hence the politically charged recommendation that the promotion of reciprocal trade among Southern countries is the only realistic escape route for ensuring that trade generates the once-for-all fruits of economic development. Arthur Lewis,[169] in his 1979 Nobel Address, supported the promotion of Third World mutual trade when he called for greater South-South trade as a response to the slowing down in the growth of industrial economies coupled with the rising protectionist tide. The intermediate position is held by scholars whose predictions, based on new trade theories, emphasize the so-called "externalities" of South-South trade such as its high learning effects, exploitation of economies of scale and the generation of domestic technological capability from mutual trade in manufactures. [170] The arguments made at the other end of the debate against South-South trade are aptly summarised by Sanjaya

[169]See W. Arthur Lewis, "The slowing Down of the engine of growth", **American Economic Review** vol.70 no.4 (Sept. 1980) pp.555-64.

[170] See Alice Amsden, "Trade in manufactures between developing countries", **Economic Journal** vol.86 (1976) pp.778-790; and "The directionality of trade: Historical perspective and overview", in Oli Havrylyshyn, ed.**Exports of Developing Countries: How Direction affects Performance** (Washington,D.C.: World Bank, 1987)pp.123-135; Frances Stewart, "Recent theories of international trade: some implications for the South", in H.Kierzkowski, ed. **Monopolistic Competition and International Trade** (Oxford: O.U.P.,1983); Hughes, H., "Inter-country trade and development", (Paper presented to the Sixth World Congress of Economists, International Economics Association, Mexico 1980).

Lall as follows:

> *(a) South-South trade, since it is more capital-intensive, does less to solve employment problems than exports to the North; thus, North-South trade is "better" than South-South trade;*
> *(b) The greater capital-intensity of South-South trade is due not just to the natural process of industrial transformation, but also (perhaps primarily) to government-induced "distortions" related to import-substituting strategies; and*
> *(c) The countries which export most successfully to the South are also the countries which export successfully to the North. Thus, export competitiveness is a general phenomenon, and any attempt to foster South-South trade at the cost of North-South trade is likely to result in inefficiency, since it will distort the optimal allocation of resources likely to result from free market prices. Moreover, the North will remain the largest market for exports from the South (assuming that the developing countries can successfully diversify away from the traditional labour-intensive products, which are facing increasing protection in the North); thus, a diversion of exports to the South will lead to a slower overall growth of exports.*

[171]

Critics of South-South trade have often sought evidence of policy distortions to support their contention that intra-Third World trade is the result of inward-looking strategies and high level of protection determining capital intensity, especially in their budding trade in manufactures. Oli Havrylyshyn and Martin Wolf, in extensive studies on South-South trade, have discounted the importance of directionality for the major portion of Third World trade and have recommended greater North-South trade. While admitting that a certain amount of intra-Southern trade is bound to take place because of geographic proximity and market size, they also argue that "when a country does a great deal of trade with other developing countries, the implication is that it has distorted its domestic prices". [172] They have explained the trends in Third World mutual trade in terms of policy choices and the underlying comparative advantage of developing countries. According to them, "all developing countries tended to export more capital-intensive products to developing countries and more labour-intensive products to industrial ones."[173] Their contention is that "this finding is consistent with the theoretical analysis, which suggests that such export directionality is largely explained by the resource endowments and policies of the partner country rather than the

[171] Sanjaya Lall, "Trade between developing countries", **op.cit.** p.6.
[172] See Havrylyshyn, O., and M.Wolf, "What have we learned about South-South trade?" in Havrylyshyn,O.,ed.**Exports of Developing Countries op.cit.** p.158.
[173] Ibid. p.157.

exporting country".[174] Again they argue that "... the more inward-looking developing countries and members of preferential trading arrangements will tend to send a higher proportion of their exports to developing countries".[175] Similarly, Anne Kruger suggests that it is the high-cost import substitution industries in the South that find their only export outlet in other developing countries. She points out that "insofar as developing countries are relatively endowed with unskilled labour and relatively short of capital, trade with other less developed countries is likely to increase the imbalances in factor availability, whereas trade with the developed countries may serve as means of exchanging abundant factors for scarce".[176]

Proponents of South-South trade reject the view that the capital intensity of intra-Southern trade is the result of policy distortions and instead emphasize the positive gains from trade in manufactures. The fact remains that policy distortions in the form of protectionism, especially from import-substitution industrialization, are responsible for capital-intensity. The positive spin-off of dynamic economies, such as the generation of domestic technological capability, are identified as the positive gains that accrue to countries that move up the ladder of comparative advantage faster than would be recommended by the conventional wisdom. Sanjaya Lall has argued that "besides providing the opportunity to exploit more fully the technological capabilities and skills developed in the South, trade in technology-intensive products within the South itself enhances those skills and capabilities."[177] Elsewhere Lall claims that the technological adaptations in methods of production to suit the local conditions make those technologies more appropriate to other developing countries. He lists the following types of skills and know-how inherent in South-South trade:[178]

(a) Competitive, with technology provided by developing countries. (technology

[174] Ibid. p.157.
[175] Ibid. p.152.
[176] Anne Kruger, "Alternative trade Strategies and employment in LDCs" **American Economic Review** vol.68 no.2 part II (May, 1978)p.273.
[177] Sanjaya Lall, "India's economic relations with the South", in Oli Havrylyshyn, ed.**Exports of Developing Countries op.cit.** p.117.
[178] Sanjaya Lall, "Trade between developing countries", **op.cit.** p.13-14.

slightly adapted to local needs, or identical to that prevalent in the North, and in which case the competitive edge of the developing countries lies in the adaptations made, or the cheaper cost of skilled manpower, or both.) *(b) Complementary to technologies provided by developed countries (firms from developing countries act as sub-contractors or partners of technology sellers from the industrialized countries.* [It will be suggested in section two of this chapter that forms of countertrade such as offsets are used to accomplish such exchange.] *(c) Non-overlapping with developed country technologies.* (These are areas of technological activity which are almost wholly specific to particular developing countries either because of their special needs - eg. rural,cottage or handicraft in India - or because of their natural resource endowments - eg. charcoal-based steel manufacture or gasohol in Brazil).

For the most part, Third World countries are economically weak and vulnerable and are thus faced with the problem of attaining "critical mass" in many economic and technological activities. Attainment of such "critical mass" requires a combination of markets, natural resources and human resources for economies of large-scale production. Furthermore, as suggested by UNCTAD, developing countries are markets which may help the production of those manufactured goods by some developing countries to reach competitive levels through the full use of their productive capacity. By providing a larger market for adapted products and technologies, South-South trade enables greater economies of scale to be reached. [179]

The concept of "learning" has been frequently used by advocates of South-South trade to emphasize the gains often ignored or incorporated into neo-classical theory in an *ad hoc* fashion. This concept refers to the skills and knowledge acquired in the course of production. As one scholar points out, "even though the economic and industrial development of the advanced developing countries has been achieved with foreign technology and partially with foreign capital, indigenous technological skills, knowledge and experience have been

[179] See UNCTAD, "Trade among Developing Countries", **Trade and Development** Chapter II, pp.43-58.

developed to conceive, install and manage a wide range of productive activities".[180] In other words, South-South trade is said to enhance the development of Third World production processes, acquisition of industrial and organizational skills, advancement of professional training of personnel, and learning effects.

It has been argued by Alice Amsden that learning is greatest in skill-intensive industries, next greatest in capital-intensive industries and least in unskilled labour-intensive industries. [181] In a number of studies, Amsden has insisted that the manufactures which are traded among developing countries are relatively skill-intensive and only marginally capital-intensive, if at all, as compared to manufactures exported by developing to industrial countries. [182] With respect to the NICs, Amsden has suggested that "because the output of skilled production processes in newly industrializing countries tends to find its way primarily or initially as exports to developing countries, South-South trade is both more skill-intensive and more learning-intensive than South-North trade".[183]

The positive externalities from South-South trade, such as its high learning effects, belies one of the seemingly intractable problems that proponents have not adequately addressed. If the primary commodities for manufactured goods exchange between North and South is criticized as "neo-colonial" or designated as "unequal exchange" by dependencistas, the question to pose is blunt: do similar exchanges between the NICs and the less developed Third World countries replicate this inequality? Characterizing the NICs as semi-peripheral, Jerker Carlsson argues basically that their relationship with the rest of the periphery is

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[180] Ventura-Dias, V.,"The theoretical background for analysis of South-South trade", in Informal Symposium on South-South trade: Obstacles to its growth. (Geneva 26-29 June 1985 UNCTAD/OSG/ 311 p.22

[181] Alice Amsden, "The Directionality of Trade: Historical perspective and overview", in O.Havrylyshyn,ed.**Exports of Developing Countries op.cit.** p.131.

[182] Amsden, A., "The industry characteristics of intra-Third World Trade in Manufactures", **Economic Development and Cultural Change** vol.29 no.1 (Oct. 1980) pp.181-219; "De-skilling, skilled commodities and the NICs emerging competitive advantage", **American Economic Review** Paper and Proceedings, vol.73 no.2 (May 1983) pp.333-337.

[183] Amsden A., "The Directionality of Trade: Historical Perspective and Overview", **op.cit.** p.133.

exploitative and perhaps a replication of the traditional metropole-satellite relation. He points out that the relationship is "in essence a relation between parties on different levels of economic development, where the periphery comes to serve the role of a supplier of raw materials and a market for industrial products".[184] This analysis is consistent with Wallerstein's conception of the semi-peripheral states as stabilising middlemen preventing a polarized world by acting as both exploiter and exploited. In a study on Brazilian trade relations with other Southern countries like Nigeria, Helga Hoffman found no evidence of a replication of a neo-colonial-type exchange. She noted a predominance of industrial goods in Brazilian exports to Nigeria, though non-industrial goods were also evident. Based on this study, she concluded that "it is premature to speculate on whether the emerging forms of inter-regional South-South economic relations might repeat a pattern of inequality that prevailed between industrialized and developing countries". [185] Another study by Jerker Carlsson found that between 1965 and 1979 Nigeria's trade with Brazil exhibited a commodity pattern similar to its traditional North-South exchange.[186] Carlsson argues that South-South trade does not differ from North-South trade, though he adds that "Nigeria managed to obtain a better exchange relationship with Brazil than with a traditional Northern partner like the UK".[187] The Brazilian-Nigerian case shows that spontaneous South-South trade can lead to inequality, hence the need for policy-induced interactions involving programming to mitigate the effects of differentiation.

The debate on South-South trade goes to the heart of the question of the role of international trade in the development of Third World countries. Obviously, it would seem that Third World institutional units (the Group of 77 and the Non-aligned movement)

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[184] J.Carlsson, ed.**South-South relations in a changing world order** (Uppsala: SIAS, 1982) pp.47-48.

[185] Helga Hoffman, "Towards Africa? Brazil and the South-South trade? in J.Carlsson,ed. **South-South relations in a changing World Order** op.cit.p.72.

[186] See J.Carlsson, "The Brazilian penetration of Nigeria through trade: A case study of South-South relations, 1965-79" in J. Carlsson and Tim Shaw, ed. **Newly Industrializing Countries and the political economy of South-South relations** (New York: St.Martin's Press, 1988) p.200.

[187] Ibid. p.202.

support both the dependency arguments about changing the directionality of Third World trade from its North-South nexus and also arguments that emphasize the gains of South-South trade such as the dynamic economies of learning and the creation of domestic technological capability. The powerful arguments of the critics of South-South trade, regarding the policy distortions and biases within Third World countries and the distributional issue of whether the benefits of such trade can be shared by all developing countries, cannot be swept under the rug without jeopardizing attainment of the potential of South-South trade. As will be noted in the discussion of the GSTP, some of the policy restrictions that hamper Third World mutual trade are to be addressed in the form of provisions within the GSTP Agreement for negotiations to deal with tariff, non-tariff, para-tariff and other border instruments. The distributional problem is tackled head-on by the stipulation in the GSTP Agreement that the least developed countries shall not be required to make concessions on a reciprocal basis.

CONSTRAINTS ON SOUTH-SOUTH TRADE: **Bridging the gap between actual and potential trade**

The North-South directionality of the trade of developing countries, with its attendant excessive specialization, consequent vulnerability and terms of trade immiserization of the periphery (*á la* Prebisch-Singer thesis), is a product of history and, as many dependencistas would argue, a logical and permanent result of the imperialist system. There is justification in the claim that existing communication, transport and marketing arrangements are oriented toward the promotion of North-South trade. Skepticism arises, however, as to the commitment of some Third World governments toward changing this historical directionality, particularly the divergency between their rhetorical statements in favour of South-South trade and the eagerness with which African, Caribbean and Pacific countries strengthened trade links with their former metropoles under the Lome agreement. In other words, at the normative level of discourse, it is not uncommon for some Third World governments to pay lip service to the need for greater South-South trade, and at the pragmatic level of foreign economic policy-making maintain neo-colonial trade patterns. At another level, a discussion of the constraints that typically overwhelm attempts at South-South trade expansion should not only emphasize external factors or overestimate the power of the international system, but also point out the the critical barriers within Southern countries that hamper intra-trade.

The external constraints on South-South trade have been thoroughly discussed in the context of dependency theory,[111] though such discussion is overly tilted towards the elements within North-South trade that inhibit Third World development. From the structuralist position of Raul Prebisch, which rejected the diffusionist capabilities of international trade in the traditionalist vein (classical and Hecksher-Ohlin schools), to the Frankian view that inherited productive structures of the South 'blocked' Third World development, dependency theorists have pointed to the exploitative nature of the North-South trade directionality. Specifically, in terms of the inherited structures that inhibit South-South trade, mention could

[111] For a survey of dependency theory and the critiques it has occasioned, See Richard Higgott, **Political Development Theory** (New York: Croom Helm, 1983)

be made of the productive structure developed under the colonial influence and with obvious external exigencies. Trade dependence, often expressed in neo-colonial trade agreements with former metropoles, inhibits the development of South-South trade and the concomitant benefits to be derived, such as shared technological requirements of the South and appropriate technology.

The achievement of the full potential of South-South trade, especially at the inter-regional level, is hampered for lack of adequate transport, marketing, information and communication infrastructure. For instance, as noted by Rolf J. Langhammer,[189] transport costs hinder South-South trade in absolute terms, because of lack of adequate shipping services among developing countries, and, in relative terms, because of the lower transportation costs of North-South imports from other developing countries. There have been several comprehensive region-wide projects designed to re-establish ancient and develop new Third World trade routes. Examples include the Trans-Asian Highway, the Pan-American Highway, the Pan-African Telecommunications Network, the Inter-American Telecommunications Network, the Asian Telecommunications Network and the Middle East and Mediterranean Network.[190] The Northern Corridor Transit Agreement which entered into force on 15 November 1986 is a positive illustration of attempts to improve transport links in the South. With the ratification of the Agreement, Burundi, Rwanda and Uganda now have improved transit transport links with the rest of the world through the port of Mombassa in Kenya.

SHIPPING

To address the inadequacy of transport links, developing countries have endeavoured at the global level to embark on joint efforts to develop new mechanisms of

[189] Rolf J. Langhammer, "Effects of Preferential Tariff Reductions among Developing Countries", in O. Havrylyshyn, ed.**Exports of Developing Countries op.cit.** p.80.
[190]TCDC News April-June,1980 p.17.

cooperation in the areas of shipping, ports, multi-modal transport and maritime legislation. The explicit goal for South-South cooperation in shipping is to increase Third World ownership in world tonnage and redress the existing imbalance of power between shippers and shipowners. Cooperation is also designed to remove the barriers to effective participation in shipping based on restrictive practices in various shipping markets. As with Third World coordination of efforts in the Law of the Sea regime, they utilized similar joint bargaining strategies in getting their viewpoints on structural change in shipping enshrined in the UN Convention on a Code of Conduct of Liner Conferences. The Code is designed to

> (a) facilitate the orderly expansion of world seaborne trade; (b) stimulate the development of regular and efficient liner services adequate to the requirements of the trade concerned; (c) ensure a balance of interests between suppliers and users of liner services; [191]

Further scope for cooperation exists in the following areas of the shipping sector: cooperation in the harmonization of maritime legislation, cooperation in establishment of shipbroking centres and the establishment of region and subregional associations of parties involves in multimodal transport and containerization and optimum utilization of existing shipping space through joint services.

The marketing barrier to intra-Southern trade is partly a consequence of the absence in many importing developing countries of specialized importers and wholesalers. The marketing barrier has been given priority attention in the form of direct trade measures such as cooperation among state trading organizations (STOs). Essentially the idea of pursuing cooperation among STOs was based on a number of propositions:

> *(a) that the public sector constitutes a major factor in the foreign trade of virtually all developing countries;*
>
> *(b) that a trade policy reorientation in the direction of more South-South trade*

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[191] **UNCTAD Bulletin** no.247 (Oct.1986) p.6.

could be more readily and effectively implemented through STOs, whose decision-making was subject to governmental influence, than would be possible through passive measures, such as preferential tariffs and other incentives offered to private traders; and

(c) that STOs were better placed than private traders to finance the relatively high initial costs involved in opening up new markets, which would only show returns in the medium or long terms".

[192]

ASTRO

Action was initiated through UNCTAD in 1984 to establish an International Association of State Trading Organizations (ASTRO). In line with the CPA and with the assistance of the International Trade Centre, UNCTAD and the International Centre for Public Enterprises, ASTRO was formally established in October 1984 with provisional headquarters in Ljubljana, Yugoslavia. The principal objectives of ASTRO are to promote mutual trade expansion and other forms of cooperation among STOs; to strengthen the managerial, technical and professional cadres of STOs; provide a trade information network for STOs; to exchange information and undertake joint collaboration which could include long-term supply and purchase arrangements. ASTRO also provides information on countertrade practices in 140 developing countries. It is estimated that by mid-1986, 34 STOs had become members of ASTRO.[193]

The need for adequate monetary and financial arrangements and the provision of export credit financing and insurance in bridging the schism between actual and potential trade cannot be neglected. The following gaps have been noted in trade financing services in developing countries:

[192]UNCTAD Secretariat, **The History of UNCTAD 1964-84** (New York: UN, 1985) p.204.

[193] See UNCTAD, Progress achieved and future support activities of UNCTAD relevant to the Caracas Programme of Action, UNCTAD/ST/ECDC/31 p.8.

(a) chronic lack of foreign exchange to import inputs needed to export production;

(b) limited ability to extend credit to foreign buyers. The lack of refinancing facilities often limits the exporter's ability to extend the appropriate type of export credits needed;

(c) For a number of developing countries, the export sector has to compete for scarce domestic funds from a disadvantaged position;

(d) Many developing countries lack an efficient banking system to service exports. Where these services exist, their procedures are rigid, time-consuming and security-oriented. Moreover, domestic banks generally consider the sector of non-traditional exports risky and not very profitable, especially when the goods are destined for new markets.

(e) Last but not least, only a small number of developing countries have established export credit insurance and guarantee schemes against the export risk.

[194]

The inadequacies in trade financing services have also been accentuated by balance of payments and debt repayment problems. As is suggested in the next section, this has contributed to the upsurge in the use of countertrade as a mechanism for mediating trade exchanges between developing countries.

Undoubtedly policy affects the direction of trade, and to the extent that Third World governments have utilized a plethora of border instruments to restrict trade, it is to be expected that such measures would have a negative impact on South-South trade. Border instruments to restrict trade are of two kinds: price and quantity. The former instruments typically include tariffs; the latter instruments, quotas. Of course there are para-tariff or border charges and fees on foreign trade of a tariff-type effect which are levied solely in imports and hybrid instruments such as tariff-quotas, whereby tariffs

[194] UNCTAD Secretariat, **The Financing of Trade among Developing Countries** TD/B/C.7/81 12 August 1986 p.2-3.

apply up to a certain level of imports, beyond which quantitative restrictions take over. Fundamentally, the tariff structures in developing countries follow a pattern whereby tariffs increase with the degree of processing, with manufactured products enjoying the greatest degree of protection, while tariffs are relatively low for products (such as capital goods) vital for development and on basic foodstuffs. The general pattern reflected in this structure, as one scholar points out, "is often also buttressed by other complementary trade policy instruments such as licensing and foreign exchange controls".[195] The use of trade control measures by Southern countries does affect the products of other developing countries and imposes other costs on their economies.[196] As suggested by Metka Stare, " the existing structure of trade control measures in developing countries ... shows that the protection policy instruments affect the products of special importance to developing countries more and to a greater degree than goods exported by developed countries".[197]

It is in recognition of the potential for trade expansion through reduction of trade control measures, that most Third World regional schemes have included trade liberalization measures and also explains why the GSTP is considered as the central instrument for promoting trade cooperation among developing countries. Indeed the rationale for the GSTP is that developing countries face special problems in marketing their exports, particularly non-traditional ones. Thus through the GSTP these barriers are to be compensated through preferential market access. The objectives of the GSTP outlined in the proposals for its establishment (See the final section for a detailed examination of the GSTP) were stated as follows:

(a) expansion and diversification of trade among the developing countries;

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[195] Nassau Adams, "Towards a global system of trade preferences among developing countries", **Trade and Development: An UNCTAD Review** no.4 (Winter 1982) p.199.
[196] See Bhagwati, J, "Economic costs of trade restrictions", in J.Michael Finger, and Andrezej Olechowski eds., **The Uruguay Round: A handbook on the multilateral Trade Negotiations** (Washington D.C.: World Bank,1987) pp.29-33).
[197] Metka Stare, **Trade Cooperation among Developing Countries** (Ljubljana:RCCDC, 1987) p.49.

(b) development of industrial and other forms of economic cooperation among the developing countries, with a view of accelerating their industrialization and general economic growth, and strengthening their collective self-reliance and

(c) the system should also ensure trade advantages for relatively less advanced countries.

[198]

Trade liberalization at the global level and especially within regional schemes, without concomitant measures to eliminate disparities, holds the danger of inducing regionally imbalanced economic development. As Jorn Altmann correctly points out, "where economic conditions vary from one country to another, liberal competition often has the effect of concentrating the advantages of trade expansion or diversion, and industrialization on growth poles in particular countries".[199] Enhancing mutual trade through the liberalization process, therefore, requires measures for reducing disparities in the distribution of costs and benefits. Of course, for sustained growth in trade, diversification of the production base and complementarities in trade flows, certain measures are required alongside trade liberalization, such as investments in industry, agriculture and other infrastructure.

TRADE INFORMATION SYSTEM

To obviate the problem of lack of information, a Trade Information System (TIS) on Barriers to Trade among developing countries is being developed by UNCTAD to facilitate the provision, evaluation and dissemination of information about countries and products regarding mutual trade flows, taxes on international trade, quantitative restrictions and other trade control measures. The TIS comprises a documentary data base and a computerized data base on trade control measures of developing countries. Apart

[198] See UNCTAD Secretariat, **The History of UNCTAD 1964-84 op.cit** p.202.
[199] Jorn Altmann, "South-South Cooperation: Some aspects of economic order" **Economics** (Tubingen) no.25, 1982, pp.49-50.

from the supply of information by interested developing countries. TIS depends on information flows from subregional and regional information systems such as those of ALADI and ECOWAS' ASYCUDA (Automatized Customs Data Processing System). There seems to be wide recognition that this is a vital and indispensable source of information whose future value would be increasingly demonstrated not only in regard to global trade negotiations among developing countries but in the more limited bilateral sub-regional and regional contacts among developing countries. As with any compilation of trade data, the Trade Information System has to contend with problems such as varying national tariff nomenclature, absence of a unified methodology of trade flows among developing countries and in the development of classifications which are compatible with the objectives of a wide variety of end-users. [200]

Since some of the hindrances to intra-trade result from cumbersome procedures, Southern attention has also been focused on trade facilitation, that is, an organized and systematic effort to rationalize trade procedures and documentation through the development of new methods of data processing and communicaton and the simplification of formalities used in international trade. FALPRO, the special programme on trade facilitation, is a unit within UNCTAD that assists the Third World in the area of trade facilitation.

[200] For a detailed analysis of some of the problems in developing the Trade Information System, See J.Tymowski, "Trade Information System on Barriers to Trade among Developing Countries: Methodological considerations and Findings", in O.Havrylyshyn, ed. **Exports of Developing Countries op.cit.** pp.92-105.

COUNTERTRADE IN THIRD WORLD MUTUAL TRADE

South-South trade has increasingly taken the form of countertrade, a phenomenon variously described as representing "a freeing"[201] of trade among developing countries, "an aberrant feature of the multilateral trading system"[202] and "a means of maintaining South-South trade which might otherwise not take place".[203] The paradox inherent in countertrade is clearcut. Its alleged aberrancy derives from the fact that it entails many of the restrictive and discriminatory practices associated with the bilateralism of the pre-war era and also in the fact that in some instances it allows participants to provide each other preferential terms such as subsidies or discounts which can be kept secret from other trading partners, but at the same time it represents one of the strictest forms of reciprocity - a principle at the heart of the global trading framework.

The extent of countertrade in Third World mutual trade and within the wider global economy is subject to a great deal of controversy due to a paucity of reliable data. This is due to the secrecy that shrouds much countertrade transactions, especially in the private sector, and also to the problem of defining or determining what countertrade actually entails. Estimates put forth by GATT indicate that countertrade may constitute some 9 per cent of World trade, excluding bilateral deals with Eastern Europe.[204] Taking into account the fact that some barter transactions among Third World countries are unrecorded in their trade statistics, the OECD estimates that 10 per cent of mutual Third World trade (worth $12.5 billion) takes the form of countertrade.[205] It is also believed that of all the nations in the UN perhaps only 20 to 30 do not countertrade.[206]

[201] Frances Stewart, "Countertrade: an assessment" in **World Development: Risks and Opportunities** SID 18th World Conference Proceedings. Rome 1-4 July, 1985. p.5.
[202] Robert Roosa, "Countertrade in the World Economy" in Robert Pringle, ed. **Countertrade in the World Economy** (New York: Group of Thirty, 1985) p.3.
[203] Helga Hoffman, "Countertrade: Hard times option for the South?" **Cooperation South** no.2 (1987) p.12.
[204] The GATT estimate cited in **Countertrade: Background note by the UNCTAD Secretariat** UNCTAD document TD/B/C.7/82 p.3.
[205] OECD Secretariat, **Countertrade: Developing Country Practices** (Paris: OECD, 1985). p.12.
[206] See Herbert Stepic, "Principal changes in Countertrade practice with selected countries after the Polish crisis", **Countertrade and Barter Quarterly** (May 1984)

[206](cont'd) p.24.

Table 11: (Reported Countertrade Deals involving Countries, by Partner, 1980-87) has been removed because of the unavailability of copyright permission.

Source: Stephen Jones and A.Jagoe, Third World Countertrade: Analysis of 1,350 Deals involving Developing Countries, 1980-87 (Newbury: Produce Studies Limited, 1988) p.6

A study that analyses 1,350 countertrade deals involving the Third World countries between 1980 and 1987 shows a dramatic rise in the number of deals from 18 in 1980 to a peak of 304 in 1985, though slowing somewhat to 272 in 1987. While North-South countertrade accounted for the bulk of such deals (45 per cent), South-South countertrade, with its potential for genuine trade creation, accounted for 34 per cent. [207] One indicator of the importance of the phenomenon in the South is the fact that countertrade practices are increasingly being institutionalized with almost half of all Latin American countries and more than a dozen African countries now having some form of concrete legislation and administrative infrastructure governing such practices.[208]

Countertrade has not been explicitly promoted by the institutional units of the Third World (Group of 77 and the Non-aligned Movement) on a multilateral basis at the global level nor is its contribution given centrality among the variety of instruments recognised as important for increased intra-South trade. However, in the wake of the high level of protectionism in global trade, the balance of payments problems and debt crisis facing many countries in the South, countertrade has become an appealing and practical way of trading. In whatever form it takes, countertrade gives Third World countries new ways of financing imports, enables resource-starved developing countries to conserve foreign exchange as they reduce the availability of export earnings for servicing external debt and also maintain market shares and vital imports of essential goods and services. The upsurge of countertrade as a practice in the South, especially in the 1980s, could be aptly described as a case of the *nature* of the difficulties in the hegemonic system, that is protectionism, balance of payments disequilibria and the debt crisis, shaping the *process* of Third World policy initiatives or coordination in the form of unorthodox methods of financing their trade. If countertrade is conceptualised as some sort of palliative for the specific difficulties confronting developing countries in the hegemonic economic system or *defacto* cooperation by countries in the South

[207] See Jones,S. and Jagoe,A. **Third World Countertrade: Analysis of 1,350 Deals involving Developing Countries** (Newbury, England: Produce Studies Limited, 1988)
[208] See T.C. Kopinski, **Countertrade policies and practices by selected African and Latin American countries** UNCTAD document. ST/ECDC/32, March,1987. p.4.

without global institutional coordination, the key question is prescriptive: whether South-South countertrade should be multilateralised or simply allowed to continue in its current phase of informality and marked bilateralism. The major issues, mainly explanatory in nature, to be dealt with in this section include a review of the forms of countertrade and an assessment of its benefits and costs in the South-South scheme of enhancing mutual trade.

The term "countertrade" is often defined simply as a barter transaction or the straight exchange of goods having offsetting values without any flow of cash taking place, but it is a composite term that encompasses a variety of practices with one key ingredient - reciprocity. Countertrade conjures up the idea of rough equivalence in the exchanges involved, though, as with our understanding of the concept of reciprocity, [209] these exchanges may not necessarily be mutually beneficial. Sometimes the term is seen as a type of "compensatory arrangement" where the latter concept is defined as "a whole range of business arrangements (eg. coproduction, subcontracting, technology transfer, investment, and export generation) whereby an exporter commits himself contractually to cause or generate desired benefits such as revenues for the importer". [210]

A countertrade transaction has been defined by the U.S. Department of Commerce as "one in which seller provides a buyer with deliveries and contractually agrees to purchase goods from the buyer equal to an agreed percentage of the original sales contract value". [211] Thus countertrade is basically an exchange, and the value of what is exchanged may or may not be comparable, but it also falls within the purview of economic cooperation in the sense that it enables countries involved to coordinate their policies for the realization of their objectives whether it is overcoming the inconvertibility problems of traders' currencies or escaping the shortage of foreign exchange.

[209] See Robert O. Keohane, "Reciprocity in international relations", **International Organization** vol.40 no.1 (Winter 1986) p.8.
[210] See Pompiliu Verzariu, **Countertrade, Barter, and Offsets: New strategies for profit in international trade** (New York: McGraw-Hill, 1985) p.4.
[211] US Department of Commerce **East-West Countertrade Practices** (Washington: US Government Printing Office, 1978) p.3

VARIANTS OF COUNTERTRADE PRACTICES IN THE SOUTH

The first form of countertrade practice is classical or pure *barter*. This involves an exchange of goods between two parties, generally under the same contract, usually without any Third party involvement or exchange of money. It should be noted that some forms of barter, though not of the "pure" variety, involve some minimal exchange of cash. Under the pure barter there are no documentary letters of credit; however, in the interest of security, participants may obtain parallel bank guarantees in the form of standby letters of credit, performance bonds, or escrow accounts. Pure barter is often on a government-to-government basis or government-sanctioned trade between firms and normally is employed by foreign exchange-strapped developing countries in trading their agricultural surpluses. (See Table 12 for Barter of agricultural commodities between developing countries)

Examples of classical barter include the 1983 deal under which Gabon supplied China 18,000 cubic meters of tropical timber in exchange for food products and manufactured consumer goods and a small amount of machinery;[212] Trinidad and Tobago's barter deals with Cuba, Guyana and China [213] and also Ghana's deal with Egypt involving the supply of sawed wood and logs for $5million worth of cotton threads.[214] Colombia has had a number of barter deals including the 1985 deal with Mexico for the supply of Benzoate of Methyl, Salicylic acid for Benzoic acid; and the 1984 barter agreement with Peru for the supply of meat for fish.[215] Brazilian state-owned companies have struck oil barter deals in recent years. In 1983 the state-owned mining corporation Companhia Vale do Rio Doce signed a $40 million deal to supply 300,000 tons of iron ore per year to the Malaysian International Trading Corporation (MITCO)

[212]T.C. Kopinski, **Countertrade Policies and Practices by selected African and Latin American Countries** UNCTAD/ST/ECDC/32 30 March 1987 p.18.
[213]Ibid. p.43.
[214]Ibid. p.19
[215]Costas Alexandrides and B. L.Bowers,**Countertrade: Strategies and Tactics** (New York: John Wiley, 1987) p.178.

for 10,000 barrels of oil per day;[216] similarly MITCO agreed in 1985 to supply 90,000 barrels of crude petroleum to Interbras (trading subsidiary of the state-owned petroleum company, Petrobras) for items such as chemicals, food, transportation equipment, machinery, iron ore and minerals. Volkswagen of Brazil also reached a $630 million oil deal with Iran to supply automobiles for petroleum.[217] The Ugandan Government, under the leadership of Yoweri Museveni, has announced barter agreements with Cuba involving the supply of cotton, beans and hides in exchange for sugar, pharmaceutical goods, vehicle batteries and paper; with Libya to supply coffee, tea, cotton, meat, hides and skins for oil, cement, tractors and steel; separate countertrade deals have also been arranged by the Ugandan government with Tanzania, Burkina Fasso, Rwanda and Burundi. The government has justified these deals on the basis that half of Uganda's $400 million annual export earnings in hard currency are swallowed up in servicing the country's $1.5 billion foreign debt. [218]

The examples of barter deals indicate that under this form of countertrade, participants are not necessarily faced with a Hobson's choice but often a sort of "menu" approach is adopted whereby they select from a basket of goods provided by each side. There are other cases of barter which deviate sharply from pure barter in that they may utilize a regional barter exchange and/or operate through linked cash transactions. The former is exemplified by the 15 east and central African members of the Preferential Trade Area (PTA) and the Latin American Integration Association (ALADI). Linked cash purchases are usually employed to achieve an even trade balance, with each partner paying the other in hard currency. An example is the 1985 agreement signed by India and Pakistan on reciprocal purchases of Indian wheat and Pakistani rice of equivalent value.

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[216] Ibid. p.149.

[217] Ibid.p.158.

[218] See, Report on Business, "Barter solving Uganda's foreign exchange shortfall", **Globe and Mail** Wednesday, Dec.17,1986. p.B24.

[219] See Michael Morrison, "Examples of contemporary countertrade" in Robert Pringle,

Countertrade frequently takes the form of *Counterpurchase*, a scheme whereby an exporting country sells goods to a foreign trade organization and contractually agrees to make reciprocal purchases from that organization, or from another commercial agency in the same country, within a specified period of time (often of a short-term duration). It operates through the use of two separate contracts which may be linked by a Protocol. This process protects the original seller because payment for his goods cannot be legally withheld if problems arise in the execution of the second contract. The costs of the countertrade transactions are usually borne by the importing country, including fees and commissions for trading agencies assigned to dispose of the export products and discount on the price of the products exported by the importing country. Since the counterpurchase transaction covers a relatively short period of time, it does not typically involve significant technology. The term "advance purchase"[220] is used to describe a counterpurchase whereby the exporting country buys products from the importing country in advance and effects payment through an escrow account.

One type of countertrade that is often cited in the countertrade literature is the use, especially in Third World mutual trade and east-South countertrade transactions, of *bilateral clearing agreements or accounts*. As with pure barter, the compelling reason underlying this form of countertrade is the need to conserve foreign exchange and perhaps achieve an even trade balance. According to Kenton Elderkin and Warren Norquist, a bilateral clearing account operates:

> "when two nations agree to exchange goods and services over a period of time (usually a year). No foreign exchange is transferred. The transactions are recorded on the books of the two central banks of each of the respective countries, with some currency such as clearing dollars used as a medium of valuation for the goods exchanged. If the accounts swing out of balance by a

[219](cont'd) (ed.) **Countertrade in the World Economy** (New York: Group of Thirty, 1985) p.29.

[220]This form of counterpurchase is identified in, UNCTAD,**Countertrade: Background note by the UNCTAD Secretariat** TD/B/C.7/82 p.5.

negotiated amount (20 to 30 percent), the trading or creditor nation stops exporting until the debtor nation exports enough to bring the accounts within the agreed upon differential".

[221] The term "swing" is used in bilateral clearing account to denote the degree of trade imbalance, and, as the Elderkin and Norquist definition indicates, is expressed as a percentage of annual trade volume. Furthermore the bilateral clearing agreement indicates the type and volume of products and may additionally list goods or commodities which each side has the option to export to the other for a total agreed value. The mechanism of clearing account is routinely used bilaterally in the South, as in the 1986 reciprocal trade agreement between Zimbabwe and Mozambique which allows for Z$1m in swing credit and the clearing agreement between Angola and Guinea, but similarly employed under the ambit of regional clearing schemes. Other examples of the bilateral variety includes the 1986 bilateral clearing agreement between Egypt and Jordan which entailed Jordan supplying 1.5m tons of cement in return for 10,000 - 15,000 tons of rice. [222] In 1983 Brazil arranged bilateral clearing agreements with Mexico, Venezuela and Iran. When multilateral in scope, these agreements often have an expanded objective of minimizing the use of convertible currencies through the use of local currencies for transactions between clearing house members, and also the extension of credit as a result of delayed settlement of transactions. The multilateral emphasis on clearing agreements is borne out by the fact that by the end of March 1985 nine clearing houses operated in the Third World as follows: West African Clearing House; the Regional Cooperation for Development Union for multilateral payments (RCD); the Preferential Trade Area Clearing House of Eastern and Southern African States (PTA), the Asian Clearing Union (ACU); the CARICOM Multilateral Clearing Facility; the Payments and Reciprocal Credit System; the Great Lakes Economic Community Monetary Arrangement; the

[221] Kenton W. Elderkin, and Warren E. Norquist, **Creative Countertrade: A Guide to Business Worldwide** (Cambridge,Mass.: Ballinger Publishing, 1987) p.10
[222] Alexandrides and Bowers, **op.cit.** p.186.

Central African Clearing House; the Central American Clearing House.[223]

When countries adopt bilateral clearing arrangements they can use a form of countertrade termed *Switch Trading* to bring the account into balance, that is, in cases where one party has taken a greater value of goods than the other. Briefly, it permits trading partners to switch the excess balance to third parties, enabling such parties to acquire rights to buy goods from the country or countries with a clearing account deficit. As described by Pompiliu Verzariu, "Switch trade is based on the multilateral use of bilateral clearing currencies, and is made possible by a stipulation in a bilateral agreement providing that the country with a surplus in bilateral trade could make available to a third party a portion or all of its clearing account".[224] Two important facets of switch trading are noteworthy; first, the prices of the goods transferred to the third parties are substantially discounted from the nominal values, assigned to them in the clearing agreement; second, the switch deals are often handled through intermediaries such as specialty traders and trading houses.

There is a whole gamut of industrial and commercial compensation practices otherwise termed *offset* that are required as condition of purchase in countertrade deals involving high-value civilian procurements or military-related exports. Offsets are either direct or indirect, with the former applying in cases where an exporter agrees to buy the components to be used in the production of the export products sold to the importing country, and the latter designating cases where the exporter agrees to purchase goods and services not related to the product. An example of direct offset is the 1984 deal between Malaysia and the Republic of Korea involving the supply of Korean naval patrol boats for crude petroleum, refined pump oils, sawn timber, rubber gloves and cocoa powder.[225] Some common direct offset arrangements include subcontractor production,

[223] See UNCTAD, **South-South Trade and Finance: Strengthening the Weakest Link** (Geneva: UNCTAD, 1986) p.31.
[224] Pompiliu Verzariu, **Countertrade, Barter and Offsets** (New York: McGraw-Hill, 1985) p.34.
[225] Alexandrides and Bowers, **op.cit.** p.205.

coproduction, licensed production, foreign investment and technology transfer, while indirect offsets inlude tourism development, counterpurchase or the use of the country's airlines, insurance companies, hotels etc. Closely related to offsets are *buy-back agreements*, which in dollar value are said to be the fastest growing form of countertrade in the global economy.[226] Under this form of countertrade, as described by Alexandrides and Bowers, "the selling company provides turnkey production facilities instead of taking counterdelivered goods from the buyer country. The exporter builds a plant in the buyer country, provides technology and equipment, and agrees to buy back all or a portion of the products produced".[227]

MOTIVATIONS FOR COUNTERTRADE IN THE SOUTH

Inevitably the rationale for the pursuit of countertrade by developing countries, as with the use of this phenomenon in the aftermath of the breakdown of the international trade and payments system in the 1930-33 period[228], has to be seen as a response by the South to the illiquidity and worsening debt crisis, fluctuations in export prices of commodities, constriction in multilateral and commercial bank lending and other crises in the hegemonic economic order. For a variety of reasons, Third World countertrade has also been pursued as a reflection of increased economic nationalism but with the unintended benefit of closer development of horizontal South-South links and policy coordination in the issue-areas of trade and finance. Consequently, Third World motivations for countertrade delineated here are largely an interplay of factors inherent in the global economy and those that arise out of national expediency and the maturation of economic and political nationalism and regional multilateralism.

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[226] See Leo Welt, **Countertrade: Business Practices for Today's World Market** (New York: American Management Associations Publications Division, 1982) p.18
[227] Alexandrides and Bowers, **op.cit.** p.7
[228] See P.M.Andersen, **Bilateral Exchange Clearing Policy** (London, 1946)

One of the primary reasons for countertrade in recent years has been the sharp deterioration in the external debt position of many developing countries. As noted in Chapter two, the debt problem has occasioned in its wake a general liquidity crisis and a lack of adequate external financing and developing countries with accumulated interest arrears paying heavy costs in the form of reduced trade credits and damaged trade relationships. Faced with this intolerable debt burden and the risks associated with it, countertrade becomes an attractive option for developing countries seeking to conserve foreign exchange. Where countries set strict limit on the availability of convertible currency reserves the use of countertrade is perceived as an additional instrument for increasing import possibilities. At another level as part of debt rescheduling, many developing countries have had to submit their economies to IMF structural adjustment and austerity programmes which often entail demands for the reduction of imports. The use of countertrade enables major debtor countries to conceal foreign exchange that would be used for debt servicing, in the sense that under barter imports are linked to exports. It has also been suggested that by giving countries new ways of financing imports, countertrade may also add to their bargaining power in debt negotiations.[229] The OECD, in its Countertrade report,[230] establishes a temporal correlation between countertrade practices and the deteriorating liquidity crisis in the Third World. Indonesia, one of the top five developing country countertraders, together with India, China, Brazil and Iran, after experiencing a marked current account imbalance in 1981, made countertrade mandatory for government procurement at the end of that year.[231] Similarly, requests for commercial compensation in Brazil and Mexico increased shortly after external imbalances started to deteriorate in 1979.[232] Some developing countries have settled their debt to other developing countries through goods-for-debt schemes. This works like barter, except that goods are supplied in repayment of debt. Examples include

[229] Frances Stewart, "Countertrade: An assessment", **op.cit.** p.3
[230] OECD, **Countertrade: Developing Country Practices** (Paris: OECD, 1985)p. 14-15
[231]Ibid. p.15.
[232]Ibid.p.14.

Mexico's repayment of a loan from Venezuela in oil and Libya partially paying Indian and Korean contractors with oil. [233]

Governments in developing countries often employ countertrade when faced with protectionism in the form of quota and tariff restrictions. According to Alexandrides and Bowers, protectionism used by developed countries against manufactured exports of developing countries has encouraged countertrade in two ways, "by reinforcing trade management practices, and by diminishing export income of the developing countries, thereby contributing to their debt problems."[234] If countertrade helps developing countries to circumvent protectionism and boost exports, it is also used in the South-South context as a means of diversifying export markets, tapping non-traditional markets and exporting non-traditional products and as an export promotion tool and permitting interregional trade. Another motivating factor deriving from the operation of the hegemonic system has been the commodity price fluctuations and frequent cycles of low prices and hence the perception by developing countries that countertrade offers them an avenue for greater stability by enabling them to exchange primary commodities for essential imports. Recourse to countertrade becomes practicable for some developing countries in situations where their export products are confronted with a saturated market or other cyclical problems. Through the use of discount and/or other preferential measures, countertrade would enable such countries to regularise trade flows and maintain a competitive trading position.

Countertrade practices are often used by developing countries with less consideration for global trading and/or financial constraints but rather out of pure national necessity and for country-specific reasons. Some governments such as Indonesia and Malaysia have pursued countertrade in the context of meeting the objectives of development strategies. The Government of Indonesia, through its Department of Trade

[233] These examples of goods-for-debt are cited in, Helga Hoffman, "Countertrade: Hard Times Option for the South?" **Cooperation South** no.2, 1987, p.13.
[234] Costas L Alexandrides, Barbara Bowers, **op. cit.** p.16

and Cooperatives, introduced guidelines (Guidelines for the Implementation of Linking Government Procurement from Imports with Indonesia Export Products Excluding Petroleum and Natural Gas) in January 1982 requiring foreign suppliers awarded government contracts above 500 million rupiah (about $700,000) to undertake - with procurements financed by the World Bank, the Asian Development Bank, and the Islamic Development Bank, as well as the domestic procurement portion of foreign contracts, professional services and joint projects being exempted - in addition to normal trade transactions, the export of about 30 pre-selected products for countertrade deals.[235] The underlying expectation was for $8 billion in government projects to be subject to countertrade requirements through the development plan which ended in 1984, though because of changes in public investment schedules only about $1.7 billion was subject to counterpurchase through 1984.[236] In the case of Malaysia, the Government in 1982 issued formal countertrade guidelines with a view to achieving a number of objectives: additionality of exports; development of new export markets; increased access to markets where protectionism or competition had hindered the growth of Malaysian exports, primarily industrial country markets; diversification of exports; promotion of non-traditional, high-value-added exports, primarily manufactures and semi-manufactures; maintenance of market share for traditional exports; facilitation of exports to countries with foreign exchange shortages. As part of this concerted countertrade policy, the Malaysian Government created a special countertrade unit within its Ministry of Trade and Industry (Unit Khas Countertrade) charged with the evaluation and approval of countertrade proposals.

Some Third World governments have used countertrade purposely to impose austerity, that is to curtail imports when faced with a deteriorating balance of trade

[235]See OECD, **Countertrade: Developing Country practices** (Paris: OECD, 1985) p.33-34; and Pompiliu Verzariu, **Countertrade, Barter and Offsets** (New York: McGraw-Hill, 1985) pp.57-64.
[236]See Bruce Fitzgerald, "Countertrade Reconsidered", **Finance and Development** vol.24 no.2 (June 1987) p.47

situation. This may be done to avoid some of the transparent costs associated with direct forms of import control. As David B. Yoffie points out, "while more effective in reducing imports than countertrade regulations, direct controls impose transparent costs on the economy. The advantage of countertrade to the government is that the cost of the government regulations are not transparent, which lessens the the political cost of an austerity program".[237] An example of this rationale is the Countertrade Policy of the Colombian Government, governed by Decree no.370 of 1984 until subsequently superceded by Decree no.3707 of January 1986. The former was introduced after balance-of-payments difficulties in 1983 imposed a substantial counterpurchase requirements as much as 200 percent of imports.[238] Decree no.3707 basically permits imports of prohibited and low priority items on condition that Colombian exports are purchased.

EVALUATION OF COUNTERTRADE: COSTS AND BENEFITS

Whatever the rationale, it seems logical to suggest that developing countries enter into countertrade deals with the assessment, perhaps the assumption, that the expected benefits would outweigh the transaction costs. It is also apparent that governments and other proponents of countertrade tend to underestimate the potential difficulties and problems raised by countertrade and the costs involved. The future of countertrade as an instrument for narrowing the hiatus that exists between actual and potential Third World mutual trade and the related question of whether it should be multilateralised on a global basis for the South, rests on an evaluation of the benefits and costs entailed by its employment. Attempting such an evaluation, it should be stated as a caveat, is problematical at best, considering the difficulty of getting accurate statistical information, especially country-level analysis of the impact of countertrade.

[237] See David B.Yoffie, "What motivates countertrade?" in Robert Pringle (ed) **Countertrade in the World Economy** (New York: Group of Thirty, 1985) pp.21-22.
[238] Ibid. p.22.

The widespread use of countertrade in the Third World would seem to suggest that countries involved view it as beneficial or maybe overlook the transaction liabilities, but the prescriptive issue, of whether it should be multilateralised or not, while admittedly dependent on an evaluation of costs and benefits, is perhaps a moot point for one basic reason: countertrade is an approach to South-South trade whose implementation and use did not involve the prodding of Third World institutional units. In other words, countertrade exemplifies a kind of bottom-up approach whereby governments in the Third World have been the initiators of policy with the institutional units having to contend with its implication and potential. Unlike the Global System of Trade Preferences, largely a product of the initiative of Third World institutional units and subsequent negotiations carried out by Third World governments, the phenomenon of countertrade has blossomed in its various forms through concrete actions of Third World governments and the institutional units compelled to respond rather than playing an initiatory role.

The benefits of countertrade are multifarious, as noted from the motivations often cited by governments for engaging in it, but these benefits are for some governments a matter of perception in the absence of a cogent quantification of the balance between costs and benefits. To speak of "perceived benefits" is to recognise the secrecy that characterises some countertrade transactions and the attendant tendency for issues of costs and benefits to be either overrated or downplayed for political and/or administrative convenience. It is this difficulty that prompted an executive to suggest that countertrade has "a high baloney content".[239] In short, the problem mentioned earlier, that of assessing the extent of countertrade, equally affects any evaluation of costs and benefits.

[239]This statement was made by Fred Tarter, President of Deerfield Communications, "Countertrade the corporate experience" Countertrade Seminar, World Trade Centre, New York, Dec.16-17, 1985. Cited in Kenton W. Elderkin and Warren E.Norquist, **Creative Countertrade** (Cambridge,Mass.: Ballinger, 1987) p.36

One of the perceived benefits of countertrade is that of trade creation, and to the extent that it relates to bridging the gap between actual and potential trade flows, makes it an attractive option for generating mutual Third World trade that would otherwise not occur. A study done by the OECD on the impact of barter trade on six developing countries during the period 1950-1976 concluded, by looking at the contribution of barter in terms of trade creation or diversion, expansion of exports and imports, diversification of export structure and change in terms of trade, that barter trade contributed to some extent to expansion of imports and exports, though much of the growth in barter resulted from a diversion of trade from "normal" multilateral to barter-like trading partners.[240] Trade diversion could either be positive or negative depending on a country's priorities. In other words, a Third World country could conceivably pursue countertrade to divert trade from the historically-evolved vertical trade patterns to more horizontal South-South trade channels. The obverse of this situation, as shown by Leland Yeager with reference to post-war European bilateral trade agreements,[241] results from the fact that countertrade as a form of discriminatory trade could create trade but could also divert trade from cheaper sources of supply. Another potential benefit, as noted previously, is that countries faced with a foreign exchange shortage and with non-convertible currencies can maintain or even increase trade among themselves through the use of countertrade measures such as bilateral clearing arrangements. The argument, also noted earlier, is that countries can exchange their export products for much-needed imports and thereby conserve convertible currency that would otherwise have been used for the purchase of imported products. However, as Bruce Fitzgerald cautions, "mandatory countertrade *probably* (emphasis added) drains foreign exchange by increasing transaction costs and reducing competition, so that a nation pays more for its imports and receives less for its

[240] See Ingelis Outters-Jaeger, **The Development Impact of Barter in Developing Countries** (Paris: OECD, 1979)
[241] Leland B.Yeager, **International Monetary Relations: Theory, History and Policy** (New York: Harper and Row, 1976) Chapter 21.

exports".[242]

As noted previously, countertrade has punctuated normal trading contacts within Third World regional preferential agreements such as the Preferential Trade Area for Eastern and Southern Africa (established with the primary objective of the reduction and eventual elimination of tariff and non-tariff barriers among its members) and the Latin American Integration Association (established by the 1980 Montevideo treaty as an area of economic preferences and partial scope trade agreements). The benefits of such multilateral interregional countertrade or even bilateral countertrade within preferential trading schemes include the easing of foreign exchange difficulties, obtaining trade credit and the use of barter for ensuring regional food security. In their report to the UNCTAD Secretariat, a group of consultants on ECDC in Trade and Finance has indicated that if employed as an additional and complementary instrument, countertrade "could also contribute to strengthening a rational process of interregional import substitution among developing countries and could help to ensure a better balance in the trade relations among the more advanced and relatively less developed among developing countries".[243]

Some perceived benefits of countertrade have been mentioned in conjunction with the idea of "control" or sovereignty over economic decision-making, which extends to control in external trading issues such as stabilisation of export revenues, new market penetration, the cultivation of opportune trade patterns and balancing of trade. The exercise of control in the domestic realm and over external economic factors derives from the perception that "countertrade fosters stability in industrial planning, terms of trade support, diversified trade relations, a new 'partnership' with multinational corporations, bilateral balance and disguised austerity programmes".[244] The notion of Third World countries exercising control over trade, albeit outside GATT system, is an engaging

[242] Bruce Fitzgerald, "Countertrade Reconsidered", **op.cit.** p.48
[243] UNCTAD, **Strengthening the Weakest Link - A Review of Certain Aspects of South-South Trade and Finance** (New York: UN, 1986) para.81
[244]Griffin, Jr.JC., and Rouse,W., "Countertrade as a Third World Strategy of Development" **Third World Quarterly** vol.18 no.1 (Jan.1986) p.195.

argument for the multilateralisation of countertrade in the South. If countertrade is managed under a multilateralised framework that is at the interregional level, it could conceivably grant developing countries a bastion of trading practices from which changes to the constituent elements of the hegemonic regime could be launched and perhaps such restructuring hastened. In short, multilateralisation of countertrade is congruent with the end of collective self-reliance - that is, the restructuring of the global economic system. Furthermore, since the conclusion of a GSTP among developing countries is evidence of the importance of multilateral instruments for promoting Third World mutual trade, the multilateralisation of countertrade would be a step in the same direction. It will stifle the bilateralism that characterises much Third World trade and enhance the trade complementarity and trade possibilities of the Third World.

As with the benefits, the costs of countertrade are often hidden, underestimated or simply ignored by proponents of countertrade. One issue that frequently crops up in the evaluation of countertrade, but is difficult to quantify and similar to the ascertaining of its trade creation or diversion potential, relates to its macro-economic impact on overall exports otherwise called the "issue of additionality". The basic question to be posed is: Does countertrade promote exports? While proponents of countertrade cite the trade-creating possibilities under countertrade, and the fact that countries can use countertrade to increase exports above the level permitted by foreign markets, there is the other argument, noted by T.C.Kopinski, that "a mandated countertrade policy does not result in additional exports, but rather in the shifting of the structure of a country's exports, in all likelihood to its economic disadvantage".[245] The issue of additionality may depend on the country in question, its trade partners and even the type of countertrade deal used.

Pricing in countertrade transactions can sometimes leave much to be desired. The lack of transparency in the pricing of countertrade is a serious problem. Prices often

[245]T.C.Kopinski, **op.cit.** p.12.

fluctuate from one order to the other and also goods are often sold either at lower, nominal or undisclosed prices. In addition, as T.C.Kopinski points out, "to the extent that countertrade does distort price structures, this may negatively affect the internal allocation of domestic resources. Higher factor prices in a particular sector could be interpreted as an opportunity for further investment in that sector or alternatively they could lead to incorrect evaluation of projects that utilize inputs or capital goods purchased at prices that diverge significantly from those on the open market".[246]

Another related problem is that "the prices of countertrade transactions must also incorporate a share of the partner's administrative, legal and technical costs - expended not only on the one particular deal, but also on the identification and negotiations of other countertrade transactions that may never come to fruition; this cost can be considerable, given the fact that the success ratio of deals explored to deals completed is very low".[247]

Countertrade can be risky business for countries without the requisite background and/or marketing skills. These risks may range from poor quality of goods and uncertainties about long-term availability of products to concern about whether the necessary approvals for linking imports and exports will be fulfilled. As one scholar points out, "risks increase with the duration of the deal as countertrade arrangements extend over several years".[248] Countertrade practices often require some form of institutionalization or bureaucratic requirements outside those established for normal trade. The institutions such as the Unit Khas Countertrade in Malaysia and the Department of Promotion and Markets (the Countertrade Unit of Brazil's Carteira do Comercio Exterior) offer the administrative framework for effective evaluation and approval of countertrade deals. For many developing countries development of new institutions is a drain on national coffers and scarce administrative resources. The absence

[246] Ibid. p.11.
[247] Ibid. p.10.
[248] Kyung Mo Huh, "Countertrade: Trade without cash" **Finance and Development** vol.20 no.4 (December 1983) p.15.

of legislation or administrative infrastructure could mean interminable delays in putting deals through the existing system. Where trading companies are used in countertrade deals, developing countries have to contend with transaction costs such as fees and commissions, normally in the range of 1-3 percent of the total value of the countertrade commitment, though this figure may be higher depending on the nature of the deal.

Countertrade will likely remain a feature of Third World mutual trade as long as the perception persists in the Third World that it is a positive-sum adjustment or response by participants to the crisis of illiquidity, protectionism and other structural problems within the global economy. It is in this sense of conceptualising Third World countertrade as crisis-driven that any suggestion of aberrancy is not only inapt but does not take into account the fact that weak states, acting from the perception of structural inequities in global trade, would embark on policies deemed necessary to overcome the difficulties of the existing system. The use of countertrade in South-South trade is beneficial to the extent that it engenders bilateral and/or multilateral cooperation, and in a significant way contributes to extricating developing countries from the 'colonial' trade directionality. In a sense countertrade affords developing countries the opportunity to play a double game, that is, work with the North for trade liberalization (eg. the Uruguay Round) while at the same time using countertrade in conjunction with their own multilateral treaty (GSTP) for intra-trade.

GLOBAL SYSTEM OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES

The Global System of Trade Preferences (GSTP) - a major Third World regime for the promotion of mutual trade - concluded at a Group of 77 Ministerial meeting in Belgrade in April, 1988, is a conscious policy instrument designed to break the hiatus between actual and potential trade. As a mechanism for trade expansion and facilitation, it represents the apogee of efforts to move trade cooperation from the level of rhetoric to concrete global rules, priniciples and procedures of a contractual character. In a Declaration adopted in Belgrade, the participants noted that "the Agreement on the GSTP, being the Group of 77 Ministerial meeting in Belgrade in April, a Group of 77 to enhance mutual economic cooperation on a definitive legal basis, constitutes an historic development of great political and economic significance".[249] Originally conceived as part of the 1976 Mexico City Programme on ECDC, the GSTP was fashioned as the cornerstone of the ECDC process in the area of trade expansion and facilitation. The GSTP is a sort of trade regime within the wider global trading regime, and as a regime governing exclusively trade relations among developing countries, it departs in coverage and geographical scope from the traditional North-South exceptional preferential arrangement - The Generalised System of Preferences (GSP) - which is part of the GATT regime and sub-systemic arrangements such as the Caribbean Basin Initiative and the Lomé trade preferences granted by the European Community to the African, Caribbean and Pacific states. As stated in the Preamble, the GSTP is intended to "constitute a major instrument for the promotion of trade among developing country members of the Group of 77 and the increase of production and employment".[250] Essentially these objectives are to be achieved through the exchange of mutually advantageous tariff, para-tariff and non-tariff concessions on the basis of mutuality of advantage.

[249] See UNCTAD Bulletin, "GSTP: An historic event for the Third World", no.243 (May, 1988) p.2.
[250] Ibid. p.3

Developing countries have tried various forms of preferential arrangements especially at the regional level and also within the framework of GATT. Most of the Third World regional integrative schemes have elaborate measures for the reduction or elimination of barriers to trade. For the most part, the emphasis has been on the reduction of tariffs, though in many cases there are special supplementary arrangements designed to foster trade in specific industrial sectors, often supported by special payments arrangements or similar schemes intended to facilitate the financing of intra-trade. With the inspiration of the Non-aligned Movement, India, Egypt and Yugoslavia signed a Tripartite Agreement in 1968 aiming at a preferential mutual tariff. Another interregional preferential scheme, albeit under the auspices of GATT, known as the GATT Protocol relating to Trade Negotiations among Developing Countries, came into force in 1973 with 16 original signatory countries committing themselves to exchange tariff preferences. The UNCTAD Secretariat co-serviced and supported negotiations leading to the signing of the Protocol.

Without doubt the GATT Protocol suffered from the limited of number signatories (none from sub-saharan Africa) and its limited product coverage. The signatories envisaged no cooperation beyond the exchange of mutual preferences and the Protocol remained and operated exclusively within the narrow framework of exchanged tariff concessions. Furthermore, the Protocol, unlike the GSTP, emphasized tariff preferences to the exclusion of a whole gamut of non-tariff barriers obstructing access to many developing countries' markets. Many of the shortcomings of the Protocol have been eliminated by a re-negotiation; nevertheless developing countries found it expedient, in line with the desire of collective self-reliance, to create a comprehensive preferential system on a global scale. As B.G. Ramcharan puts it, "the GSTP represents an attempt by a group of historically disadvantaged countries to assist themselves through the practice of intra-group solidarity and mutual self-help".[251]

[251] B.G. Ramcharan, "Equality and Discrimination in International Economic Law: The proposed global system of trade preferences among developing countries" **Year book of World Affairs** 1984 p.214.

The aims and objectives of the GSTP relate unquestionably to the establishment of a new trading regime that caters exclusively to Third World aspirations for changing its historical trade directionality and attenuating the trade dependence on the North. The scheme is geared to sustaining the intra-trade of developing countries by obviating some of the historical barriers and policy distortions within the South. As an autonomous preferential arrangement, the GSTP, in conjunction with other complementary measures, aims at strengthening South-South cooperation. This is crucial, considering that the GSTP *per se* cannot singularly bridge the chasm between actual and potential trade flows, hence the need for other supporting measures in this regard. For instance, the Declaration adopted at Belgrade concedes this point by expressing confidence that the whole process would "enhance cooperation in complementary measures to support trade expansion among the members of the the Group of 77, including financial arrangements, payments, exchange of technical skills and cooperation in the fields of shipping and transport, as well as joint ventures among developing countries".[252]

Underlying the GSTP are a number of principles (Article 3) which distinguishes it from other schemes and also further explicates its *raison d'être*. The first principle, as set out in Article 3(a) relates to the exclusivity of participation: "The GSTP shall be reserved for the exlusive participation of the Group of 77".[253] The GSTP is to be based and applied on the principle of mutuality of advantages in such a way as to benefit equitably all participants, taking into account their respective levels of economic and industrial development, the pattern of their external trade and their trade policies and systems. (See Article 3c) The GSTP will unquestionably subject the economies of developing countries to a higher degree of mutual competition so it is conceivable that depending on the margin of tariff preferences unequal distribution of gains will result. A recent study that simulates the likely increase in intra-trade that would occur under different margins of tariff preferences concludes that "with infinitely

[252] UNCTAD Bulletin, op.cit. p.2.
[253] See Agreement on the Global System of Trade Preferences among Developing Countries. GSTP/MM/Brasilia/2/Part. 1.

elastic supply full (100%) preferences could increase intra-trade by as much as $14 billion per year, which represents a 17% rise over current levels". [254] On the other hand, preferences in the range of 10% will produce only a marginal expansion of between $800m and $1.4 billion in South-South trade.[255] The possibility of unequal distribution of benefits highlighted in the study calls for strong application of article 17 on "special treatment for least developed countries and Article 14 on Balance-of-payment measures" to ensure attainment of mutual benefits for all participants.

Another important principle under the Agreement is that the special needs of the least developed countries have been recognised in the sense that they " ... will not be required to make concessions on a reciprocal basis". (Article 3f) The Agreement foresees the adoption of concrete preferential measures in favour of the least developed countries, at present numbering forty-one. In conformity with the principle of mutuality of advantages, all tariff, para-tariff and non-tariff concessions negotiated and exchanged among participants in a bilateral/plurilateral negotiations are to be extended to all participants on a most-favoured nation (MFN) basis.[256] In other words, under the GSTP trade relations are to be conducted on the basis of equality of treatment or non-discrimination. There are some exceptions to the MFN rule included in the GSTP, such as the preferential concessions applicable exclusively to exports from least developed countries, and preferences applicable within sub-regional and interregional groupings of developing countries. Unlike the GATT Protocol, whose product coverage was limited to manufactured goods, the GSTP covers all products, manufactures and commodities in their raw, semi-processed and processed forms.

With its extensive geographical scope, comprehensive product coverage, a large number of components and wide range of preferential arrangements, the GSTP is a dynamic instrument, that is, it will be negotiated step by step, improved and extended in successive

[254] R.Erzan, S.Laird and A.Yates, "On the potential for expanding South-South trade through the extension of mutual preferences among developing countries", **World Development** vol.16, no.12.,Dec. 1988, pp.1449.

[255] Ibid. p.1449

[256] See Chapter VI, Section 1 on the MFN obligation of the GSTP

stages with periodic reviews. Article 6 sets out the modalities or approaches to be employed in negotiations as follows: (a) product-by-product negotiations; (b) across-the-board tariff reductions; (c) sectoral negotiations; (d) direct trade measures including medium and long-term contracts.

On the relationship between the GSTP and regional and sub-regional preferential schemes, a principle is enshrined in the Agreement to the effect that the GSTP recognizes the importance of full participation and contributions by these integration groupings to the attainment of its objectives. Here the principle is that the GSTP must supplement and reinforce present and future sub-regional, regional and interregional economic groupings and must take into account their concerns. Three groups have been distinguished within regional integrative schemes:

(a) those that have already fully eliminated all tariffs on intra-group trade;

(b) those in which tariff liberalization on intra-group trade has proceeded beyond the levels being proposed for an across-the-board cut; and

(c) those in which tariff liberalization has not yet reached the level being proposed for the across-the-board tariff cut.

For schemes in the first group, it has been said that the implementation of an across-the-board tariff cut applicable to imports from all developing countries would have the effect of eroding the existing levels of preferences enjoyed by regional partners vis-a-vis other developing countries, and that this erosion could only be avoided if the level of tariffs from non-preferred, that is developed country sources, were correspondingly increased to create the margin of preferences to be extended to third developing countries. Within respect to the second group, preferences granted to third developing countries would also erode existing intra-group preferences, but a level of such preferences could be maintained by deepening the process of intra-trade liberalization. Regarding the third group, an across-the-board tariff cut would more than offset existing intra-trade preferences, and would require a substantial deepening of the trade liberalization process within such groupings in order to maintain some level of distinctive intra-group preferences[257]

With regards to dispute settlement the guiding principle is that of consultations. Each participant is obliged to accord sympathetic consideration to, and must afford adequate opportunity for, consultations regarding any matters affecting the operation of the GSTP Agreement. If consultations fail, the matter may be referred to the Committee of Participants. The Committee consults with the Participants convened and makes appropriate recommendations (See Article 19). As a regime governing Third World trade, the GSTP Agreement is a significant collection of specific rights and obligations. A major GSTP obligation is the commitment relating to the schedules of concessions. The central obligation of the GSTP is the "concession", which is commitment by a participant to provide a preference on a particular product, and not to impair or nullify the agreed concession. The obligation centres around the binding of the concessions and the maintenance of their value. In addition the Agreement provides for other obligations of notification and supply of information, consultation requirements and observation of rules of origin.

The GSTP obligations seem to be based on provisions incorporating legal norms requiring strict implementation; however, the GSTP Agreement further contains a number of provisions that relax its obligations. The Agreement foresees the possibility of an importing country taking safeguards measures to ward off serious injury, or threats of serious injury, to domestic producers of like or similar products which may arise as a direct consequence of an unforeseen substantial rise of imports enjoying preferences under the GSTP. The GSTP Safeguards provisions are much tighter than in the GATT. Moreover, all the elements of a comprehensive safeguards agreement that the South has been demanding in GATT have been incorporated within the GSTP. Again, terms like 'domestic producers', 'serious injury' etc. that have been the subject of dispute within GATT have been clearly defined in the GSTP. Other exceptions to the obligations in the GSTP include balance of payments measures, non-application and security exceptions, economic integration groupings and differential

[257] Ibid. paragraph 27.

treatment to least developed countries. It could be argued that the GSTP's relaxation of its equality of treatment obligation is comparable to Part IV of the GATT (on Trade and Development) which, as noted in Chapter two, clearly recognised the fact that the disparate stages of economic development among the Contracting parties was a factor not to be neglected. What is significant here is that it took the Third World 16 years before Part IV was added to GATT. In short, under the GSTP, special and more favourable treatment for least developed countries and their right not to provide "full reciprocity" has been made an integral part of the Agreement, whereas under the GATT the provisions of Part IV are not contractual obligations only "recommendations". As previously noted in Chapter two, Article 1 of the GATT contains its MFN principle which imposes on the Contracting parties the obligation to grant each other equality of treatment:

> *any advantage, favour, privilege or immunity granted by any contracting party to any product orginating in or destined for any other country shall be accorded immediately and unconditionaly to the like product orginating in or destined for the territories of all other contracting parties.*

The 1979 GATT Decision (Enabling Clause) on "Differential and more favourable treatment, reciprocally and fuller participation of Developing countries", enables Contracting parties to GATT, notwithstanding the non-discrimination provisions embodied in Article 1 of the GATT, to "accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties". The Enabling Clause also applies to regional or global arrangements entered into among developing countries for the mutual reduction or elimination of tariffs and non-tariff measures on products imported from one another. Another distinction between the GSTP and GATT, it has been argued, is that "the GSTP MFN treatment applies only to preferential concessions included in the schedules. This obligation differs from the GATT obligation to extend the schedules but also to other tariffs and non-tariff measures in respect of which such concessions have not been made".[258]

[258] See Mahmoud Addel-Bari Hamza, **The Global System of Trade Preferences: Origins, Dimensions, Negotiations and Prospects** (UNCTAD ECDC Division:

The GSTP does not address questions of trade finance and other elements hindering South-South trade expansion such as lack of transport infrastructure, nor does it deal with the countertrade issue, particularly whether it should be multilateralised. On the whole, the assessment could be made that trade cooperation among developing countries, with the goal of changing the historical directionality of Third World trade, has moved up the ladder of commitment with the institution of the GSTP that rivals the GATT in terms of geographical scope, product coverage and components. It is a regime that gives concrete expression to desire of Third World countries for collective self-reliance and relegates almost to a memory decades of inaction since developing countries called for mutual economic cooperation at the Bandung Conference in 1955. It is also a move toward greater policy coordination in trade relations and a step in the direction of changing the directionality of Third World trade and bridging the gap between actual and potential trade flows.

CONCLUSION

This chapter has outlined the existing trends in Third World intra-trade - its commodity composition, regional versus inter-regional pattern - and assessed developments in the periods of nascency, mature development and oscillatory dynamism. While these terms may suggest continued dynamic trends in intra-trade, the stark reality is that South-South trade is abysmally low by whatever standards one employs in assessing it. The major reasons for this state of affairs are systemic obstacles and internal policy distortions that thwart South-South trade. In the strategy of ECDC, Third World countries have embarked on deliberate policy-induced measures such as ASTRO and the GSTP regime. In case of the GSTP, cooperation is based on acceptance of a regime that concretely expresses some of the major principles of the South. Countertrade, on the other hand, has elements of spontaneity and is embraced by the South as a conjunctural response to the crisis of illiquidity and

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[258](cont'd) GSTP/NC/TP/2 p. 128.

protectionism in the hegemonic system. Since countertrade takes place in the absence of any clear guidance from the institutional units, it differs from the GSTP and the ASTRO which are concrete expressions of collective social will. Trade cooperation, whether by way of countertrade or the GSTP, illustrates the conjoining or the dynamic of the objective and subjective determinants of South-South cooperation. The latter is cooperation on the basis of cooperation ideological principles with strong institutional direction, while the latter lacks any form of institutional guidance. South-South measures such as cooperation in shipping, ASTRO, and proposals for MMEs are all geared toward breaking the existing hiatus between actual and potential trade.

TABLE 12

BARTER OF AGRICULTURAL COMMODITIES BETWEEN DEVELOPING COUNTRIES

Countries		Time Frame	Commodities Exported		Remarks
A	B		A	B	
Ethiopia	Algeria	3-yr annual renewal	Coffee, hides and skins, oilseeds, spices and other agricultural products	Industrial products	No specific quantity First trade agreement between these two countries Signed at ministerial level
Venezuela	Argentina	1976	150,000 mt iron ore	20,000 mt wheat; 100,000 mt grain, sorghum, or corn	Prices to be established prior to each monthly shipment Argentina will pay for the rest in cash Shipments were delayed due to logistics problems
Peru	Argentina	1976-78	Copper,iron ore,cotton	Wheat,corn, beef,offal	Value equalled U.S.$150 m
Peru	Brazil	1977-80	Minerals, fishmeals	soybeans	
Bangladesh	Bhutan	9/8/80	Dried fish, newsprint, jute and jute products	Forest products and stone boulders	Trade agreement. Signing had been delayed almost 2 years because of Indian displeasure over the

					agreement. The agreement is of greater interest to Bhutan because the country is eager to reduce dependence on India and contributes to strengthening ties with other small countries of the region.
Zambia	Zimbabwe	One-time transaction	10,000 mt cottonseed (cottonseed cake)	2,5000 mt cottonseed oil	Barter agreement awaits purchase of machinery by Zimbabwe. Zimbabwe will keep the cotton seed meal in payment for crushing seeds and will return the oil to Zambia. No foreign exchange involved. Each country will pay transport costs within their boundaries.
India	Uganda	Nov.81	Spices,pepper, cardamon, oilcakes, cotton	Phosphates, superphos sphates	Goods into both countries will be accorded most -favoured nation

		to Nov.83			treatment. Simultaneously the two countries signed a memorandum of understanding providing for technical assistance in agriculture from India to Uganda.
Bangladesh	Pakistan	2/8/82 March 1982 to May 1982	Jute, agricultural	100,000 mt.rice	Over half of the rice has been paid for by Bangladesh exports; a small amount of cash may be involved in the end with no interest charge. Another source has stated agreement calls for Sindi rice 40 to 45% broken, in bags, \$250 to \$255 FOB Karachi.

Note: mt = metric ton
Source: Donna U. Vogt et al., *Barter of Agricultural Commodities: IED Staff Report*, US Department of Agriculture, April 1982.

IV. TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES: CONCEPT AND MODALITIES

INTRODUCTION

Technical cooperation among developing countries(TCDC) is the form of South-South cooperation that is more pervasive yet less visible and affects human resource and self-sustained development. It also addresses sustainable development, with its components of basic human needs and inter-generational equity over natural resources, to the extent that it deals with the strengthening of essential human and institutional infrastructures and often involves the adoption of common approaches to the management of the natural resource base of developing countries. TCDC also covers technological and scientific cooperation among developing countries or horizontal transfer, creative adaptation, dissemination and application of proprietary technology based on the principle of ensuring that partners have an equitable economic, technological and productive share in the exchange. TCDC exchanges are organized predominantly on a people-to-people basis and constitute the earliest expression of cooperative activity within the South.

In contemporary South-South relations, it is TCDC that enables a Mexican specialist from the Instituto Politecnico Nacional de Mexico (IPN) to train at Cuba's Central Telecommunications laboratory in the use of electro-acoustic test systems for telephones,[259] and at the same time provides the framework for countries such as Afghanistan, Bangladesh, India, Iran, Maldives, Pakistan and Sri Lanka to join together under the ambit of the South-Asian Cooperative Environment Programme to overcome common environmental problems.[260] It is the same framework under which India, Iran, Pakistan, Sri Lanka and

[259] TCDC News no.8 (January-March,1981) p.30.
[260] TCDC News no.10 (July-September, 1981) p.23.

Thailand have formed the Regional Network for Agricultural Machinery (RNAM) to exchange machines developed within their region in order to adapt them for local use.[261]

In a nutshell, TCDC involves the concept of building "bridges across the South" and brings practicality to the idea of developing or exploiting the latent complementarities of Third World economies and achieving a fuller mobilization of their resources. As defined by the UNDP Governing Council, "TCDC activities or projects involve the deliberate and voluntary sharing or exchange of technical resources, skills and capabilities between two or more developing countries for their individual or mutual development".[262] Similarly, TCDC has been defined broadly to include "all forms, instruments and fields of cooperation among developing countries aimed at strengthening the existing and creating new knowledge and technology in developing countries and enhancing their human and material capacities for successful socio-economic development".[263]

TCDC embodies the concept of self-help in the sense that it of rather than rely solely on traditional forms of development assistance and adjustment programmes and also enhances the creative capability of the South to solve its own development problems. It shares with the phenomenon of countertrade a marked bilateralism; however, unlike countertrade, it has strong institutional support from the UN system and in Third World institutional units. This section will examine the various elements of TCDC and distinguish the three components of this issue-area, the coordination of policies and programmes emanating from the UN system (the top-to-bottom approach), the bilateral (bottom-to-bottom approach) forms of TCDC and, finally, the regionalist approach.

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[261] See **Cooperation South** no.1, 1988 p.17.
[262] UNDP Governing Council Decision 81/31 on "TCDC and Policies, Rules and Procedures of UNDP", **TCDC** News no.10, (July-Sept.,1981) Annex 1.
[263] UN, High Level Committee on the Review of TCDC, **Joint Ventures through TCDC and their economic potentials**, TCDC/2/Inf.6. 27 May 1981 p.7.

ORIGINS OF TCDC

The promotion of technical cooperation among Southern countries is not a recent phenomenon; indeed, as with the general process of ECDC, it is as old as recorded history of the South. As Michael Priestley points out, "the traditions of sharing experience, techniques and resources with friends and neighbours were deep-seated in the cultures and histories of most developing countries".[264] The concept of TCDC, particularly the relatively recent vintage seen more as a key component of the strategy of collective self-reliance, [illegible]ld in the Third World during the period of decolonisation and after independence partly as a response to the prevailing view in the late 1950s and 1960s of scholars and policy-makers of the modernization school that technology, ideas and skills should be diffused from the developed to the developing countries. 'Modernization' when first popularised by US policy-makers as part of President Truman's 1949 Point Four programme, envisaged the transmission of scientific and industrial knowledge to the Third World.[265] In short, to ensure "take-off" from a largely traditional society the recommendation was for the Third World to undergo an industrial revolution under the tutelage of developed country investments, diffusion and application of modern technology to resources and the transference of skills. Other scholars[266] who conceived of modernization as purely an economic phenonemon grappled with the question of whether historical patterns of economic change in the Northern countries could recur in the Third World.

From the modernization perspective, then, the transfer of technology, defined as "the movement of knowledge, skills, organization, values and capital from the point of generation to the site of adaptation and application",[267] was conceived as vertical or North to South in

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[264]**TCDC News** no.1 (1983) p.3

[265]See James Mittleman, **Out of Underdevelopment: Prospects for the Third World** (London: Macmillan, 1988) p.32.

[266]See for example, David E. Novack and R. LeKachman, eds. **Development and Society: The dynamics of economic change** (New York: St. Martin's Press, 1964); P.T. Bauer and B.S. Yamey, **The Economics of Underdeveloped countries** (Cambridge: CUP, 1957); Albert Hirschman, **The Strategy of Economic Development** (New Haven: Yale Univ., Press, 1958)

[267]James Mittleman, **op.cit.** p.54.

directionality. Whether it was dichotomous formulations of *Gemeinschaft* versus *Gessellschaft* by Ferdinand Tonnies, Rostowian Stages of Growth or sequential crises to be averted by the Third World, the implicit assumption and/or normative and prescriptive emphasis was on developing countries depending on the guidance and diffusion of the North not only as a terminus to be emulated but also for a whole range of technical capabilities. Dual categories and distinctions made between nations and segments of a society in terms of tradition and modernity permeated the area of technology where the recommendations usually was for the adoption and application of scientific knowledge instead of what were said to be archaic and staid practices in the Third World. Unlike developmentalist prescriptions, TCDC does not place doubts or question traditional practices but rather employs and shares them with other Third World countries. The ideology of "developmentalism" formed the basis of the modernization approach. As described by R. Higgott, "such an ideological support system justified not only the political decolonization process but, underwritten by the intellectual genius of western socio-technological knowledge, the appropriateness and virtuousness of the transplantation of western culture, institutions and technology".[268] As opposed to this perspective or approach to Third World development, the framework inherent in the TCDC approach places emphasis on solidarity, collective self-reliance and the need to increase Third World countries' confidence in each other's technical capabilities. This involves exchange of human resources, mutual transference, absorption and adaptation of technology and skills to meet each other's developmental needs. Whereas modernization theorists stress verticality and diffusionism, the focus of TCDC is on the horizontal process of increasing Third World confidence in each other's technical capabilities.

The development of TCDC also derives from the subjective bridge-building that accompanied the establishment of the non-aligned movement. Again, unlike the developmentalist orientation, TCDC is initiated and organized primarily by developing countries, may involve participation of public institutions, private organizations or

[268] R. Higgott, **Political Development Theory** (New York: Croom Helm, 1983) p.3.

individuals, and is carried on with or without support of developed countries, the UN development system and other international organizations. As K.K. Dadzie, Secretary-General of UNCTAD, points out, "TCDC does represent a crucial and innovative departure because - for the first time - technical cooperation among developing countries is being systematically structured and organized as a distinctive major component of the international development effort".[269] It was noted in Chapter two that TCDC was one of the sectors identified at Bandung for mutual cooperative efforts. There was an early statement of the need, contrary to prevailing prescriptions of the developmentalist school, for mutual provision of technical assistance and the exchange of know-how and common research institutes for imparting technical knowledge. Within this context, TCDC emanates from the subjective self-understandings and solidarity (affinity, reciprocity and complementarity) developed at Bandung. Bandung inaugurated the idea that diffusion of ideas and technology need not be of a North to South directionality, rather that South-South interchange of information and solutions serve to strengthen collective self-reliance and horizontal patterns of development.

Cooperation ideology in the Third World as developed at Bandung was to be expressed in practical terms in the form of joint efforts at strengthening scientific and technological capabilities. These efforts were geared toward questioning the analytical starting-point of some modernization theorists - the technical backwardness and technological inferiority of developing countries - that is, to generate optimal technological interchange essential to implement the concept of collective self-reliance. Since the early affirmation of the importance of TCDC at Bandung, Third World countries have continually sought modalities and fields for cooperation, aspects of organization and coordination, and established common institutions to tackle issues of technology and technical cooperation. Elaboration and reaffirmation of the concept of TCDC has occurred in a number of Third World fora including the fifth Conference of Non-aligned Heads of State at Colombo in 1976, and the Mexico City Conference on ECDC of the same year. Furthermore, the Caracas Programme of

[269] TCDC News no.4 (Oct.-Dec,1979) p.9.

Action adopted by the Group of 77 in May 1981 reaffirmed the importance of TCDC as an instrument for the promotion and implementation of ECDC with the following recommendations:

(1) Priority utilization of the skills and opportunities available in the developing countries,

(2) A study to draw up a model contract defining the conditions for recruiting experts from the developing countries and the convening of a group of experts to study the matter prior to the end of 1982;

(3) Creating or reinforcing the TCDC systems at the national level, in cooperation with the ECDC focal points, with a view to gathering, processing and disseminating information concerning the methods, knowledge and experience acquired and opportunities available in matters pertaining to TCDC;

(4) Increasing cooperation and coordination among the national TCDC systems so as to study the methods which will ensure optimum use of the human and financial resources available for TCDC at the bilateral, regional and international levels.

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In the evolution of TCDC from ideas to practical implementation, the strong support of the UN system has to be mentioned. The UN General Assembly has given recognition to the importance of TCDC in a number of resolutions (for instance, 32/182 of 19 Dec. 1977), though the United Nations Development Programme (UNDP) is the major organization within the UN system actively involved in the promotion of TCDC. Two major conferences organized under the auspices of the UN resulted in declarations that have become significant benchmarks in the evolution of TCDC programming and implementation. The Kuwait Declaration on Technical Cooperation among developing countries adopted by a group of consultants in 1977, noted that TCDC is "a historical imperative brought about by the need for a new international economic order. It is a conscious, systematic and politically motivated

[270] See TCDC News no.10, (July-Sept.,1981) p.17.

process developed to create a framework of multiple links between developing countries".[271] The 1978 UN Conference on TCDC in Buenos Aires adopted the Buenos Aires Plan of Action (BAPA) for promoting and implementing technical cooperation among developing countries. The Plan specifies guidelines for strengthening TCDC as an integral part of the Southern goal of collective self-reliance. BAPA has 38 recommendations for action ranging from national programming and mechanisms for promoting TCDC to the global-level call for all organizations within the UN system to play a prominent role as "promoters and catalysts of TCDC".[272]

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[271]UNDP, **Buenos Aires Plan of Action for promoting and implementing technical cooperation among developing countries** (New York:UNDP) p.7.
[272]Ibid. p.15.

TCDC: CONCEPT AND RATIONALE

South-South technical cooperation is basically an exercise in mutual exchange of knowledge and experience. TCDC is built on the enhancement of communication, the sharing of knowledge to deal with problems that often require Southern solutions. As Melvyn Westlake points out, "what TCDC amounts to is the sharing of experience, skills and knowledge. If one country has accumulated expertise or technological know-how, in say, fish breeding, or pest control or small-scale biogas digesters, this can be of immense value to many others".[273] It is the form of arrangement that allows the use by Honduras of pre-fabricated, modular wooden bridges initially developed by Kenya[274] and enables Zambia to obtain a salt iodization plant from India.[275] TCDC, then, is a creative instrument for promoting cooperation and collective self-reliance. In BAPA, TCDC is described as "a means of building communication and of promoting wider and more effective cooperation among developing countries. It is a vital force for initiating, designing, organizing and promoting cooperation among developing countries so that they can create, acquire, adapt, transfer and pool knowledge and experience for their mutual benefit and for achieving national and collective self-reliance, which are essential for their social and economic development".[276]

The concept of TCDC is not substitutive of traditional forms of technical cooperation nor is it suggestive of the principle of autarchy in the development of technical capabilities. Indeed Recommendation 36 of BAPA advocates the productive linkage and harmonization of TCDC and traditional (North-South) technical cooperation. BAPA has also projected TCDC as neither an end in itself nor a substitute for technical cooperation with developed countries. In short, the goal of TCDC is not autarchy or complete severance of links with the developed countries. As with the general process of ECDC, technical cooperation among Third World counntries is founded on a body of principles that form the basis of Southern commonality. BAPA states that, "TCDC as well as other forms of cooperation among all countries must be

[273] See **TCDC News** no.1 1983 p.5.
[274]Ibid.p.19
[275]**TCDC News** (Jan-March,1981) p.13.
[276]See, UNDP,BAPA op.cit. p.5.

based on strict observance of national sovereignty, economic independence, equal rights and non-interference in domestic affairs of nations, irrespective of their size, level of development and social and economic systems".[277] TCDC and the GSTP represent the strongest expression of cooperation on the basis of shared ideological principles of solidarity, non-interference and mutuality of interest.

TCDC ideas, as conceived and espoused by the South, should not be seen in simplistic terms as or equated with technological determinism or the notion that changes in technique are the key to obviating underdevelopment. It is seen as part of the comprehensive measures designed to foster the collective self-reliance in consonance with their aspirations and developmental needs. If technological determinism is not the objective of TCDC, it aims all the same "to strengthen existing technological capacities in the developing countries, including the traditional sector, to improve the effectiveness with which such capacities are used and to create new capacities and capabilities ..."[278] The building of bridges extends practically to the improvement and strengthening of communications among Southern countries. Such communication linkages or, in broad terms, dialogue, particularly those entered into on a people-to-people basis at the grassroots level, takes the concept of South-South cooperation away from conference halls and global-level coordination of policy to the populace of the Third World. As noted earlier, the offshoot of such grassroots cooperation is greater awareness of common problems and the creation of knowledge in meeting pressing problems confronting them. Carlos del Castillo has noted that the "TCDC concept is promoted whenever two or more developing countries start a dialogue on developmental matters, whenever technical solutions are shared, when technical cooperation is used to pave the way for economic cooperation: in general when using the South-South bridge as the preferred option".[279] An example of such efforts is Trinidad and Tobago's Caribbean Industrial Research Institute helping Bostwana to transform its sorrel crop into a nutritious drink - a

[277]Ibid.p.7.
[278] Ibid. p.7.
[279]Carlos del Castillo, "TCDC: From inputs to outputs", **Cooperation South** no.2 1987 p.21.

programme that provides employment and self-employment opportunities to Botswana farmers, particularly rural women. [280]

The concept of TCDC aims at breaking the attitudinal barriers and lack of adequate information on technical capacities of developing countries by emphasizing developing countries' own capabilities in initiative, management and innovation in executing projects. It deals head-on with the attitudes still percolating in some segments of the development community that in a majority of fields the capabilities of the Third World are second rate. A group of consultants has noted in a study for the UNDP that "TCDC could supply regular or periodical information on: internationally competitive technological level and on sectors where developing countries develop technologies and the know-how appropriate for their needs and conditions".[281] The UNDP's Computerized Data Base (INRES-SOUTH) is a step forward in overcoming the attitudinal barriers since it provides information on expertise and training facilities in developing countries available for TCDC activities. DEVNET/TIPS is a South-South technological and trade information service supported by the UNDP and the UN Fund for science and technology. It collects and disseminates trade and technological information from and in the developing countries. DEVNET/TIPS processes and publishes information which will either lead to transfer and exchange of technology or trade among the developing countries. The information is broken down into daily SouthTech packages covering agroindustrial, food processing, energy, machinery and pharmaceuticals. It is estimated that between May 1987 and February 1988 DEVET/TIPS collected some 5,000 items of information. [282]

Heterogeneity within the Third World in terms of varying levels and forms of skills and technical know-how creates a mutually advantageous complementarity conducive to TCDC exchanges. Such complementarity permits the migration of labour from surplus to deficit areas or the reciprocal exchange of skills, especially where a comparative or perhaps a

[280] **Cooperation South** no.1 (1988) p.14.
[281] UN, High-Level Committee on the Review of TCDC, **Joint Ventures through TCDC and their economic potentials** TCDC/2/Inf.6 27 May,1981. p.13.
[282] **Cooperation South** no.1 (1988) p.3.

"natural advantage in one area leads to a transference or sharing of ideas with other developing countries. In the area of voluntary migration, it is estimated that, in 1980 over 2.3 million non-national workers established themselves in fixed-term jobs in five major oil-exporting developing countries;[283] furthermore, the total estimated remittances to seven major labour-exporting countries from their national employed in the capital-surplus developing countries were over $7,600 million.[284] TCDC, then, encourages fuller exploitation of the complementary aspects of the diversity that exists in the Third World.

[283]TCDC News no.2 (1983) p.11.
[284]Ibid. p.11.

TCDC AS A MULTIDIMENSIONAL PROCESS: EFFORTS AT 3 LEVELS

Having shown the dissimilarity of the TCDC concept and the prescriptions of the modernization school, it should be pointed out that both place emphasis on the multidimensionality of development. According to James Mittleman, "modernization is multidimensional, pluralist to the core, entailing a syndrome of impulses: as societies become increasingly complex, more specialized roles emerge".[215] TCDC is also a multidimensional process, albeit of a different kind, in the sense that it can be bilateral or multilateral in scope and its implementation can be accomplished on a subregional, regional or interregional basis. It ranges from the case of Ecuador where TCDC is a national objective to global programming following BAPA recommendations or cooperation among developing country rice scientists for exchanging rice germ plasm and technology under the auspices of the International Rice Research Institute at Los Banos, Philippines.[216]

For the sake of convenience, in this section, TCDC programming and practices will be examined under the classifications of bilateral, emanating principally at the national level, regional level and the globally-induced programming of the UN development system. The convenience of this division is explained by the fact that there are remarkable linkages between the three levels outlined. For instance, it is not uncommon for UN development agencies to engage in so-called "promotional activities" defined as "activities that are intended to strengthen the capacities of developing countries to engage in TCDC activities or to prepare the ground for specific TCDC undertakings of an operational nature".[217] Such activities are undertaken either on a bilateral or regional basis. Cooperative TCDC efforts can also be focused simultaneously on a particular continent through organizations devoted to TCDC in that particular area, for example, the South Pacific Regional Development Programme or the African Regional Centre for Engineering Design and Manufacturing in Ibadan Nigeria.

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[215] James Mittleman, **op.cit.** p.35.

[216] TCDC News (January, 1979) p.24.

[217] UN High-level Committee on the Review of TCDC, Report of the Administrator, TCDC/5/2/1987 p.4.

BILATERAL TCDC

At this level of TCDC joint ventures (JVs) among developing countries are very common. They are particularly evident in traditional labour-intensive activities, though JVs are also used in large-scale capital-intensive and technology sectors. Such activities are undertaken by organizations, individuals and often coordinated by "national focal points" for TCDC activities to pool resources for achievement of specific goals, especially where unilateral approaches incur unacceptable transaction costs. TCDC focal points within the Third World often serve as the initiators, coordinating-units or struc or other forms of TCDC are channelled. They perform a number of functions, including the formulation of national policies and mechanisms for TCDC, assessment of costs, benefits and overall impact of TCDC on a country's developmental goals and needs and the facilitation of coordination among various ministries, departments and other entities engaged in TCDC activities and between the government and private sector.

The emphasis in bilateral TCDC is on mutuality of benefit or the achievement of optimal benefits for partners and joint sharing of costs. The essence of JVs has been seen as "a commitment by two or more partners to cooperate on a continuous basis over a given time for jointly defined purposes, sharing risks, benefits and decision-making".[288] A study done by a group of consultants of the Research Centre for Cooperation with Developing Countries (RCCDC) in Ljubljana for the UN High-Level Meeting on the Review of TCDC (Geneva,June 1980) sets some important criteria for the establishment of JVs for TCDC:

> *(a) Joint Ventures should take into consideration the material needs of the population of their countries, which are not necessarily expressed in the immediate market demand for the products concerned but should respond to the anticipated medium - and long-term needs of different strata of the population; (b) Joint Ventures should take into account the growth needs of the economies of the developing countries, such as backward and forward linkages, valorization of domestic natural and human capital. This means that the establishment of JVs will produce positive external economies effects, educational effects and create new advantages through better resource allocation and allocation between the partner economies, new employment openings,etc; (c) Joint Ventures should be based on*

[288]UN High-Level Committee on the Review of TCDC, Some Information from governments on their activities in TCDC, TCDC/5/3 31 March 1987 p.6.

an equitable distribution of all the development effects among the partners, especially with regard to increased productivity, manpower improvement and growth of consumption; (d) They should make a substantial contribution to the creation of development potentials such as science, research and development, information, organization and education.
[289]

Bilateral TCDC, expressed as JVs, enables developing countries to develop new sectors and priority areas of interchange and facilitate technological independence and at the same time exploit their existing economic complementarity. Considerations of costs and joint benefits entered into Liberia's joint bilateral ventures with Sierra Leone, including the construction of a $2.9 million bridge over the Mano River, exploitation of hydropower possibilities and the establishment of a customs training school and forest research and training programmes.[290]

Bilateral TCDC brings into sharp focus the ideological principles of common interest, that is the pursuit of joint action and joint perception of benefits and costs. Common interests make possible the combining of resources to overcome common problems optimally as well as the coordination of policy central to the concept of cooperation. Bilateral TCDC projects abound in the Third World; for instance, Mexico has signed an agreement with Peru to undertake 26 TCDC projects; the Philippines has engaged in scientific and technical cooperation projects with Rwanda and China; under a bilateral agreement with China, Pakistan trained Chinese nationals in silverware manufacturing, while China's obligation is to train Pakistani nationals in the utilization of industrial waste and in the application of medical laser techniques. The examples offered here are selective and only touch the tip of the iceberg of TCDC activities in the Third World. INRES-South data Bank operated by UNDP reports 20,565 TCDC training programmes with 4,168 projects. [291] Furthermore, between 1980 and 1982, 50 developing

[289] UN High-Level Committee on the Review of TCDC, Joint Ventures through TCDC and their economic potential, **op.cit.** p.27.
[290] UN High-Level Committee on the Review of TCDC, Joint Ventures through TCDC and their economic potentials, TCDC/2/Inf.6 p.6.
[291] See, K[illegible] Seligman, "INRES-South: At the cutting edge of computer technology to speed inform[illegible] ping countries", **Cooperation South** no. 2.,1988 p.20.

countries established 403 cooperative "bridge-building" TCDC links with other developing countries involving over 12,500 projects. [292]

Human resources development is another area which has accounted for the bulk of TCDC activities in the Third World. A breakdown of some examples of bilateral TCDC activities reported to the UN High-level Committee on the Review of TCDC in 1987 in different parts of the Third World is in order here. In Latin America, Argentina hosted between 1984-86 some 350 trainees from other developing countries such as Uruguay, Panama, Nicaragua, China and a number of Arab countries at a cost of over $500,000 and also provided nearly 1,000 man-months of experts' services to other developing countries at cost of $2.3 million. [293] During 1984-86 Brazil trained some 500 technicians from developing countries in a wide variety of fields. Similar human resource development programmes have been carried out by Chile, Colombia and Ecuador.

The Report of the UN High-Level Committee for TCDC shows that TCDC activities have mushroomed in the Asia Pacific region. For instance, in 1984 Bangladesh provided training facilities in rural development to a group of fellowship holders from Afghanistan. Sri Lanka has undertaken TCDC with the Maldives by sending experts from its coconut Research Institute to help develop its neighbours potential in coconut production for exports. [294] China also has a TCDC agreement with Fiji under which it undertakes to train Fiji citizens in fields such as engineering, agriculture building, fish-farming and mini-hydroelectric schemes while Fiji will supply Fiji-made sugar-cane seedlings and train Chinese personnel.[295]

The situation is no less different in Africa where Sierra Leonean nationals were trained in the production of durable goods by experts from Egypt; Senegal has engaged in bilateral exchange of information with experts from the Comoros, Gabon and other

[292] **TCDC News** no.2 1982 p.10.
[293] UN High-Level Committee on the Review of TCDC, Some information from governments on their activities in TCDC, **op.cit.** p.15.
[294] This TCDC example is reported in the **Economist** (21 Oct.,1978) and cited in **TCDC News** no.1 Jan., 1979.
[295] See **Cooperation South** no.2 1987 p.5.

neighbouring states in the fields of hydraulics, agriculture and fisheries. Countries such as Burkina Faso, Benin and Ethiopia which have long been on the receiving end of traditional North-South technical assistance have embraced TCDC activities as donors. Burkina has granted university scholarships to students from Chad; Benin has granted technical training to Guinean nationals while between 1982 and 1985 Ethiopia's Pilot training school and Aviation Maintenance schools trained 133 pilots and 350 maintenance technicians of whom 50 percent were trainees from other African countries.[296]

The potential of TCDC is far from being fully tapped. Indeed in many parts of the Third World attitudinal barriers favouring traditional North-South technical inputs still exist, compounded by resistance to change, and potentially further limited by the failure of some developing countries to establish TCDC focal points. Also, as with general ECDC actions, TCDC is constrained by communication, transport and language barriers and problems of financing joint ventures and bilateral arrangements.

REGIONAL TCDC

The multidimensionality of TCDC activities and programming is also manifested in measures undertaken under the auspices of existing regional integrative schemes. Cooperative efforts within this framework share with bilateral TCDC ventures the common goal of the promotion of mutual development and self-reliance. An example of such regional activity is the collaboration among eight Sahelian countries in West Africa (Mali, Burkina Faso, Cape Verde, Chad, Gambia, Niger, Mauritania, Senegal) and their Permanent Inter-State Committee on Drought Control in the Sahel (CILSS) on the design and promotion of wood-saving cooking stoves. [297] However, unlike bilateral TCDC, regional TCDC programming often forms the bases for further inter-institutional links or institutional network-building on the basis of interregional TCDC or the twinning of

[296] UN High-Level Committee, TCDC/5/3 3 March, 1987. **op.cit.** p.5.
[297] UNDP, **Cooperation for Development** (New York: UNDP, 1986) p. 19.

institutions. Regional TCDC efforts also aim at developing structures for coordinating the work of national focal points and sometimes for developing multi-sectoral information networks. A classic example of the latter would be the Sahelian Scientific and Technical Information and Documentation Network (RESADOC) - the information service of the Sahel Institute set up in 1976 by the Council of Ministers of CILSS, with UNDP assistance.[298]

An important facet of the regional dimension of TCDC is the so-called TCDC "markets". These are negotiating sessions or TCDC programming entailing the exchange of techniques and the wholesaling of skills. It should be pointed out that TCDC markets are not limited exclusively to regional countries, though in practice participation tends to take a regional focus. Peru hosted a regional TCDC market in October 1986 for twenty-two countries from Latin America and the Caribbean, while China's TCDC market in November 1986 was interregional in scope. (See tables 13 and 14)[299]

Since BAPA, regional/continental follow-up meetings have been held to bolster TCDC programming. Such regional meetings should be distinguished from periodic interregional High-Level meetings held to review progress on TCDC programming and implementation as mandated under BAPA. For example, in May 1980, the Regional Bureau for Africa of the UNDP organized a meeting in Nairobi, Kenya of African experts and specialists in the fields of rural development, food production, processing and marketing and application of science and technology for development. The Nairobi Programme of Technical Cooperation among African countries adopted at this meeting identified a number of areas for cooperation:

> (1) *Energy*: including rational and efficient use and conservation, non-traditional renewable energy resources, and nuclear energy; (2) *Water Resources*: water harvesting, storage, conservation, rational utilization and recycling, problems relating to the ecology of and semi-arid lands and stagnant waters; (3) *Food resources*: storing, processing and preserving of foodstuffs, seed selection, new strains, feeding and care of livestock, production methods; (4) *mineral and raw material resources*: survey, exploration, development, rational utilization, conservation and recycling of mineral and raw material

[298] **TCDC News** no.4 (Oct-Dec, 1979) p.15.
[299] UNDP, **Ideas into Action** (New York: UNDP, 1988)

resources; (5) *Biological and medical science*: preventive medicine, infections and parasitic diseases, new and traditional forms of treatment, mother-care and child-care; new machinery. [300]

TCDC regional programming have also taken place among the Latin American and Caribbean countries. For instance, twenty one TCDC focal points of the Latin American and Caribbean region met at Caracas in 1987 and adopted priority areas for TCDC programming. (see table 15)

[300] TCDC News no.7 (July-Sept. 1980) pp.12-13.

TABLE 13: PERU TCDC II, LIMA 24-26 NOV.1987

Area	Recipient(s)	Donor
Fisheries	Equatorial Guinea, Ghana, Kenya, Mozambique Nigeria, Tanzania	Peru
Low-cost housing of mud bricks and quincha (local hay)	Ghana, Kenya Mozambique, Zambia	Peru
Assistance in financial monetary policy	Equatorial Guinea, Ghana, Kenya, Mozambique Tanzania, Zambia	Peru
Control of Potato disease & production	Zimbabwe Kenya	Peru
Reforestation	Mozambique	Peru
Mining	Zambia, Zimbabwe	Peru
Port Administration	Mozambique	Peru
Harbour systems Administration	Tanzania	Peru
Food preservation, storage and processing	Nigeria	Peru
Preserving natural resources	Peru	Kenya
Developing small-scale	Peru	Zimbabwe

Source: **Cooperation South** no.1 1988 p.7-9.

TABLE 14: SAMPLE OF CHINA'S TCDC EXCHANGES
(Nov.1986 PROGRAMMING EXERCISE)

Donor	Recipient	Project
China	Argentina	Wildlife/forest management, study
	Barbados	tour, Rattan/Bambo cultivation feasibility, study tour
	Barbados	Ceramics feasibility
	Bolivia	Small-scale irrigation consultants
	Chile	Small hydro-power plants, study tour
	Chile	Coal mining technology, study tour
	Chile	Irrigation, drainage & lab. equipment, training
	Chile	Biogas technology, training
	Dem. Korea	Tractor fuel consumption study
	Dem. Korea	Salt production, study tour
	Fiji	Small hydro-power, study tour
	Nepal	Sheep and Yak breeding, training
	Pakistan	Solar cooking, feasibility study, training
	Pakistan	Chinese traditional medicare, training
	Pakistan	Biogas technology, training
	Peru	
	Ground water utilization, training	
	Peru	
	Fresh water fish farming, training	
	Philippines	Biogas technology, training
	Thailand	Biogas technology, training
	Turkey	Acupunture training
	Turkey	Small hydro-power plants, training
Argentina	Turkey	Sericulture
	China	Grapevine processing, study tour
	China	Edible oil refining, study tour
	China	Food industry technology, study tour
Bolivia	China	Mining/smelter
Barbados	China	Rum production, expert
Brazil	China	Tanning technology, study tour

Chile	China	Milk and Meat production, training
	China	Mining/metallurgy, training
Pakistan	China	Animal husbandry, training
Sri Lanka	China	Tourism, study tour
Thailand	China	Tourism, study tour
Turkey	China	Sediment treatment, training

Source: **Cooperation South** no.3. 1988 p.9.

TABLE [illegible] LATIN AMERICA AND CARIBBEAN
AREAS TO BE CONSIDERED FOR TCDC PROGRAMMING IN 1988
(Caracas, September 1987)

Acquaculture	Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Peru.
Promotion & Management of new techniques	Guatemala, Chile, Colombia, Costa Rica, Cuba, Ecuador, Honduras, Mexico, Nicaragua, Panama
Industrial quality control and normalization	Barbados, Ecuador, Colombia, Uruguay, Venzuela
Small & Medium enterprises	Barbados, Ecuador, Honduras Panama, Paraguay, Venezuela
Health Administration	Barbados, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Panama
Health training	Colombia, Costa Rica, Ecuador, Guyana, Haiti, Nicaragua, Mexico, Panama, Paraguay

Source: **Cooperation South no.1 1988 p.7**

GLOBAL LEVEL TCDC

At the global level the foci of TCDC support takes place within the UN agencies, but the UNDP remains the major body for coordinating, financing and spearheading TCDC actions under BAPA. The UNDP supports TCDC actions in the following ways: (1) identifying sectoral needs that could be met through TCDC modalities; locating expertise, training facilities, equipment and services in developing countries that could be made available on a TCDC basis; (2) mobilizing external financing for TCDC; establishing functional contacts among developing countries; (3) promoting South exhanges by means of orientation and training seminars and workshops, study tours and other activities. [301]

The UNDP, with its long standing experience in technical assistance and multi-sectoral country programmes, has established a special unit for TCDC in the office of the administrator to assist Third World countries in the implementation of TCDC. Among other functions, [302] the Special Unit assists in the development of TCDC policies, legislation, procedures and information systems at the country level, monitors TCDC actions worldwide and mobilizes supplementary financing for TCDC. The Special Unit also acts as a sort of clearing house for TCDC information and develops and manages the TCDC information referral system (INRES-South).

UN agencies provide information systems, training programmes and workshops, promotional activities and institutional networking. Such supportive action is directed toward enhancing the capacities of the Third World for TCDC and often simply to help identify or formulate programmes or give operational content to others. Such operational TCDC activities are defined as "development activities involving deliberate and voluntary sharing or exchange or technical resources, skills and capabilities between two or more developing countries".[303]

[301] UNDP, TCDC: **Ideas into Action op.cit.** p.5.

[302] The functions of the Special Unit are spelt out in UNDP, TCDC: **Ideas into Action** (New York: UNDP, 1988)

[303] Ibid. p.15.

In the area of expanded information systems to acquaint developing countries with scientific and technical opportunities for TCDC, the following examples are instructive. The World Intellectual Property Organization (WIPO) has assisted in the establishment of the Patent Documentation and Information Centre for the African Regional Property Organization at Harare Zimbabwe.[304] The International Trade Commission also supports the Latin America Trade Information Network which supports TCDC action among the 19 participating countries.[305] The ILO is also developing a global network known as the International Labour Information System (IRTIS) in cooperation with regional training centres. IRTIS is connected to the UNDP/ILO assisted interregional project cooperation among management development institutions. To facilitate TCDC in the area of technology transfer in Africa, ILO is also publishing a directory of African technological institutions to cover 46 countries and over 300 institutions. [306] UNEP has also compiled information systems such as data on microbial genetic resources maintained in global collections of micro-organisms.[307]

Examples of promotional activities include the International Maritime Organization's support for maritime administrations and maritime education and training institutions such as the Regional Maritime Academy in Accra, Ghana which serves five English-speaking countries in Africa.[308] The World Health Organization has global level promotional activities including maternal and child health care, diarrheal disease control, food safety and technical cooperation in mental health.[309] Other miscellaneous examples ranging from institutional relinking to actual projects include the UNEP's support of institutional networking and the strengthening of institutions in Latin America and the Caribbean in such fields as increasing legume protein production through nitrogen

[304] UN High-Level Committee, Progress made in implementing the tasks entrusted to the UN development system by the Buenos Aires Plan of Action for promoting TCDC, TCDC/5/2 April 1987 p.9.
[305] Ibid. p.9.
[306] Ibid.p.7
[307] Ibid. p.9.
[308] Ibid. p.10.
[309] Ibid. p.8.

fixation. To strengthen the capacities of Third World countries for TCDC, the UN industrial Development Organization has supported industrial promotion and joint venture programming of the Islamic Chamber of Commerce, Industry and Commodity Exchange designed to provide institutional support to entrepreneurs wishing to engage in enterprise-to-enterprise cooperation and joint ventures.[310]

TCDC is the epitome of horizontality; it is not profoundly affected by crises in the global economic order. But it is part of the subjective rejection of the ideas of the hegemonic order regarding development in the Third World. By and large, programming in this sector relies on Southern knowledge and not on diffusionism of the North. TCDC is the contemporary term for a long-standing technical interchange among Southern countries dating back several centuries. Prospectively, it is the sector in South-South cooperation which is likely to endure and achieve practical results for the South. The outcome of this multifaceted process of TCDC is likely to be greater confidence in Southern ideas, information and technology, internally-generated technologies, initiatives and ultimately collective self-reliance. After all, as one scholar points out: "Self-reliance as a driving force for creative activity requires an awareness of one's creative assets, arising again out of a combination of mutual resources under one's control, and such mental resources as confidence in one's ability to solve original problems of life, the courage to take on challenging tasks and the stamina to make sustained efforts to accomplish them, and so on".[311]

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[310] Ibid. p.8.

[311] Anisur Rahman, "Mobilization without tears: a conceptual discussion of self-reliant development" in J.Galtung & Peter O'Brien, **Self-reliance: a strategy for development** (Geneva: Bogle L'Ouverture Publications, 1980) p.85.

FINANCIAL AND MONETARY COOPERATION AMONG DEVELOPING COUNTRIES

With the possible exception of classical barter in South-South trade, financial dealings are central, if not indispensable, to the stimulation of productive processes and general economic intercourse among developing countries. But outright financial and monetary cooperation goes beyond mere financial transactions in Third World interchange to include broader, purposeful transfers of financial resources among developing countries and direct capital flows among Third World national financial institutions. It includes bilateral and multilateral official concessional programmes, primarily under the auspices of OPEC and OPEC-supported institutions, payments and credit arrangements. It is purposeful, in the sense of being the culmination of deliberate governmental policies designed to give concrete expression to collective self-reliance. Another rationale for FMCDC revolves around the dismal state of Third World financial infrastructure - marked by lack of adequate supply of financial resources and limited access to global capital.

Financial cooperation also covers capital flows among exclusionary Third World financial agencies, that is those established exclusively for the Third World countries. Financial cooperation is also designed to obviate the difficulties of getting access to financial resources in the North and to develop the financial infrastructure to support cooperative action. In short, this form of cooperation is integral to the South's search for collective self-reliance. Given the constriction of concessional financing from the North in the wake of the debt crisis there is the need for the mobilization of Third World resources for financing ECDC programmes. The multilateral development financing institutions (MDFIs) of the Third World such as the African Development Bank (ADB), Asian Development Bank, and the Inter-American Development Bank were conceived with the goal of increasing greater financial cooperation.

To follow up on the rationale for FMCDC, it should be noted that sometimes Third World countries establish multilateral finance institutions to mobilize financial resources for development projects whose financing would otherwise not be possible. Mobilization of resources does not necessarily mean only Third World resources, indeed most Third World financing agencies depend on a great deal of external financing from the North. The focus of these institutions is not just financing for the sake of it but financing for development, that is projects deemed crucial for autocentric development. As noted in an UNCTAD report, MFDIs are "seen as a practical answer to the need for multilateral lending agencies to advance beyond the stage of acting as passive channels for the flow of private resources to developing countries and to take a broader view of the requirements of members, for example project promotion and other pre-investment activities as well as technical assistance, in addition to straight financing".[312] In short, MFDIs constitute development-oriented mechanisms for facilitating trade, aid and investment in the South.

In Chapter three the suggestion was made that monetary and financial cooperation are inextricably linked with efforts at trade expansion. Given the fact that trade flows among developing countries are impeded by payments difficulties, FMCDC is indispensable to economic cooperation. Specifically, in the context of bridging the gap between actual and potential trade, trade financing problems of developing countries arise when short-term credits for traditional exports and medium-term credits for exports of capital goods and manufacturing are inadequate. The establishment of financial infrastructure within the regional context often expresses the commitment of states to the creation of a regional identity and the translation of common interests into operational reality.

One yardst[illegible] ascertaining the level of FMCDC is to consider the degree of institutionalization of [illegible] arrangements, though it is also important to transcend formalism and consider the operational content of these institutions. A study undertaken by the Research Centre for Cooperation with developing countries (RCCDC) in Ljubljana, Yugoslavia cites the following criteria for looking at FMCDC:-

(a) according to institutional forms involved in cooperation; intra-governmental cooperation, cooperation between commercial banks, cooperation through multilateral

[312] UNCTAD, Multilateral development finance instituions of developing countries and the promotion of economic cooperation and integration, TD/B/C.7/64 1984 p.2

finance institutions, cooperation through banking associations,etc., (b) according to the area of cooperation, balance of payments financing, development financing, trade financing, joint venture financing, commodity stabilization financing, support to subregional and regional payments arrangements etc. (c) according the level of cooperation, bilateral, subregional, regional, interregional and global, (d) according to the quality of resources involved in cooperation; cooperation on commercial and concessional terms.[313]

Table 15.1 shows a list of existing payments and credit arrangements in the South. The institutions are often regionalist in orientation and marked by few interregional links. Even if the volume of inter-group transactions has not been large enough in the past to make the need for such links apparent, changes in the pattern of world trade and in the capacity of developing countries to foster trade among themselves suggest the emerging need for such links. UNCTAD continues to extend its services as the technical secretariat of the Coordinating Committee on Multilateral Arrangements and Monetary Cooperation among developing countries which is examining the question of linkages among the existing arrangements. Apart from lack of interregional links, a number of developing countries whose actual or potential trade and financial flows suggest that they could benefit from participation in such schemes do not at present do so.

With regard to operational content of Third World clearing arrangements, it has been estimated that in ALADI between 85 percent of payments related to trade are channelled through the payments system, the figure for the Central American Arrangement is even higher up to 95 to 98 percent, 80 percent for the CARICOM facility, though extremely low in the West African Clearing House and the Asian Clearing Union with estimated 10 percent and between 10 to 20 percent respectively. As will be noted in the assessment of ECOWAS in the following chapter, the low level of intra-trade in West Africa explains the limited payments channelled through the WACH.

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313 See M.Mrak(Project Coordinator), **Financial and Monetary Cooperation among Developing Countries** (Ljubljana: RCCDC, 1987) p. 21.

TABLE 15.1: MEMBERSHIP OF MULTILATERAL CLEARING AND PAYMENTS ARRANGEMENTS OF DEVELOPING COUNTRIES AS INDICATED BY THE ORGANIZATIONS CONCERNED

Name	Year of Establishment	Members
A. *Clearing Arrangements*		
1.Central American Clearing House (CACH)	1961	Costa Rica, El Salvador, Guatemala, Honduras & Nicaragua
2.ALADI Payments and Reciprocal Credit System	1965	Argentina, Bolivia, Brazil Colombia, Chile, Dominican Republic, Ecuador, Mexico, Paraguay and Venezuela
3. CARICOM Multilateral	1977	Barbados, Belize, East Caribbean Currency Authority, Guyana, Jamaica and Trinidad
4.West African Clearing House (WACH)	1975	Burkina Faso, Benin Gambia, Ghana, Guinea, Guinea-B, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal S.Leone, Togo
5.Monetary Arrangement of the Economic Community of the Great Lakes	1978	Burundi,Rwanda Zaire
6.Central African Clearing House	1979	C.A.R.,Congo,Gabon Cameroon, Zaire
7.Regional Cooperation for Development - Union for multilateral Payments Arrangements	1967	Iran, Pakistan, Turkey

Asia. Clearing Union	1974	Bangladesh, Burma, India, Iran, Nepal, Pakistan, Sri Lanka
B.*Credit Arrangements*		
1.Central American Stabilization Fund (FOCEM)	1969	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
2.Santo Domingo Agreement	1969 revised 1981	Members of ALADI (formerly LAFTA) plus Dominican Republic (identical with A.2 above)
3.Andean Reserve Fund	1976	Bolivia, Colombia, Ecuador, Peru, Venezuela
4.Arab Monetary Fund	1976	Algeria,Bahrain,Dem.Yemen, Egypt, Iraq, Jordan, Kuwait, Lebanon Libya,Mauritania, Morocco,Oman Palestine, Qatar,S.Arabia,Somalia Sudan, Syria, Tunisia, UAE Yemen
5.ASEAN Swap arrangement	1972	Indonesia, Malaysia, Philippines, Singapore, Thailand

Source: UNCTAD, Trade and Development Report part II UNCTAD/TDR/3 (Part II) Annex B.

SOUTH BANK

The proposal for a South Bank - a multilateral Third World banking facility - is a novel South-South recommendation put forth by Sri Lanka at the fifth summit of the Non-aligned Movement in Colombo in 1976. The South Bank was envisaged to operate on commercial principles, both in the field of development financing and balance-of-payments financing, and to spearhead efforts at promoting financial cooperation among developing countries in areas such as joint ventures and coordination of investment programmes. The expected benefits for the bank include the financing of South-South trade through support for existing multilateral clearing facilities and financing of buffer stock facilities under the IPC.

Assuming that the South Bank will be supportive of clearing arrangements its contribution to intra-trade promotion will be problematic. For instance, John Fahy has argued that "... the expansion of trade between developing countries is related not only to increased volumes of trade finance but to the development of complementary output structures and more open trade policies which require a common political will to be accomplished".[314] In other words, financing is a necessary component in efforts to increase the potential trade, however, the discussion in chapter three points to a multifaceted set of constraints that require equal attention.

At a minimum the question that begs for an answer is whether Southern countries will be able to raise the capital needed for the South Bank to fulfill its functions. A total capital of $20 billion is frequently mentioned in discussions on the South Bank and it remains to be seen how this sum will be raised. Saudi Arabia, for instance, has raised the reservation in a memorandum that "the South Bank would be a relatively ineffective financial intermediary because it would not be able to effect large resource transfers at an acceptable cost to developing countries". [315] Other constraints identified in the Saudi

[314]John Fahy, "The South Bank: an economic assessment", **Intereconomics** vol.20 no.1 (Jan/Feb.,1985) p.40.

[315]An Economic assessment of the South Bank, Aug.1984 p.1 Cited in M.Mrak, "Financial Cooperation among developing countries - selected issues", **Proceedings of**

Memorandum include: (1) the difficulties in raising capital will limit the earning and asset creating power of the South Bank, (2) the expected benefits from the Bank's funding would be small due to its limited lending power, (3) the South Bank's cost of borrowing would be higher than the cost of comparable institutions, (4) the bank will encounter a number of operational problems relating to the use of inconvertible currencies.[316] These constraints will have to be taken into account in any final form that the Bank takes. Regarding a prospective view, it seems likely that the South Bank will eventually be established but possibly with a reduced mandate or a retreat from the rather grandiose objectives of the original proposal.

OPEC DEVELOPMENT FINANCE AND SOUTH-SOUTH COOPERATION

The quadrupling of oil prices in 1973 led to the phenomenon of surplus liquid funds in the OPEC countries with low absorptive capacity. This inexorably led to the recycling of funds in a South to South directionality through OPEC aid flows or the financing of national and multilateral institutions in the South. Table 15.2 shows that while in 1970 OPEC flows amounted to less than 5 percent of ODA receipts of developing countries, OPEC aid came to represent around 29 percent of all aid receipts of developing countries in the peak years of 1975 and 1978. The instruments for OPEC aid disbursement are varied. Collective OPEC aid is channelled through the OPEC Fund for International Development, but the bulk of development finance given particularly by Arab members has gone through the following institutions: the Gulf Organization for the Development of Egypt(1976 to 1978); the Special Arab Aid Fund for Africa, which merged with the Arab Bank for Economic Development of Africa in 1977, Arab Fund for Economic and Social Development; Special Account of the Organization of Arab Oil Exporting Countries(1974-76), Islamic Development Bank; Islamic Solidarity Fund and

[315](cont'd) a **Chinese-Yugoslav Round Table** Bled, Yugoslavia,Sept.18-20 1984.
[316]Ibid. p.1-2.

the Arab Fund for technical assistance to Arab and African countries.

For the most part, OPEC-financed institutions have claimed that their financing is geared to the promotion of collective self-reliance, poverty-eradication and meeting basic needs. Admittedly, it is difficult to find indicators to evaluate whether these objectives have been met. What is clear, as shown in the sectoral distribution of OPEC project aid in Table 15.3, is that the bulk of OPEC aid goes into infrastructural development, the energy and agricultural sectors. Development of infrastructure in the Third World may contribute to greater economic interchange, however, in most cases collective self-reliance and basic needs are merely professed, not actually integrated into financing decisions. Shireen Hunter has described the situation as follows: "...except for cash grants made to the confrontation states and a few other Arab and Islamic countries, in choosing which projects to finance these countries have put considerable emphasis on the financial profitability of projects rather than on their social welfare yield".[317]

[317] Shireen Hunter, **OPEC and the Third World: the politics of aid** (London: Croom Helm, 1984)p.176.

TABLE 15.2: DEVELOPING COUNTRIES: NET RECEIPTS OF ODA FROM OPEC COUNTRIES AND OPEC-FINANCED MULTILATERAL INSTITUTIONS, AND FROM ALL SOURCES, 1970-1981
(Billions of dollars at 1981 prices and per cent)

	1970	71	72	73	74	75	76	77	78	79	80	81
OPEC	1.01	1.07	1.44	3.96	7.53	8.93	8.29	7.57	9.38	7.24	8.29	7.32
Total	20.83	22.72	21.96	24.23	29.03	30.72	29.15	27.97	32.49	32.37	35.27	35.51
Share %	4.8	4.7	6.6	16.3	25.9	29.1	28.4	27.1	28.9	22.4	23.5	20.6

Source: OECD, **Development Cooperation** - 1982
Review Table V-3

TABLE: 15.3 SECTORAL DISTRIBUTION OF PROJECT AID BY OPEC AID INSTITUTIONS AS OF THE END OF 1980

Sector	Amount in $millions	% of total
Infrastructure	3,622	34.0
Energy	2,324	22.0
Agriculture	1,826	17.3
Industry & Mining	1,778	16.6
Public Utilities	995	9.4
Other	79	0.7

Source: OPEC Fund, OPEC Aid and OPEC Aid Institutions, A Profile, 1981

OPEC development finance is also plagued by lags between aid commitments and actual disbursements and a lack of continuity and predictability, especially aid given to non-Arab developing countries. The absence of predictability is also related to the cyclical nature of the oil market and the current difficulties facing OPEC countries. Predictability and continuity are crucial criteria in trade financing due to the need to ensure, for instance, that export credit flows remain at levels broadly appropriate to the capacities of intra-trade and that abrupt changes in availability of funds do not occur in a manner that is damaging to intra-Southern trade.

Financial Cooperation among developing countries is still largely in its minimalist phase with the focus still on regional and sub-regional clearing and payment arrangements. The MDFIs are still dependent on co-financing from the North and have not garnered sufficient funds to support large-scale South-South infrastructural and other projects necessary for greater horizontality. Agreement on cooperation ideological principles have not been successfully translated into global level programmes, albeit work is still in progress on the establishment of a South Bank. OPEC aid to the South is positive but still dependent on the exigencies of the world energy market and clearly inadequate for the financing needs of the South. Continued dependence on the hegemonic lending agencies for funding shows the limited impact of OPEC aid to the Southern countries.

V. SOUTH-SOUTH COOPERATION AS DEVELOPMENTAL REGIONALISM: A CASE STUDY OF ECOWAS

INTRODUCTION

Collective self-reliance and the ECDC process derived its initial concrete impetus at the regional level in the form of a series of regional integrative schemes in the Third World - often with elaborate institutional and functional aspects deemed necessary to facilitate closer and effective interaction among the participants (see Appendix). The regional level of South-South cooperation features a combination of moribund, floundering, and viable schemes whose problems and prospects offer lessons and even expose the limits and ambiguities of cooperation among developing countries. Generally, regional integration has been pursued in the Third World as a mechanism for accelerating the economic development of economies with small domestic markets and altering dependent productive structures. The pervasiveness of attempts at regionalism in the Third World, with considerable ambiguities in design and direction of regionalisms, is nowhere more pronounced than in West Africa. Within the West African sub-region, which is the focus of this chapter, it is possible to delineate four major types (joint commissions for cooperation being excluded) of schemes geared toward regional cooperation:- firstly, economic communities such as the Economic Community of West African States (ECOWAS); the *Communauté Economique de l'Afrique de l'ouest (CEAO),* established under the Treaty of Abidjan in 1973 for the former states of the French West African Federation (Guinea excepted) to strengthen economic linkages; the Mano River Union between Liberia and Sierra Leone; secondly, developmental organizations of a regional nature such as the River Niger Commission and the Chad Basin Commission; thirdly, common service organizations and finally, financial institutions such as the West

African Development Bank.

As with similar arrangements in other parts of the Third World, the orientation of West African states, as they focus on regionalism, is definitely geared towards collective self-reliance through joint policies of economic cooperation and coordination designed to accelerate the rate of development of the sub-region. The inescapable desideratum for cooperation, or to use John Sloan's term "developmental regionalism",[318] in West Africa seems to be a delinking from a condition of dependency and the alignment of productive structures for greater horizontal economic interchange. There is common concern that dependency has distorted the economic structure of the region by conditioning an outward-oriented infrastructure, a specialization in raw material production, a lack of domestic integration among key productive and exchange sectors and the creation of resource uses which hinder sustained economic development, if not sustainable development. This concern, as succintly described by P. McGowan, is that "issues of what to produce, how to produce and for whom to produce are decided by international structures and processes".[319] ECOWAS, then, is perceived to be a counter-dependency instrument for a region with a long history of entanglements in dependent structures and linkages with external forces. Writing on the rationale for integration in Africa, Peter Robson points out that "in post-colonial Africa there exists a fairly widespread desire to free the continent from its external dependence and to provide the safeguards and benefits of interdependence through a continental, or at any rate, a wide geographical, system of institutions capable of harmonizing the interests of African states".[320] Similarly, as Adebayo Adedeji points out, "the pooling of sovereignty in order to advance commonly perceived interests and the loosening of the umbilical cord with former metropolitan powers are also essential pre-requisites for effective intra-African

[318]See John Sloan, "The strategy of developmental regionalism: benefits, distribution, obstacles and capabilities", **Journal of Common Market Studies** vol.10 no.2 (Dec. 1971) p.142.
[319]P.McGowan, "Economic dependency and economic performance in Black Africa", **Journal of Modern African Studies** vol.14, no.1, p.26.
[320] Peter Robson, **Economic Integration in Africa**(Evanston: N.U.P., 1968) p.11.

economic penetration".[321]

This chapter will deal exclusively with ECOWAS, which is the largest multi-country[322] economic community in the world (See Table 16 for comparative economic statistics of member countries), and attempt to highlight the regional dynamics of ECDC in West Africa. What are the objective and subjective bases of ECOWAS? What are the constraints in the regional process? Or how far have West African countries progressed in broadening their regional market for intra-regional trade and in meeting other strictly developmental goals such as joint endeavours in the development of regional, industrial and agricultural resources and of a common transportation infrastructure and common approaches to the transfer of technology".

The key question is: given the centrality of counter-dependency as a goal of cooperation, how has the community attempted to achieve it? As with the global process of collective self-reliance that aims at re-orienting the South from the North-South straightjacket and the pernicious aspects thereof, South-South cooperation as developmental regionalism in West Africa is expressed as a scheme for dependency-reversal. While the motivations for cooperation at the global level derive from the vulnerability of Third World states within the global economic order, West African states have to deal also with the peculiarity (not in the sense of uniqueness rather of being a complicating factor) of a long history of colonialism which has left in its wake neo-colonial trade and production structures and elites with Eur-African interests. This leads to a cautionary point raised by Timothy Shaw and Malcolm Grieve that regional integration is not always an escape from Africa's inheritance of subordination and that it may not advance disintegration from the global economy. Furthermore, they point out that it may even lead to "regional inequalities and

[321] Adebayo Adedeji, "Intra-African economic penetration: problems and perspectives, in the light of the final Act of Lagos", Paper presented at the ECA/Dalhousie Conference on the Lagos Plan of Action and Africa's future international relations. (Halifax, N.S., 2-4 November, 1984) p.7.

[322]The following countries are members of the community: Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

continued dependence, particularly when some of its major advocates are foreign actors or collaborationist groups".[323] It is important, then, to indicate the implications of continued efforts of some of the francophone members of ECOWAS as they maintain their *affinités complementaires* with France as well as West Africa's participation in the whole Lomé trade agreement between the ACP and the European Community - an agreement, which for all intents and purposes, is the quintessential expression of Eur-Africanism. The Lomé scheme has been described as "collective clientelism" defined as "a relationship in which a group of weak states combine in an effort to exploit the special ties that link them to a more powerful state or group of states". [324] Is the European connection a sword of Damocles that threatens a perceived pathway of collective interdependence in the region, or can ECOWAS attenuate that connection and steer West Africa away from centuries of extroversion? Having referred to states and elites, it is important that two points of clarification by made; first, that this chapter is *not* premised on the notion that states in West Africa have the freedom and autonomy to implement cooperative strategies; secondly, I do accept the fact that there are in existence in West Africa actors, elites,units, specifically domestic and foreign capital, which requires that one should not remain at the state level to understand West African cooperation. Given the focus of this thesis thus far on Third World state interactions and institutional developments at the global level, it is pertinent, if not prudent, to alert the reader occasionally to the domestic forces within the region that have stymied cooperation.

To understand developmental regionalism in West Africa, an assessment is required of the skepticism raised by scholars such as John Renninger[325] that ECOWAS is unlikely to lead

[323] See Timothy Shaw and M.J. Grieve, "Dependence as an approach to understanding continuing inequalities in Africa", **Journal of Developing Areas** vol.13 no.3 April, 1979. p.243; Other conceptions of class and state in Africa include, Swainson, Nicola, "The rise of a national bourgeoisie in Kenya", **Review of African Political Economy** vol.8 (1977) pp, 39-55; Colin Leys, "Capital Accumulation, Class Formation and Dependency: the significance of the Kenyan case", **Socialist Register** (1978) pp.241-66

[324] John Ravenhill, **Collective Clientelism: The Lomé Conventions and North-South relations** (New York: Columbia University Press, 1985) p.22.

[325] John Renninger, "The future of economic cooperation schemes in Africa with special reference to ECOWAS", in Timothy Shaw (ed.) **Alternative Futures for Africa** (Boulder: Westview, 1982) p.162-173.

to genuine collective self-reliance considering the close symbiotic connections within the region between the ruling elite and external forces. As aptly summarised by Timothy Shaw, this view asserts that "ECOWAS is unlikely to overcome either dependence or underdevelopment because of diverse economic and political interests within the region clustered around the competing Eur-African nexus: transnational class linkages and uneven development work against a more fundamental definition or interpretation of regional integration." [326] At another level, one cannot ignore the fact that West Africa has currently been hit by an avalanche of adjustment programmes, mainly shopworn retrenchment schemes of harsh conditionalities, directed by institutions such as the IMF and the World Bank. Thus the question of whether adjustment and the process of ECDC are compatible has to be explored. Will adjustment lead to further incorporation into the international division of labour and move West Africa away from developing mutually beneficial economic linkages or will it provide the balanced growth and other vital economic indicators likely to enhance cooperative ventures? Can ECOWAS safely charter the course between the Scylla of "Eur-Africanism" and the Charybdis of "Adjustment"? In the final analysis, the ambiguities within the regional attempt at collective self-reliance should be clearly spelt out. The question is whether the subjective self-understanding of West Africans has engendered efforts in the direction of obviating the impact of the objective situation of dependence, deprivation and vulnerability, or whether the latter has thwarted, perhaps slowed down, the cooperative endeavour.

To summarise, my argument in this chapter is that developmental regionalism in ECOWAS is an important means of developing self-reliance for West African states. ECOWAS is a collective means to promote further cooperation and integration across West Africa, an integration which might have developed by itself if it had not been for the balkanization of the region foisted on it by the European powers, most notably France and England. The strongest obstacle to increasing regional cooperation and ultimately collective

[326] Timothy Shaw, "The revival of regionalism: cure for crisis or prescription for conflict?" Paper presented at the CAAS Conference 1987, University of Alberta, p.26-27.

self-reliance is West Africa's incorporation into the international division of labour. At the present time the two most significant factors behind this incorporation are the Eur-Africanism as institutionalized in the Lomé Convention, and secondly the ties to the IMF and the World Bank, as institutionalized in the various Structural Adjustment programmes that a number of West African countries have experienced.

TABLE 16

ECOWAS: BASIC ECONOMIC INDICATORS

Country	Area (sq.km)	GDP per capita ($,1985)	Population (thousands) 1985	Life Exp at birth (years,as of 1985)	GDP growth rate (percent per annum, 1980-85	Gross investment growth rate (percent per annum, 1980-85)
Benin	112,622	228	4,176	44	0.9	17.9
Burkina Faso	274,200	130	7,122	45	1.7	-3.2
Cape Verde	4,033	319	333	59	7.6	5.6
Cote D'Ivoire	322,463	667	10,165	51	-0.2	-22.0
Gambia	11,295	267	656	35	3.4	2.7
Ghana	238,573	440	14,045	52	0.0	-1.6
Guinea	245,857	417	6,225	40	1.7	-7.6
Guinea-B.	36,125	180	906	43	1.6	2.5
Liberia	111,369	352	2,262	49	-3.6	-20.0
Mali	1,240,000	141	8,322	42	-0.8	-7.9
Maurit.	1,030,700	386	1,946	44	0.3	-8.1
Niger	1,267,000	272	8,322	43	-1.8	-26.5
Nigeria	923,768	707	98,517	49	-4.5	-18.0
Senegal	196,192	404	6,614	43	1.8	0.7
S.Leone	71,740	205	3,670	34	-4.7	-11.7
Togo	56,785	240	3,052	51	-1.3	-6.8

Sources: UN Economic Commission for Africa (ECA), **Survey of Economic and Social Conditions in Africa**, 1985-86 (UN Document E/ECA/CM.13/3), Table 1, Table 12 and Table 6, World Bank, **World Development Report** 1987 (Washington D.C.: World Bank, 1987) Table 4.; UN Department of International Economic and Social Affairs, **Population Studies** no.98 (New York: UN,1986) pp.181-230

HISTORICAL BACKGROUND AND REGIONAL SETTING

To trace the historical background to the formation of ECOWAS, several distinct phases in the rather chequered history of West Africa leading to the present configuration of states have to be delineated. It is in this understanding that we are able to grasp the peculiar objective and subjective features within the region that reinforce the position of West Africa in the global political economy. The objective features arise from the colonial experience and have led to structures and Eur-African connections that complicate cooperation. Subjectively, West African cooperation is motivated by the pre-colonial experiences and the inspiration offered by the Pan-African movement. This section is not intended as a comprehensive account of West African history, merely a brief historical delineation of the major landmarks predating the pursuit of developmental regionalism in the Treaty of Lagos.

Pre-colonial West African states have had a semblance of contemporary economic interdependence or multilateralism in the form of the phenomena of long-distance trade (such as the trans-saharan trade) and migrations in all directions. Political entities in pre-colonial West Africa such as the Ghana, Mali and Songhai empires engendered trade, travel and migrations among the constituent ethnic groupings in the region. Such interactions took place across the bioclimactic regions of West Africa, for instance from the Sahelian to the Sudanic (see Fig.2). This facilitated the sharing of resources across regions. One scholar points out that "long before Europeans ever set foot on West African soil, people had been moving across ethnic boundaries, social norms had developed with respect to the position of such strangers in different societies, and various institutions had been established to cope with their needs and problems."[327] Obviously one cannot make a counterfactual argument that through these contacts, and without colonial rule, West Africa would have evolved into a cohesive and integrated unit,[328] however, what seems pertinent is that the colonial system introduced an

[327] Akin L. Mabogunje, **Regional Mobility and Resource Development in West Africa** (Kingston: Queens, 1972) p.3.

[328] Scholars such as Rene Dumont, **False Start in Africa** (London: Andre Deutsch, 1966) have argued that the colonial territorial conquests disrupted progress or evolution into a political and economic order marked by the development of large economic units.

enduring dynamic to the future evolution of West African cooperative arrangements.

Fig 2: (Bioclimatic Regions of West Africa) has been removed because of the unavailability of copyright permission.

Source: Morgan, W.B. and J.C. Pugh, **West Africa** (London: Methuen and Co. Ltd., 1969) p.xxv.

Colonial rule is best typified by the demarcation of territories and, in the case of West Africa, the disruption of trade routes and administrative hindrances to trans-frontier movement of people and goods. Balkanization and artificial boundaries established by colonial authorities were legitimised at the Berlin Conference of 1884-85.[329] The colonial system - including transport networks, customs, tariffs and monetary arrangements - engendered in West Africa a complete severance of the pre-colonial interdependence and transaction flows that occurred across pre-existing ethnic and geographical channels of exchange. British and French colonial conquistadores in West Africa attempted various schemes of integration or unity in territories within their respective spheres of jurisdiction. For example, as far back as 1895, the French had established the French West African Federation (AOF) - a form of integration with a customs union providing free movement of goods and services among the French territories. Within the federation, monetary matters were placed under the authority of the West African bank (*Banque de l'Afrique Occidentale*), a commercial bank that was the common bank of issue until 1955, when the right was transferred to the *Institut d'Emission de l'Afrique Occidentale Francais et du Togo*, which subsequently converted into the *Banque Centrale des Etats de l'Afrique de l'ouest (BCEAO)*. For their part the British attempted to achieve strong inter-territorial links through institutions such as the West African Produce Control Board and the West African Currency Board. Such inter-territorial linkages were undertaken mainly for administrative and/or economic reasons. According to Arthur Hazlewood, "it was unity imposed from outside for the administrative convenience of the colonial power - it was a unity of Europe in Africa, reflecting the hegemony of the metropolitan country over its colonies." [330]

[329] The Final Act of Berlin envisaged that any power acquiring territory or establishing protectorates on the coasts of Africa should at once notify all other signatory powers, and declared that possession of territory on those coasts implied a responsibility for the establishment of authority sufficient to protect existing rights, and, as the case may be, freedom of trade and of transit upon the conditions agreed. For more on the West African context, See John D. Hargreaves, **Prelude to the Partition of West Africa** (London: Macmillan, 1963)
[330] Arthur Hazlewood,(ed.) **African Integration and Disintegration** (Oxford: OUP, 1967)p.3.

The externally-imposed integration of West African states bequeathed by the colonial authorities did not stand the test of time after decolonization due to the pervasiveness of concepts of "nationalism" and "sovereignty" - the latter particularly jealously guarded and bolstered with a host of attributes and symbols coupled with considerable investments in national institutions such as national airlines and national currencies (with the exception of some francophone countries into the CFA monetary zone). Independence unleashed in many West African countries centrifugal forces generated by unbridled concern for issues of economic modernization and political development to the detriment of regional cooperation. This led to a situation whereby horizontal linkages among West African countries remained undeveloped, with the consequence that, for instance, telecommunications between Ghana and Togo had to be routed through Europe and direct linkage only established on October 10, 1988.[331] In short inter-territorial integration before decolonization gave way to purely domestic preoccupations including attempts at overcoming internal crises of political development such as penetration, integration, legitimacy and distribution.

The immediate rationale for reviving cooperation in the post-independence era was the realization that the West African region, marked economically by vulnerable and balkanized states and geopolitically a study of division and fragmentations, could not overcome dependence on foreign forces and stimulate interdependence without some systematised regionalism with a focus on development. The roots of this realization could arguably be traced to a series of Pan-African congresses in the early post-war period with a motif of economic cooperation, and, as noted in chapter three, also to the work of the non-aligned movement starting with the Bandung Conference in 1955. The Pan-African movement worked to reduce balkanization and to transcend nationalism. For George Padmore, one of the *dramatis personae* of the Pan-African movement, regionalism founded on national independence and social revolution formed the basis of the African revolution; he also urged some form of regional unity as the forerunner of a United States of Africa.[332] The subjective

[331] See **West Africa** (Oct.17-23, 1988) p.1969.
[332] See George Padmore, "A Guide to Pan-African Socialism", in W.H. Friedland

basis of cooperation in West Africa is rooted in the ideology of Pan-Africanism - the dominant theme in African political thought. Pan-Africanism, on which the desire for collective self-reliance in Africa is based, glories in the African past, instills pride in African values and rejects foreign interference in domestic African affairs and problems. Furthermore, it condemns balkanization and "denounces the artificial frontiers drawn by imperialist powers to divide the peoples of Africa" [333] and favours the creation of larger political groupings as a prelude to the total unification of the African continent.

Post-independence efforts at economic cooperation in West Africa followed linguistic lines. The leaders of the francophone countries were particularly adept at building on the loose union of the pre-independence era, whereas their English-speaking counterparts were lethargic about integration, perhaps due to the fact that their territories were scattered and moreover the British administrative system did not give impetus to economic cooperation. The earliest attempts at integration in the francophone community included the *Union Douanière des Etats de l'Afrique occidentale (UDEAO)* in 1966, which replaced the *Union Douanière Afrique Occidentale (UDAO)* Briefly, UDAO, an offshoot of AOF, was formed in 1959 by Ivory Coast, Upper Volta (now Burkina Faso), Dahomey (now Benin), Mali, Mauritania, Niger, and Senegal to maintain the customs union in operation before independence and to harmonize import taxation amongst them. UDAO floundered because members were concerned with nation-building to the detriment of economic integration.

The UDEAO (Mali, Ivory Coast, Mauritania, Niger, Senegal and Burkina Faso) provided for a common external tariff with a triple set of rates among which a minimum tariff applied to goods from the most-favoured nations and a general tariff, three times as high, applied to other countries. Like the UDAO, UDEAO failed because it did not spell out a comprehensive regional development strategy and members were preoccupied with internal development policies. Moreover it did not succeed in establishing a common external tariff nor

[332](cont'd) and C.G. Rosberg, eds. **African Socialism** (Ca: Stanford Univ.Press, 1964) p.228-9.

[333] See Resolution adopted at "The All-African Peoples Conference" held in Accra, Ghana. Dec. 1958.

make any headway in terms of fiscal harmonization.

With a similar objective of eliminating intra-community trade barriers and the establishment of a common outer tariff, the CEAO, mentioned earlier, eventually replaced the UDEAO. As stated in Title 1, Article 4 of the CEAO Treaty, it was established to fulfill the following goals:

(1) to elaborate an active policy of economic integration and cooperation particularly in matters of industrial and agricultural development, and to set up a better system of communications and transportation, and

(2) the development of trade of agricultural and industrial products through the establishment of an organized trade area among the member states and through a Regional Corporation Tax.

CEAO has been described as "a preferential trade area in which trade is, in principle, free for '*produits du cru*' and is partially liberalised by the granting of tariff preferences and the elimination of non-tariff barriers in respect of manufactured products".[334]

At the suggestion of President Tubman of Liberia in 1964 that a free trade area be created in West Africa across linguistic lines, an interim committee of ministers of Guinea, Ivory Coast, Liberia and Sierra Leone was formed at a meeting in Monrovia on 24 August 1964, to undertake studies and make recommendations on the prospects of establishing an economic community. An intergovernmental meeting in Freetown, Sierra Leone, resulted in the signing of an agreement that provided for the establishment of a Ministerial Commission, a small claims secretariat, and specialized committees to be established by the Ministerial Commission and composed of experts and technicians designated by governments of the member states. Parallel efforts inspired by the UN Economic Commission for Africa (ECA) such as a sub-regional meeting (in Accra, Ghana on May 4,1967) led to the signing of an Article of Association for the establishment of an Economic Community of West Africa. The

[334] Peter Robson, "Regional Integration and the crisis in Africa south of the Sahara: Performance and Priorities" Paper presented at the Conference on rehabilitation and recovery in sub-saharan Africa, (Sussex: IDS, Nov.1984) p.4.

Article of Association was of limited scope; however, as Bruce Zageris correctly points out "the Article of Association constituted another stage in the interim organization and movement toward a permanent organization for economic cooperation".[335]

In spite of the strong institutional support offered by the ECA and the historical ideological motivation for regional economic cooperation deriving from the Pan-African movement, the period from the mid-1960s to the early 1970s was marked by considerable vacillation, multiplicity of interpretations about how cooperation should proceed, and perhaps lack of political will by West African leaders. Following a series of meetings in 1972, Togo and Nigeria launched a joint effort for a comprehensive cooperative arrangement based on four guidelines: (1) that ECOWAS should cut across linguistic and cultural barriers; (2) that a pragmatic and flexible approach should be adopted; (3) that necessary institutions, however embryonic, be set up to deal with specific issues calling for immediate attention; and(4) that an open-door policy should be adopted so that any country in West Africa that for a number of reasons was not able to join it at the beginning should be able to do so as and when she was ready. The flexibility and pragmatism embodied in the guidelines [336] greatly accelerated and enhanced the efforts that culminated in the signing to the ECOWAS treaty on May 28, 1975 in Lagos. The Nigerian-Togo demarche represented the coalescence of two conjunctural factors; firstly, it bridged the linguistic hiatus and colonial affiliation that had hitherto precluded a common cooperative agreement, and secondly, as one scholar points out, " the political purpose of the establishment of the Nigerian-Togo union was to show that a small, relatively poor country can engage in economically rewarding relationship with a large and rich country".[337]

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[335]Bruce Zageris, "The ECOWAS: An analysis and prospects", **Case Western Reserve Journal of International Law** vol.10 (1978) p.100.

[336] Indeed ECA Chairman Adebayo Adedeji points out that the guidelines were to a large extent responsible for the success of the Nigeria-Togo initiative. See Adebayo Adedeji, "Economic Community of West African States: Ideals and realities" **The Nigerian Trade Journal** vol.22, no.2. (April/June 1975) pp.10-11.

[337]I.A.Gambarri, "The politics and economics of regional cooperation in West Africa", Paper presented at the 18th Annual Meeting of the African Studies Association, 29 Oct-Nov. 1975 (San Francisco) p.5.

Before briefly discussing the ECOWAS Treaty, the regional context of the scheme should be spelt out. As with the global process, there is a marked differentiation within ECOWAS, though this is not comparable to the great economic divide between it and the Northern countries. It should be noted that West Africa is among the poorest regions in the South. As Peter Robson points out, "ECOWAS has the unenviable distinction of incorporating a high proportion of the world's less-developed countries."[338] West Africa has ten of the forty countries designated in 1980 as least developed.[339] The basic data in Table 16 indicates a noticeable asymmetry between the economically "advanced" (this term is used advisedly and should not be confused with similar terminology used to designate developed countries) countries in the region like Nigeria, [340] Ivory Coast and Ghana, on the one hand, and Mali, Burkina Faso and Cape Verde on the other. This structural condition is manifested in factors such as size of the market of a given economy (such as area, population and its distribution and income and its distribution), the level of urbanization and the availability of transport and communications facilities. Differences in the level and the rate of economic development and the tendency, exemplified by the East African Economic Community, for investments to gravitate to centres where the existence of previously established industries provide the advantages of external economies constitute the root of the problem of inequality of distribution of costs and benefits.

The likely consequence of structural asymmetry or polarization is that there are bound to be disparities, as experienced in other Third World cooperative schemes, in the distribution of the gains of such arrangements with some members being net losers. The process of polarization may exacerbate the diversity in the stages of development existing within the cooperative arrangement. A similar process of polarization may also result among a group of countries at approximately the same level of economic development on account of other

[338] Peter Robson, "Regional Integration and the Crisis in Africa South of the Sahara: Performance and Priorities", **op.cit.** p.8.

[339] Ibid. p.8.

[340] For a discussion of Nigeria's role in ECOWAS, See J.B.Ojo, "Nigeria and the formation of ECOWAS", **International Organization** vol.34, (August, 1980)

factors, such as geographic situation or the existence or absence of infrastructure. To what extent then, has provision been made in the Treaty to avert what Gunnar Myrdal has termed the "backwash effect" of the benefits of integration, that is, a situation whereby there is a clustering of the gains around the growth poles of the region?[341]

Members of ECOWAS also exhibit differences in overall approach to economic policy and degree of intervention in the economic process. Three approaches to economic planning have been identified within the community.[342] First there is the "non-market approach", exemplified by countries such as Cape Verde, Guinea and Benin, involving comprehensive planning of the entire economy with heavy emphasis on public ownership in the major firms in industry, commerce and finance. In monetary policy these countries rely on quantitative control mechanisms, such as overall sectoral credit ceilings. [343] Secondly, within ECOWAS there are countries like Mali and Mauritania which rely on overall macroeconomic planning but have full or joint ownership of only strategic enterprises. Lastly, there are countries such as the Ivory Coast, which rely to a large extent on the operation of market forces, though there are varying degrees of development planning. ECOWAS member states also differ in terms of investment and industrial development programmes. Starting from this basis of diversity of levels of development and industrialization, it will be pointed out later that the ECOWAS Treaty has explicitly set out to overcome some of the inter-country distributional effects that have led to the demise of some schemes and conflict in others.

Members of ECOWAS share certain commonalities which provide the context for cooperation. Some of these similarities are the basic economic characteristics of the region such as the low level of intra-regional trade (see next section), the defining feature of the countries in the region being, for the most part, producers of what they do not consume and consumers of what they do not produce, and also the predominant reliance of import and

[341] Gunnar Myrdal, **Economic Theory and Underdeveloped regions** (London: G.Duckworth & Co. Ltd., 1963)
[342]See John B. McLenaghan *et.al.* **Currency Convertibility in the Economic Community of West African States** (Washington, D.C.: IMF, 1982) pp.9-10.
[343] Ibid. p.10.

export duties for public revenue. Apart from these basic economic characteristics, the region shares a remarkably similar external economic relations. From common membership in the Organization of African Unity and the Group of 77 and the non-aligned movement, they have been able to work for the adoption of programmes such as the UN Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990 and the Lagos Plan of Action - described as "an indigenous statement of collective experiences, expectations and prescriptions".[344] Indeed ECOWAS has embraced an Economic Recovery Programme, intended to cover 1988-91 at a cost of $920m, which is the project component of the UN/OAU African priority programme for economic recovery.[345]

Another aspect of their common external relations, potentially problematic for ECOWAS, relates to continued Eur-African connections, particularly membership in the ACP under the Lomé agreement - a scheme heavily criticized as essentially "neo-colonial". The historical antecedents to the Lomé agreements (I,II,&III) lay in the bid of the colonial powers to maintain and consolidate their pre-colonial privileges and system of exploitation. The francophone countries, following the signing of the Treaty of Rome by France, were granted "associated status" under Part IV of the Treaty which envisaged the exemption of their exports from the provisions of the common external tariff of the European Community. The objectives of the association were "to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole".[346] The Association agreement was to ensure the progressive establishment of a free trade area between the EEC and the associated countries through the reciprocal reduction of tariff and quantitative restrictions. In addition the Community established an European Development Fund for the purpose of granting financial aid to the Associated countries to promote social and economic development. Arnold Rivkin has noted

[344] Timothy Shaw, **Towards a Political Economy for Africa** (London: Macmillan, 1985) p.77.

[345] **West Africa** 6 July, 1987, p.1288.

[346] Article 131 of the Treaty of Rome (Part IV). Eight of the eighteen countries designated as Associates are now members of ECOWAS: Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger, Senegal and Togo.

that "the classic colonial pattern of exclusive relationships between the 'mother country' and its colonial territories was for a significant part of Africa transformed into a new multilateral Eur-African relationship".[347] Basically, the association was a convenient device for accommodating European colonial trading interests in Africa with the newly formed Community. It was hardly an association arrangement that provided for basic restructuring tailored as it was to the wishes of some to continue the old relations on the old basis.

The Association agreement was replaced upon the gaining of independence by the francophone countries by the Yaounde Convention (which entered into force on June 1,1964 after being signed in the Camerounian capital on July 20,1963 and was subsequently renewed five years later). The Yaounde Conventions did not depart markedly from the virtual clientelism between the associates and the EEC. Eur-African ties, at least for the francophone states, were strengthened under the Conventions, with nationals of the EEC member states granted establishment rights in associated states, that is, they could make investments, establish business enterprises, and conduct commerical activities on an equal basis. The Conventions created a polarization among African states between associates and non-associates, thereby complicating any attempts at setting up regional cooperative schemes across the lines of former colonial affiliation. As Ellen Frey-Wouters points out "the special Eur-African relationship represented by the Conventions prevented the necessary regional integration of Africa as a whole".[348] This point reaffirms Aaron Segal's observation that independent Africa was "newly divided, in its trade relations with Western Europe by new barriers to increasing intra-African trade and by the external political, economic and cultural affinities of its independent states".[349] One source of irritation for the anglophone countries in Africa was the French subsidy or *surprix* on many agricultural products originating in the

[347] A.Rivkin, **Africa and the European Common Market** (Denver: Social science foundation & Graduate school of international studies monograph series in world affairs) vol.3 no.4 (1965-66) p.7.
[348] Ellen Frey-Wouters, **The European Community and the Third World: The Lomé Convention and its impact** (New York: Praeger, 1980) p.15.
[349] Aaron Segal,"Africa newly divided", **The Journal of Modern African Studies** vol.2 no.1 (1964) p.90.

francophone countries. The *surprix*, under which the French systematically offered and paid above world market prices to the francophone states for a whole range of agricultural commodities, was intended to induce agricultural production in the francophone countries to meet the French market.

The accession of Britain to the Treaty of Rome in 1972 and her subsequent entrance into the EEC in 1973 led to the emergence of the Lomé regime and a change in the Community's external economic relationship with developing countries to accommodate anglophone countries. The adoption of Protocol number 22 annexed to the Acts of Accession, offered 20 commonwealth countries in Africa, the Caribbean and the Pacific the chance of negotiating a deal that would guarantee them the 'advantages' gained by the associates. Ultimately developing countries - associates and non-associates - presented a united front in negotiations that led to the signing of the Lomé Convention on february 28,1976 (Lomé II and III have subsequently been signed). Arguably, the learning involved in the francophone and anglophone countries negotiating as a bloc had a positive impact, in the West African context, in attempts to institute a West African regional scheme to embrace these countries.[350] This historical overview of an agreement, signed a year after the ECOWAS Treaty of Lagos, gives us an indication of the external setting, with its ambiguities and challenges, that should form the basis of an assessment of the ECDC process in West Africa.

[350] For instance, Rothchild and Curry have noted that "a dynamic process of social learning through external bargaining encounters (with the EEC) gives every indication of contributing to internal African unity". Donald Rothchild and Robert Curry,Jr **Scarcity, Choice and Public Policy in Middle Africa** (Berkeley: University of California Press, 1978) p.265.

THE ECOWAS TREATY: OBJECTIVES AND INSTITUTIONAL FRAMEWORK

Cooperative activity cannot be assessed solely on the basis of treaties, considering that treaties are *means*, not *ends*; however, they can convey the *modus operandi* for achieving the goals of cooperative schemes and provisions that reflect learning from the failure and problems of other arrangements. In concrete terms, the desire at the regional level in West Africa to bring cooperation to fruition across linguistic and colonial affiliation is expressed in the Treaty of Lagos and five Protocols annexed to it, as a number of timetabled commitments with respect to a tariff standstill, trade liberalization, fiscal harmonization and the introduction of a common external tariff. Essentially, as Timothy Shaw points out, ECOWAS is "an orthodox common market with some developmental content".[351] The goal of abolishing existing differences in their external tariff and the establishment of a common customs nomenclature is an attempt to ameliorate the policy distortions and other hindrances, which, as suggested in Chapter three, have dogged Third World mutual trade. The elimination of all tariff and non-tariff barriers on goods of community origin is to be undertaken in three stages:

(1) the first consists of a two-year standstill period for tariffs that terminated in May 1981,

(2) the second comprised the next eight years over which member states must reduce and ultimately eliminate their import duties on intra-community trade,

(3) finally, the succeeding years over which the common external tariff is to be established.

The aim and objectives of ECOWAS, emphasising the developmental content of the scheme, are set out in Article 2 of the Treaty as follows:

"It shall be the aim of the Community to promote cooperation and development in all fields of economic activity, particularly in the fields of industry, transport, telecommunications, energy, agriculture, national resources, commerce, monetary and

[351] Timothy Shaw, "The Revival of regionalism: cure for crisis or prescription for conflict?" **op.cit.** p.27.

financial questions and in social and cultural matters for the purpose of raising the standard of living of its peoples, of increasing and maintaining economic stability, of fostering closer relations among its members and of contributing to the progress and development of the African continent".

In furtherance of these purposes of the Treaty, the Community is enjoined to ensure by stages: (1) the elimination as between the member states of customs duties and other changes of equivalent effect in respect of the importation and exportation of goods; (2) the abolition of quantitative and administrative restrictions on trade among member states; (3) the establishment of a common customs tariff and a common commercial policy towards third countries; (4) the abolition as between the member-states of the obstacles to the free movement of persons, services and capital; (5) harmonization of the agricultural policies and the promotion of common project in the member states notably in the fields of marketing, research and agro-industrial enterprises; (6) the implementation of schemes for the joint development of transport, communications, energy and other infrastructural facilities as well as the evolution of a common policy in these fields; (7) the harmonization of the economic and industrial policies of the member states; (8) the harmonization, required for the proper functioning of the Community, of the monetary policies of the member-states; (9) the establishment of a Fund for Cooperation, Compensation and Development, and (10) such other activities calculated to further the aims of the Community as the member states may from time to time undertake in common.

Principles such as mutuality of interest, equity and solidarity that undergird what is described in Chapter one as cooperation ideology at the global-level have been translated in the Treaty of Lagos. For example, the Preamble asserts a commitment to "the need for a fair and equitable distribution of the benefits of cooperation among member states".[352] Article 25 of the Treaty reinforces the equity principle by indicating that compensation shall be paid to a member country suffering loss of import duties as a result of the the application of the

[352]Preamble to ECOWAS Treaty

charter. Other provisions relating to compensation include the annexed Protocol on Compensation for Revenue Loss and Decision 19/5/80 of the Authority (A/Dec19/5/80) [353] for Revenue Loss and, as will be noted later, the Fund for Cooperation, Compensation and Development.

Unlike previous schemes in West Africa, such as UDAO, without institutional backing, ECOWAS has an elaborate institutional framework to implement the ultimate objective of the Community: "the accelerated and sustained economic development of the countries of West Africa, by the elimination of all types of obstacles to the free movement of goods, capital and persons".[354] The Treaty of Lagos establishes a Supreme Authority of Heads of State and Government, under whom is a Council of Ministers. As set out in Article 5, the former is the principal governing institution of the Community responsible for the general direction and control of the performance of the executive functions of the Community, for its progressive development and the achievement of its aims. It is the supreme body and, therefore, its decisions and directions are binding on all the institutions of the organization. The latter consists of two representatives of each member-state and is responsible for keeping under review the functioning and development of the Community in accordance with the Treaty, making recommendations to the Authority on policy matters aimed at its efficient and harmonious development, giving direction to all subordinate institutions of the Community exercising such other powers conferred on it and performing such other duties assigned to it by the Treaty (Article 6).

Headed by an Executive Secretary, whose term of office is four years, there is an executive Secretariat. The Executive Secretary is responsible for the day-to-day administration of the Community and all its institutions, including their servicing and assisting with the performance of their functions. It keeps the functioning of the Community under continuous examination, reports the results to the Council, submits and undertakes "such work and studies and perform such services relating to the aims of the Community as may be assigned

[353] ECOWAS, **Official Journal** (June, 1980)
[354] See Preamble of the Treaty of ECOWAS

to him by the Council of Ministers and also make such proposals thereto as may assist in the efficient and harmonious functioning and development of the community" (Article 8(10(d)).

The Treaty establishes a Tribunal (Article 11) with two major functions: (1) to ensure the observance of law and justice in the interpretation of the provisions of the Treaty; and (2) to settle such disputes as may be referred to it in accordance with Article 56 of the Treaty, which provides that "any dispute that may arise among the member-states regarding the interpretation or application of the Treaty shall be amicably settled by direct agreement ...". Added to these institutions, there are four specialized commissions: (1) the Trade, Customs, Immigration, Monetary and Payments Commission; (2) the Industry, Agriculture and Natural Resources Commission; (3) the Transport, Telecommunications and Energy Commission; (4) The Social and Cultural Affairs Commission (Article 9). The Treaty also provides for the appointment of an external auditor (Article 10) and the setting up of a Committee of West African Banks (Article 38) to oversee the payments system within the grouping.

To ensure an outward spreading effect of the benefits of integration and perhaps in recognition of the problems that led to the demise of the East African community, there is provision within the Treaty for the establishment of a Fund for Cooperation, Compensation and Development (Article 50) as a mechanism for the equitable distribution of benefits. As noted earlier, the perceived equity of distribution is one of the most serious and potentially most disruptive difficulties that can arise in economic integration discussions. In Article 2 of the Fourth Protocol annexed to the Treaty the following purposes of the Fund are specified:

- to provide compensation and other forms of assistance to member states which have suffered losses as a result of the application of the Treaty's provisions;

- to provide compensation to member states which have suffered losses as result of the location of Community enterprises;

- to provide grants for financial national or Community research and development activities;

- to grant loans for feasibility studies and development projects in member states;

- to guarantee foreign investments made in member-states for enterprises established in pursuance of the Treaty's provisions on the harmonisation of industrial policies;

- to provide means to facilitate the sustained mobilisation of internal and external financial resources for the member-states and the community; and

- to promote development projects in less developed member-states of the Community.

It is estimated that out of the initial tranche of the Fund's capital of $50 million (of a proposed $500m) members paid up $38 million at the end of 1981.[355] In the formative years of ECOWAS, the fund basically concerned itself with its policy, its instruments and conditions for granting loans, guarantees and subsidies and its investments.[356] It has also been actively involved in mobilizing funding for the telecommunications programme of the Community.

The treaty is similar to the GSTP in terms of the implementation of trade liberalization, in the sense that less developed members are permitted to adopt a slower pace toward liberalization. For instance, the decision on trade liberalization within ECOWAS divides countries and products into two groups with the more "advanced" countries such as Nigeria, Senegal, Ivory Coast and Ghana required to reduce their tariff barriers over 1981-86 whereas the less advanced countries are not required to eliminate tariffs until 1988.[357]

One of the consequences of colonial delimition of boundaries has been a decrease in migration in the sub-region. ECOWAS attempts to ease this problem in Article 2(2d) and Article 27(1) by recognising intra-regional migration as a way of rationalising and optimising resource use at the regional level. A Protocol relating to the free movement of persons, residence and establishment has been adopted to deal with the question of migration. The

[355] UNCTAD Secretariat, "Economic Cooperation and Integration among Developing Countries: A review of recent developments in sub-regional, regional and interregional organizations and arrangements. vol.11 Africa" TD/B/C.7/51 (Part II) June 1982. p.43.

[356] Ibid.p.43

[357] **ECOWAS: Development of the Community, The First five years, 1977-81** (Lagos,1981) pp.29-30.

principles governing the free movement of persons, residence and establishment are clearly stated in Part II Article 2(3) of the Protocol as follows: "the right of entry, residence and establishment which shall be established in 3 phases, namely: right of entry and abolition of visa, right of residence and right of establishment". [358]

Foreign direct investment in West Africa has been a defining part of the structural dependence of the region, and their integration into the capitalist system. Such investments have covered a whole range of sectors from primary production to the extractive industries in the mining sector. For instance during the colonial period, the manufacturing, mining and distribution sectors in francophone West Africa were dominated by Paris-based multinationals and French government aid agencies such as *Fonds d'Aide et de Cooperation (FAC)* and *Caisse Centrale de Cooperation Economique (CCE)*, while in British West Africa firms based in Britain like John Holt and John Walken were active in industry and distribution[359] With respect to primary production, Claude Ake has summarised the implications of foreign direct investment as follows: "...Investment in primary production did very little to generate external economies. Since there was very little processing, the stimulation of production brought by foreign investment did not contribute much to the improvement of knowledge or the improvement of techniques, in short, the development of productive forces"[360]

Since the ECOWAS was ostensibly established to alter decades of extroverted development and current entanglements with neo-colonialism, the question arises as to how the Treaty deals with what Philippe Schmitter has called "policy externalization" [361] - or the process whereby integration units jointly elaborate a common position in negotiations with external forces. Collective self-reliance involves the exercise of sovereignty by Third World countries over their natural resources. This calls unquestionably for common measures to

[358] See Official Journal of ECOWAS vol.1 (June 1979) p.3.
[359] See Ralph I. Onwuka, "Transnational Corporations and regional integration" on R.I. Onwuka and Amadu Sesay,(eds.) **The Future of Regionalism in Africa** (New York: St. Martin's Press, 1985) p.152.
[360] Claude Ake, **The Political Economy of Africa** (London: Longman, 1981) p.39.
[361] Philippe Schmitter, "Autonomy or dependence as regional integration outcomes: Central America", (Berkeley: Research Series number 17, Institute of International Studies, Univ. of California,1972) p.8

strengthen countervailing power vis-a-vis transnational corporations and other external agencies whose interests and activities might not necessarily be consistent with the developmental goals of the Third World. Although Article 32 of the Treaty enjoins the Council of Ministers to "take steps to reduce gradually the Community's economic dependence on the outside world", there are limited Treaty provisions for attenuating the high degree of external dependence. Specifically there is an absence of mutual support or collective bargaining with respect to third parties and no machinery within the scheme empowered to enter into negotiations with external forces for the Community.[362] The ECOWAS Protocol on the rules of origin attempts to deal with external forces with the adoption of local participation provisions to the rules of origin, though it fails to deal effectively with the rather tough issues of foreign control, ownership and participation in a comprehensive manner. Essentially, the rules of origin set down the conditions for granting preferential treatment to products originating wholly within the community and to products manufactured within the Community. For the latter, either the value added must be at least 35 percent of the ex-factory price or materials originating in the Community must represent at least 40 percent by total cost or 60 percent by weight of all the materials used in the manufacture of the finished product. Above all, enterprises are not eligible for preferential treatment unless nationals of the member states hold a certain proportion of their capital; this proportion is to increase progr ssively: it was 20 percent in 1981 and will be 51 per cent by 1989. As S.K.B. Asante points out "...unless the control that foreign actors exercise over the ECOWAS market is carefully circumscribed and progressively minimized, they may remain a dominant force within the community".[363]

[362] John P.Renniger, "The future of economic cooperation schemes in Africa with reference to ECOWAS" in Timothy Shaw (ed.) **Alternative Futures for Africa**(Boulder: Westview, 1982)p.170

[363]S.K.B.Asante, "Development and regional integration since 1980" in Timothy Shaw and Adebayo Adedeji (eds.) **Economic Crisis in Africa: African Perspectives on Development problems and potentials** (Boulder: Lynne Rienner, 1982) p.87.

Table 17: (Some Multinationals in West Africa) has been removed because of the unavailability of copyright permission.

Source: Ralph Onwuka, Transnational Corporations and Regional Integration in Ralph Onwuka and Amadu Sesay, The Future of Regionalism in Africa, New York: St.Martin's Press, 1985) pp.153-154.

Transnational Corporations are very active within the West African region (see table 17) and responsible for the transfer of technology and accumlation of investible capital, hence the need for a common strategy that constrains their activities or adapts them to suit the goals of ECOWAS. The current situation, as Ghana's experience with VALCO exemplifies, whereby the individual states attempt to to renegotiate deals for better terms often leads to frustration and renegotiated agreements that do not deviate substantially from the original unequal agreements. The Treaty does not provide for a common regime on foreign investment and divestment and also fails to provide any institutional mechanism for controlling the transfer or importation of proprietary technology and rather operates on what Adebayo Adedeji has described as a "lackadaisical approach"[364] to the problem of the procurement, use and domestication of foreign technology. This seriously undermines any industrial strategy within the region requiring importation of technology. Furthermore, the absence of a common framework for dealing with foreign technology does not augur well for the promotion of sustainable development and safeguarding inter-generational equity in West Africa, that is, the idea of leaving for the future generation a natural resource base that is not depleted. It could be argued that the lack of a strict code on the importation of foreign technology contributed to the recent dumping of toxic waste by an Italian firm in Nigeria. Unilateral as opposed to integrated common investment policies often result in unequal contracts exemplified in the West African region by concessionary agreements between Ghana and VALCO and Liberia's LAMCO deal.

[364] Adebayo Adedeji, "Collective Self-reliance in Developing Africa: Scope, prospects and problems", in A.K. Akinyemi, *et.al.*(eds.)**Readings and Documents in ECOWAS** (Lagos: Macmillan, 1983) p.xxix.

ECDC IN PRACTICE: STATE OF THE ART

Trade cooperation, involving the change of the colonial trade directionality and the removal of policy distortions within West African states, has to be the first yardstick for judging efforts made for promoting collective self-reliance. As alluded to earlier, trade was the primary instrument during the colonial rule for integrating West Africa to the metropolitan economies. Trade, as Claude Ake points out "helped to create consumerist orientations, it stimulated the growth of a money market and capitalist financial institutions, extending the scope of the money economy".[365] With this legacy of colonial trade directionality, Adebayo Adedeji is right in pointing out that "intra-African economic penetration will remain a will-o-the-wisp unless intra-African trade is expanding steadily, and indeed faster than total African foreign trade".[366]

For the most part, trade of the West African region has a North-South focus (see Table 18 for the broader African picture).

[365] Claude Ake, **The Political Economy of Africa** op.cit.p.36.
[366] Adebayo Adedeji, "Intra-African economic penetration, cooperation and integration: progress, problems and perpectives in the light of the Final Act of Lagos", **op.cit.** p.13.

TABLE 18

DIRECTION OF DEVELOPING AFRICA'S TRADE, 1985 (Percentage)

	Exports	Imports
Developed market Economies	73.5	74.7
Of Which:		
Europe	57.5	56.8
EEC	48.0	48.3
United States	12.9	8.8
Japan	1.4	5.6
Centrally planned economies		
Of which:		
USSR	2.4	2.5
Others	3.7	5.2
Developing market economies	13.6	17.6
Africa	4.0	4.1
America	4.1	3.9
Asia	3.9	9.5
Not Specified	6.8	
Total	100.0	100.0

Source: **Monthly Bulletin of Statistics**, vol.xl, no.6 (June 1986)

TABLE 19

ECOWAS: TRADE PATTERNS[1]
(In percent)

Country	Share of Exports to other ECOWAS countries in Total Exports	Share of Exports in Regional Total	Share of Imports from other ECOWAS countries in Total Imports	Share of Imports in Regional Trade
Benin	3.88	0.69	3.88	1.48
Burkina Faso	1.59	1.39	16.39	0.55
Cape Verde	10.91	0.01	0.90	0.26
Cote D'Ivoire	4.36	15.39	1.87	10.70
Gambia, The	2.41	0.25	9.10	0.45
Ghana	1.65	6.03	11.71	4.65
Guinea	0.20	2.00	0.70	1.45
Guinea-Bissau	1.00	0.08	1.42	0.21
Liberia	1.78	2.78	2.58	2.57
Mali	9.65	0.61	27.39	0.65
Mauritania	-	1.01	4.90	1.73
Niger	0.95	1.00	14.39	0.93
Nigeria	1.81	62.06[2]	0.43	66.73
Senegal	16.83	4.26	7.23	4.40
Sierra Leone	3.10	0.91	31.74	0.92
Togo	3.41	1.54	3.34	2.32
ECOWAS average	2.87	100.0	2.58	100.0
ECOWAS average, excluding Nigeria[3]	4.62		7.54	

[1]Data for Benin, Cote D'Ivoire, Nigeria and Togo refer to 1978; for Niger, 1976 data were used; for other countries 1977 data were used.
[2] Petroleum exports accounted for nearly 91 per cent of of the total
[3]Excludes Nigeria's exports to the region and its imports from the region.
Source: IMF, **Currency Convertibility in ECOWAS** (Washington D.C.: IMF, 1982) p.16.

The fact that developed market economies took 73.5 percent of African exports and supplied 74.7 percent of imports in 1985 is indicative of the continued North-South directionality of African trade. It should be noted that there is a large amount of unrecorded trade in West Africa of the countertrade variety and traditional trade between coastal and interior countries not to mention what this author believes to be West Africa's uneviable standing in Africa as the vortex of black market activities. Cross-border black market trade, mainly in agricultural produce, textile, mining products etc., thrives in West Africa because of the artificiality of boundaries and price differential of certain goods due, *inter alia*, to varying degrees of subsidies and differing inflation and exchange rates. For instance, the gravity of the problem was brought to light in Ghana when the government declared an anti-smuggling state of emergency in the eastern part of the country (Jasikan area) to curb unofficial trading activities across the border.[367]

Recorded intra-regional trade is disquietingly low given the geographical proximity of member states of the community and, to emphasise the issue of differentiation, highly skewed in favour of the large states within the Community. For example as shown in Table 19, Nigeria accounted for about two-thirds of both total imports and exports of the region, whereas Guinea-Bissau and Cape Verde accounted for 0.08 and 0.01 percent respectively for total exports and 0.21 and 0.26 percent respectively to total imports of the region. Table 20 also shows that in 1981 and 1985 Nigeria and Ivory Coast accounted for the bulk of merchandise trade in terms of value. The explanation for this level of intra-trade has to be made with reference to the general pattern of trade-inhibiting barriers and policy distortions in the Third World outlined in Chapter three as well as the overarching trade structures bequeathed by colonialism. The latter factor accounts for the production profiles of the economies of the Community, that is, the heavy emphasis on production of primary commodities and often highly protected small-scale industries geared toward production of consumer goods.

[367]West Africa Feb.1 1988. p.191.

TABLE
20

MERCHANDISE TRADE: VALUE, AVERAGE GROWTH RATE

Country	Total Trade (million US$)						Average Annual Growth rate (per cent)	
	Exports		Imports		Balance		Exports	Imports
	1981	1985	1981	1985	1981	1985	1981-85	81-85
Benin	40	109	542	250	-502	-141	27.3	-21.2
Burkina	75	44	338	267	-263	-223	-11.0	-6.4
Cape V.	3	2	68	64	-65	-62	-13.8	-1.6
Cote D.	2,535	2,569	2,383	1,279	152	1,290	2.2	-14.5
Gambia	27	54	126	87	-99	-33	15.4	-7.6
Ghana	977	547	1,267	557	-290	-10	-14.0	-19.6
Guinea	429	336	290	237	138	99	-7.6	-6.2
Guin-B	14	37	50	173	-36	-136	-31.8	41.4
Liberia	531	418	477	331	54	87	-5.1	-8.6
Mali	155	160	380	361	-225	-201	1.9	.2
Maurit.	195	334	265	177	-70	157	17.0	-10.9
Niger	455	226	510	145	-55	82	-14.4	-28.2
Nigeria	18,049	9,782	20,453	12,975	-2404	-3194	-13	-16.7
Senegal	500	580	1,076	1,077	-576	-497	3.1	.7
S.Leone	154	132	312	131	-158	1	2.1	-18.9
Togo	212	117	436	203	-224	-86	-10.5	-17.3
Total	24,350	15,448	28,972	18,316	-4,522	-2,88	-4.61	-14.5

Source: ECA,**Survey of Economic and Social Conditions in Africa** 1985-86. E/ECA/CM.13/3 p.A-53.

West Africa shares with Africa and other Third World countries factors that affect intra-regional trade such as incompatible national plans in terms of objectives, monetary and financial obstacles, tariff and quantitative restrictions weak infrastructure, varying standards and lack of integration of such infrastructure and lack of cohesive telecommunications systems.[368] The term "haphazard development" [369] has been used to describe the system whereby infrastructure was developed to link the sources of raw materials to the point of exit to Europe. As Achin Atsain points out with regards to transportation problems, "reversing the transport system that these countries have inherited from the colonial powers are designed to move goods from the interior to the port cities for overseas shipment, will add significantly to tariff and customs effects, and enhance trade within the Community."[370] Poor transport facilities tend to make it difficult particularly for landlocked countries to eliminate unfair competition with coastal countries. For instance, until the Abidjan - Niger railroad is completed, the removal of tariffs between Ivory Coast and Niger may not add significantly to trade expansion.

ECOWAS has definitely adopted a dual-track approach toward promoting intra-Community trade, though as with rail tracks there is inevitably a junction or in this case a merging of the two aspects of the same approach. Firstly, there is the policy of trade liberalization which attempts to remove policy distortions within their countries such as excessive customs duties and other administrative and quantitative restrictions against trade. Here the goal is to deal with trade problems resulting from high national protective structures which have been established without due cognizance of the needs and opportunities of regional trade. The trade liberalization programme involves the elimination of tariffs and non-tariff barriers to trade in unprocessed goods including handicrafts. Furthermore, products of future enterprises will enjoy immediate and complete freedom from customs duties within the

[368] See ECA, "Review of obstacles and barriers to the development of intra-African trade", **African Trade** vol.6 no.1/2 (December 1981) p.26-27.

[369] Claude Ake, **op.cit.**p.38.

[370] Atchi Atsain, "Regional Integration and Foreign Policy", in William Zartman and Christopher Delgado,(eds.)**The Political Economy of Ivory Coast**(New York: Praeger, 1984) p.207.

Community. Trade liberalization in industrial products is backed up by a compensation scheme funded by the countries exporting industrial products. The modalities for this scheme ensure that net importing countries are compensated for loss of customs revenue resulting from tariff reductions. The loss of customs revenue is defined as the difference between the amount of revenue which would have accrued if the most-favoured-nation tariff had been applied and the amount of revenue actually accruing from the application of the ECOWAS preferential tariff to imports of the industrial products originating in the Community. In accordance with what was described earlier as a division between "advanced" and "less developed" countries of the community, compensation is 100 percent for the latter countries, while the others receive only 80 percent of the difference. The remaining 20 percent is to be re-distributed over an initial period of five years to the less developed members and thereafter to all members. To expedite work on the acquisition of data required to assess compensation, and deal with the spareseness, inexactitude and non-comparability of trade statistics, work is in progress to establish the ECOWAS ASYCUDA Computer network. [371]

Trade liberalization in ECOWAS in conjunction with the GSTP at the global level gives West African countries a diversified market within the South and considerable opportunities for South-South trade. The use of compensatory mechanisms and exceptions to broader provisions for least developed countries within the GSTP and at the regional-level through ECOWAS shows the complementarity of approaches at both levels. A closer look at the ECOWAS liberalization process, that is, the first segment of the dual-track approach to trade cooperation, shows that it has not been implemented smoothly. The non-tariff aspect of the liberalization programme is stalled. As noted previously, non-tariff restrictions were to be removed within four years from May 1981; however, the economic difficulties within member states led to temporising due to fear of the impact on customs revenue. [372] The inertia in the liberalization of trade within the Community is also complicated by or perhaps attributable to the attempts by members of the CEAO and the Mano River Union to gain derogation from

[371] **West Africa** 6 July, 1987 p.1291.
[372] Ibid.p.1291.

the ECOWAS trade programme. The question of why West African states are dragging their feet on removing their trade barriers could be answered by asking who wins and who loses in regional integration. In West Africa, some elements of foreign capital are the most pro-integration forces because they are in the best position to profit from increased regional trade. Against regional integration are those capitals, foreign and domestic, who feel threatened by regional trade. What emerges or doesn't emerge in the form of regional integration is to a certain extent the outcome of the struggle of these forces within West African state bureaucracies. In short, the imperatives of cooperation ideological principles are clearly circumscribed by internal struggles of forces within West African states. Moreover, while the trade liberalization programme is a positive step, lack of heady and straightforward implementation to revive regional trade means that ECOWAS remains in the doldrums and continues to be entangled in the web of policy distortions to mutual trade.

It was suggested in the chapter on Third World mutual trade that payment problems have hampered intra-trade and have contributed to countertrade practices. Within West Africa intra-regional trade is settled at three levels - clearing at the commercial bank level, bilateral clearing mechanisms at the level of central bank and the clearing on intra-regional payments on a multilateral basis through the West African clearing House.[373] It is not uncommon at the first level of settlement of intra-regional trade trade for banking to go through financial centres in Europe. Moreover, there is a relative unfamiliarity of a number of banks with the mechanisms of the clearing system, which often leads to interminable delay in settlement of transactions. One positive development in the area of finance has been the establishment of ECO Bank to contribute to the financial, economic and social development of ECOWAS as a

[373] The West African Clearing House Articles of Agreement was signed in Lagos on 14 March, 1975 by Central Banks in 12 West African countries and established in Freetown, Sierra Leone in July 25, 1985. The objectives are as follows: (1)To promote the use of the currencies of the members of the Clearing House for sub-regional trade and other transactions; (2) To bring about economies in the use of foreign reserves of members of the Clearing House; (3)To encourage members of the Clearing House to liberalize trade among their respective countries; (4) To promote monetary cooperation and consultation among members of the Clearing House.

privately-sponsored and organized financial institution. The Community has invested $45 million in the establishment of ECO Bank, which opened in March 1988 in Lome with branches to be opened in Accra, Abidjan and Lagos.[374] ECO Bank is designed to address the absence within West Africa of privately-owned banks of international standing and challenge the dominance within the region of foreign-owned or controlled banks. ECO bank seeks to fulfill six main objectives:

(1) To mobilize and promote investment from private and public resources from within and outside the sub-region for productive purposes. To undertake, encourage and assist private investment in projects, enterprises and activities contributing to economic development and supplement private investment with resources obtained from national and international development agencies, when private investment is not available on reasonable terms and conditions;

(2) To promote the development of Trade, particularly ECOWAS trade;

(3) To become a centre for project rehabilitation services to help solve pressing problems of industry in ECOWAS member states;

(4) To provide technical assistance for the preparation, financing and implementation of development projects, including the formulation of specific project proposals;

(5) To promote the growth and improvement of indigenous banking and financial institutions and services throughout the ECOWAS region; and

(6) To establish West Africa's first off shore fund to attract foreign currency resources to the region and provide a range of financial services presently not available in the ECOWAS.[375]

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[374] **West Africa** April 4, 1988,p.607.
[375] Ibid. p.607.

TABLE 21

TRANSPORT AND COMMUNICATIONS INDICATORS

Country	Length of Railway network (km)		Road density (Kilometres per sq.km)		Private Motor vehicles per 1000 inha-bitants		Number of telephones per 1000 inha bitants	
	1981	1985	1981	1985	1981	1985	1981	1985
Benin	579	579	0.076	0.080	5.76	6.80	0.54	0.54
Burkina	504	504	0.028	0.032	2.02	2.01	0.18	0.22
Cape V.	-	-	0.300	0.303	-	-	1.00	1.22
Cote D.	1171	1171	0.038	0.167	18.39	20.10	1.09	1.07
Gambia	-	-	0.273	0.275	6.45	6.90	0.65	0.94
Ghana	925	925	0.134	0.148	4.63	5.30	0.59	0.56
Guinea	662	940	0.098	0.116	17.86	17.93	0.24	0.25
Guinea B.	-	-	0.111	0.111	4.92	4.20	0.61	0.79
Liberia	493	493	0.048	0.048	6.78	7.86	0.74	0.87
Mali	641	642	0.010	0.011	0.23	0.30	0.14	0.16
Maurit.	650	650	0.007	0.007	4.75	5.70	0.60	0.64
Niger	-	-	0.013	0.015	5.18	6.10	0.19	0.20
Nigeria	3523	3523	0.117	0.118	4.47	4.20	0.21	0.25
Senegal	1034	1183	0.071	0.072	10.18	11.05	0.77	0.83
S.Leone	-	-	0.109	0.113	8.35	8.15	0.51	0.73
Togo	442	514	0.123	0.126	1.51	1.72	0.42	0.44

Source: ECA, **Survey of Economic and Social Conditions in Africa, 1984-85** p.A-48.

ALIGNMENT OF COMMUNITY STRUCTURES

The second segment of the dual-track approach to trade cooperation is structural, that is, it attempts to establish and align production structures, infrastructural and telecommunication linkages to facilitate mutual trade. While not harping on the fact that production structures in the region have been vertical, that is, designed to meet Northern needs, until recently linkages between transportation and communications systems within the community were abjectly neglected. The transport and communications indicators in Table 21 shows the porous nature of such linkages with extremely low road density and number of telephones per 1000 inhabitants. As noted earlier, the pattern of transportation[376] within the ECOWAS shows a remarkable lack of coherence. Rail lines in West Africa lack a uniform gauge, shipping is mostly dominated by cartels from the North with minimum participation in terms of tonnage by ECOWAS members (Liberia is a leader in the registry of flags of convenience, though this should not be confused with ownership of ships), and the bulk of international flights to and from the region is handled mostly by foreign airlines.

ECOWAS has made progress in the transport sector as a result of the adoption by the Authority of Heads of State and Government of a Community Transport Programme to ensure coordination and the development of a coherent, modern and effective network of various means of transport within the West African sub-region. The Community Programme also calls for "cooperation in transport policies, legislations and regulations and actual running of the various transport services, this includes the possibility of creating ECOWAS Transport companies, standardizing transport equipment and organizing maintenance facilities".[377] The Director of Transport, Communications and Energy of ECOWAS, Daniel Faux, has recently noted that "on completion of the programme, the configuration of the ECOWAS terrestrial network will include two longitudinal routes, six development routes and

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[376]For a comprehensive assessment of transportation within the Community, See B.U.Ekong, "Transportation and the Economic Community of West African States(ECOWAS)" in A.K. Akinyemi,*et.al.* (eds) **Readings and Documents on ECOWAS** op.cit.pp.430 - 445

[377]**ECOWAS: Development of the Community, the first five years** op.cit. p.35.

a loop from Abidjan".[378] The breakdown of the routes is as follows: the *Abidjan loop* is a linkage of Abidjan, Ouagadougou, Lome and Cotonou; the *longitudinal routes* include Cotonou to Dakar via Niamey and Bamako; Lagos to Dakar via Abidjan and Conakry; *the development routes* include Bamako to Conakry via Korhogo; Bamako to Nouakchott via Sokoto and Birni Knouni and finally Cotonou to Ouagadougou via Porga-fade and Ngourma [379] (see Fig.3). There is also an advanced project involving the construction of a coastal highway between Lagos and Nouakchott, which is being carried out with Community participation, that is, bridge construction in Benin across the Mono and Sazue rivers and the Monrovia-Freetown section of the highway in Liberia. [380] These routes amount to a drastic change from the existing transportation pattern into a horizontal system conducive to free movement of persons and greater economic interchange. It is also noteworthy that in November, 1981, the Community adopted the ECOWAS Convention on Interstate Road Transport, a system of insurance certificates and a code of civil liability for road accidents.[381] Relatedly, the ECOWAS Reinsurance Corporation (ECO-RE) is to take off in early 1989 with a capital base of N40 million.[382]

Considerable progress has been made in the telecommunications sector to the level that prompts the projection that by 1989 all sixteen capital cities within the Community will be connected by an automatic telecommunications system, comprising international transit centres and satellite telecommunications earth station, under the ECOWAS telecommunications programme. [383] The telecommunications programme was adopted in May 1979; subsequently a special telecommunications fund was established in May 1980 to facilitate the implementation of the programme. In general terms, the fund, which is associated with the Fund for Compensation, Cooperation and Development, is to guarantee loans and assist

[378] See **West Africa** Jan.25,1988. p.141.
[379] Ibid. p.141.
[380] **West Africa** 6 July,1987,p.1290.
[381] UNCTAD Secretariat, "Economic Cooperation and integration among Developing Countries", **op.cit.** p.42.
[382] **West Africa** December 28, 1987, p.2549.
[383] **West Africa** Jan.25,1988,p.141.

member states to develop and maintain their telecommunications network. Development of telecommunications systems within each country is definitely going to be a protracted exercise considering the indicators shown in Table 21 for the number of telephones per 100 inhabitants. In 1985 this ranges from countries like Cape Verde, Ivory Coast and Gambia with 1.22, 1.07 and 0.94 telephones per 100 inhabitants respectively to others like Mali, Niger and Burkina Faso with 0.16,0.20 and 0.22 respectively. As a supplement to the communications infrastructure programme, ECOWAS has a medium-term postal services programme which includes studies on the harmonization of postal legislation; mutual postal regulations, postal communications by surface mail; an ECOWAS subregional routing plan; establishment of a regional training school for postal workers; postal tariff and distribution; institution of a postal code for member states.

Fig 3: (ECOWAS Transportation Routes) has been removed because of the unavailability of copyright permission.

Source: Adapted from: John Dunn, ed. **West African States: Failure and Promise** (Cambridge: CUP, 1978) p.viii.

AGRICULTURE

The ECDC process within ECOWAS is not restricted to the alignment of infrastructure but also involves cooperation in agriculture and industry. West Africa is basically an agricultural region and relies heavily on the contribution of this sector to total gross domestic product, for instance, nearly half of Ghana's and a third of Togo's in 1984 (see table 22). Furthermore, as depicted in Table 23, the percentage of the labour force employed in the agricultural sector in 1980 ranges from 46 percent and 53 percent in Benin and Ghana respectively to 91 percent and 82 percent respectively in Niger and Burkina Faso. The Community's Agricultural Programme, adopted in June 1981 sets out, in the short-term, to tackle a number of specific projects related to efforts to alleviate food shortages such as the distribution of productive varieties of seed and stock; development and improvement in the functioning of seed multiplication centres and cattle breeding stations; financing of genetic research programmes; and organising of storage facilities for foodstuff and other vital products. Other cooperative activities to be entered into include: the establishment of a regional institute for fishery research; and the establishment of a system of patrolling territorial waters. To aid in the distribution of surplus agricultural produce, ECOWAS has decided to set up within the Executive Secretariat a service for information and harmonization of Community markets.

Table 22

CONTRIBUTION OF THE MAIN SECTORS TO GROSS DOMESTIC PRODUCT, 1984

(Milions of dollars at current factor cost)

Country	Agriculture	Industry	Services	Total gross domestic product
Benin	483	177	357	1016
Burkina Faso	358	154	315	827
Cape Verde	--	--	--	-
Cote D'Ivoire	1862	1437	2656	6691
Gambia	47	21	78	146
Ghana	2216	356	1727	4300
Guinea	--	--	--	-
Guinea-B.	--	--	--	-
Liberia	--	--	--	-
Mali	392	128	305	826
Mauritania	196	180	261	639
Niger	614	--	--	-
Nigeria	16741	21560	25168	63469
Senegal	398	641	1284	2324
S.Leone	275	84	392	751
Togo	216	146	305	667

Source: ECA, **Survey of Economic and Social Conditions in Africa, 1984-85** p.7 Annex.

Table 23

SECTORAL DISTRIBUTION OF THE LABOUR FORCE, 1960 & 1980
(Percentage)

Country	Agriculture 1960	1980	Industry 1960	1980	Services 1960	1980
Benin	54	46	9	16	37	38
B.Faso	92	82	5	13	3	5
Cape Verde	--	--	--	--	--	-
Cote D'Ivoire	89	79	2	4	9	17
Gambia	85	79	7	10	8	11
Ghana	64	53	14	20	22	27
Guinea	88	82	6	11	6	7
Guinea-B	--	--	--	--	--	-
Liberia	80	70	10	14	10	16
Mali	94	73	3	12	3	166
Maurit.	91	69	3	8	6	23
Niger	95	91	1	3	4	6
Nigeria	71	54	10	19	19	27
Senegal	84	77	5	10	11	12
S.Leone	78	65	12	19	10	16
Togo	80	67	8	15	12	18

ECA, **Survey of Economic and Social Conditions in Africa, 1984-85** E/ECA/CM.12/5 p.25 Annex.

Given the centrality of agriculture within the region in terms of contribution to total gross domestic product and employment, it is unacceptable that the ECOWAS programme does not attempt in a comprehensive way to bring together the three dimensions of agricultural development [384] - the technical-physical, the financial-economic and the human-institutional dimensions.The ECOWAS Agricultural Programme adopts a rather mottled and uncoordinated approach where these dimensions are not seen as interacting but isolated from each other. A cogent framework for enhancing the contribution of agriculture should view the sector as an interplay of the three dimensions of agricultural development. In other words, there should be a balance and linkage between financial issues (such as costs, pricing policies, subsidies), technical questions (such as agricultural research, dissemination of technology and inputs etc) and purely institutional questions related to management, local government and participation of women.

Notwithstanding references within the ECOWAS Programme to the distribution of agricultural surpluses, like most integration schemes in the Third World (SADCC one possible exception), the Community does not seriously address the issue of food security. By food security is meant "the ability of food deficient countries, or region, or households within these countries, to meet target consumption levels on a year-to-year basis".[385] Regional food security is vital for reducing the problem of fluctuations in agricultural production at the national level, caused in West Africa mainly by adverse weather conditions. Chances are that production would be less volatile on a regional scale than at the national level. Considering the heavy unofficial trading activities across border in West Africa, it is to be expected that food shortages in one country would affect its neighbours. Having a regional food security, with stockpiling to even year-to-year

[384] See Bernard M.Wood, "Human Development and Sustainability", in T.J.Davis and I.A.Schirmer, (eds.) **Sustainability Issues in Agricultural Development** Proceedings of the Seventh Agriculture Sector Symposium, (Washington D.C.: World Bank, 1987) pp.80-91.

[385] See Veldes, A. and A.Siamwalla, "Introduction" in Valdes, A.,(ed.) **Food Security for Developing Countries** (Boulder,Colorado: Westview, 1981) p.2.

fluctuations and an early warning component for the exchange of information in crop prospects and stocks, decreases the likelihood of volatility and reduces risks. As Ulrich Koster has pointed out "cooperation in risk-reducing activities could be the main focus of regional integration schemes among developing countries. Risk reducing can be considered a public good which can be produced cheaper on the regional level than on the national level if appropriate measures are chosen".[336]

[336] Ulrich Koster, "The scope for regional cooperation in the food economy among developing countries: The case of SADCC and PTA" (Washington D.C.: International Food Policy Research Institute, 1984) p.2.15

TABLE 24
STRUCTURE OF INDUSTRY, 1984

(millions of dollars current factor cost)

Country	Contribution to gross domestic product of Mining	Manufac turing	Electricity and Water	Construction
Benin	37	71	7	62
B.Faso	0	122	11	21
Cape Verde	--	--	--	-
Cote D'Ivoire	207	914	112	204
Gambia	--	14	1	6
Ghana	27	227	25	77
Guinea	--	--	--	-
Guinea-Bissau	--	--	--	-
Liberia	--	--	--	-
Mali	0	72	5	51
Mauritania	102	30	3	45
Niger	123	58	24	44
Nigeria	13,863	3,071	630	3,996
Senegal	38	401	37	165
Sierra Leone	40	26	3	15
Togo	68	45	15	18

Source: ECA, **Survey of Economic and Social Conditions in Africa, 1984-85 Annex p.9.**

INDUSTRIAL COOPERATION

Industrial Cooperation, to establish a coherent regional industrial sector on the basis of complementarity, happens to be a priority area envisaged by the Community to overcome heavy reliance on imported manufactures from the North. The goals of this form of cooperation, as stated in a Community publication, are clearcut: "Planned industrialization at the Community level appears a good way of ensuring specialization, making it possible to instal modern production units of the required efficient size, developing the resource endowments of the sub-region on a rational basis and providing a channel for attracting external resources - especially capital and management". [387] For these goals to be achieved, cooperative actions are required in the interrelated areas of manufacturing and extractive industries, which typify the industrial structure of West Africa and contribute the most among industrial activities to gross domestic product in the Community (see Table 24). The term "industrial complex" has been used by two scholars to characterise "a set of processes occurring at a given location and belonging to a group of activities which result in the production, marketing or distribution interrelationships". [388] The complementarity that the term 'industrial complex' encapsulates, presumably realisable between extractive and manufacturing industries, has been lacking in West Africa. In most of the countries within ECOWAS the manufacturing sector is dominated by foreign interests, with the result that a sizeable proportion of value added is repatriated abroad as dividends.[389] It seems certain that the establishment of an industrial complex within the region with linkages among sectors will not be accomplished overnight, but the first steps were taken when the Community adopted an Industrial Policy and Programme in 1979 to facilitate efforts in cooperation in the industrial sector. The Programme lists 10 critical industries, likely to produce forward and backward

[387] ECOWAS - **Development of the Community op.cit.** p.36.
[388] O.Ogunsola and E.C.Anusionwu, "Industrial pattern and potential gains through harmonised industrial policy among ECOWAS states", in V.P. Diejomoah and M.A. Iyoha, (eds.) **Industrialization in the ECOWAS** (Lagos: Heineman, 1980) p.312.
[389] Ibid. p.314.

linkages, for harmonized development in the Community. These include food processing, building and construction materials, wood processing, telecommunications and electronics, petrochemicals, pharmaceuticals, iron and steel, and automobile and related industries. [390] The ECOWAS Industrial programme also provides *inter alia* for the drafting of a legal regime for Community Industrial Projects, the formulation of a regional industrial strategy and the indentification of regional industrial projects. The legal basis for the establishment and operation of Community enterprises is set in the Protocol relating to Community Enterprises. The establishment of ECOWAS enterprises and general harmonisation of industrial development will enable West African countries to realise economies of scale and take advantage of a larger market. A regional industrial strategy will deal with the uneven distribution of industries within the region and the fragmentation of markets by local fiscal and political barriers, and avoid duplication of industries and the resultant inefficiency and high cost. The ECOWAS Programme does not contain an environmental impact assessment provision to ensure that ECOWAS Industrial enterprises do not adversely affect the environment in their operation. It is an incontrovertible fact that a comprehensive environmental impact assessment that commands top priority within the region will be required if ECOWAS is to accomplish the environmental component of the goal of "sustainable development" - now the reigning catchphrase within the development community.

WOMEN AND DEVELOPMENT

On the social side of the ledger, ECOWAS member states have recognized the crucial contribution of women to economic development in the region by setting up a West African Women's Association (WAWA). With women constituting a majority of Africa's human resource, the statutes of WAWA, adopted at a meeting of ECOWAS Social Affairs ministers in Dakar (April, 1987), attempts to build on this resource base to

[390] **ECOWAS Policies and Programme Series** no.2. (1981) p.9

strengthen cooperative activity in West Africa. WAWA seeks to "participate in encouraging the creative initiative of the populations in order to build a viable and dynamic community with strong links of solidarity; encourage states to pay greater attention to research programmes on women's working and living conditions, in order to find appropriate solutions; exchange experiences with a view to harmonising social policies and to preparing a plan of action for submission to the Community for adoption and concrete implementation".[391]

[391] **West Africa** 6 July, 1987, p.1293.

AMBIGUITIES AND IRRITANTS IN THE ECDC PROCESS WITHIN ECOWAS

The professed commitment by West African states to collective self-reliance through ECOWAS and the Lagos Plan of Action has become problematic for two reasons summed up neatly by the *melange* of two words "Adjustment" and "Eur-Africanism". It is not an overstatement to point out that in the 1980s, at least in Africa, the word "adjustment" has become synonymous with West Africa, given the spate of IMF and World Bank adjustment programmes in the region. These programmes have been entered into by governments ostensibly to escape the structural quagmire of excessive debt, deteriorating terms of trade and a vulnerable external payments position. It has been estimated that terms of trade losses, higher interest payments and lower resource flows have caused the annual external financial position of sub-saharan Africa (excluding Nigeria) to deteriorate by about $6.5 billion between 1979-81 and 1985-87.[392]

With the contraction in private capital markets in the 1980s, West African countries have had to subject their economies to Structural Adjustment packages to reduce imbalance and, in IMF terminology, "promote sustained growth". Ghana stands out in this steadily rising tide of adjustment programmes in the region. (Table 25 shows a list of arrangements entered into by ECOWAS members with the IMF as of 1988). In furtherance of this adjustment motif, the Ghanaian Government, under the IMF's structural adjustment facility and enhanced structural adjustment facility, has introduced a series of far-reaching structural and financial reforms including the progressive liberalization of the exchange and trade system, coupled with the elimination of most price and distribution controls and the rehabilitation of economic and social infrastructure. [393] The results of the Ghanaian exercise have been mixed. For instance both real gross domestic product (GDP) and real per capita income have grown significantly and the balance of payments position of the country has improved considerably, though inflation is still high and the poorer segments of the Ghanaian society have been hit hard by the adjustment process. In the Ghanaian context, three groups

[392]IMF Survey vol.17 no. (March 21, 1988)
[393]IMF Survey vol.17 no.21, (Nov.14,1988) p.366.

have been isolated as least able to adjust to adjustment: rural households, where low productivity leads to hunger and hardship; low income and unemployed urban dwellers severely affected by large increases in the price of essential commodities; and retrenched private sector workers, civil servants and state sector employees.[394] Ghana's Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) is a belated attempt to deal with the distributional effects of adjustment and an admission that adjustment programmes often have not succeeded in promoting the welfare of the vulnerable. Typically, adjustment programmes include three elements: first, demand-compressing policies, especially the cutting of government expenditure, designed to lower imports, improve the trade balance and cut deficit; secondly, policies geared toward the improvement of the allocation of resources in order to increase production of exports and of substitutes of imports; and finally, policy reforms aimed at improving long-term efficiency of the economy.[395] Adjustment complicates the position of the poor, at least in the short-run, in the following manner: "by reducing employment, earnings from employment, for low-income households; by increasing the price of basic commodities, especially food; "and by reducing government expenditure on basic services - especially health, education and sanitation".[396] Export promotion under adjustment is often an euphemism for the continuation of vertical trade directionality to the detriment of diversified products and markets especially in the South. Conceivably, the argument could be made that to the extent that structural reforms lead to rehabilitation and restructuring of productive capacity, infrastructure and social services, they contribute to a strengthened economic base upon which cooperative links could be built with other countries. There is lack of evidence, however, to show that these reforms have contributed to the changing of trade directionality or involved greater emphasis on regionalism. The scope of adjustment programmes in West Africa is indicative of the constraints and limits imposed on independence and and efforts to substitute collective self-reliance for collective clientelism.

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[394] See **Financial Times** (June 6,1988)

[395] See UNICEF, **II Adjustment with a Human Face**:A UNICEF special study, (NY: UNICEF, 1987) p.93.

[396] Ibid. p.93.

Adjustment deepens vulnerability to the extent that it diverts attention and efforts away from the development of horizontal links among Third World countries. The case-by-case approach that is the hallmark of adjustment packages further increases the vulnerability of individual Southern countries. Noting the historical threads between the current aid/adjustment programmes and colonial policies, John Flint has noted that "... we face a similar situation in which the contemporary equivalents of the Colonial Office, the government aid ministries, the international institutions like the World Bank and the International Monetary Fund, have resurrected the doctrines of minimal government and financial self-sufficiency, and are busily dismantling most of the institutions of economic control, that came with the reforms after 1940, and which ushered in the most substantial period of real development that Africa had known since pre-colonial times".[397]

[397] John Flint, "Death of the Past", in E.A.McDougall, **Sustainable Agriculture** Proceedings of the Agricultural Systems and Research Workshop and Selected Papers from the CAAS, Edmonton, May, 1987 p.277.

TABLE 25
STAND-BY, STRUCTURAL ADJUSTMENT FACILITY (SAF), & EXTENDED STRUCTURAL ADJUSTMENT FACILITY (ESAF)
Arrangements as of Sept. 30, 1988
(thousand SDRs)

	Date of Arrangement	Expiration Date	Total amount	Undrawn Balance
Stand-By Arrangements				
Cote d'Ivoire	Feb.29,1988	Apr.30.1989	94,000	87,000
Mali	Aug.5,1988	Oct.4.1989	12,700	10,160
Senegal	Oct.26,1987	Oct.25.1988	21,275	-
Togo	Mar.16,1988	Apr.15,1989	13,000	5,230
Extended Arrangements				
Ghana	Nov.6,1987	Nov.5.1990	245,400	147,850
SAF Arrangements				
Gambia	Sept.17,1986	Sept.16.1989	10,859	2,309
Ghana	Nov.6,1987	Nov.5.1990	129,859	88,958
Guinea	July 29,1987	July 28,1990	36,767	25,187
Guinea-B.	Oct.4,1987	Oct.13,1990	4,763	3,263
Mali	Aug.5,1988	Aug.4.1991	32,258	22,098
Mauritania	Sept.22,1986	Sept.21.1989	21,527	4,577
Niger	Nov.17,1986	Nov.16,1989	21,400	4,550
Senegal	Nov.10,1986	Nov.9, 1989	54,039	11,498
S.Leone	Nov.14,1987	Nov.15.1989	36,767	25,187
Togo	Mar.16,1988	Mar.15,1991	24,384	16,704
ESAF				
Ghana(See details below)[1]				
Gambia(details below) [2]				

Source: **IMF Survey** vol.17 no.20 (Oct.31,1988) p.340.
* According to an IMF Press release(no.88/39, Nov.10,1988), the Fund has approved a three-year arrangement equivalent to SDR 368.1million for Ghana under the enhanced structural adjustment facility(ESAF). The ESAF arrangement replaces the current three-year extended arrangement for Ghana and an arrangement under the structural adjustment facility(SAF) both of which had become effective on Nov.6,1987.
A Fund Press release(no.88/43) indicates approval of a three-year arrangement equivalent to SDR 20.52 million for the Gamibia under the ESAF. This replaces an SDR 10.86 million arrangement under the structural adjustment facility.

'Eur-Africanism' is another external albatross around the neck of ECOWAS, whether expressed in terms of coalitions between local and foreign elites or in contractual agreements in the form of the Lomé agreement. That West Africa, especially in countries such as Ivory Coast, Togo and Senegal, has a fraction of bourgeoisie, essentially *comprador* in outlook, is beyond question. Peter Evan's insightful analysis of dependent development in Brazil in terms of a triple alliance between the state, multinational corporations and local capital has been found to be applicable to countries like Nigeria and Ivory Coast. According to Timothy Shaw, "this formulation of a 'triple alliance' as the social basis of semi-industrialization at the semi-periphery is of considerable relevance to states like the Ivory Coast, Kenya and Nigeria, particularly the latter with its rapid post-OPEC growth"[398] The implications of symbiotic class linkages within the region translate into attachment to neo-colonial schemes such as the CFA monetary zone in the francophone states and strong support for French objectives and interests.

Eur-Africanism, as noted earlier, is expressed most forcefully in the Lomé agreement. From the perspective of the global Third World goal of seeking a restructuring of the world economy - the N.I.E.O. - the Lomé agreement has failed to reshape patterns of both production and power. The goals of Lomé and ECOWAS are completely divergent. Whereas, for instance, in the area of trade cooperation ECOWAS aims at developing stronger horizontal economic links, the Lomé scheme is geared toward reinforcement and strengthening of the colonially-evolved pattern of trade. It is not a mystery that the EEC entered the Lomé negotiations with the main interest of ensuring " a reliable flow of cheap products" and to retain her already established markets in Africa for manufactured and capital goods.[399] Given the international division of labour and the concomitant inheritance of unequal exchange, coupled with a crisis-ridden international economic system, the *raison d'etre* of Lome for the

[398] Timothy Shaw, **Towards the Political Economy for Africa: The dialectics of dependence** (London: Macmillan, 1983) p.47

[399] See T.Shaw, "EEC-ACP Interactions and Images as redefinitions of Euro-Africa: exemplary, exclusive and/or exploitative", **Journal of Common Market Studies** vol.18, no.2.(Dec.1979) p.142.

ACP was guaranteeing their markets in Europe and restructuring their exports to include more processed and manufactured goods. In short, the main objective of the future relationship with the Community would be to permit ACP countries to promote economic measures that are fundamental to their future development, such as diversification of their economies, the expansion of their exports, the maximization of their economic and social infrastructure and the promotion of economic cooperation and integration among themselves.

The STABEX scheme under Lomé, often depicted by EEC officials as an innovative concessional compensatory system, has not only failed to adequately compensate ACP countries for shortfalls in exports but its limited product coverage of unprocessed commodities is biased against the development of the processi[illegible]ities. In short, as John Ravenhill describes it, "STABEX has failed to give [illegible] the guarantee of their subsistence they sought through their strategy of collecti[illegible][400] In other words, in the context development regionalism in West Africa, with focus on creating an industrial complex, ECOWAS members and their ACP partners find themselves caught in a scheme that is a disincentive to developing industrial structures and permits the continuation and preservation of the old division with its extractive role for the ACP and attendant terms of trade deterioration and unequal exchange syndrome. The Lomé scheme has also failed to guarantee the ACP share of the European market. Moreover, Lomé is far from granting ACP countries equal partnership in the arrangement, contrary to the statement in the Preamble of the Convention that it had been concluded "on the basis of complete equality between partners" or the view of European managerial functionalists that it constitutes a pioneering model of cooperation between *equal partners* (emphasis). The twin products of colonial history - *comprador* elements within ECOWAS and the Lomé agreement - will continue to be formidable obstacles in the ECDC process towards collective self-reliance in West Africa. In fact, it is not unreasonable to assert that unless these appendages are severed efforts at achieving self-sustaining development will remain cosmetic at best.

[400] John Ravenhill, **Collective Clientelism: The Lomé Conventions and North-South relations** (New York: Columbia University Press, 1985) p.147.

ECOWAS operates in a regional setting with a multiplicity of regional cooperation schemes which gives rise to nodules of competition, redundancy, and often lack of consultation. There are at least 17 major economic organizations in the region and out of these seven are exclusively francophone; none is purely anglophone. Not only does this lead to inefficiencies, it also results in inconsistencies and contradictions across the organizations - fulfilling one's obligations toward one organization can sometimes mean transgressing the rules of another organization. Thus, these groupings not only cause a considerable dissipation of energies but also serve to highlight historical differences. Partly this organizational duplication and overlap exist because of regional jealousies and fears not easily overcome by adherence to cooperation ideological principles - global or regional. The ECOWAS Treaty expressly states that it recognizes "the existence of groupings within the region". Article 59, paragraph two, of the Treaty points out that rights and obligations of members resulting from previous treaties are not affected by the provisions of the present treaty. Paragraph three of the same article goes on to exhort members to take appropriate measures to eliminate the incompatibilities that result from member states entering into agreements that are incompatible with the ECOWAS Treaty. The enduring problem for the Community is the CEAO-ECOWAS relationship, one that is a potentially disruptive factor in the ECDC process. These groups often solve similar problems independently without consultation leading to later problems of harmonisation. For instance, there are three different rules of origin, two different and incompatible compensation systems, three customs nomenclatures, and two different systems of trade liberalisation. As a miniature ECOWAS, the CEAO, with a pragmatic Treaty, is causing serious problems for the smooth implementation of ECOWAS Treaty provisions, such as the trade liberalization programme.

Admittedly, differentiation is a problem, and always has bedeviled integrative schemes. One facet of this problem, already discussed, is the extent to which the Treaty or contractual arrangements attempt to redress the consequence of polarization and disparities in the gains of integration. As noted previously, ECOWAS has a host of compensatory provisions to prevent the clustering of gains around the growth poles of the region. The second facet of this problem revolves around the intentions of Nigeria. Historically, Nigeria worked with a smaller country, Togo, to get the cooperative framework established in the spirit of consultation and appeal to the tenets of Pan-Africanism. But it is perhaps unrealistic not to suspect regional fears, real or imagined, of Nigeria as a regional behemoth given its economic and demographic indicators noted in Table 15. Differentiation will result in problems when Treaty provisions are not scrupulously applied in the area of ensuring equitable distribution of costs and benefits. It is too early in ECOWAS to pinpoint problems in this regard.

While ECOWAS does not aim at establishing a supranational entity, it is to be expected that occasionally political irritants do tend to becloud the process of cooperation, though one should neither lend too much weight nor ignore the petty political squabbles that takes place among different regimes in West Africa. Squabbles often result in closure of borders such as, in the 1980s, between Ghana and Togo, Nigeria and Benin, Ivory Coast and Ghana, that temporarily hinder the free movement of persons and goods. Sometimes adverse political relations result in incisive action that affects the cooperative process, as in Nigeria's expulsion of illegal immigrants from neighbouring countries in 1983 and 1985. Another irritant likely to complicate cooperative effort, is of course, political instability. Military coups have become the the most widely used means of changing governments. This phenomenon may create potential problems of discontinuities resulting from unpredictable and possibly frequent changes in government. Governments often lack the political legitimacy to withstand the short-term sacrifices which work for the common good and which are necessary to obtain long-run economic gains for each individual country.

CONCLUSION

ECOWAS members, in the Treaty of Lagos, have expressed the commitment to adopt far-reaching measures at attaining collective self-reliance. These efforts are proceeding at a painstakingly slow pace and are heavily circumscribed by bequeathed colonial structures and an international economic environment that complicates attempts at cooperation. Successful self-reliance will require structural change involving both disengagement from Eur-Africanism and traditional economic patterns and relinking of their economies toward a regional focus. Additionally, it seems that there are internal forces in the region resisting the redirecting of economic activities toward horizontality. Furthermore, in the economy of attention, the goals of ECOWAS are long-term and grandiose and may not be immediately crucial for the individual countries. While it may be fashionable to use "lack of political will" to explain the current pace of cooperation in ECOWAS, one should not overlook the crucial ambiguities raised by Eur-Africanism and the Adjustment packages of the hegemonic institutions. Movement towards regional collective self-reliance will require changes to the productive structures of the region and greater horizontal alignment. While modest efforts are being made to align infrastructure to suit the exigencies of intra-trade directionality, ECOWAS members continue to hamper cooperation through arrangements (eg.Lome) that seek to preserve the traditional division of labour, maintain dependence and the former possibilities of exploitation. Cutting Eur-African linkages of the neo-colonial genre should not be misconstrued as autarky, but rather a pragmatic approach necessary for changing structures and factors that lead to extroverted development. It seems evident that realization of the goal of collective self-reliance cannot be accomplished without a drastic *volte face* with respect to neo-colonial structures and interests detrimental to developmental regionalism. As Adebayo Adedeji has remarked: "The choice is not either intra-African penetration or Eur-African cooperation. The choice is one of priority and of the realization that one impinges and affects the other".[401]

[401] Adebayo Adedeji, "Intra-African Economic Penetration, Cooperation and Integration: progress, problems and perspective in the light of the Final Act of Lagos", **op.cit.**

[401](cont'd) p.22.

CONCLUSION

INTRODUCTION

Collective behavioural strategies have been employed by the Third World in the global economic system to reduce vulnerability, shape existing regimes to their predilections and ultimately attain collective self-reliance through programmes that enhance their mutual interdependence. These strategies, under the broader ambit of the process of ECDC, are operating simultaneously in different issue-areas such as trade, technical cooperation and FMCDC. ECDC is multifaceted to the extent that it is shaped, organized and asserted at the global level frequently under the institutional guidance of the Third World institutional units, and, as noted in Chapter five, also takes place at the regional level in the form of developmental regionalism.

ECDC or South-South cooperation is the practical expression or formation of the global social will of the South, that is, the body of consensual understandings, developmental directions, and systemic perspectives of a vulnerable collective. In this thesis two basic elements of this process, with obvious interlocking components, have been highlighted. Firstly, ECDC is intimately related to or rather objectively derived from the workings of the international economic system. In this characterization, South-South cooperation is a response to the deep-seated Third World recognition or perception of the asymmetry of the existing international economic system; hence the need to embark on concerted coordination at the global level not only to change the constituent regimes from their market-oriented focus to authoritative modes of allocation but to design their own contractual regimes (eg. GSTP) for greater cooperation and horizontality.

Secondly, South-South cooperation is rooted in the subjective self-understandings of developing countries. This inter-subjectivity of the South, defined in this thesis as cooperation ideology, is based on the principles of the *Panch Sheel* and other ideational conceptions in the Third World and shaped and reaffirmed through the work of the Non-aligned Movement. Cooperation ideology offers the Third World their interpretations of the conditions and opportunities of their historical existence and concomitant practices they undertake. The ideological principles that form the backbone of the Southern coalition - equity, mutuality of advantages and interests, solidarity, non-interference - have sketched the parameters of cooperative activity and provided the interpretive resources for legitimation and perhaps circumscription of the cooperative process. Furthermore, these principles, and analyses emanating from the dependency research programme, have been deployed as the conceptual resources necessary to resist existing worldviews of the international economic system and to legitimate and organise the Third World approach to world ordering possibilities. In the parlance of Galtung, it could be argued that cooperation ideology legitimates the practices of *Beta* and also challenges the workings of *Alpha*. Galtung, in an essay on the technology of self-reliance, defines two basic social structures, *Alpha* and *Beta*. The former is defined as the prevailing structure, marked by unequal exchange, verticality, penetration, fragmentation, marginalization and segmentation, while the latter is characterised by equal exchange, horizontality, automony, solidarity, participation and integration.[402] In essence, cooperation ideology, except clearly stated as action programmes or expressed in behavioural strategies, is that other imperceptible part of South-South cooperation from which developing countries secure recognition, assign meaning, mobilize their energies and focus their limited resources for the attainment of collective self-reliance.

[402] See J.Galtung, "On the technology of Self-Reliance" in J.Galtung and P.O'Brien, **Self-reliance: A strategy for development** (Geneva: Bogle-L'Ouverture, 1980) pp.223-246.

TABLE 26
OVERVIEW OF NON-HEGEMONIC COOPERATION IN GLOBAL ECONOMIC RELATIONS
(CHALDEANS MENSAH'S CONCEPTION)

Issue-area	Role of Cooperation Ideology and Institutional units	Prospective view Transformative potential (World ordering possibilities)
Trade Cooperation	Ideological imperative and institutional guidance salient in the establishment of the GSTP. Minimal influence of ideology and institutional units in Countertrade	Significant - with the GSTP becoming operational
Technical Cooperation	Strong global institutional guidance and support. Cooperation ideology underpins TCDC concept	Significant in terms of horizontalization of technology and ideas
Financial and Monetary Cooperation	Cooperation ideology not expressed	Non-transformational, especially since Third World MDFIs depend on Northern financing
Developmental Regionalism (ECOWAS)	Regional equivalent of Cooperation Ideology in the form of Pan-Africanism	Insignificant. Mutual trade is abysmally low and directionality is North-South. Commitment to cooperation is rhetorical and constrained by Eur-Africanism and Structural Adjustment.

ECDC AND THE "IDEOLOGY PROBLEMATIC"

The 'ideology problematic' with reference to the process of ECDC has to be clearly spelt out. My usage of the term "cooperation ideology" to describe the body of tenets and ideas underlying Third World cooperative endeavour is likely to lead to questions not easily resolvable by argument of any kind. But at least, I have avoided using cooperation ideology as a *deux ex machina* explanation of all Third World cooperative endeavours. While common tenets are crucial for setting the parameters of cooperation, defining expectations and perhaps behavioural standards, it should be noted that "cooperation ideology" must be seen as an instance of what W.B.Gallie has called "essentially contested concepts".[403] For instance, some of the questions raised by its use in this thesis include the following: Is it a functional equivalent of a hegemon? Does it provide a sufficient explanation for all cooperative efforts, if not, does it have any explanatory value? Certainly, as will be noted shortly, ideological imperatives do not always enhance cooperative potential. Indeed, sometimes, as in the case of ECOWAS, they might set high expectations or maximalist objectives that are unattainable or lower the level of commitment in times of crisis. What is needed, then, is a clarification of the ideology problematic.

A hegemonic state in the global economy, whether of the coercive or benevolent variety, performs certain systemic functions including the combination of paying transaction costs, providing the framework (ideological underpinnings) for cooperation, using the "carrot" or "stick" to influence the choices and shape the incentives of other actors. In short, the hegemon has the economic wherewithal and the preponderance of other key capabilities to provide the collective goods for cooperation and stability. Clearly, ideology, within the context of ECDC, does not serve as a functional equivalent of a hegemon in the South. In the absence of a hegemon to perform these traditional functions, the role of ideology is essentially that of a *hinge-construct* that opens up the cooperative possibilities, the self-understandings of the South and the transformative potential of ECDC. The South, then, appropriates the

[403] W.B.Gallie, "Essentially contested concepts" in Max Black, ed. **The Importance of Language** (Englewood Cliffs: Prentice Hall, 1962) p.121-468.

consensual self-understandings offered by ideology to organise its coalition and set the interpretive context within which to challenge the hegemonic ideology and economic order. Apart from being a *hinge-construct*, ideology is also an interventionary device for welding together a disparate group of countries into a homogeneous unit devoid of all the incongruent elements of hegemonic cooperation. Thus, in the case of the GSTP, the very ideological principles upon which the Third World coalition is based have been incorporated into this exclusionary regime in a way that mutual expectations and rewards are clearly spelt out.

It is by no means suggested in this thesis that all the behavioural strategies of individual Third World countries in the global economy conform to the dictates of this ideology. In other words, limited deviation from the global social will of the South is expected, especially where expectations are not clearcut nor appropriate behavioural standards established by Third World institutional units in the form of contractual agreements or multilateral treaties. For instance, as noted in Chapter three, the phenomenon of countertrade, in its bilateral mode, represents a clear case where Third World countries act not out of adherence to any ideological principles but purely out of the need to survive in an era of illiquidity, protectionism and economic problems at the global level. Here, as with any other state from the realist perspective, the motive for countertrade might be pure national interest or economic nationalism. The countertrade/GSTP examples, discussed in Chapter three, reveal two strikingly different, perhaps contradictory, modes of South-South cooperative endeavour - the GSTP constitutes a case of trade facilitation on the basis of principles supported by the Third World institutional units, whereas countertrade has non-existent institutional support and is not is it based on any clearcut ideological principles. (See table 26 for my sectoral assessment of ECDC).

One should not, in a clean sweep of the brush, paint all countertrading as free-for-all in practice. Indeed, as suggested in Chapter three, some countertrade deals in the regional context often end up with the unintented benefits of greater policy coordination and concomitantly greater solidarity in trade matters. The essential point is that its neglect by

Third World institutional units as a propitious way of engendering South-South trade does not allow the legitimation and the disciplining that ideology within the institutional units encourages; what is left is old-fashioned *raison d'état* as the basis for most countertrade deals.

Ideology, then, must not be seen as a sufficient condition or explanation for all Third World behavioural strategies in the global economy, but rather conceptualised as a necessary or galvanising element in the cooperative process. Such a viewpoint is a fruitful way of bringing together all the cooperative threads in a multifaceted process. Thus, we can see ideology informing the mobilization of social energies in consequential human undertakings such as TCDC or the sharing of knowledge for solving common problems. In the realm of ideas, TCDC is a repudiation of the worldview that the development of the Third World has to be generated through a one-sided transference of knowledge, skills and technology from North to South. In essence, it asserts that the Third World *can* undertake consequential self-help activities or horizontal sharing of knowledge, as instanced by the Republic of Korea training experts from Niger to assist in strengthening the Niger Development Society and assist people's participation in cooperatives.[404]

It is not unreasonable to suggest, given the discussion in Chapter five, that the global subjective self-understandings of the South have their regional equivalents. In the case of West Africa developmental regionalism, specifically ECOWAS, it was noted that the consensual understandings of the region are rooted in Pan-Africanism and the symbolic and practical dispositions of West Africans derived from the pre-colonial era. In this purely regional context, cooperation ideology is seen in terms of historically-evolved ethos about the African condition and the response to ameliorating that condition. Pan-Africanism, as one African scholar points out, "represents the transcendence of the artificial boundaries established in the colonial era. It is based on the common identity and history of Africa and seeks to forge a united nation on the basis of collective experience".[405]

[404] UN High-Level Committee, Review of TCDC, Progress Report on the utilization of funds from special programme resources for action-oriented promotional activities for TCDC during the period 1985-86, Report of the Administrator, TCDC/5/6 p.10.

[405] Kofi Buenor Hadjór, **On transforming Africa: Discourse with Africa's leaders**

Pan-Africanism is congruent with the *Panch Sheel* to the extent that both project the value of collective action or solidarity, the absence of domination and assertion of independence, non-interference and territorial integrity. The *Panch Sheel* is captured in the policy of non-alignment while Pan-Africanism is expressed as African unity. If the *Panch Sheel* paved the way for a cohesive Third World coalition, Pan-Africanism in the regionalist context provided the ideal of unity which was never put into effect. The *Panch Sheel* differs from Pan-Africanism in one important respect. The latter was seen as an ideological shibboleth, in the sense that to openly attack it would be political suicide, but the *Panch Sheel*, later incorporated into the principles of non-alignment, has generated genuine debate and sometimes open criticism from some leaders.

As seen in our discussion of the evolution of Third World institutional units, non-hegemonic cooperation requires a great deal of ideological commitment, first, for coalition forging and second, arranging South-South programmes such as the GSTP. In this regard the Non-aligned Movement, for instance, serves as a forum for constructive debate on the tenets of the coalition and mobilizational efforts to mitigate their economic plight in the international system. The Group of 77, the key institutional unit for ECDC since the CPA has sought to give organizational structure and operational content to the ECDC process, while at the same time performing its traditional function of negotiating on behalf of the South.

THE LIMITS OF COLLECTIVE ACTION

For all the ideological commitment to greater Third World cooperation, the pace of actual cooperative endeavours remain frustratingly slow. In Chapter three, some of the systemic and conjunctural constraints to greater cooperation were duly noted. In the case of ECOWAS the systemic factors (Structural Adjustment and the Lomé Convention) have not

[405](cont'd) (London: Third World Communications, 1987) p.148

been positive for greater cooperation. While the overarching external constraints are considerable and detrimental to horizontality, internal policy distortions and choices often work against South-South options. It is within these two dimensions - that is, external environment and internal constraints - that limits to collective action should be situated. 'Internal' includes the problems within institutional units and coalition forging in the South. Having delineated the external constraints in previous chapters, it should be briefly indicated that limits to collective action derive from the crises in the international economic system. For instance, in the area of intra-trade, pronounced financial problems in the South have resulted in cutbacks in imports, rollback or suspension of concessions earlier agreed to, and refusal to implement decisions on intra-trade promotion measures.

One major source of limitation to collective action in the South, though not insurmountable, relates to the differentiation in the South and continued adversarial political relations. If economics and politics are inextricably bound then continued political fratricidal conflicts and petty enmities do affect the pace of cooperation. It is true that often countries in conflict do agree on systemic or specific ECDC programmes, but the potential exists for political conflicts to hinder the implementation of cooperative programmes. For instance TCDC programming, particularly TCDC "markets" require a great deal of stable political relations for maximum effectiveness.

Development of horizontality and collective self-reliance is hampered by lack of a clear focus on priorities. The absence of what could be called the "economy of attention", that is, setting priorities and embarking on cooperation through incremental, presumably achievable, goals instead of maximalist objectives or grandiose schemes. The case of ECOWAS perhaps suggests that it is fruitful to adopt an incremental or selective approach to ECDC, whereby there is increased concentration on a few viable, realistic and concrete projects which correspond to immediate needs and concerns of the South. The bane of ECOWAS is the lack of realism in the setting of priorities. Grandiose goals and inflated objectives often result from the ideological principles. Such principles as equality and mutuality of advantages are sometimes difficult to operationalize or merely hide the reality of inequity or domination. From my perspective, at the level of implementation, a level-headed approach to ECDC requires the toning down of strict ideological imperatives in favour of greater pragmatism. In a prospective analysis, Alister McIntyre points out that "it is unrealistic to assume, given the differences in their economic situation and prospects, that all developing countries will have identical interests in particular economic schemes or projects. The overall framework of South-South cooperation has to be developed in a sufficently flexible manner to allow each developing country to relate to it in accordance with its own trade and development needs"[406]

The absence of linkages among Third World regional integrative schemes and other sectoral organizations is a serious problem. Such links have now become urgent with the establishment of the GSTP and the moves afoot to establish the South Bank. There is also lack of attention to the need to develop proprietary linkages between ECDC and national development. And yet, national institutions are units supposed to be on the forefront of the implementational phase of ECDC, specifically TCDC. Since the promotion of ECDC by Third World institutional units often involve the papering over of national economic policies, there is virtually no dialogue among developing countries on appropriate national economic policies to be undertaken to support the ECDC process. After all, as is noted in an UNCTAD report, "Economic integration and cooperation cannot substitute for a lack of technically and politically sound domestic policies. Countries which have made the best use of a specific multinational economic integration or cooperation framework are those which have carried out effective national policies to support and stimulate their production and exports". [407]

Given the requirement or importance of institutional guidance under non-hegemonic cooperation, the ECDC programming and implementation are negatively impacted by

[406] A.McIntyre, "South-South trade and economic cooperation: some notes on future strategy" in **Proceedings of the second summit of Third World scholars and statesmen** May 5-8, 1986, Kuala Lumpur, Malaysia. p.12

[407] UNCTAD, **Strengthening the weakest link: A review of certain aspects of South-South trade and finance** UNCTAD/ST/ECDC/28 p.3

problems within Third World institutional units. As noted in the introductory chapter, institutional units function to organise, mobilise, and aggregate interests. With such functional requirements it is disquieting that the Group of 77 is still very much under-financed and under-staffed. Since most ECDC programmes take the form of a "top to bottom" format, the upgrading of the institutional units are crucial. National focal points for ECDC implementation and the coordination, promotion and information on ECDC matters have still not been established in some countries.

RECOMMENDATIONS

SECTORAL

---To facilitate sectoral integration and joint venture arrangements, attention should be focused on the role of small and medium size enterprises and the development of indigenous entrepreneurship. TCDC "markets" should be used to facilitate the process of sectoral integration.

---South-South trade should not be spontaneously generated but supported with policy, in other words policy-induced mutual trade to take differentiation into account and prevent replication of historical inequality in trade exchanges between North and South.

---Greater priority should be given to the extension of existing and the creation of new producers' associations to undertake various measures including trade promotion programmes, exchange of information, stocks and product developments and also to undertake supply rationalization measures with a view to bringing stability to the commodity sector.

---Work should be expedited on the linkages of operational subregional and regional clearing/payment arrangements by the Coordination Committee on multilateral payments and monetary cooperation among developing countries. Such interregional links will ease some of the financial restrictions affecting interregional Third World intra-trade. An interregional reserve fund for Third World countries should be established.

---The Trade Information System should be expanded to embrace all facets of trade intervention measures in the South, especially the frequency of their application, coverage and likely intra-trade effects.

---An injection of dynamism and realism into trade cooperation is needed. To take utmost advantage of the GSTP, the development of marketing and transportation infrastructure is critical. Furthermore, greater emphasis ought to be put on direct trade measures including joint import procurement, long-term contracts, STOs, MMEs and government-to-government arrangements to promote intra-trade.

---Countertrade should be multilateralised on a global basis under the institutional guidance of the Group of 77. The major instruments of countertrade should be carefully examined to ensure that additionality is achieved. STOs and other multinational trading companies should be established to facilitate the use of countertrade in Third World mutual trade.

---For development projects to be executed in their territories or financed by them, developing countries should take appropriate measures to eliminate the disadvantages faced by bidders from developing countries through provision of information under

TCDC markets or a fully operational Multisectoral Information Network.

---Exchange of information between developing countries on their negotiations regarding their external debt and, where desirable, collaboration between them in such negotiations. Development of a comprehensive and equitable multilateral framework for the restructuring of the debt burden of developing countries, in order to provide an orderly international response to the possible emergence of a serious debt crisis.

---Third World countries should allocate in their national budgets an amount for promotion and support of TCDC activities.

---The South Bank should be restricted to Third World governments; the possible participation of private capital could be considered in the future if governments so desire.

---Interbank cooperation in the South should be actively promoted to enhance the mediation and active role of commercial banks in trading operations. Third World banks should engage in joint activities such as consortia investment, investment pools or corporations for joint investments. To assist such cooperative endeavours, it is imperative that Third World banks improve banking operations technology. Furthermore, banking personnel training is necessary in the study of favourable market conditions, evaluation of capital projects, sectoral analyses for specified activities of interest for the joint approach of banks and the promotion of South-South trade.

COOPERATION IDEOLOGY

---Themes and tenets of cooperation ideology such as equity and mutuality of advantages should be carefully operationalized and fully deconstructed in ECDC programmes to ensure that the goals of ECDC are meaningful, achievable and incremental. This point is well stated in a Group of 77 Report: "ECDC needs to liberate itself from the paralysis of excessive thrust. Limited but sure progress is a better formula for increasing South-South cooperation than absolute goals which remain unimplemented". [405]

---Institutional units, particularly the Non-aligned Movement, should move from affirmation of cooperation ideological principles to implementation. Thus, policy coordination informed by cooperation ideology requires clearcut implementational strategies. In addition, all ECDC programmes should have straightforward identification of benefits.

---Structural heterogeneity should be seriously addressed through specific treaty/programme provisions to prevent any polarization or the possibility of domination.

---Since cooperation ideology is threatened obviously by the fact that South-South cooperation is quite uneven (for instance, concentration of intra-South trade among a few countries), special programming is required rather than spontaneous South-South interactions.

---If cooperation ideology is not to be taken as rhetoric, then it should reflect intra-South political relations. In other words, if cooperation ideology is an interventionary device for welding together the South for ECDC, it should permeate or rather translate into healthy intra-South political relations. Furthermore, this makes it imperative for Third World countries to remove policy-distortions that go contrary to cooperation ideological principles.

[405] Group of 77, Report of the Chairman, "Review of ECDC - Ideas for Future Strategy", (New York: Group of 77, 1986) Document no. G77/H-L MTG p.8.

INSTITUTIONAL

---National focal points should assemble and disseminate information on the technical and other requirements for establishment of joint ventures and other TCDC activities. National focal points should also bring ECDC to the Third World masses by involving them in programme implementation and initiation. National Focal Points should be established in all Third World countries to coordinate ECDC actions. They should become part of a national planning process in which the concept of ECDC has been duly integrated.

---Interests, as defined by Charles Tilly, are "shared advantages and disadvantages likely to accrue to the population as a consequence of possible interactions".[409] Third World institutional units should be significantly strengthened with the requisite financing (eg. through the ECDC Trust Fund) and staff to continue with the task of interests aggregation, research analyses and the forging of common positions.

---Integration secretariats should prepare and update inventories of regional and subregional projects for MDFIs. These financial agencies should also be actively involved in the identification and promotion of projects designed to attract investible funds.

--- The recently established South Commission should be expanded to offer full-time technical support to the Group of 77.

--- UN regional Commissions should focus extensively on ECDC and provide assistance in the area of interregional coordination of integrative groupings within their spheres of

[409] Charles Tilly, **From Mobilization to Revolution** (London: Addison Wesley, 1978) p.54.

operation.

---It is imperative for the South Commission to carefully identify and suggest strategies for dealing with questions of how transactions costs and benefits are to be distributed equitably in global level programm e the Commission should provide a linkage, on the one hand, between the two major institu   al units of the South, and, on the other, with UN agencies that support ECDC, particularly TCDC activities. Existing research institutes should undertake inde   n project analyses for the monitoring of ECDC projects undertaken by the UN system.

---Research and training centres of multinational scope should be established for the promotion of TCDC.

---The agenda of the Group of 77 should be broadened to include active South-South cooperation in the promotion of sustainable development, especially environmental protection and health issues.

REGIONALIST

---Grandiose objectives should be avoided in favour of incrementalism. Experience in Third World integrative schemes have shown that efforts to undertake maximalist actions are counter-productive and stymy genuine efforts at cooperation. In short, there should be gradual and progressive execution of actions to promote ECDC at the regional level.

---There is an urgent need within regional schemes of a common regime for private sector JVs. Multinational production enterprises should be established at the regional level to tap regional markets.

---Common regionalist approaches are needed in areas related to sustainable development - including joint approaches to the dumping of industrial wastes, enviromental impact assessments of industrial projects and ensuring that the principle of inter-generational equity is safeguarded.

---Third World regional schemes should incorporate comprehensive food security programmes in their operations on the lines of the SADCC programme. In other words, they should include the following: "regional agrarian coordination; development of regional and national early warning systems to identify impending food shortages; a regional data bank for storage and timely retrieval of basic agricultural information, inventorying agricultural resources available or capable of being developed regionally/nationally; a regional food reserve system; development of better storage facilities to reduce post-harvest losses; development of food processing technology, especially to increase the range of foods used and food preservation methods, improvement of regional and national infrastructures for marketing, including procurement, transportation, storage and distribution; exploring possible regional action to coordinate food aid". [410]

---Given the heterogeneity in Third World schemes, the less developed members should be covered by having a slower pace of tariff phase out, slower movement towards a higher common external tariff.

---Duplication of efforts and dissipation of energies should be avoided in the establishment of new regional arrangements when existing ones can perform the same

[410] TCDC News no.11 (Oct.-Dec, 1981)

functions.

---Countertrade should be employed by regional integrative schemes and multilateralised within the schemes. This could be aided by the establishment of institutions to handle countertrade transactions.

---Since dependency reversal is a goal of ECDC, Third World integrative schemes without comprehensive foreign investment regimes should follow the guidelines established under the Andean Code. These include provisions on divestment, repatriation, and prohibition of certain sectors of the economy.

These recommendations are pertinent, since they are premised on a recognition of the problematic nature of cooperation. They suggest possible pathways from existing pitfalls, such as threats to cooperation ideology, the unevenness of cooperation and policy distortions hampering cooperation. Action on these recommendations and movement away from *pro-forma* implementation and grandiose goals could cumulatively help create an external environment more conducive to the expansion of ECDC in different fields. Most of the recommendations, especially the sectoral, institutional and those related to cooperation ideology are likely to face the "internal" difficulties noted earlier. The internal difficulties could be overcome through greater empowerment of the institutional units for the setting of achievable cooperative targets, exposure of deviations from the tenets of cooperation ideology, and unrelenting emphasis on implementation. Existing multilateral organizations such as the OAU, UN, the South Pacific Forum and UNCTAD could be used to improve South-South political relations and remove other irritants to fruitful cooperation. In short, multilateralism within international relations should proceed closely with South-South cooperation. As participants at the 1989 World Scientific Banking Meeting have noted, "Multilateralism is a higher form of organizing human society. It represents a progression from the unilateral or hegemonistic method of conducting inter-state relations".[411] Another way out of the internal difficulties lies in continued and determined action within multilateral agencies for the promotion of ECDC and the cementing of the Southern coalition. It is an incontrovertible fact that Third World use of multilateral institutions for the expression of the joint awareness of their problems led to the formation of the Group of 77 and subsequently the establishment of the Committee on ECDC within UNCTAD.

South-South cooperation is collective action by vulnerable states based on a shared worldview, subjective self-understandings and overlapping syntheses of group perspectives. It is a strategy heavily circumscribed by systemic and conjunctural factors as well as internal policy distortions, inaction, and lack of realism in the setting of goals. Prospectively, it will not in the foreseeable future come close to fulfilling the grandiose objective of engendering fundamental structural changes in the global economic order. It is not clear that adherence to cooperation ideological principles will convincingly or completely eclipse the hard-core questions of cooperative endeavour, particularly issues related to the distribution of costs and benefits. The changing global economic environment, especially the consolidation of trading blocs in the North, highlights the paramountcy of incremental functional cooperation and policy-induced linkages as opposed to spontaneity in interchange. All in all, non-hegemonic cooperation will enhance confidence in the South and provide the enduring basis for the constitution of an appropriate mode of mobilization for collective action in the the global economy. The alternative of non-cooperation or unbridled individualism is a situation wherein Third World states are continually mired in the bog of vulnerability with the prospect of unending economic miasma.

[411] III World Scientific Banking Meeting, "The Future of the Monetary, Financial and Trade Cooperation for Development", (Dubrovnik, Yugoslavia: 7-10 June, 1989) p.4.

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LIST OF ECONOMIC COOPERATION AND INTEGRATION GROUPINGS

AFRICA

1. Central African Customs and Economic Union (UDEAC)
Cameroom, Chad, Equatorial Guinea, Central African Republic, Congo, Gabon

2. Comité Permanent Consultatif de Maghreb (CPCM)
Algeria, Mauritania, Morocco, Tunisia

3. Council of Entente
Benin, Burkina Faso, Ivory Coast, Niger, Togo

4. The Economic Community of Central African States (CEEAC)
Burundi, Cameroon, Central African Republic, Chad, Congo, Gabon, Equatorial Guinea, Rwanda, Sao Tome and Principe, Zaire

5. Economic Community of West African States (ECOWAS)
Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo

6. Economic Community of the Great Lakes Countries (CEPGL)
Burundi, Rwanda, Zaire

7. Mano River Union (MRU)
Guinea, Liberia, Sierra Leone

8. Permanent Inter-State Committee on Drought Control in the Sahel (CILSS)
Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal

9. Preferential Trade Area for Eastern and Southern African states (PTA) ±
Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

10. West African Economic Community (CEAO)
Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger, Senegal

11. Lake Chad Basin Commission (LCBC)
Cameroon, Chad, Niger, Nigeria

12. Niger Basin Authority
Benin, Burkina Faso, Cameroon, Chad, Guinea, Ivory Coast, Mali, Niger, Nigeria

13. Organization of African Unity (OAU)
Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sudan, Swaziland, Principe, Senegal, Seychelles, Sierra Leone, Somalia,

Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

14. Organization for the Planning and Development of the Kagera Basin (OKB)
Burundi, Rwanda, Uganda, United Republic of Tanzania

15. Gambia River Development Organization (OMVG)
Gambia, Guinea, Guinea-Bissau, Senegal

16. Organization for the Development of the Senegal River (OMVS)
Mali, Mauritania, Senegal

17. Southern African Development Coordination Conference (SADCC)
Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe

18. Sudan/Egypt Integration Scheme
Egypt, Sudan

19. Authority for the Integrated Development of the Liptako-Gourma Region
Burkina Faso, Mali, Niger

20. Indian Ocean Commission Mauritius, Madagascar, Seychelles

ASIA

1. **Association of South-East Asian Nations** (ASEAN)
Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand

2. **BANGKOK Agreement**
Bangladesh, India, Lao People's Republic, Rep. of Korea, Sri Lanka

3. **Cooperation Council for the Arab States of the Gulf** (GCC)
Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

4. **South Asian Regional Cooperation** (SARC)

5. **Organization for Economic Cooperation**
Iran, Pakistan, Turkey

LATIN AMERICA AND THE CARIBBEAN REGION

1. **Andean Group**
Bolivia, Colombia, Ecuador, Peru, Venezuela

2. **Caribbean Community** (CARICOM)
Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Monserrat, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis, Trinidad and Tobago

3. Caribbean Development Cooperation Committee (CDCC)
Bahamas, Barbados, Cuba, Dominica, Dominican Rep. Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Suriname, Trinidad and Tobago

4.Central American Common Market (CACM)
Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua

5.Organization of Eastern Caribbean States (OECS)
Antigua and Barbuda, Dominica, Grenada, Monserrat, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis

6.Latin American Economic System (SELA)
Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela

7.Latin American Energy Organization (OLADE)
Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela

8.Latin American Integration Association (ALADI)
Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela

9. River Plate Basin System
Argentina, Bolivia, Brazil, Paraguay, Uruguay

10.Treaty of Amazonia Cooperation
Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela

11. URUPABOL Group
Bolivia, Paraguay, Uruguay

INTERREGIONAL

1. *Council of Arab Economic Unity* (CAEU)
Dem.Yemen, Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Somalia, sudan, Syria, UAE, Yemen

2.*Arab Common Market*
Egypt, Iraq, Kuwait, Libya, Mauritania, Syria

3.*Organization of Arab Petroleum Exporting Countries* (OAPEC)
Algeria, Bahrain, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, Syria, UAE

4.*Tripartite Agreement*
Egypt, India, Yugoslavia

5.*Organization of the Islamic Conference*
Afghanistan, Algeria, Bahrain, Bangladesh, Burkina Faso, Cameroon, Chad, Comoros, Dem.

Yemen, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Niger, Oman, Pakistan, Palestine Liberation Organization, Qatar, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, Uganda, UAE, Yemen

6.*League of Arab States*
Algeria, Bahrain, Dem. Yemen, Djibouti, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine Liberation Organization, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE, Yemen

7.*Organization of the Petroleum Exporting Countries* (OPEC)
Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, Venezuela

8.*Protocol Relating to Trade Negotiations among Developing Countries*
Bangladesh, Brazil, Chile, Egypt, India, Israel, Mexico, Pakistan, Paraguay, Peru, Philippines, Rep. of Korea, Romania, Spain, Tunisia, Turkey, Uruguay, Yugoslavia

10.*African, Caribbean and Pacific Group of countries* (ACP)
Angola, Antigua and Barbuda, Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Dominica, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Ivory Coast, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, Sudan, Suriname, Swaziland, Togo, Tonga, Trinidad and Tobago, Tuvulu, Uganda, United Rep. of Tanzania, Vanuatu, Zaire, Zambia, Zimbabwe

10.*Action Programme on Economic Cooperation among Non-aligned and other Developing Countries*
Afghanistan, Algeria, Angola, Argentina, Bahrain, Bangladesh, Belize, Benin, Bhutan, Bolivia, Botswana, Burkina Faso, Burma, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cuba, Cyprus, Dem. Korea, Dem.Yemen, Djibouti, Ecuador, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Morocco, Mozambique, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine Liberation Organization, Panama, Peru, Qatar, Rwanda, Saint Lucia, Saõ Tomé and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, South West Africa People's Organization, Sri Lanka, Sudan, Suriname, Swaziland, Syria, Togo, Trinidad, Tunisia, Uganda, UAE, United Arab Republic of Tanzania, Vietnam, Yemen, Yugoslavia, Zaire, Zambia, Zimbabwe

Source: UNCTAD, Review of Developments in the areas of trade expansion and promotion and of monetary and financial cooperation among developing countries, TD/B/C.7/74/Add.1 pp.1-6
[1]As of June 1985.
±Agreement open for signature and ratification by Angola, Botswana, Madagascar, Mozambique, Seychelles.