

GLOBAL INTERDEPENDENCE IN THE CONTEXT OF THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO)

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"Interdependence is the only alternative to a world that destroys itself."

Sir Alec Douglas Home

"We live in an age of interdependence."

J.F. Kennedy

I

Since the end of World War II, and more particularly in the last five years, the world has undergone discernible changes both on the political and economic fronts. To understand fully the ramifications posed by these changes, we must more than ever, use imagination, tact, understanding, and above all a dynamic perspective in dealing with each other and their problems in a global context.

The one major area that may demand our utmost attention is in the sphere of interdependence. Generally speaking in talking about interdependence, the emphasis is usually placed on economic relationships, though it is abundantly clear that interdependence increasingly encompasses other spheres, such as political, military, cultural, environmental, and so on. Therefore, while acknowledging the importance of other types of interdependence, an attempt will be made in this paper to critically analyze and evaluate the importance of the global economic interdependence in the context of the emerging new world order.

II

Economic interdependence in today's context can be defined not as continu-

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ing dependence (as it was until recently) either on the Soviet Union or on the United States, but as the third web of transactions, flows, and interactions in the realms of trade, resources, investment, and money encompassing both the developed and developing countries. A web in which virtually all countries are increasingly enmeshed for their present and future outlook.

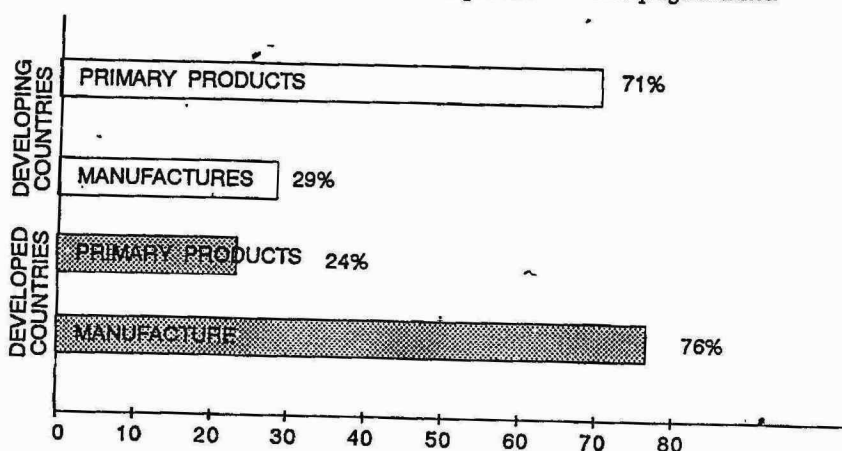
The existing perceptions of the so-called developed and developing countries are polar apart. The developed countries like the existing economic relationships with the developing countries. The developed countries supply finished and manufactured goods in return for industrial raw materials from the developing countries as shown below in Table 1 and Chart 1.

TABLE 1: Import Dependency on Selected Industrial Raw Materials of U.S., EEC, and Japan (net imports as a percentage of consumption)

	EEC	Japan	United States
Aluminum	75	100	84
Chromium	98	98	91
Cobalt	98	98	98
Copper	98	90	net exporter
Iron	55	99	29
Lead	85	73	11
Manganese	99	88	98
Natural Rubber	100	100	100
Nickel	100	100	72
Phosphates	100	100	net exporter
Tin	93	97	84
Tungsten	100	100	55
Zinc	70	53	61

Source: Based on data from International Economic Report of the President, transmitted to Congress, January 1987, Washington, D.C., Government Printing Office, p. 187.

CHART 1: Composition of World Exports 1990 — Percentage of Primary and Manufactured Products between the Developed and the Developing Countries.



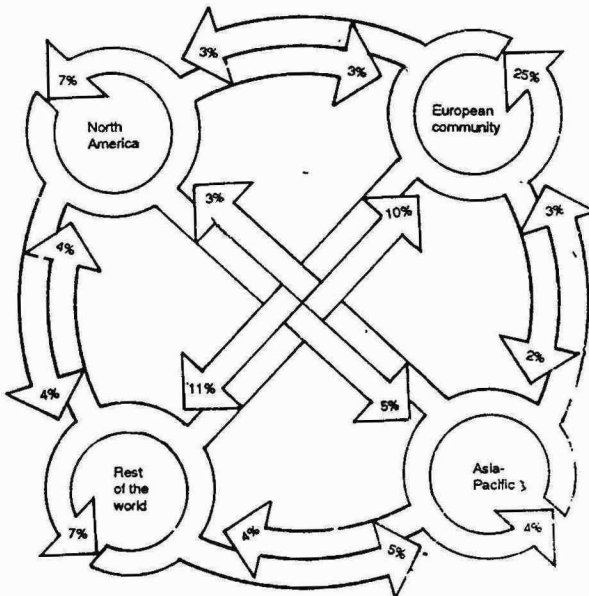
Source: World Bank, *World Development Report 1990* — Derived from Table 16, p. 208.

As the above table and chart indicate, the status quo is very favourable to the developed countries and not so, for the developing countries. Some spokesmen of the developing world as well as many western intellectuals whose analysis and sympathy converge on this point, have concluded that interdependence along the present lines is nothing short of evil. In their view, interdependence is a code word for continued dependence of the developing countries on the developed countries — a relationship they regard as neither inevitable nor good.¹

Furthermore, the shorthand used by many critics to describe the existing global economic system is "neo-imperialism." Some among them indict interdependence as, at worst, a western trick to cover up and perpetuate injustice, at best a policy system producing unintended consequence. In a speech of the U.N. General Assembly Session 1989, the Chinese representative stated that Moscow's imperialist fallacies are even more undisguised than the so called interdependence advertised by the other superpower, which actually means retaining the exploitative relationship.

This brings us to what may in the end be the most important single dimension of interdependence: how is it perceived? For the figures of flows of goods and services do not always reveal as shown below in chart 2, as to which country in an interdependent relationship is most affected by the costs entailed. It is true that a minor change in the price of coffee seems marginal to America but devastating to coffee producing developing countries. The

CHART 2: Percentage Shares of World Exports Within and Between Trading Areas, 1990.



Source: Department of International Economic and Social Affairs of the United Nations Secretariat.

skyrocketing of petroleum prices after the 1972 embargo had little or not affected at all the average American driver. A negative balance of trade has far more consequences to the developing countries in their struggle to modernize their economies than to the developed economies.

There is a point related to the above subtler point: the well-known psychological dependence of the giver on the recipient in some asymmetrical relationships becomes all the more important. Often the seemingly dominant nation is paradoxically dependent on the one helped. In sum, even if asymmetric dependence is an illusion, it will matter very much how it is perceived for as with all human behavior the perception is what will be acted upon, and is thus as much of a reality as the objective situation.²

In a way the major differences in the perception of interdependence are due to the object reality of the fact, whereby the developed countries' relative dependence on the Third World includes not only resources, but also profits from investments which add billions a year to their Balance of Payment.

On the other hand the perception of the developing countries on interdependency on the developed countries is one of exploitation of their existing situation in which they find themselves at the mercy of unstable foreign markets, for their raw materials and for manufactured goods they are so badly in need of. Or in other words, on balance the economic relationship is acutely lopsided in favour of the affluent nations which is rather not acceptable in an evolving New International Economic Order (NIEO), as even espoused by the Brandt Commission report.³

Therefore, if we ever hope to realize the so-called NIEO, one must address oneself to the scope and magnitude of the developing countries' needs in both national and international contexts. Problems of poverty, low productivity, population growth, unemployment, primary product export dependence, and international vulnerability have both domestic and international origins and potential solutions. To correct this status quo the following steps in a simple stylized model of NIEO are in order.

First, there is an urgent need to focus on the substantial imbalance in the distribution of international monetary reserves. Although the developing countries contained over 70 per cent of the world population, they received about 5 percent of the world reserves of over \$200 billion in 1990. The reasons are obvious: rich nations control the very creation and distribution of these reserves (for example through their own monetary expansion and through their effective control over actions of the IMF). They have the power to manipulate these international financial assets to their own advantage.⁴

Secondly, rich or the developed nations benefit disproportionately in the distribution of the value added to the products traded between themselves and the poor of the developing countries. As such the developing countries receive back only a small fraction of the final price obtained from international purchases of their products. The reason is rather simple and obvious. The developing countries are often too weak and powerless to exercise any substantial control over the processing, supplying, and marketing of their primary products. For, invariably most of the time they themselves must pur-

chase back at substantially marked-up prices the final products processed from their own raw materials (for example, peanuts in the case of Nigeria and Niger, tea in the case of Sri Lanka, and cotton in the case of Egypt, to name a few).

Thirdly, in the face of declining sectors of their economies, the developed countries are resorting to tariff and non tariff protection in order to protect their profits and jobs. Thus, their rhetoric in support of the free working of the international market mechanism is nothing less than hypocritical in the fall of the reality of their market management and control. Therefore the contention of the developing countries holds substantial truth that any genuine competitive successes they may realize from international trade become nullified by the restrictive commercial policies being adopted in developed countries at an alarming rate.

Fourthly, this is also a fact to reckon with, most of the contracts, leases, and concessions that the multinational corporations have negotiated in the past with the developing countries have unfairly benefited the MNCs at the expense of the host countries (for example, in the Philippines, Del Monte acquired large tracts of fertile land to grow pineapple for export to the developed countries at the expense of food shortages and growing unemployment in rural areas). Thus, the developing host countries of these MNCs contend that because of royalty payments, tax concessions, transfer pricing, capital allowances, and so forth they reap only a small fraction of the benefits derived from the exploitation of their own natural resources by the MNCs.

Finally, above all, when it comes to critical economic decisions affecting the working of the world economy, the developing countries have only a defacto or what amounts to a proforma participation in the decision-making process. Their advice is rarely sought by the developed countries in important key decisions relating to the future of the world economy. A case in point will illustrate beyond any reasonable doubt if one takes into consideration the very fact that the developing countries represent a large majority of the world's population but still they have less than one-third of the total votes in such key international economic institutions as the World Bank and the IMF. Also it is equally important to note that their numerical majority in the United Nations general assembly has no influence on international economic decisions.

III

In view of the above ramifications and having been repeatedly frustrated by the status quo, the developing countries launched a major drive in the 1970s to try to reshape the world economic order to better serve their own interests. The new international economic order movement received its formal political endorsement at the sixth special session of the U.N. General Assembly in 1976. In this session, convened in the immediate aftermath of the petroleum crisis brought about by the action of OPEC nations, the General Assembly committed itself to the NIEO by endorsing to "work urgently for the establishment of a new international economic order based on equity, sovereign

equality; common interest, and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations."

But unfortunately, progress on the establishment of a new international economic order has been extremely limited, and the so-called North-South dialogue is largely silenced. In fact after a brief mention of NIEO at the Cancun Summit in 1983, the last time any reference to NIEO was made was in 1987 during the United Nations Conference on Trade and Development (UNCTAD). In a way we are not missing the point if we were to conclude that since 1980 with the election of conservative governments in the U.S. and U.K., the old economic order has been replaced not by NIEO but by the new disorder: declining commodity prices, economic depression, and spiralling developing countries debts, fears of bank failures and international financial collapse, the burgeoning U.S. trade and budget deficit, reducing the will of the developed countries to expand or even sustain assistance at the existing level to the developing countries. And above all, the major source of uncertainty and disorder lies not only in the liquidation of the Soviet Union but also in the political liberation of the eastern block countries. If we want to create a systematic order out of all these uncertainties we may have to resort to NIEO, for it can provide a rallying point acting as a symbol of unity of purpose among the developing countries and the newly independent eastern block countries in their aggressive efforts for greater recognition and accommodation by the developed countries.

For this to happen, it is rather imperative to understand that the problem that needs our attention is not the conceptual contents of the interdependency but its very frame work. For interdependency can be a valuable asset to complement and supplement each other country's welfare, but the point is this: interdependency should be based on a symmetrical footing rather than the asymmetrical one as exists today. However too little or too much dependency may be equally undesirable. For too little dependency between countries may deprive them of enjoying maximum mutual benefits. Too much dependency on the other hand can distort the relationship and can produce unwanted long term consequences. As such even though there does not exist at the present an optimum balance between the two, it is rather desirable in the interest of all concerned to at least attempt to develop such an optimum interdependent balance.

IV

Thus in critically analyzing the existing evidence about global interdependencies, several major ramifications have emerged, basically each begging for more study.

The first ramification lies at the doorstep of interdependence emerging

not out of interdependency itself but the interconnection that unravels the dependency experienced by one or the other country. The problem does not arise over one country's inability to go itself completely alone or operate in isolation, a fact acknowledged by many which in turn generates most of the clichés about interdependence. Basically the issues arise over asymmetric dependence. The nature and depth of the political and attitudinal tensions which unbalanced dependencies create can and should be calculated more accurately than at present.

The second ramification revolves around the fact that interdependency seems to operate on the basis of critical mass. Too much or too little mutual dependence between countries may deprive them of mutual benefits, and the resultant isolation can thwart desirable mutual understanding from growing. But excessive interdependence can distort the relationship and produce unwanted long term consequences. For example, coffee has experienced this condition, and in parts of Latin America it has contributed from time to time to widespread anti-western or anti-U.S. sentiments. The same has sometimes happened with respect to exclusive armament relationship between the superpowers and their satellite countries.

The third ramification encompasses the fact that there is nothing given about interdependence despite beliefs in the economic determinism of Karl Marx or the invisible hand of Adam Smith. In short, interdependence in international economic and strategic relations can be onerous or promising, costly or cheap, symmetrical or asymmetrical; it often grows before anybody fully realizes it, and in this sense, it is not always premeditated. But at the same time it is not given but can be achieved through conscious persuasion, through considering available alternative policies which might be open in situations of socio-economic and political interdependence.

In view of the emergence of democracy in the eastern block countries and in the Soviet Union, heralding the end of the Cold War, the humanity is in need of a new strategy of world order, a strategy which will enhance the global security, maintain its freedom, and open the door to a future in which the vital energies of people may be directed to constructive purposes.

The theoretical basis for such a strategy is relatively simple, if the nation-states were to recognize the importance of mutual interdependence for enhancing each other's welfare. This may very well lead to creating a single international society, however imperfect, rapidly developing on the strength of interdependence. It is a system in which control over force is diffused in the hands of the nation-states, and control of conflict requires an offsetting cross-national diffusion of power and self-evident interests. Thus, there are two areas of paramount importance: first, positive constructive endeavors and enterprises; second, arrangements for restraint on the use of force.

In a nutshell, men gain their purposes from the conditions in which they find themselves. If the above example were to serve as a guide, then what is needed uppermost is the realization of a strategy which seems to create conditions which will increase the probability that our individual fate and survival is intertwined with the fate and survival of others. Our endeavours must there-

fore be comprehensive.

The concept of interdependence may yet prove to be the most fundamental natural law in the 21st century. No doubt beneath the troubled surface of the clamour of ideologies, the clash of arms and the confusions of cultures deep in the mind of man, is found again and again the aspiration for unity through interdependence. As the world approaches the threshold of the 21st century, the advances made in the 20th century in science and technology of communications and weaponry and many fields of human endeavour have made the goal of global interdependence appear a material possibility and indeed a necessity for mankind's survival in the 21st century and beyond.

For global economic interdependence to succeed now and in the 21st century I believe the following six main points of attention deserve special consideration. They are:

1. Renegotiate the debts of developing countries.
2. Redefine the terms of trade and assure greater access to developed countries' markets
3. Reform the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) decision making process
4. Attain United Nations' official development assistance targets
5. Indexation of the primary commodities' prices to those of manufacturing goods, and
6. Create a common fund to help stabilize commodity prices of such products as tin, rubber, sugar, cocoa and other industrial raw materials.

In the final analysis, the fact remains, and needs recognition that rich and poor nations alike have an increasingly common destiny. The world community must begin to realize that a more equitable international economic order based on mutual interdependence is not only possible, but also essential. Such a new order should be based on the fundamental principles that each nation's and each individual's development is intimately bounded to the development of every other nation and every other individual in a global sense. In a way the future of mankind is interlinked more closely today than ever before. All indications are that it will become more so in the coming decades. Let us hope therefore, that resources and good sense will prevail so that the first, second, and third worlds can truly become part of one world — forged together by a common destiny and guided by the human principles of peace, brotherhood, and above all mutual respect and interdependence.

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