

SCIENTIFIC-POLITICAL TREATISES

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the economics of non-alignment

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P R E F A C E

This book contains the papers and authorized contributions to the discussion at a scientific gathering on THE ECONOMIC ASPECTS OF THE POLICY OF NON-ALIGNMENT organized by the Centre for Marxism of the University in Belgrade and the Marxist Centre of the League of communists organizations of Belgrade on February 28, 1983 pending the Seventh Conference of Non-Aligned Countries' Heads of State or Government in New Delhi.

In view of the evident interest in the study of various aspects of the policy of non-alignment, the Marxist Centre of the League of Communists' organizations of Belgrade and the Centre for Marxism of the University in Belgrade included in their long-term plan of activities three scientific gatherings to look into these complex issues from every angle. The first gathering was titled "The Social Foundations of the Policy of Non-Alignment". The proceedings of that gathering were published in a book under the same name in 1982. The second meeting was devoted to the economic aspects of the policy of non-alignment while the next will review culturological aspects of that policy. In this way a unified trilogy will be obtained on various components of non-aligned policy viewed from various angles or rather from the standpoint of a politicological, sociological, economic and culturological analysis.

The aim of the meeting on "The Economic Aspects of the Policy of Non-Alignment" was critically to analyze results so far and indicate the perspectives of the policy of non-alignment in general as well as in terms of Yugoslavia's continued commitment to that policy.

The discussion mostly rallied economists specializing in the field either at universities or in scientific-research institutions.

* * *

The economic aspects of the policy of non-alignment have had a secondary role in the movement both in terms of substance and chronology. Within the scope of endeavors to enlarge the contents of the movement of non-alignment (beyond its generalized common denominator which included the struggle for the safeguarding of peace in the world and opposition to the activities of the military-political blocs) the inclusion of an economic component became indispensable. The efforts to perceive and elaborate the economic aspects of the policy and

platform of non-alignment were designed both to resolve the burning problems of the international community and to strengthen the actual substance of the movement of non-alignment.

That was how the idea to develop and consolidate the economic basis of the policy of non-alignment began to mature with varying intensity in individual non-aligned countries. Since the initial imitations of such a tendency at the Belgrade Non-Aligned Conference in 1961 and the formulation of some concrete tasks at the Non-Aligned Countries' Economic Conference in Cairo in 1962, this tendency has been growing steadily in the movement of non-alignment. It was re-affirmed at each of the subsequent summit conferences however the 1973 Algiers Charter merits special attention as a turning point in formulating the platform of a new international economic order.

Depending on the objective economic position and the role of subjective factors in perceiving the future development of international relations as a whole and of various aspects of economic cooperation among the developing countries in particular organized activities in that direction have been intensified in individual non-aligned countries.

In many cases, cooperation among the non-aligned countries can be identified with cooperation within the group of under-developed countries as the vast majority of the latter belong to the movement of non-alignment. However, in view of the fact that some developing countries have joined actively in the bloc division of the world it would for that very reason not be correct to identify the term non-alignment with the term "under-development".

In the aim of further elaborating the economic aspects of the policy of non-alignment, the frameworks of the discussion, the proceedings of which are contained in this book, were set by the following theses:

I Nature and Causes of the Present-Day World Economic Crisis

- manifestations of the crisis in the developed capitalist states, in the central planning states and in the economically underdeveloped states, the so-called developing countries;*
- crisis of the system of international economic cooperation and the deterioration of the position of the non-aligned countries;*
- world economic crisis and its effects on bloc policies particularly in the area of international economic cooperation; cementing of bloc cohesion versus the effects of centrifugal forces;*
- the contradiction between the policy of independence in international affairs on the one hand and a high degree of dependence on the bloc centres, on the other.*

II The Policy of Non-Alignment and the New International Economic Order (NIEO)

- *conditions under which the concepts of NIEO were formulated;*
- *chances for the realization of NIEO principles;*
- *differences in the global economic situation between the stage when NIEO principles were formulated and the stage when efforts are being made to implement those principles in the practice of international economic cooperation (1961-1973 and 1973-1983);*
- *capitalist nature of international economic relations today and the effect of NIEO.*

III The Policy of Non-Alignment and Aggregate Areas of International Economic Cooperation

- *the non-aligned countries under conditions of growing protectionism in international trade;*
- *the non-aligned countries and international capital flows with particular reference to indebtedness;*
- *the non-aligned countries and the formation of commodity prices;*
- *the non-aligned countries and the so-called energy crisis;*
- *the effects of the founding of OPEC on the policy of non-alignment;*
- *the relevance of OPEC experiences and how they could be applied to other goods and services*
- *the policy of non-alignment and the operations of transnationals;*
- *the transfer of technology and the position of the non-aligned countries.*

IV Non-Alignment and Economic Growth

- *compatibility between an independent non-bloc foreign policy orientation and the simultaneous use of the methods and policies of economic growth of one of the existing military-political blocs;*
- *the non-aligned countries and the population factor in economic development and in achieving national economic equilibrium;*

- *formation of a home policy orientation in the non-aligned countries as a determinant of foreign policy orientation;*
- *the effect of the transfer of foreign accumulation on the foreign policy of non-aligned countries;*
- *differences in economic development levels and how they effect commitment to the policy of non-alignment;*
- *orientation towards strengthening mutual economic cooperation among the non-aligned countries (commodity exchange, services, financial cooperation, technology transfer, coordinated division of labor and investments, monetary financial cooperation and the like);*
- *international economic integration and the non-aligned countries.*

V Policies of Individual Countries and Economic Blocs in Relation to the Platform and Practice of Non-Alignment

- *European Economic Community and the non-aligned countries;*
- *Council for Mutual Economic Assistance and the non-aligned countries;*
- *USA, USSR, Japan and the economic aspects of the policy of non-alignment.*

As can be seen from the theses that set the framework and tasks of this scientific meeting, the answers to most of the questions raised in them have been provided in these texts that follow. As some questions have remained unanswered the following hypothesis could be made: there is either a lack of genuine interest among scholars in some of the suggested theses or, due to various specific reasons, certain specialists were unable to attend the meeting and participate in the deliberations. As far as the former is concerned, this experience could be useful in future when organizing similar studies in the area of the policy of non-alignment. With respect to the latter, the problem is a far easier one to deal with. Unfortunately, this time these shortcomings have not been eliminated which detracts from the completeness of the book in terms of the results of Yugoslav science in the area of the policy of non-alignment.

In any event this book which, by its structure, is a study of the complex problem of the economic aspects of the policy of non-alignment by a group of authors, is the first publication of its kind made available to the scientific, socio-political, cultural and general public. The fact that there has been no other study based on the same concept abroad only speaks to the complexity of the undertaking but does not relieve the authors and still less the editor of any responsibility for its shortcomings either in terms of individual contributions or the study as a whole.

As the meeting itself was held in February 1983, it goes without saying that the book could not have come out in such a relatively short time had it not been for the committed efforts and assistance extended to the organizers by the participants in the meeting, the authors of

papers and all the other contributors. The spirit of cooperation that prevailed throughout contributed to the quality of individual contributions as well as the publication as a whole and has greatly facilitated the task of the editor who would, on this occasion too, like to thank all his colleagues for their assistance in preparing the book publication.

Lj. S. Adamović

Belgrade, June 8, 1983.

THEORETICAL-METHODOLOGICAL APPROACH TO THE ECONOMIC ASPECTS OF THE POLICY OF NON-ALIGNMENT

I Preliminary Remarks

One of the first questions that comes to mind when analysing the economic aspect of the policy of non-alignment is whether that aspect of contemporary economic relations fits into the standard theoretical models on the interaction between economies and politics and to what extent. This question arises primarily because in this case as in many others there has been a marked tendency to distinguish foreign political from foreign economic factors, above all in the area of theoretical analysis.

The fact that in the voluminous literature on the policy of non-alignment in Yugoslavia and abroad there are hardly any articles, studies or monographs dealing with the economic aspects of the policy of non-alignment eloquently illustrates the quite widespread practice of frequently presenting a certain political concept, either in the area of home or international politics, without its economic dimensions. Owing to the corrections imposed in that respect by life itself, the practice of international cooperation necessarily embraces certain economic components. In the absence of such corrections, political action also weakens unless it is coupled with and permeated by economic content: it is reduced to a feeble cry often covered up by high-faluting phraseology in so-called political documents.

The relevance of this remark is not limited to non-alignment alone. Are there not in a number of countries, at the home and foreign policy levels, many ambitious programmes and plans which may be clearly progressive in concept yet for which a corresponding base is lacking? Failure to realise such so-called purely political drives is the cause of unnecessary disappointment. If a certain programme were prepared taking into account both the political and economic components, the actual chances of certain political ambitions and programmes would be more realistically assessed, thus avoiding disappointment and the bitterness of failure.

One of the advantages of the Marxist analysis of socio-economic trends, including international relations, is certainly to be found in the methodology of the study of the relationship between "social consciousness" and the "social being", the latter being a factor determining the former. It is important to recall this primarily because under the immense influence of social sciences in the developed capitalist countries the permanent pressure of the idealistic concept can be felt in analyses of trends and changes in society today, and on the basis of what appears to us to be an artificial division between economic and political factors. The methodology of contemporary social sciences in bourgeois society is dominated by the view that economic laws are harmonised and coordinated rather like natural laws and that the state, which represents the

political system, should interfere as little as possible in economic life. The economy is left to the private sector while so-called politics is within the sphere of state prerogatives. State intervention in the economy is a necessity, or rather a necessary evil, an exception to the rule.

The other significant reason for the insufficient research into the role of economic factors in determining various spheres of home and foreign policy lies in the high degree of specialisation of the social sciences today. Whereas in the 14th century, for instance, there was a certain unity of economic and political sciences and they were studied together, the 20th century saw a high degree of specialisation and separation of economic sciences from political sciences with further sub-specialisations within each of these two groups. As a result of this, we have a situation in which economic analysts disregard political factors while political scientists neglect the role of economic factors regardless of the fact that both analytical approaches inevitably require the study of a certain common territory. In the area of international studies it turns out that, as a rule, economists ignore the political factors and their effects on international relations whereas in political analysis the existence and weight of certain economic factors, which more or less visibly determine the foreign policy moves of individual countries and groups of countries, are neglected.

Following the Second World War certain trends in international relations helped deepen the formal division between international political relations and international economic relations. There is hardly any other period in modern history in which the world was so clearly divided into economic and military blocs as is the case at the present time. There has been an unprecedented organised attempt to develop two parallel global economic relations while at the same time, under cold war conditions, the world has been divided into the so-called East and the so-called West. When the long-term destiny of contemporary mankind was being determined by the big powers, most of today's non-aligned and developing countries or underdeveloped countries [1] (UCs) were in a position of colonial dependence and subjugation. Even those that were formally independent were an object rather than subject of international relations as they were under the control of the system of imperialist economic, technological, cultural and other forms of domination.

Within the dissolution of the colonial system and the development of the forces of production in the years following the Second World War, the balance of economic and political forces changed. Former colonies became politically independent and demanded their proper place in the international community. In view of their economic strength, Western Europe and Japan imposed the need for a revision of the system established after the Second World War. The Soviet Union and countries of eastern Europe reduced the role of autarky in their foreign economic policies mainly because they needed to impact goods, capital and technology.

With the advent of the non-aligned countries and UCs as a new factor in international relations, both political and economic, there has been a need for certain structural shifts, since the emergence of non-aligned countries as subjects of international relations also reflected a new balance of forces on the global plane. Confronted with the historic mission of setting their newly-acquired political independence on firm foundations, those countries have a number of

common objectives as their common denominator: acceleration of economic growth and utilisation of various forms of international economic cooperation (trade, economic aid, capital flows, import of technology). Working for the realisation of their economic development programmes, this group of countries is objectively contributing to the formation of a new structure of production and exchange in the global system of expanded reproduction.

In this way, with the process of decolonisation in the 60s, economic problems asserted themselves as the backbone of international relations as a whole, with the economic aspects of international relations being manifested differently in relation to different groups of countries.

It is hence imperative for the study of the policy of non-alignment to devote attention to its economic aspects at least to the extent to which all documents at official meetings, particularly of the heads of state or government of the non-aligned countries, give prominence to the economic demands of the non-aligned in relation to the rest of the world and in mutual relations among the non-aligned countries themselves.

Systems in the International Economy

There are grounds for the thesis that international economic relations in themselves constitute a certain system of political relations, as within their framework there develops "an interaction of different groups seeking the realisation of certain objectives". [2]

In order to understand contemporary international economic relations and key conflicts within them, including the economic aspects of the policy of non-alignment, it is essential to start from the fact that those relations are based on the existence of three systems in relation to "the rest of the world":

- a) a system of economic inter-dependence - embracing mostly the capitalist group of countries among which the most developed are, naturally, the most important;
- b) a system of economic independence - embracing the countries of eastern Europe and the Soviet Union;
- c) a system of economic dependence - embracing the UCs most of which have opted for the policy of non-alignment.

It is hard to draw a strict dividing line between these three systems which appear as sub-systems within the system of contemporary international economic relations. This holds true in particular for distinguishing between the developed industrialised countries, on the one hand, and the underdeveloped on the other.

From the viewpoint of the principal objective of this analysis the greatest attention should be paid to the system of economic dependence which comes into play within the framework of North-South relations, or in the context of economic cooperation between the developed and underdeveloped countries. The role of the economic factor in the policy of non-alignment had to surface, since within the framework of the North-South system we are dealing with asymmetrical dependence at the expense of the UCs, that is the South. Economic dependence may manifest

itself in various ways such as in trade, capital flows, monetary relations, technology and especially as a result of receiving foreign aid.

Proceeding from one of the basic preconditions for the functioning of any system, which is that all parts of the system have evident advantages to gain from the functioning of the system as a whole, and that the best conditions for the functioning of the system are ensured when the degree of mutual dependence is so great that parts of the system virtually cannot function unless the entire system functions, the economic aspects of the policy of non-alignment acquire specific dimensions.

The system of (economic) inter-dependence, which may conditionally be called the Western System, functions as a unified system in spite of existing capitalist contradictions in the struggle for markets. When it comes to the preservation of the system, through inter-state cooperation and the network of transnational companies, the developed countries may sacrifice minor and current interests in order to secure their long-term interests.

Under the system of economic dependence, which could be called the North-South System in international economic relations, not only are there no coordinated interests but parts of the system behave so differently that the system itself is in a grave crisis. The North-South system is under the control of the North whereas the entire South in the world economy functions as an extension of the North and is controlled by it. In this context, there are a number of well-known analyses to be found in the works of Lenin, P. A. Baran, P. M. Sweezy, Andre Gunder Frank, Pierre Jelle, Theotonio Dos Santos, Thomas E Weisskopf, Jaghdish N. Bhagwati, Gunnar Myrdal and others. [3]

Commensurate with their share in the distribution of the world's wealth, the developed North is endeavouring to preserve the existing North-South system whereas the underdeveloped South is seeking to change it. It is on this basis that the main political question arises, the result being more dynamic relations between North and South, primarily in the form of the South's efforts to break away from the system of economic dependence by changing established international economic relations.

Hence, the economic aspects of the policy of non-alignment should be seen primarily as one of the instruments at the disposal of the world's South for ridding itself of international economic and thereby other forms of dependency. In that respect the non-aligned countries and the world's South are faced with the following dilemma:

- a) to act in the direction of positive changes within the framework of the existing system of international economic relations (IER);
- b) to act in the direction of eliminating the existing system and developing a new system of IER, a system that would also provide the world's South with certain advantages on a footing of equality.

The quest for concrete ways and means of change will depend on the balance of economic forces in the ensuing decades and on the North's ability and readiness to adjust to the South's pressure and on the eventual coordinated effort of North and South to modify the existing system.

While seeking new roads, even within the framework of established cooperation between under-developed and non-aligned countries, two basic theoretical approaches have emerged - one based on the principles of bourgeois political economics and the other on the Marxist. Within the framework of these two main theoretical approaches, contemporary bourgeois political economics takes on two different aspects.

The first consists of the so-called *neo-liberalist school* which has the most supporters and the greatest political influence. The concepts of this school are reflected in the works of G. Haverler, R. Nirkse, G. Meier and other contemporaries. The common characteristic of the neo-liberalist school concerning contemporary international economic relations lies in the thesis that the established structure of the world market and IER provide opportunities for improving the position of the world's South. Difficulties in economic development of the UCs are the result of inadequacy of domestic factors of production, particularly labour and capital. To improve the economic situation in those countries, the established international economic system offers ample opportunities, primarily through trade, the system of international financing and, in some cases, foreign aid. The countries which adjust best to the rules of the game of the established system of IER will sooner overcome their difficult economic position, acquire a higher level of economic development and gain more advantage from the system in which they participate more intensively than others. [4] According to the neo-liberalist school, international trade plays a special role enabling the smaller countries in particular to join in the system of IER on the basis of specialisation while at the same time having a number of positive both direct and indirect effects on economic development: import of modern equipment and new technologies, increase of the total quantum of knowledge, improvement of managerial skills, strengthening and advancement of the engineering and managerial elite, etc.

For special cases and for the least developed countries, this school offers the category of economic aid, that is a non-commercial method of dealing with the most difficult problems in the process of economic development and rendering those economies capable of a greater degree of participation in the established system.

The other variant of contemporary bourgeois political economics consist of the *structuralists*. Representatives of this school come closest to the concept of the Marxists in a number of their interpretations of current trends in the world economy and IER. In some areas the conclusions of the structuralists do not differ from those of Marxist authors. In that context, their criticism of the established system of IER is particularly noteworthy as is the assessment that the maintenance of the existing structure of the world market would result in the prolongation of the system of dependence of the South on the North, that is the maintenance of the North's domination over the South. The most prominent representative of this school is Gunnar Myrdal. [5] The structuralists believe that through the free play of the world market (without organised international intervention comparable to the role of the state in regulating internal economic activities) the North becomes richer and the South poorer, that is that the gap between the developed and underdeveloped countries widens. These negative effects of the world market are inherent in the nature of a free market be it a national or the world market.

Decisive for that progress, according to the structuralists, is the absence of any elasticity in the demand for products from the South (export of primary commodities) which under conditions of international competition inevitably leads to lower prices for the South's exports. At the same time, the monopoly structure of the market for the exports of the North stimulates price increases. As a result, in the structuralists' view, the so-called normal functioning of the international market, effects a transfer of income from the South to the North.

The structural characteristics of the South are such that should the suggestions of the neo-liberalist school be adopted in economic development policies and should national economies opt for specialisation in raw materials of vegetable and mineral origin, the development of the so-called export sector in those countries may indeed be accelerated but these branches of the economy can hardly have a stimulating effect on the national economy as a whole. This was the basis for the structuralists' conclusion concerning the existence of "dual economies" in UCs. As for international capital flow or foreign investments in the UCs under the present conditions of a so-called free market, capital will first be invested in the developed countries in view of the stability of investment regardless of the fact that the profit rate may be higher in the underdeveloped countries. If there is any investment in the UCs it will be primarily in the so-called export sector which further aggravates the already negative terms for the UCs in international trade.

This rather concise interpretation of the concepts of the structuralist school was indispensable mostly because this trend in present-day bourgeois political economics, of in view of several conclusions and also the influence it has on the formation of foreign economic policies, is the most significant ally of the world's progressive forces in the struggle to remove the elements of dependency from IER and particularly dependency in the North-South system. Closer insight into the most significant structuralist positions clearly testifies to their closeness to Marxists assessments and analyses of the situation in the established world economic order.

The second theoretical approach is provided by Marxist political economics, of which a formal interpretation is not warranted on this occasion. Depending on these different theoretical approaches and positions a completely different concept of political action is upheld by the liberals on the one hand, and the Marxists on the other. [6]

According to the neo-liberalists there is nothing to be changed in the established system of IER as it is best suited to the rational behaviour of national economies in the global economic system. The structuralists, however, criticise the established system of IER but do not want it to be changed, insisting rather on a reform of and innovations in the present international economic order whereby elements of inequitable distribution of the world's income would be eliminated and the widening of the gap between the developed and the UCs be prevented. The structuralists believe that these objectives can be achieved within the framework of the capitalist system in the same way that at a certain level of development of that system a "welfare state" could be established without the essence of the capitalist order being changed. Consequently, on the basis of their theoretical analyses the conclusions of the structuralists may be regarded as a specific kind of Keynesianism applied to the world economic system.

The role of the structuralists was far more important than that of the neo-liberalists or the Marxists school in the economic programmes of the South both in the case of universal platforms dealing with specific economic problems within the framework of the UN system and its specialised agencies (e.g. the Declaration of New International Economic Order) and when the demands and positions of the non-aligned countries were formulated. The latter is best illustrated in the economic sections of the resolutions adopted at the most significant meetings of non-aligned countries' representatives (conferences of heads of state or government, foreign ministers meetings, "working" meetings of experts).

The influence of the structuralist school manifests itself in various ways as the representatives of this school are not unanimous when it comes to the application of certain concrete measures to improve the position of the South and reduce the South's dependence on the North. Some of them feel that greater emphasis should be placed on the programme of foreign aid, others give priority to free access for the underdeveloped countries' exports to the markets of the developed countries; others still advocate greater protectionism in the process of economic development of the underdeveloped countries, etc. Common to all the structuralists is the view that industrialisation constitutes the most reliable method for pulling the UCs out of backwardness and improving their status in the international economic system.

Marxist authors believe that capitalism as a world system is unable to accept the reforms required by the structuralist school of bourgeois economics nor the reforms demanded in their political documents by the non-aligned countries and the Group of 77. Instead of a reform of the capitalist system, that system needs to be dismantled and replaced by an international socialist system of economy. In dealing with the contradictions between growing forces of production and the established production relations which do not enable the absorption of profit on the internal market - the world market, and particularly the market of UCs becomes a prerequisite for the relatively normal functioning of the system of expanded reproduction of the developed capitalist countries. [7] Under conditions of reduced chances for *capitalist investment abroad* the contradiction between production and consumption in developed capitalist countries is dealt with differently - primarily through *militarisation* of the national economies of developed capitalist states.

The latest tendencies that have surfaced in the developed capitalist economies at the beginning of the 1980s corroborate this conclusion. A way out of the current economic crisis and ways of mitigating it are sought in increasing military expenditures as a large number of underdeveloped countries are over-indebted so that potential investors do not have sufficient guarantees that the capital invested in UCs will be repaid and produce the expected returns (in the case of direct investments, and much less so in portfolio investment).

Economic militarisation by definition increases possibilities for bringing pressure to bear on the non-aligned and UCs. There is a chance of direct engagement as well as of such a situation arising as would make the UCs, and in a number of cases even the non-aligned countries, regular buyers of armaments and military equipment. Hence the permanent interest of the developed countries in an increase of the number of non-aligned countries among which

there is tension or even outright military conflict. It goes without saying that such armed conflicts between non-aligned countries compromise the policy of non-alignment both within the movement itself and in terms of its general prestige, one of the most important elements of the ethical capital of the movement of non-alignment. The outbreak of conflicts between non-aligned countries undermines the cohesion of the movement while simultaneously pushing the economic aspects of the policy of non-alignment into the background.

It would be one-sided to put all the blame for all these phenomena exclusively on the countries of the North. Notwithstanding various forms of special warfare and the endeavours of imperialist countries to cause greater dissent among the non-aligned countries, the fact cannot be denied that in certain situations the non-aligned countries themselves are the cause of the loss of face and the weakening of the movement of non-alignment. In that context, suffice it to mention the recent decision of the Nigerian government, a member of the non-aligned movement, to expel from the country about two million foreign workers. This set off a deportation, unprecedented in modern history in peace-time, which also compromised the movement of non-alignment, particularly in view of the fact that a large number of those workers came from other non-aligned countries.

Some contemporary Marxist economists, analysts and theoreticians of economic development insist that for the survival of capitalism under present-day conditions imperialist domination is indispensable for ensuring raw material sources and markets for finished products. [8]

Since the great economic depression of the 30s in the world economy there was no greater crisis than that of 1981-1982, or rather the crisis that was in full swing in the first quarter of 1983. The number of unemployed in the developed capitalist countries reached the figure of 32 million. The fact that there has still not been any major social upheaval in the developed capitalist countries even though the unemployment rate is by far the most serious since the Second World War can, to a considerable extent, be explained by the reforms of the capitalist order along the lines of the theory of a "welfare state". Never before, has this theoretical concept and its practical realisation been put to such a difficult test as they are today. The outcome of this test of modern capitalism will have far-reaching significance for international economic relations in the next few decades, and thereby also for the chances of a realisation of the economic demands of the non-aligned and the UCs. In any event, it is extremely important for the formulation of a more realistic strategy for the non-aligned and UCs in the struggle for economic and political emancipation that certain theoretical concepts be analysed under the concrete conditions of modern technology in production and transport. In that sense the position of individual countries as well as the situation on the market for individual commodities and on the capital market need to be analysed in concrete terms.

Real Trends in the World Economy and the Movement of Non-Alignment

The pattern of *foreign capital flow* in the form of direct investments since the mid-50s tends to show the diminishing importance of the South for investors in the developed North. Thus, according to data for the U.S. as the largest individual investor, direct investments in the direction of UCs went down from about one third to just over one quarter of total foreign investments between the 60s and 70s, whereas the share of the developed countries increased by a corresponding amount. [9] The manifestation of this tendency prompted a fresh wave of criticism against marxist concepts of present-day IER and particularly of contemporary imperialism. Among the studies of this kind the thesis according to which allegedly, the developed capitalist countries are no longer necessarily characterised by imperialist behaviour in IER [10] merit special attention. Any analysis of returns on foreign investments shows, however, that the profit rates are higher in UCs and that the share of profits from these countries is relatively far greater in the total returns on foreign investments than is the share of foreign investments in UCs total foreign capital investments abroad. [11]

No less important when analysing the economic aspects of the policy of non-alignment is a concrete analysis of trends in world trade and the importance that UCs have for the *marketing* of goods from the developed countries. If the interdependence between these two groups of countries in trade were symmetrical the position of the non-aligned and UCs in global negotiations might be stronger. According to data from the International Bank for Reconstruction and Development in the last 20 years there has been a mild downward trend in the share of UCs in absorbing goods from the developed countries or, in other words, the coefficient of the South's importance for the exports of the developed countries has been slowly declining. Thus, in 1980 the group of UCs accounted for about 28 per cent of the total exports of the developed industrialised states while in 1960 their share was about 30 per cent. In the meantime, the position of oil-exporting countries which form a separate category, according to the World Bank's methodology of statistical analysis, has improved rapidly. When this group of countries is left out, the drop in the share of the other UCs in absorbing the exports of the developed countries is even greater (their share having dropped from 30 per cent in 1960 to 24 per cent in 1980). This tendency, however, is indicative of the root causes of the current crisis in the world economy rather than of an actual decline in the importance of the underdeveloped countries as markets for goods from the developed countries. In that light, it is worth noting this 20-year trend in the 1960 to 1980 period for the marketing of goods from the developed countries, which could be a significant indicator of future trends in the international flow of goods and the position of individual groups of countries, and thereby also of changes in the bargaining power of those countries. [12]

In view of continuing technological changes it is also necessary to study in concrete terms the dependence of individual countries or groups of countries on certain categories of products such as energy sources and raw materials when talking about the dependence of the developed on the UCs and, on the other hand, the dependence of the UCs on the imports of capital equipment and finished products and particular commodities and semi-finished goods emanating from the highly sophisticated industries of the developed countries. Certain structural

changes in world trade are highly indicative in this respect. By way of example, let us note that in 1960 more than one fifth (or 22 per cent to be exact) of the developed countries' total imports consisted of foodstuffs. In 1979, this category of product accounted for only 12 per cent of the total value of commodity imports of the developed capitalist countries. Since the food imports came from the UCs it emerges that the role of the UCs as the leading food suppliers of the developed countries is now contracting. These data refer to 19 developed countries; it is noteworthy that each of these countries has, as a rule, reduced the share of food in its total imports by about 50 per cent. [13]

Similar by effect yet opposite in direction is the structural change in the area of fuel imports of the developed industrialised countries, also from the UCs. Whereas in 1960, the import of various fuels to the developed countries accounted for 11 per cent of the total value of imports, in 1979 the share of fuel in the total value of imports went up to 22 per cent. [14] However, the position of individual developed importer countries varied considerably in terms of their dependence on regular supplies of fuels, mainly liquid, from the UCs. The abrupt rise of the share of fuels in the total imports of the developed capitalist countries significantly improved the position of oil-exporting UCs in relation to other UCs, which is why they are treated as a separate category. Having thus acquired special significance in the world economy, the petroleum-exporting countries by the same token gained in significance in international political relations. It would be logical to expect this phenomenon to be reflected in the movement of non-aligned countries.

These and other structural changes in world production and international trade should always be borne in mind by the movement of non-alignment if it is to assess realistically the bargaining position of the UCs when it comes to the use of commodities as an argument in negotiations with the developed countries. [15] It should not be forgotten either that the developed capitalist countries are endeavouring to reduce the list of, for them, important commodities imported from the UCs by developing substitutes. Among the commodities that are essential for the functioning of the developed countries' economies are: crude oil, bauxite, zinc, chromium, copper, lead, manganese, nickel, phosphates, tin and tungsten, although in the case of some of these commodities the UCs are not the only suppliers of the developed countries. In fact, at the beginning of the 80s, the developed countries' dependence on commodities coming from the UCs was most pronounced in the case of crude oil, copper, iron ore, lead, manganese, phosphates and tin. [16]

When the dependence of the developed on the underdeveloped countries in terms of raw materials is used as an argument in negotiations the fact should also be borne in mind that under conditions of modern production and transport facilities so-called commodity dependence is frequently, up to a point, the result of a definite choice and not exclusively of necessity. Actually, priority is given to certain sources of raw materials with a view to reducing production costs and ensuring higher profits due to various factors. There have long since been substitutes for many raw materials but they are not used mainly because of higher production costs and, in some cases, also because of the cost of the social and economic adjustment that their introduction

would necessitate in some countries. In present-day conditions, there are hardly any raw materials without substitutes but the whole problem is viewed from the stand-point of two variables: the *time* factor and the *price* factor. [17]

As for potential pressure that UCs might bring to bear on the developed countries on the basis of commodity dependence - it should be said that it is hard to imagine that any group of UCs could apply such effective pressure as the group of oil-exporting countries. However, the experience with oil, an exceptionally important strategic commodity, shows that pressure has its limits and that one should always reckon with the manoeuvring space of the other side. In this connection, it is not by chance that the increase of oil prices had the most adverse effect on the UCs, especially the ones consuming relatively large quantities of imported oil and with little manoeuvring space such as, for instance, Yugoslavia and India. This analysis indicates that the factor of commodity dependence of the developed on the underdeveloped countries has its limitations. This certainly does not mean, however, that it could not become a far more powerful instrument of the non-aligned and underdeveloped countries in their negotiations with the developed than it is now.

The factor of commodity substitution which the developed countries are using in their relations with the underdeveloped is far more inflexible. Namely, the activities of the developed countries' corporations (and of their governments as well) are primarily motivated by maximising profits. To that end, the prices of raw materials are extremely important and these are, as a rule, lowest in the underdeveloped countries, the traditional exporters of the given commodities. The endeavours of the developed countries' governments to use in their negotiations with the underdeveloped, the potential substitution of raw materials (of any kind) to bring pressure to bear on them may have some chances of success but only up to the point when the prices of those substitutes begin to threaten the profit levels those corporations could attain by importing raw materials from underdeveloped countries. The non-aligned and UCs can count on the greatest bargaining power in those areas in which the risk of reduced profits is most visible in the capitalist countries' industry. In other words, it is in these areas that the South is of vast significance for the North and in that sense the North depends much more on the South in the area of raw materials than in a number of other areas.

However, even in the area of raw materials in which the South has definite negotiating advantages in relation to the developed North, the South is not without its weak points. Excessive emphasis on this dependence on raw materials as an instrument of potential pressure by the underdeveloped in bargaining can accentuate another risk - the North may be prompted to look for other solutions and other sources of supply. This would inevitably have an adverse effect on the export revenues of the UCs and would necessarily lead to other problems of an economic, social, political and possibly foreign political nature.

In contemporary literature investigating ways of resolving the problem of the subordinated position of the non-aligned and underdeveloped countries in the system of international economic inter-dependence, a new idea has emerged: to find a platform for constructive cooperation between the underdeveloped countries and those sections of the ruling

(capitalist) class in the developed countries which are not directly involved in the system of dependency, that is whose capital is not directly fructified thanks to their economic positions in the UCs. A number of authors believe that the section of the capitalist class which dominates the process of decision-making - both in politics and economics, domestic and external - is, as a rule, directly interested in the maintenance of the system of the underdeveloped countries' dependence. [18] Furthermore, in the countries in which a smaller segment of the capitalist class participates in the system of exploitation on an international scale, that segment is, as a rule, very well organised and influential and concentrated mostly in the transnational corporation. By sophisticated organisation and monopoly pressure, that part of the capitalist class can have a decisive effect on its country's behaviour in its international political and economic affairs. In that connection, Thomas Weiskopf, says:

"It is not imperative for those whose benefit from imperialist policies to dominate all areas of political life in order to be able to influence the government to engage in such imperialist projects as can serve particularistic class interests. It is sufficient for those protagonists of imperialist policies to command a disproportionately large influence in the area of foreign policy." [19]

* * *

The economic aspect of the policy of non-alignment is an exceptionally complex problem both in terms of the subjects it affects as well as in terms of the diversity of the issues at stake.

First of all, it should be borne in mind that there are vast differences in the level of economic development of more than 100 member-countries of the movement of non-alignment as explicitly demonstrated by the range of per capita income. Differences in political ideologies, socio-political conditions and the special quality of ties of individual non-aligned countries with certain industrialised countries are no less substantial.

The immense diversity of problems regularly encountered when studying the economic aspect of the policy of non-alignment can conditionally be divided into three very rough categories. The first category embraces all the aspects of the movement of non-alignment affecting relations between the non-aligned (and UCs) and the rest of the international community. This includes all the demands of an economic nature which the movement of non-alignment has made of the rest of the world. In this area the movement has achieved the greatest degree of unity in establishing a common economic platform in relation to the industrially developed capitalist countries. The second global category of problems concerning the economic aspect of the policy of non-alignment relates to the regulation of mutual economic relations among the member-countries of the non-aligned movement themselves. The degree of unity in dealing with this category of the economic aspect of non-alignment is far smaller than in relation to the first category but still incomparably greater compared with the third category

which has to do with the resolution of internal problems in each country individually. The third category actually combines the foreign economic aspects of the non-aligned and UCs with the development objectives and methods of their national economies.

It is imperative to ensure in the ensuing period a far greater degree of unity of the non-aligned countries as the bargaining power of the movement of non-alignment hinges on it to a considerable extent. This does not mean to say that the differences which have existed and still exist among the countries which are members of the movement will disappear in the years to come but their centripetal effect must necessarily grow weaker - if the economic aspects of the policy of non-alignment are to be further asserted and the bargaining power of the non-aligned countries in negotiations with developed capitalist states reinforced.

Similarly, the affirmation of the policy of reciprocal aid and solidarity is of vital significance for the position of the movement of non-alignment in the area of the international economy. This should primarily manifest itself in the assistance which the oil-exporting countries can extend to the non-aligned countries hardest hit by the soaring oil prices as well as those non-aligned countries labouring under the heavy burden of difficulties with their balance of payments and economic development financing. It would be quite unrealistic to expect the economic problems of non-aligned countries to be resolved in this way but economic solidarity within the movement is essential both for the continued cohesion of the movement of non-alignment and for its bargaining power in relation to "the external world" and for channelling that power into a revision of the established system of international economic relations along the lines envisaged by the economic resolutions of the non-aligned summit conferences, and the Declaration on the New International Economic Order and the Economic Declaration adopted at the Seventh Non-Aligned Summit in 1983.

The crisis that the world economy has been going through in the early 80s, however deep, opens up certain prospects for the developed capitalist countries to become less allergic to some of the economic demands of the non-aligned countries, particularly those which place weight on the functioning of the economy and international economic relations on a global level, and for them to become more realistic and flexible in economic dialogues with the non-aligned countries in the common interest.

II Non-Aligned Countries - Economically Underdeveloped

Without entering into an analysis of the formation of the movement of non-alignment, taking it as a *fait accompli* for the purpose of these considerations, it should be noted that from its inception to the present day the original nucleus of that movement, its backbone and its entire membership consisted and still consists of a group of under-developed countries. As a result, the element of economic underdevelopment has, from the very beginning, been a decisive one for the formation of the movement of non-aligned countries.

Two essential characteristics of non-alignment: a non-bloc foreign political orientation and economic underdevelopment with all its implications for internal socio-economic relations and these countries' position in the world economy and in international economic relations - this is the framework of the possibilities of these countries for action in world political and economic relations and in their mutual cooperation. [20]

Between these two elements - the non-bloc orientation and economic underdevelopment - there was in the past and will be in the foreseeable future a dialectical interaction, the overall effect of which may be positive for the strengthening of the movement of the non-aligned countries if through organisation, cooperation and dedication to the original principles of the policy of non-alignment they succeed in resisting pressures. These pressures have been there since the very beginnings of the movement of the non-aligned countries. By origin, they are both of an external and an internal nature and in form they are manifested as political, economic, military, ideological, cultural, technological etc. In other words, to the extent to which present-day international relations take the form of a broad range of activities, there are possibilities for acting against the policy of non-alignment.

Even though the movement of non-alignment first acquired political dimensions and features, it was not by chance that after the First Conference of Non-aligned Countries was convened in Belgrade in 1961 already the following year an Economic Conference of Non-aligned Countries was held in Cairo. Among other things it took an important step towards the convening of the First UN Conference on Trade and Development which became part of the institutional mechanisms of the UN. Non-aligned countries were the most active in the process of formation of the UN Commission on Trade and Development (UNCTAD) and its institutionalisation, and they contributed to the adoption of the General and Specific Principles of International Economic Cooperation at the first UNCTAD session in 1964. The Group of 77 formed at the time is still operating today and constitutes one of the specific ties between the non-aligned and underdeveloped countries (UCs). The fact that all the non-aligned countries are also underdeveloped explains why in economic analyses and particularly in UN statistics, the group of non-aligned and other underdeveloped countries is treated as one. Most statistical data for economic analysis treat these two categories of countries as a single entity since all non-aligned countries are also underdeveloped, though not all the economically underdeveloped countries are non-aligned.

Probably as a result of the non-aligned countries' prominent role in the formation of UNCTAD and because of the cyclic improvement of the economic situation in a large number of countries in the world economy including the UCs the economic aspects of the policy of non-alignment were temporarily pushed into the background in the second half of the 60s and particularly from 1964 to 1968. That was why after the Second Conference of Non-aligned Countries held in Cairo in 1964 there was a pause of about six years - the Third Non-aligned Conference was held in Lusaka in 1970, when the end of the 60s saw a marked deterioration of the international economic situation, particularly for the non-aligned and underdeveloped countries.

In the meantime, the number of independent countries increased as a result of the decolonisation process in the 60s. These newly-liberated countries, virtually from the proclamation of their independence, opted for the movement and policy of non-alignment.

In spite of its numerical consolidation, the movement of non-alignment has not been immune to occasional crises. When examining and analysing the advent and existence of political, economic and social crises in the movement of non-alignment, the differences that exist within that group of entirely underdeveloped countries need to be borne in mind. Because of those differences the member countries of the movement are at times wide apart in their views on the settlement of certain economic problems because the differences between some of them are greater than the average differences between the economic standing of the UCs, on the one hand, and the developed countries, on the other. The following categorisation of non-aligned countries is based on the size of the GNP - an aggregate indicator with a number of methodological shortcomings but still the best common parameter for general comparative analysis. [21]

At the time of the Sixth Non-aligned Conference (Havana 1979) the participating countries could be categorised and grouped by the size of their per capita GNP in this way [22]:

up to 100 dollars per capita - seven countries:

Bangladesh, Bhutan, Ethiopia, Maldives, Mali, Kampuchea, Laos;

from 101 to 200 dollars per capita - 25 countries:

Afghanistan, Burundi, Benin, Burma, Cape Verde, Chad, Comores, Gambia, Guinea, Guinea-Bissao, India, Madagascar, Malawi, Mozambique, Nepal, Niger, Pakistan, Rwanda, Somalia, Sri Lanka, Tanzania, Upper Volta, Vietnam, Zaire;

from 201 to 300 dollars per capita - 10 countries:

Central African Republic, Egypt, Indonesia, Sudan, Togo, Uganda, Yemen, PR Yemen, Kenya, Lesotho;

from 301 to 400 dollars per capita - eight countries:

Angola, Botswana, Cameroon, Equatorial Guinea, Grenada, Mauritania, Nigeria, Sao Tomé et Príncipe;

from 401 to 500 dollars per capita - three countries:

Liberia, Senegal, Zambia;

from 501 to 600 dollars per capita - six countries:

Congo, Djibouti, Ghana, Guyana, Morocco, Swaziland;

from 601 to 700 dollars per capita - seven countries:

Colombia, Ivory Coast, Jordan, Mauritius, North Korea, Seychelles, Sierra Leone;

from 701 to 800 dollars per capita - three countries:

Nicaragua, Syria, Belize;

from 801 to 900 dollars per capita - four countries:

Cuba, Malaysia, Peru, Tunisia;

from 901 to 1000 dollars per capita - one country:

Lebanon;

from 1001 to 1500 dollars per capita - five countries:

Algeria, Iraq, Jamaica, Panama, Surinam;

from 1501 to 2000 dollars per capita - four countries:

Argentina, Cyprus, Malta, Yugoslavia;

from 2001 to 3000 dollars per capita - five countries:

Iran, Oman, Singapore, Trinidad, Tobago;

over 3000 dollars per capita - seven countries:

Bahrain, Gabon, Kuwait, Libya, Qatar, Saudi Arabia, United Arab Emirates.

Such an extremely wide range of differences in per capita incomes of the member-countries of the movement of non-alignment (from under 100 dollars to over 3,000) necessarily gives rise to divergent economic (and other) interests, both in respect to priorities and to the choice of strategy and policies for meeting them. Nonetheless, viewed as a whole, the non-aligned countries that participated in the Havana conference (1979) were underdeveloped countries and reflected the interests of the underdeveloped world regardless of the fact that the classification given above does not include the underdeveloped countries that are directly or indirectly connected with the two military blocs headed by the superpowers and regardless of the specific traits of a particular group of non-aligned which some conditionally refer to as "the rich underdeveloped countries". This is the group of oil-exporting countries listed in the category with an annual per capita income exceeding 3000 dollars. Following the oil crisis (1973) the per capita income in some of those countries exceeded 14,000 dollars. This fact itself, however, does not automatically resolve the problem of their overall economic development. On the contrary, in spite of high revenues from oil exports some non-aligned countries like some others which were not non-aligned, be they members of OPEC or not, being in a position rapidly to increase imports and stimulate the process of economic growth ran into serious difficulties when the current

economic crisis broke out. These were due primarily to the cutback of production and employment in industrialised countries and the consequent reduction of the demand for oil. The problem of underdevelopment, therefore, exists in one form or another in virtually all non-aligned countries with the exception of only a few oil-exporting countries in which there is an exceptionally favourable ratio between the population and natural resources, the former being small in number and the latter extensive.

Economic underdevelopment is consequently one of the principal characteristics of virtually all the non-aligned countries which cannot even begin to be tackled, in spite of its urgency, without a pooling of efforts and a coordination of interests - in spite of all the real differences existing among them.

Bearing in mind the fact that in the 60s the non-alignment movement was deeply involved in the process of decolonization and endeavours to find economic means of improving the position of underdeveloped countries in international economic relations and that in the 70s the attention of the movement focussed on the assertion and efforts to implement the principles of a new international economic order (NIEO) it is normal to expect the movement in the 80s to concentrate more on the resolution of outstanding economic problems which are in a certain sense far more complex today than they were formerly.

Such a conclusion is warranted by two groups of facts:

a) In a large number of non-aligned countries particularly those that embarked upon the process of political emancipation in the second half of the 20th century there is growing awareness of the necessity for intensifying that process by resolving a number of economic problems. In the majority of countries these are economic development problems, in all their complexity, be it the internal or international aspects of those problems. The resolution of the essential economic problems is all the more important with the maturing of generations which have no recollection of the colonial era and which have greater expectations than the generations preceding them who, having lived under colonial rule, were able to find justification for a number of daily economic difficulties and had more understanding for the birth pains of emancipation comparing all the economic and non-economic benefits gained from political emancipation with the former colonial status of the country.

b) The effect of the current economic crisis, which has certain structural characteristics, is felt by the UCs as a whole and particularly by the non-aligned countries. The decline in production and employment in the developed countries signifies reduced demand for products coming from the UCs, the difficulties of the developed thereby transferred to some extent to the UCs. Negative trends in the world economy only deepen the gap between the developed and the UCs. There is a growing number of non-aligned countries and UCs in general which, in addition to the very difficult conditions for their own development, have had to cope with additional problems such as the transfer of unemployment, inflationary pressure and the worsening of the terms of trade which, coupled with dear money in the developed capitalist countries in the 1979-1982 period, seriously aggravated the position of the UCs primarily in terms of the problem of over-indebtedness. In 1982 and 1983 some of those countries have found

themselves in a virtually hopeless situation which could seriously affect both their internal stability and their foreign political and foreign economic status.

Such conditions open the way to ever new kinds of pressures on non-aligned countries while at the same time they can adversely affect the ability of the non-aligned to resist economic, political and military pressures. It is common knowledge that when the military-political blocs were formed a number of countries joined under pressure. In the 80s such flagrant kinds of pressure are not expected even though many non-aligned countries are much weaker than were the countries which became members of military blocs in the years following the Second World War. Nonetheless, possibilities for bringing pressure to bear on the countries that have opted for the policy of non-alignment are growing today, particularly as individual non-aligned countries sink deeper into economic straits either in terms of their international liquidity or indebtedness or in terms of unsettled internal economic conditions. Their political stability is thereby endangered.

III Non-Alignment and Economic Development

One of the significant economic aspects of the policy of non-alignment is the possibility from a *non-aligned foreign political status to bear positively on economic development*. To the extent to which a country is free from direct dependence on the blocs the authorities in such a country have greater scope for deciding the strategy and methods of economic development relatively independently and in harmony with relatively freely formulated objectives of economic development. The emphasis on "relative freedom" here is designed primarily to avoid any possible misunderstandings and illusions about the virtually unlimited possibilities of the non-aligned countries in dealing with internal problems as well as in decision-making on international economic relations. Regardless of their non-aligned foreign political orientation, decisions on economic development and participation in the world economic system are in many ways predetermined and conditioned by the inherited position of a given country in the international division of labour as well as by the existing economic structure and the degree of its effectiveness. Any change in relation to the inherited structure and place in the international division of labour is a specific kind of negation of the world capitalist economic system if such a change is motivated by aspirations for economic and political emancipation and an improvement of the situation which characterised a given country at the time it gained its political independence. ON the other hand, those non-aligned countries which already acquired political independence in the 19th century can more easily rid themselves of neocolonialist pressures with the help of the policy of non-alignment. In this way, both groups of countries, being politically independent, are able more effectively to resist pressure and overcome the effects of the international capitalist division of labour and the system of global economic dependence. Transforming this possibility into reality is not easy and still less is it spontaneous and automatic. It is a process which hinges heavily on:

- a) the balance of political and economic forces in a given country;
- b) the place their national economies have in the capitalist system of the division of labour; and
- c) the geo-strategic position of the non-aligned countries and the endeavours of the military-political blocs to secure the *status quo* in a given region or to instigate changes which would suit one bloc and would automatically not suit the other bloc. The theoretical possibility is not excluded under conditions of the division into spheres of interest, of the blocs and military alliances coming to an agreement on certain changes in individual countries, even the non-aligned, on condition of mutual concessions. Whether such bloc arrangements will be accepted or not depends primarily on the balance of internal forces in a given non-aligned country and the readiness of those forces to resist bloc policies.

During the evolution thus far of the economic aspects of the policy of non-alignment a host of differences have arisen in formulating objectives and methods of internal economic development as well as the involvement of individual non-aligned countries in international economic relations. The fact is that in the documents adopted at meetings of non-aligned countries' representatives at various levels - from groups of experts to summit meetings - a greater degree of unanimity was achieved on joint demands in relation to the developed countries than on the synchronisation of objectives and methods of internal economic development and mutual economic cooperation among the non-aligned countries themselves.

In fact, it emerges from those documents that questions concerning the internal economic and social development of the non-aligned countries were virtually left aside. This was enhanced by two factors:

1. The formation of the movement of non-alignment was the result, in the first place, of joint endeavours to prevent a world catastrophe that the arms race and possible conflicts between the military blocs could lead to.
2. The non-aligned countries are extremely heterogeneous not only in terms of their level of economic development, which has already been discussed, but also other characteristics which determine, to a considerable degree, their economic development objectives and policies (territory, population, the availability of natural resources, class affiliation of those in power, culture, traditions, etc.). Those differences among the non-aligned countries are so pronounced as to make it impossible to achieve the same degree of unity in the economic domain as was achieved in respect to a foreign policy platform.

With the maturing of the movement of non-alignment and the periodical strengthening of elements of détente, the economic aspects of the policy of non-alignment has gained in momentum. Hence one of the questions that could be posed concerning the further development of the economic aspects of the policy of non-alignment is the following: *to what extent can economic cooperation among non-aligned countries be expected to reach a high level given the pronounced heterogeneity of the political, social and economic structure of the various countries which are members of the movement?*

How complex the answer to this question is can be discerned with some measure of realism if it is compared with the difficulties that arise in coordinating positions and formulating economic development objectives and methods in only one country within which there are marked discrepancies in regional development as well as considerable differences in terms of national and ethnic composition, language, religion and culture.

The fact that internal economic development questions have been left aside within the framework of the movement of non-alignment does not under any circumstances mean that they need not be raised at all particularly at the so-called level of working meetings rather than that of senior representatives.

Without entering this time into a consideration of the dilemmas of economic development policy which are treated mostly from the ideological point of view, and endeavouring to reduce to a minimum any subjective commitments (as these cannot be excluded in a democratic society) it would be opportune on this occasion to raise two questions relating to the economic aspect of the policy of non-alignment so that at least a partial agreement and joint platform of the non-aligned countries in relation with "the rest of the world" might be achieved. Those questions are of crucial importance for the economic development of a large number of countries and thereby also for the positions of the non-aligned movement when formulating the economic demands and platform of the non-aligned countries as a whole.

One of those questions is the position of the non-aligned countries in relation to the demographic problem, and how a *national demographic policy* should be formulated. The demographic aspects of economic development have been rather neglected in the theory of economic development as a whole in spite of the fact that they are raised directly or indirectly by day-to-day practice. In that respect even contemporary Marxists, as well as representatives of bourgeois economics have done very little, going no further than a somewhat modernised version of Marx's criticism of Malthus or, in the case of bourgeois economists, one-sided assessments to the effect that for all the outstanding problems of a large number of countries, the peoples of those countries and their governments are to blame for not taking resolute measures to reduce the birth rate. In that respect L. Pearson [23] and Robert McNamara have been very clear. Because of the outspoken way he airs his views it is worth quoting McNamara:

"Simply: the greatest single obstacle to the economic and social progress of most nations in the underdeveloped world is the explosive population growth." [24]

As for the position of the non-aligned countries on such a complex problem as the role of the population factor in the process of economic growth, it would not be logical to seek unanimity within such a heterogeneous group of countries. However, this does not mean to say that the non-aligned countries should not have an *active demographic policy*, in the sense of not relying on spontaneous developments or waiting for the problem to regulate itself eventually. This is all the more important as the so-called self-regulation of population problems entails a lengthy period in the secular sense whereas the requirements of economic development policy, employment and an improvement of the standard of living on the basis of higher economic productivity and per capita income are such that they have to be tackled immediately or over a

period of two or three five-year development plans. In other words, the economic and political pressures the ruling circles in non-aligned countries are subject to are such that in the interests of securing their internal stability they necessarily have to advise such economic policies as will produce in due time visible, concrete and realistic results in terms of improvements in the standards of living.

Both in the theory and practice of economic development the role of the demographic factor has been a highly controversial issue on which it has been difficult to reach agreement not only on the international plane but even within a single country. The demographic aspect, as many other aspects of economic development, manifests itself in different ways from one country to another. Furthermore, as the population problem is simultaneously a complex social, cultural, emotional and ethnic problem and not just an economic one, economists have to deal with these matters in a highly qualified and professional manner. Only when it can be said that a certain degree of agreement has been achieved among experts and economists can it become a basis for discussions which are then transferred to the level of political considerations so as to formulate current economic policy. Hence the results of these discussions may in many ways be a significant indication of the timeliness or prematurity of raising the issue.

However, regardless of the risk which inevitably exists when starting a discussion of certain issues, the demographic problem definitely exists as a problem of economic development in a number of countries, taking various forms of which we shall mention only a few:

- a) as a problem of overpopulation and the negative effect of the demographic factor on endeavours to ensure the accelerated growth of the per capita income;
- b) as a problem of population growth stimulation with a view to achieving a better balance between individual factors of production, mobilising natural resources and "filling in unpopulated areas";
- c) as an outstanding problem of international economic cooperation in various forms, either in the context of certain programmes of economic aid or of granting international loans to individual countries for accelerating their economic growth;
- d) as a problem of internal, regional population distribution which, in the cases of a regionalisation in which the ethnic factor is important, reduces the internal mobility of a population and causes special difficulties for the policy of a regionally coordinated economic development process.

These are only some of the aspects of the demographic problem under current conditions of economic development, listed with a view to stimulating the discussion rather than confining the demographic problem within the mentioned framework.

Generally speaking, when it comes to the formulation of assessments and conclusions on the demographic factor of the economic aspect of non-aligned policy, unlike a number of other factors, the response may have emotional overtones. Hence, in this area such a high degree of unanimity without the movement of non-alignment cannot be achieved as in some other areas on which there is a common platform (anti-bloc policy, easing of international tensions, intensifying

capital flow into the non-aligned countries, control and sovereignty over natural resources, control over the activities of transnational companies, etc).

As for the arguments used today to support the positive or the negative role of population growth in the process of economic development, the reality of economic trends in individual countries offers ground for contradictory conclusions. There are examples in the economically developed countries as well as in the UCs showing that high population density has not automatically implied a worsening of living conditions. On the contrary, countries small in size and with relatively high population density provide convincing evidence of economic prosperity as in the case of Holland and Belgium among the European countries. At the same time, there have been in the past and there are today rather sparsely populated regions in which labour productivity is low and per capita income small (the inland regions of South America, for instance). An authority on economic development has said on the subject:

"Viewed on the whole it is clear that natural resources cannot explain differences in development and the standard of living. There is no sound basis to claim that population growth in "the Third World" constitutes a major obstacle to material progress and still less that it can lead to a critical shortage of natural resources. In effect, in significant areas of the "Third World" highly inadequate population density presents an obstacle to the economic growth of enterprising individuals, a far greater obstacle than would be expected of obstacles resulting from population pressures. Low population density prevents the construction of a system of transportation and communications thereby slowing down the dissemination of new ideas and methods." [25]

In this study as in many others there is evident resistance to neo-Malthusian fears and a high degree of trust in the development of the forces of production and the ability of mankind to, as Marx says, "assign itself the tasks it is capable of carrying out".

The absence of a clear demographic policy in a large number of non-aligned countries and UCs has for its part helped to create the impression that the population of the UCs has almost totally reconciled itself to its fate and that it is not showing sufficient common sense to adjust to certain changes in material conditions.

One of the significant questions that arises when discussing the demographic factor, and also in the context of certain other subjects, is the scale of values of a given social environment as a factor of decision-making. This scale of values determines, to a large extent, the formulation of economic development policy and the behaviour of the population in economic and non-economic spheres, as well as their attitude towards children, or the size of the family. This is, therefore, the so-called *psychological income* or income of a non-monetary nature, i.e. income that is not covered by statistics on per capita income. This category of income certainly includes life expectancy, attitude towards offspring, including the number of children, etc. [26]

There is no denying, however, that given unchanged material conditions, any increase in the number of children raises for each country at least two essential questions of current and long-term economic development policy;

- a) providing food for the population increment;

b) providing jobs or taking measures in time to avoid unemployment when a new generation becomes old enough to join the labour force.

As far as the world food problem is concerned there are many authors who view this problem with optimism on the basis of the global proportions between the arable land area, potential yields and the requirements of a normal diet for the world's population. Particularly important is the whole set of obstacles frustrating the logical effects of these favourable proportions. We are referring to the disproportions between the distribution of the population and arable land area as well as the existing differences in levels of economic development and in the technical, economic and legal-property systems governing the utilisation of land for the production of food. Finally, it is difficult to discuss the ability of any particular country to feed its population without previously determining in outline the standard aspired to in the area of nutrition. In other words, the relationship between population size and the ability to provide food manifests itself differently on global, regional and national levels. From the point of view of current economic policy, which is most effective in dealing with the actual vital problems of a large number of countries should follow two parallel lines:

First, they should tackle the concrete problems of each country individually in both their short-term and medium-term aspects; and

Second, they should seek solutions at the regional and global levels through the system of international cooperation and primarily through the system of the UN and its specialised agencies as well as through existing and future forms of economic cooperation among the non-aligned countries.

When it comes to the possible consequences of population growth in terms of the *risk of unemployment*, this question, too, can be treated as a positive or a negative factor. If the population increment can be activated in a given environment, it becomes an additional factor increasing the productive power of that environment, and the increased demand for consumption can be met by increased production as a result of greater employment. In other words, an increase in the population implies increased needs and demand for goods and services and thereby also for new work places.

There are grounds, however, for a different perception of this problem. Namely, with a population increase, needs or demand as a whole goes up but whether that process guarantees a demand that is based on purchasing power is highly questionable. Can full employment be provided for a growing population in a large number of non-aligned and UCs and with what technology? The answer would probably be in the negative if when building new centres of production (and employment) the most sophisticated and essentially capital-intensive technology designed in the developed countries is used. It would appear in fact that the economic development planners like public opinion and influential circles in a number of UCs, fascinated by sophisticated capital-intensive technology have become obsessed with the idea of using it - in a completely inadequate setting, that of underdevelopment. In its turn, this raises a number of foreign economic and internal social, economic and political problems. In the meantime, the foundation has been laid for a new kind of social differentiation leading to the strengthening of a

dual economy, a process initiated in the stage of colonial expansion and intensified under conditions of political independence. The difference is that in the latter case the status of the national bourgeoisie has improved compared with the period when it had to accept participation only up to the extent allowed by the colonial political authorities. The position of the section of the population participating in that process has definitely improved while there is no essential change, in a number of elements the day-to-day material and political, cultural and social status of the rest of the population that is not embraced by the process of modernisation of production.

The possible orientation of the UCs towards the import of the latest technology could from the economic point of view mean a tendency to neglect the significance of the well-known principle of reciprocal substitution of labour, capital and land (as a factor of production). Observation of the structure of newly installed production facilities in a number of countries points to the conclusion that the vehicles of decision-making on economic development and on investment in particular seem to believe that the elasticity of labour and capital substitution tend to drop to zero. [27]

Far from endeavouring to suggest any solution which could be applied in a number of countries as regards such a complex issue it is nonetheless possible to hypothesise on the advantages of the introduction of the most up-to-date technologies in branches of production in which:

- a) there is no economic basis for employing a larger number of workers as a substitute for capital
- b) the conditions on the world market dictate the application of a certain procedure in the interest of respecting either technical or health or ecological standards and norms.

If the ruling class (groups or strata) is, comparatively speaking, in a more favourable position, it may at no risk encourage accumulation of wealth by the minority while keeping the majority of the population at the subsistence level. It goes without saying that complacency in believing that large masses of the unemployed and the underemployed will reconcile themselves to their fate may, after a time, prove to be wrong and call in question both the internal economic, social and political stability, and a country's non-aligned position in international relations, i.e. the destabilised country may be directly or indirectly threatened by one of the military-political blocs. This economics aspect of the policy of non-alignment is currently gaining significance in view of the present-day world crisis which is clearly having an adverse effect on the UCs in general and on non-aligned countries in particular.

Neglect of the problem of the employment and on that basis of a more equitable redistribution of the national income in the UCs may be the result of efforts to modernise a given national economy as quickly as possible. Similarly, such an option of the UCs was also enhanced by the "imitation" tendency which was encouraged in the second half of the 20th century by the intensified strengthening of the information system on a world scale and the formation of a set of values, priorities and consumer society tastes in a large number of countries which could not compare in the material sense with the leading industrialised states and which have no chance of catching up with them for decades yet and in some cases for centuries. In view of the fact that

even the socialist countries have, in many a respect, accepted the standards of a consumer society as manifested in the long-proclaimed slogan "to catch up with and overtake" (the developed capitalist countries) which has been less frequently mentioned lately because of concrete economic difficulties in the countries of eastern Europe and the Soviet Union and not because of any change in the scale of values, it is no surprise that the non-aligned and the UCs have found it hard to avoid this kind of imitation. The more so as it exists throughout the contemporary world - in North-South relations whereby the North embraces the entire East-West axis.

The class interests of certain forces in certain non-aligned and UCs also contributes to the tendency to neglect the problem of unemployment in development policy. Those forces in a number of non-aligned countries have formed a relatively thin managerial stratum which can consist of various combinations of the national bourgeoisie, technocracy, bureaucracy - in brief, a managerial stratum which, in way of life, vocabulary, tastes, knowledgeability, etc, differs little or not at all from the managerial classes (strata) in the North, that is in the developed countries aligned with the existing military-political blocs. Those circles' interests are not served by large-scale employment and the democratisation of vocational and general education nor by the active involvement of broader social strata in economic life as this sooner or later leads to democratisation of political life too.

There are also reasons of an *external* nature contributing to the neglect of the problem of employment in a number of UCs and to the priority given to the most sophisticated capital-intensive solutions in economic development. We are referring to pressures stemming from intensified advertising and the commercial, above all, export offensive of the developed countries. Such pressures gain in momentum under conditions of reduced demand in the developed countries. At such times the underdeveloped countries find it easy to get credit facilities which are designed to encourage them to import the most up-to-date but also the most expensive equipment. As a rule, such equipment does not yield its maximum technical effect in a less developed environment but it does reduce scope for employment which a labour-intensive technological solution would probably provide in the same branch of industry.

In the case of delivery of equipment and sale of licence to the non-aligned and the UCs in which the public sector (state-owned enterprises, mixed enterprises, public enterprises) is dominant or has a definite role in a certain branch or sector of production, the crudest methods, including bribery and corruption in various forms, are resorted to in order to inveigle those who decide on the purchase of equipment to choose the more expensive alternative. "Unofficial rules of the game" have established themselves in international relations as regards various forms of corruption and graft; what they are depends on the deal and the country involved or on the representatives of its institution.

Only the above-mentioned factors can explain to some extent the almost incomprehensible rejection in a number of UCs of labour-intensive technology and their determination to procure, whatever the cost, capital-intensive equipment through capital is far harder to come by in a large number of non-aligned and UCs and therefore a far more expensive factor of production than manpower.

In view of the complexity of the problem of ensuring full employment in the world as a whole and particularly in non-aligned and UCs there are grounds for the thesis that the demographic factor and its effect on the economic aspects of the policy of non-alignment are far more significant from the point of view of ensuring employment than from the point of view of ensuring food. In the case of food, it is possible to intervene in critical situations with domestic and international measures but in the case of employment such intervention is far more difficult. Furthermore, while the food aspect of the demographic factor may have a major destabilising effect, the existence of large armies of unemployed or semi-employed is a *permanent* source of instability for a country both on domestic and international planes.

By raising the question of the demographic pressure in non-aligned and UCs we are opening a debate which will necessarily last some time. Both the approach to this problem and its solution are conditioned to a high degree by the ability of a given environment to ensure the intensification of the internal accumulation process and the possibilities for doing so vary from one non-aligned country to another.

A relatively high per capita accumulation rate is indispensable as a source of finance to cover the needs of new generations, that is education, food and health care for children and youth on the one hand, and even more so for the employment of those young people later so that the funds spent on their health and education could be recouped. It should be borne in mind in this context that all expenditures of this kind - either for the upkeep and raising of new generations or their subsequent employment - should be measured *per inhabitant* when forecasting or planning regardless of whether the country involved is more or less developed. Such an approach and method of estimating funds needed for raising and employing new generations points to the inevitable conclusion that the necessary amount of accumulated funds will be raised more easily if the population increment is lower than if it is higher. In this case, naturally, we are going on the assumption that all the other factors remain unchanged, especially the levels of employment and labour productivity. Proceeding from the fact that, as a rule, the family is the basic unit of society in which accumulation is ensured for the upkeep of the younger generation until its activation and that the level of accumulation depends in the first place on the family income and then also on the socio-economic environment, we come to a second conclusion: a family with fewer members will need a smaller amount of savings since one or two active members can ensure a higher accumulation rate per dependants if the number of dependants (in this case children) is smaller.

Ever since the founding of the movement of non-alignment, in the non-aligned countries, with the exception of the oil exporting states, the infrastructure and investments in productive activities have been far below the level that could ensure productive or economically effective employment of the existing contingent population seeking employment. According to estimates by UN experts, at the beginning of the 80s, between 10 and 15 per cent of the labour force in the UCs were registered as unemployed whereas the real number of those seeking employment was much higher. In some countries this figure is twice the official figure for registered unemployed

people. In addition, about one third of the employed are not working full time and consequently their earnings are less than those who work full time.

To judge by the present state of affairs and forecasts for the 80s, the population increment in the UCs has an upward trend. In 1959-1960, the population in the UCs increased by 39 million whereas in the 1980-1990 period the annual population increment in the UCs is expected to average roughly 74 million. [28] When all this is taken into account a more complete insight is gained into the contemporary frame in which the population factor as a whole and the population *increment* in particular must not be disregarded if some kind of economic development policy is desired and particularly if a given country has opted for the policy of non-alignment in its foreign political orientation. The option for a policy of reduced population growth in those non-aligned countries in which the unemployment figures are already high could mean that the pressure for job openings could be relieved in 15 to 20 years' time.

Urbanisation costs should also be borne in mind when discussing accumulation levels. In the years following the gaining of political independence by a large number of non-aligned countries, urbanisation was an item that consumed vast funds, reducing scope for financing capital investments for productive purposes. Regardless of the fact that the urbanisation process may increase employment in some branches, the resources which are engaged and which have a positive effect on the GNP in the long run are disproportionately high in value whereas their economic effectiveness is very low from the point of view of current projections of economic development.

Unless urbanisation is attended by intensified opening of new jobs (and, as a rule, there is insufficient money for both types of investments) incomplete urbanisation, poor housing and the shortage of employment opportunities may become future sources of social unrest.

Because of the delicacy and complexity of population policy, this question has not been raised with the aim of seeking concrete solutions as that can only be done within the context of concrete conditions in each individual non-aligned and UC. Our intention is simply to draw attention to a key question which, in our assessment, has been rather neglected in studies so far of the economic aspects of the policy of non-alignment and in the non-aligned countries' programmes of action. Namely, even though a large number of UCs has opted together with a number of other UN members, for a definite population policy, aside from general declarations on the adoption of demographic policy measures, comparatively little has been done towards finding concrete solutions.

IV Non-Alignment and External (Over) Indebtedness

Can the non-aligned countries behave relatively independently and if so, to what extent either individually or collectively, in relation to the military-political blocs if there is a relatively

high degree of economic dependence on one of the blocs? The question, as old as international relations themselves, takes on specific forms with the advent of the non-aligned movement.

From the standpoint of a simplified interpretation of the relationship between the so-called base and the suprastructure (as in any case when the logic of black and white is applied), the answers obtained to this question are at first glance short but not necessarily clear. Namely, the endeavours of the newly independent countries, of which a vast majority has opted for the movement of non-alignment, to consolidate their political independence by strengthening their own economic base, under present-day conditions of a capitalist environment and the dominant role of the capitalist international division of labour, have acquired specific elements of ever greater dependence on the world capitalist market, virtually in proportion to their efforts to emancipate themselves from the effect of that market. In the quest for ways to overcome these contradictions the tendency towards self-reliance (both individual and collective) has gained momentum acquiring in some cases overtones of an autarkic economic policy.

Without entering this time into the variety of forms that the economic dependence of the non-aligned and other UCs takes on the world capital market (or in agreements with developed socialist countries) the level of indebtedness may be used as an aggregate indicator of that dependence, ie. of the position of the non-aligned countries on the world capital market. That aggregate indicator in the early 80s showed a drastic deterioration in the position of the underdeveloped countries prompted to a great measure by high inflation in the industrialised states. For the non-aligned underdeveloped countries, confronted in the previous period (at the end of the 60s and throughout the 70s) with increased capital supply on the world market, on the one hand and a set of problems relating to internal development financing, the need to strengthen defence capacities and grapple with soaring energy prices, on the other - sought a way out in an indiscriminate use of foreign credits. This put virtually all the UCs, with the exception of the oil-exporting countries, in an extremely difficult position. Nonetheless, the process of recycling petro-dollars for a time helped the world money and credit market to function and temporarily alleviated and put off the need for the underdeveloped countries to face up to the real problems of their economies.

However, with the persistent increase of inflationary pressure in the developed countries, the U.S. was the first to change its monetary policy and a number of other developed countries followed suit. The consequent restrictive monetary policy resulted in 1979-1982 in the price of money going up on the world market too, and thereby also the costs of interest payment and servicing of debts. As a result, a large number of non-aligned countries ran into even greater financial straits and their position on the world market worsened. When interest rates in the U.S. reached an all-time high of 21 per cent and the value of the dollar increased, the prices of precious metals and a number of commodities went down, which aggravated even further the position of the non-aligned and UCs. The oil-exporting countries were an exception and in 1979-1980 they were the main sources of increased international liquidity. Even the position of these countries, however, deteriorated somewhat by the slowdown of the world economy and the recession in 1981 which was carried over into 1982 with very poor chances of recovery, at least

for the first six months of 1983. This contributed to reduced demand for oil and thereby also to a decline in the earnings of the oil-exporting countries and a subsequent shortage of capital.

Under such conditions of economic crises and more expensive credits, financial circles decided to offer more short term rather than long-term financing. The growing share of loans on a 30 days to six months basis best testifies to the reluctance of financial circles to engage their financial resources for any length of time. The fact that liquidity had precedence over long-term investment only further aggravated the international financial status of the non-aligned and UCs. This deterioration can be seen in data on the international credit rating of individual countries of the Bank for International Settlements in Basel.

International Credit Ratings of the Non-Aligned Countries

/in September 1982 compared with the same period of the
previous year/

(Maximum rating = 100)

Country	Rating index	Changes (+ -)
Singapore	78.5	0.0
Saudi Arabia	72.9	-0.6
Malaysia	72.8	0.0
Kuwait	70.8	0.2
United Arab Emirates	60.8	1.0
Bahrein	59.4	1.3
Indonesia	56.3	-0.8
Qatar	56.2	-0.7
Algeria	55.7	-1.6
Colombia	55.3	-3.7
Trinidad	53.2	-3.4
Nigeria	52.3	-3.5
Argentina	60.5	-12.9
Oman	45.9	0.2
India	45.5	-3.4
Tunisia	46.0	-2.2
Libya	42.8	-9.0
Iraq	42.2	-2.3
Peru	41.0	-2.4
Panama	40.5	-2.2
Yugoslavia	40.4	-10.0
Ivory Coast	39.9	-4.4
Jordan	38.6	-3.3
Kenya	35.1	-7.3
Gabon	35.0	-0.4
Egypt	34.8	-1.2
Cyprus	34.5	-2.3
Morocco	33.4	-5.3
Cameroon	33.0	x
Syria	24.9	-7.3
Pakistan	21.0	-1.0
Cuba	20.5	-8.1

Malawi	20.1	-5.0
Senegal	20.1	-5.3
Mauritius	19.4	—
Seychelles	17.2	-3.8
Angola	16.8	-2.9
Lebanon	15.4	-6.4
Congo	14.9	-0.5
Liberia	13.4	-7.6
Zambia	12.8	-4.9
Tanzania	12.0	-3.5
Sierra Leone	11.7	-3.4
Iran	11.3	-2.4
Grenada	10.7	—
Ethiopia	9.4	-1.9
Sudan	9.5	-2.8
Nicaragua	7.4	-3.7
Zaire	6.1	-0.7
Uganda	5.4	-0.9
DR Korea	4.4	-2.7

Source: Institutional Investor, New York and Schweizerische Handels Zeitung, Zurich, carried from "Frankfurter Allgemeine Zeitung" August 3, 1982.

As can be seen from the above table the international financial rating of a large number of non-aligned countries worsened from September 1981 to September 1982. This was due, in the case of some countries, to the effects of market oscillations and in the case of others to the decision suddenly to raise fresh loans, either in order to wage a war (e.g. Argentina) or temporarily to remove difficulties of a structural nature in their national economies.

Actually the level of indebtedness of the UCs is far higher than can be seen from the above list as a large number of non-aligned countries do not figure on it. Those UCs which are unable to secure loans on commercial terms on the financial capital market but are mainly forced to use finance given non-commercial terms have been left out. The latter refers either to special multi-lateral programmes through the UN or through individual groups of countries (programmes of aid sponsored by the Organisation for Economic Cooperation and Development - OECD, or by the Development Assistance Corporation - DAC) or through programmes of a bilateral nature (in most cases with the former metropolises) ensuring for the former metropolises a strong influence on the economic development of these non-aligned and UCs.

The countries which in 1982 were unable to ensure their creditworthiness on the international capital market include: Afghanistan, Bangladesh, Benin, Botswana, Burma, Burundi, Bhutan, Belize, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Gambia, Ghana, Guinea-Bissau, Equatorial Guinea, Guyana, Jordan, Kampuchea, Kenya, Lesotho, Madagascar, Maldives, Mali, Malta, Mauritania, Mauritius, Mozambique, Nepal, Nigeria, Niger, Rwanda, Somalia, Sao Tome et Principe, Sri Lanka, Sudan, Surinam, Swaziland, Togo, Upper Volta, Vietnam, Yemeni Arab Republic, and DR Yemen.

Furthermore, some non-aligned countries do not appear on the capital market due to specific circumstances such as the fighting on the territory of Afghanistan following the Soviet invasion, or because most of their financial transactions are carried out with individual national capital markets - they are not registered by the Bank of International Settlements.

The serious position of the non-aligned developing countries in terms of external indebtedness and the gravity and complexity of internal economic problems have forced virtually all the non-aligned countries with the exception of the oil-exporters, within the comparatively short time of a few years to opt for changes in their internal economic policies. These changes are designed, in the first place, to reduce spending for non-productive purposes or rather for the administration, the army, the development of so-called prestige projects which only have superficial effects and are economically unjustified. These are investments which are referred to in economic literature as the "pagoda complex".

The more successfully the economic potential of each individual non-aligned country is used on the basis of programmes of mutual cooperation and in line with the policy of collective self-reliance (within smaller or larger groups of countries) the less will be the need for them to accept foreign loans, particularly those given under unfavourable terms.

In view of the growing acuteness of the problem of international financial liquidity and the inevitability of new loans, if obtained at all, to be obtained under still more unfavourable terms because of the already high level of indebtedness of a large number of the non-aligned and UCs, refraining from incurring fresh debts is virtually *a condicio sine qua non* for the pursuit of a genuinely non-aligned policy in international affairs.

The greater the number of non-aligned countries with serious liquidity problems thus joining the category of countries with inadequate credit worthiness and the greater the number of non-aligned countries having to reschedule their foreign debts or to suspend payment of the principal and pay only interest, the easier will it be to make the non-aligned countries increasingly economically dependent. This could hardly remain without negative consequences for the movement of non-alignment.

V Non-Alignment and the New International Economic Order (NIEO)

Formulating the substance of the movement of non-alignment, Janez-Stanovnik said:
"Non-alignment does not have its roots in ideological oppositions nor in the ambition to ensure for the "Third World" the role of a factor of equilibrium but exclusively in spontaneous endeavours to defend national sovereignty as a pre-condition for the survival of the human community." [92]

We would add to this that the economic component is a logical, integral part of the platform of non-alignment. It is precisely this economic component which substantially affects

the newly liberated countries, that provides significant incentive for the strengthening of the movement of non-alignment and is one of the main attractions of this movement for a large number of countries.

In fact, this combination of two factors - an extrabloc position in international relations and the resolution of problems of economic emancipation, including the eradication of the heritage of colonialism and the strengthening of defences against neo-colonialist pretensions - not only attracts countries to the movement of non-alignment but also provides a broad-based platform for that movement and a common denominator that is sufficient for overcoming the differences that exist in virtually every respect among the member-countries of the movement.

The economic platform of the movement of non-alignment, for which the foundations were laid at the Economic Conference of Non-Aligned Countries held in Cairo in 1962 and at the First UNCTAD session in Geneva in 1964, evolved later into a platform for the struggle for a new international economic order.

The gradual evolution of particular phases in the process of institutionalising and forming the economic platform of the movement of non-aligned countries can be followed by studying the resolutions and programmes of action adopted at so-called ministers meetings of non-aligned countries and especially the conferences of heads of state or government. In that respect, the Algiers Charter (1973) constitutes a landmark in the process of formulating the Declaration of NIEO and its adoption at the Sixth Special Session of the UN General Assembly in 1974.

The principles of the NIEO are in essence deeply revolutionary as they seek to establish conditions on the economic plane that would consolidate the foundations of economic independence and economic emancipation of the non-aligned and UCs as a whole. The history of the adoption of the Declaration on the NIEO clearly shows that the whole question of the NIEO cannot be separated from the non-aligned movement. One might even say that were it not for that movement one could hardly conceive of adopting the NIEO, at least not in such a relatively short time - from 1961 to 1974. Furthermore, the movement of non-aligned countries would not have gained so many new supporters had it not included in its activities efforts to seek out new, fairer solutions for the functioning of the world economy and international economic relations.

A number of principles included in the Declaration on the NIEO are essentially of a revolutionary and anti-capitalist nature, particularly those opposing international economic relations established by means of the world market which has been of a capitalist nature ever since it was formed. This is without doubt one of the main causes of the resistance that the principles of the NIEO are coming up against in present-day international economic relations. For, their implementation would significantly curtail the existing privileges of the developed capitalist countries, and not only them.

The resistance the demands of the non-aligned and UCs will be encountering with respect to the implementation of the principles of the NIEO will also be powerful in the years to come since there are several important factors involved:

a) The long-term interests of the developed capitalist countries and their endeavours to preserve acquired positions;

b) The current world economic crisis which is adversely affecting all countries. Under conditions of growing unemployment throughout the world, the keenness of the competition for markets and the strengthening of protectionism in the world's economy, virtually all the non-aligned and UCs find themselves in a much more difficult position than earlier under conditions of more favourable economic trends. Furthermore, under the pressures of international over-indebtedness a large number of non-aligned countries are in a much weaker negotiating position in relation to the developed countries;

c) Large sections of the working class and the population in general in the developed countries, instead of becoming allies of the non-aligned and UCs in their efforts to assert the principles of the NIEO, frequently extend whole-hearted political support to the ruling circles in their own countries in their endeavours to preserve the privileges of the developed in the world economy.

The principles of the NIEO cannot be realised if only the non-aligned and UCs fight for them, since the world economy and the international division of labour by definition imply relations of partnership. Therefore, the non-aligned and UCs cannot establish alone an order that would apply to all countries in the world. The more so as, either for objective or subjective reasons, they are unable to ensure acceptance of the NIEO principles even in their mutual economic relations which further diminishes the possibility of those principles being applied on a broader scale.

The question that arises is: why is it that the broad working sections of the population in the developed capitalist countries do not join in supporting the principles of the NIEO? On this occasion we should like to draw attention to two reasons:

1. The ruling circles in the developed countries have done their best either to ignore the whole set of activities relating to the NIEO in the mass media or to interpret them as if they constituted a platform those who want to redistribute the world's wealth in a way that would jeopardise the standard of living and the level of consumption in the developed countries. Naturally, such an interpretation of the principles of the NIEO has resulted in the broad sections of the population in the industrialised countries either ignoring them or taking a negative stand, the latter being more frequent under conditions of reduced economic activity and especially during the current crisis in the world economy.

2. The aspirations of the so-called "radical" countries within the framework of the movement of non-alignment and their interpretation of the principles of the NIEO have in their turn helped to develop a negative attitude among the popular masses in the developed countries towards the principles of the NIEO and the new order as a whole.

Adding to the factors which are detracting from the chances of an early establishment of the NIEO is the fact that the activities of the non-aligned and UCs geared to the acceptance of the NIEO principles have not gained the expected support of the Soviet Union and the countries of eastern Europe. At UN forums these countries support the Declaration but this support is no more than verbal. There is no doubt that the socialist countries could not vote against the Declaration of the NIEO without thereby risking the loss of some of the political prestige they

enjoy within the group of non-aligned and UCs. However, on a number of questions of principle concerning the NIEO, non-aligned and socialist countries do not see eye to eye. Namely, the socialist countries feel that all the current world economic problems including the aggravation of the economic status of the non-aligned and UCs should be blamed on imperialism and colonialism. Pursuing this line of thought they claim that those who siphoned off profits in the past and who are still siphoning them off on the basis of capitalist and colonial exploitation should normally assume responsibility and suffer the consequences in moral and material terms and rectify the present situation. Nonetheless, though this explanation may sound plausible to those who offer it and support it, it can hardly hold water from the point of view of the present and future development of international economic relations. The more so as it is virtually impossible for a very large number of countries to claim that they have never tried or managed, to a greater or less extent, to exploit other nations. Further, there is a methodological question as well: what should be considered the beginning of the existence of various forms of colonial exploitation? Though this is not explicitly stated, it is clear in the context of this discussion that colonial exploitation implies exclusively the "overseas" expansion of imperialism. As if the nature of imperial conquests was decisively affected by the means of transport for invading armies and for extracting wealth in the form of goods and finance and the like!

The concepts of "alliance" and "reserve" are frequently used by the socialist countries when discussing the international status of the non-aligned in an endeavour to build bridges with the movement of non-alignment. However, we would say that there are far more concrete and better ways of establishing genuine cooperation if the economic demands of the movement of non-alignment are recognised and if a realistic basis for cooperation in that area is found. By rejecting the thesis on "equidistance" in relation to the blocs, the movement of non-alignment has demonstrated a high degree of maturity and understanding for reality. For, all the industrialised countries are not in the same economic situation today nor were they in the past so that they cannot be expected to behave in the same way either. However, the very fact that the developed socialist countries have not had in the past nor do they have today, the same characteristics as the developed capitalist countries in terms of socio-economic structure and the level of economic development, the movement of non-alignment expects the socialist countries to extend far greater support also in the area of struggle for the adoption of the NIEO principles. Failing such support, those elements in the movement of non-alignment which occasionally tend to identify the socialist with the capitalist countries in this respect gain a stronger position. As contemporary international economic relations are developing in line with the capitalist principles of economic activity even when one or both partners are socialist states (except in the case of some specific transactions) this lack of support from the socialist countries for efforts to realise the principles of the NIEO may be interpreted as a sign of those countries' unwillingness for the more developed partners in the world economy partially to renounce the privileges which capitalism as an economic system ensures for economically more powerful partners.

When analysing the progressive and revolutionary elements in the adopted Declaration on the NIEO it should be pointed out that the adoption of the Declaration has provided another

opportunity for exerting progressive and virtually revolutionary influence on *internal development* and trends in a number of non-aligned countries. In spite of considerable differences in the internal order of the countries belonging to the movement of non-alignment, it is almost inevitable that the efforts of the governments of a number of those countries should be geared to steering internal political trends in the same direction they advocate in international economic relations. For, sooner or later, differences are bound to crop up between solutions to internal socio-economic problems and the platform advocated by those same governments on the international plane. Without entering into any detailed consideration of these questions on this occasion suffice it to mention by way of illustration the demand of the NIEO for a fairer distribution of the world's wealth and the right of each country to have sovereign control of its natural resource and to use them in the interests of its natural resources and to use them in the interests of the national economy, etc. However, the internal class relations in individual non-aligned countries is almost the exact opposite of the one the governments of those countries wish to establish in the international community. As a result, the ruling circles in a number of non-aligned countries, depending on the balance of political and class forces in each country, will find themselves in a situation in which their own political opposition will be coming up with the same demands with respect to the country's internal development as those that are made by governments in question on the international level. Though such demands may for a time be suppressed and even in certain cases repressive measures taken against those who make them, with time there is bound to surface a growing discrepancy between the foreign policy platform of the governments of the non-aligned countries insisting on the implementation of NIEO principles and their domestic practices of depriving certain categories of their own population of adequate rights when they demand a fairer distribution of the national income, a more democratic system of decision-making in certain areas of social, economic and political activities, etc.

The far-reaching character of the principles formulated in the Declaration on NIEO and their potential effect on international relations and on political trends in individual non-aligned countries explains to some extent why, since the adoption of the Declaration in 1974, very little has been done to put its principles into practice. Occasionally this is a source of disbelief and disappointment within the movement of the non-aligned. A case in point is a statement by a prominent Nigerian scholar under the title "Stagnation in the Struggle for the NIEO", who said the following:

"On the international economic plane the most painful experience for the developing countries has been the failure to establish a new international economic order. Since the Sixth and Seventh General Assembly sessions whose resolutions on this issue of vital significance were adopted by consensus of both the developed and developing countries, not a single concrete proposal has been carried out. Instead, there have been endless sessions of "dialogue" since the 1975 Paris conference, sessions which have become substitutes for efforts to take concrete action." [30] The same author drew attention to the fact that in Geneva in 1979 alone there were about 9,000 various meetings and conferences within the framework of the UN system on various topics in this area.

In this connection, the question arises of an assessment of the state of affairs in the movement of non-alignment from the point of view of the further elaboration of the economic aspects of the policy of non-alignment and the prospects of the movement in that respect in the current decade.

It should be noted straightaway that among Yugoslav experts in the field assessments vary regarding the results of the drive to put the NIEO principles into effect. A number of elements needed to be taken into consideration for any judgement to correspond to reality:

1. The formulation of a common platform among an extremely heterogeneous group of non-aligned countries on international economic relations required many years of efforts and a great deal of patience, tolerance and strength to avoid snares set by enemies either consciously or due to unrealistic assessments of the balance of forces within the movement of non-alignment. That process initiated at the Belgrade conference in 1969 and at the Economic Conference of Non-Aligned Countries in Paris in 1962 culminated in the adoption of the Declaration on the NIEO in 1974. Assuming that all the member-countries of the movement of non-alignment are completely satisfied with the text of the Declaration, nonetheless it took 13 years for the *text* to be adopted and for it to gain international recognition at the Sixth Special session of the UN General Assembly.

2. Considering that a period of 13 years was required for the text alone to be adopted, is it realistic to expect its implementation to begin immediately, i.e. the implementation of the adopted Declaration on the NIEO? Here again, as on some other occasions, one may ask: is not a certain disappointment concerning the implementation of the Declaration on the NIEO attributable to unrealistic expectations either of the movement as a whole, or of individual countries, their representatives or even of analysts of these issues?

3. The crisis in the world economy which manifested itself in various ways at the end of the 70s and the beginning of the 80s, instead of attracting new supporters for the Declaration on the NIEO in developed industrialised countries, is in every respect bearing negatively on the demands of the non-aligned and UCs for the implementation of the principles of the Declaration on the NIEO. In the case of the developed countries, among the few supporters of the implementation of the NIEO principles their own economic conditions have considerably reduced the importance they attach to NIEO problems. As for the opponents, in view of the crisis in their own economies, they are given an opportunity to behave "more objectively" and to explain their opposition to NIEO principles by difficulties in their own economies.

Even though the present world economic situation does not appear to be favourable for winning support for the NIEO in the developed countries, it would, nonetheless, on the basis of past experience, be premature to come up with the idea of a stagnation in the struggle for the NIEO. Furthermore, is it not precisely the crisis in the functioning of the world capitalist economic system, in spite of all the defensive mechanisms and various forms of pooling of effort by the leading countries to find joint solutions to acute problems, that is evidence of the fact that changes are necessary in the existing international order? That still does not mean that the

attitude "the worse, the better" is justified. However, the possibility should not be ruled out that in a period of crisis of the world economy, particularly from 1981 to the first quarter of 1983 inclusive, with prospects of a prolongation of the crisis, steps may be taken to reconsider possible alternative solutions in the international economic order. One should harbour no illusions, however, that the developed countries would spare any efforts to seek a way out of the crisis by improving the old order rather than by immediately adopting the principles of the NIEO. What is more, there are indications that less will be achieved in the 80s in that respect than was achieved in the past decade.

As for the future of the process of implementing the NIEO principles, the experience of the non-aligned and UCs or rather their commitment to the implementation of the NIEO principles in mutual economic relations might carry some weight. This is, naturally, under the assumption that in implementing the principles of national and collective self-reliance they take more concrete steps and that they move from the stage of institutionalisation and "dialogue" sessions towards the actual channeling of flows of goods, services, capital and technology. By offering concrete examples of cooperation which are more effective than the existing ones, the non-aligned and UCs might gain far more support for the realisation of the principles of the Declaration on the NIEO than by efforts in international negotiating forums and customary propaganda.

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In the same way that the non-aligned and UCs managed, at the cost of great effort, to agree on the formulation of a platform and the principles of the Declaration on the NIEO in the 70s, so in the 80s they should show that such a system can function in practice given the existence of the political will to accept it. There is no doubt that it will be even more difficult to implement the NIEO principles than it was to agree on the adoption of a general platform for regulating economic cooperation in the present-day situation on the basis of the NIEO principles. Nonetheless, perseverance is required and by achieving certain results within the framework of "one's own" group of countries, the vitality of the NIEO principles will be asserted and their realism demonstrated in establishing more effective and fairer international economic cooperation.

1. In this text the term "underdeveloped countries" is used except in quotations in which the term "developing countries" is used in the original. The author believes that there are both economic and political reasons for using the term "underdeveloped country" even though the term "developing country" has been accepted in UN terminology. Though the term "underdeveloped country" might also warrant certain reservations, from the point of view of the reality of relations in the international community and of Marxist analysis, the term "underdeveloped country" is more appropriate. It is another question whether the existing developed capitalist countries should be used without reservation as the yardstick of development. It is a fact, however, that they are taken to be a measure of development and as the objective of economic development policies of a number of underdeveloped countries regardless of their socioeconomic order.

The term "developing country" considerably dilutes the reality of the disproportions in the world economy today and in that sense it corresponds to the interests of the developed countries and of ruling circles in a large number of underdeveloped ones. Though it might be necessary and sometimes obligatory to use UN terminology in dealing with foreign countries, there is no reason for contemporary phenomena not to be called by their proper name in Yugoslav literature and public life in general.

2. Donald J. Puchala, *International Politics Today*, Dodd, Mead New York, 1971, pp. 3-4.

3. Though this group of listed authors covered is a broad one ranging from Lenin to Myrdal, that is both Marxists and structuralists in contemporary economic literature, they still have at least one point in common: they are sharp critics of the established system of international economic relations though with varying degrees of intensity. They differ in their quest for a solution. While structuralists like Myrdal and Prebisch believe that a way out can be found in a gradual reform of the system, the Marxist authors with their analysis in this area too also point to the obsolescence of capitalism as a socio-economic system.

4. For more detailed studies of the concepts of the neo-liberalist school, see the following works: Ragnar Nurkse, *Equilibrium and Growth in the World Economy*: Harvard University Press, Cambridge, Mass., 1961; Gottfried Haberler, *International Trade and Economic Development*: National Bank of Egypt, Cairo, 1959; Gerald M. Meier, *International Trade and Development*: Harper and Row, New York, 1963.

5. Gunnar Myrdal, *Rich Lands and Poor; The Road to World Prosperity*: Harper and Row, New York 1957.

6. Among the works of contemporary Marxist authors the following merit special attention: Andre Gunder Frank, *Latin America: Underdevelopment or Revolution*: Monthly Review Press, New York, 1969; Arghiri Emmanuel, *Unequal Exchange: A Study of the*

Imperialism of Trade: Monthly Review Press, 1972, New York; Paul A. Baran, *The Political Economy of Growth*: Monthly Review Press, New York, 1968; Pierre Jalée, *The Pillage of the Third World*: Monthly Review Press, New York, 1968; Theotonio Dos Santos, *The Structure of Dependence, Readings in U.S. Imperialism*, edited by K.T. Fann and Donald C. Hogges; Samir Amin, *L'Accumulation à l'échelle mondiale*: IPAN, Paris, 1972. Some ten or so works by Yugoslav authors could be added to this list.

7. Paul A. Baran and Paul M. Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order*: Monthly Review Press, New York 1966.

8. Pierre Jalée, *Imperialism in the Seventies*: the Third World Press, New York, 1972.

9. U.S. Bureau of Census: *Statistical Abstract of the United States*, 1978, 99th Edition: Government Printing Office, Washington D.C. 1978.

10. S. M. Miller, Roy Bennett, Cyril Allapat, *Does the US Economy Require Imperialism*, published in the journal *Social Policy*, (September-October 1970).

11. Ibid.

12. Source: International Bank for Reconstruction and Development, World Bank "World Development Report 1982", Oxford University Press, 1982, p. 131

13. Ibid., p. 129.

14. Ibid., p. 129.

15. In earlier studies I have pointed out the declining role of a number of commodities in international trade. For more detail see *Promene u svetskoj proizvodnji i medjunarodnoj trgovini* (Changes in World Production and International Trade) by M. Hubeny and Lj. Adamović: Institute of International Politics and Economics, Belgrade 1960.

16. U.S. Council on International Economic Policy, *Critical Imported Raw Materials*: Government Printing Office, Washington D.C. December 1974.

17. Benjamin J. Cohen, *The Question of Imperialism: The Political Economy of Dominance*: Basic Books, New York, 1973, pp. 138-141.

18. Arthur McEvan, *Capitalist Expansion, Ideology and Intervention*, Review of Radical Political Economics, Spring 1972.

19. Thomas Weiskopf, *Theories of American Imperialism, A Critical Evaluation*, Review of Radical Political Economics, Fall 1974.

20. For a more detailed discussion of this problem see L. Mates, *Role of the Founders in the Movement of the Non-Aligned*, in the book *Non-alignment in the 80s*, published by Institute of International Politics and Economics, and Review of International Affairs, Belgrade, 1982.

21. When data such as the per capita GNP or the national per capita income are used the following shortcomings are particularly pronounced:

a) the problem of the rate of exchange and the conversion of the national currency into an international clearing or monetary unit, the U.S. dollar, for instance.

b) differences in the system of primary distribution in a number of countries and the way in which the structure and prices on the domestic market are determined

c) distortions that occur due to the existence of a developed market system and detailed statistics about it and the absence of them or the existence of far less developed market mechanisms or statistical services in other countries. Hence the tendency in the highly developed countries where, due to specialisation and the division of labour, most of the employed function as specialised producers, producing for the market in order to sell their goods or services and to buy all other goods and services, to express all kinds of economic activities, to the greatest possible degree, in their monetary form so that virtually all activities are calculated and recorded by the statistical service.

On the other hand, in countries with an underdeveloped economy and large populations making an income within the framework of a primitive economy, the market is underdeveloped and a number of different categories of goods and services are produced and consumed in the household, the primitive production unit. In this way, the already modest value of the GNP is statistically presented in unrealistic terms or, as even smaller than it actually is in real life. These indicators are therefore rightly thought to present the rich and developed countries as being richer than they are and the poor and underdeveloped ones as being still poorer.

22. Source: Review of International Affairs, September 1979.

23. Lester Pearson, *Partners in Development: Report of the Commission on International Development*: Praeger, New York, 1969, pp. 48-52.

24. Robert S. McNamara, *Address to the United Nations Conference on Trade and Development*, Santiago, Chile, April 14, 1972, published by International Bank for Reconstruction and Development, Washington, D.C. 1972, p. 4.

25. E. T. Bauer, *Equality, Third World and Economic Delusion*: Weidfeld & Nicholson Ltd. London 1981, p. 79.

26. The fact that these elements of the quality of life are not covered by statistics on per capita income can seriously affect the quality of analysis in specific social and cultural settings or in entire countries. Statistics methodologists draw attention to the familiar example that given unchanged sources of income, the birth of every child reduces the income per capita or per member of the family. Does this mean that the parents' position will worsen in every respect or that they are by definition unhappy when a child is born to them or would perhaps be happier without children or, to pursue this logic to absurdity, if their child died?

27. In that sense, Yugoslavia too is a good example for testing the above-mentioned premise. There is no small number of enterprises with ultra-modern technology for the optimal economic and technical exploitation of which the proper balance has not been established between materialised and live labour. It would be useful to study and publish the expenditures of many new enterprises with the latest technology on frequent repairs of a number of electronic devices, repairs which are made by teams sent by the foreign supplier of equipment. Similarly, it is questionable whether in regions without a tradition in industry and in cases when there is a rational (technological and economic) possibility for substituting labour for capital equipment the most sophisticated technology should be used instead of employing a large number of workers.

28. Edwin M. Martin, *Rapid Population Growth Hampers Development*. *Economic Impact*, 4/1982, p. 83.

29. Janez Stanovnik, *Non-Alignment and the New International Economic Order*, published in the book "Non-Alignment in the Eighties", International Round Table, Petrovaradin, Yugoslavia, 29-31 August, 1981, published by the Institute of International Politics and Economics, Review of International Affairs, Belgrade, 1982.

30. Bassey Ate, *Non-Alignment, the International System and the Struggle against Colonialism and Racism*, published in the book "Non-alignment in the Eighties", p. 124.

Non-Alignment and International
Economic Relations

Leo MATES

THE NON-ALIGNED AND THE DIVISION OF THE WORLD INTO NORTH AND SOUTH

The movement of non-alignment developed gradually in the post-war years until the first complete platform was drawn up at the Conference in Belgrade in 1961 on the basis of which the movement acted from then on. Regardless of the fact that the emphasis was on political issues, the Conference, as well as the subsequent development of the movement, clearly reflected the fact that the countries they rallied were mostly from the ranks of the less developed. This is also mirrored in the definition of their political objectives which were to change the world order from one dominated by blocs into one of generalized cooperation among all states - large and small, powerful and less powerful.

Economic issues were also explicitly raised at that Conference and led to the proposal to found UNCTAD, but that was not the only effect of the division into North and South which existed parallel with the East-West confrontation. In order to analyze the political and military dangers threatening the "Third World", it is essential to take into consideration from the start the differences in the level of development. Even that is not sufficient. The post-war period has been a period of rapid expansion of economic interaction among an unprecedentedly large number of subjects. The volume of world trade soon soared to a level that could not have been imagined before the war.

Under such conditions, the acquisition of independence either by the abolition of the imposed sovereignty of the metropolises or by the rejection of big power tutorship in countries that had previously gained their independence - also meant joining in the ramified and ever more intensified and politically relevant system of economic inter-action. The existence of the division into North and South was not just a side-effect and additional motive for action on the part of the countries which, by their activities, were the forerunners of the movement of non-aligned countries, but also had a decisive effect on the nature of the international community and the totality of relations. That was also one of the prime motives for the cooperation that was systematized following the Belgrade Conference.

For the countries that were already non-aligned at the time or that became non-aligned somewhat later, the acquisition of independence or taking an independent stance in relations with the rest of the world meant joining in a system of relations established without them. That system was further developed at Bretton Woods but again on the basis of agreement among the industrialized countries only. Consequently, the immediate actions of the less developed countries in the first post-war years and subsequent organized actions initiated and conducted by the non-aligned countries were geared primarily towards a revision of established relations, of the established order in economic as well as political relations.

When the programme of action in this area had been elaborated and completed in the beginning of the seventies attention focused on the question of a new economic order in the world. This was the outcome of a traumatic clash with the global system of relations, particularly in the economy. The drive developed into an inter-state activity so that a global agreement might be reached through an inter-state debate. In fact, economic problems were tackled with political means as those problems soon became the most difficult and most dangerous political problems for the countries involved.

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At first glance it may appear normal for economic problems stemming from international relations to be tackled by inter-state action. Such action is indeed necessary as the obstacles and barriers standing in the way of economic inter-action between the less developed countries and the industrialized ones are numerous and considerable. Further, the link between the economic weakness and the vulnerability of those same countries to the onslaughts of the large, rich and powerful naturally associates activities designed to deal with economic problems with those geared to the realization of political objectives.

However, the problems of North-South relations, that is the differences in the level of development cannot, under any circumstances, be resolved solely by removing the barriers resulting from administrative and other state actions. The problem is much more complex than that so that concepts at hand must first be clarified.

In discussing economic relations among states, a sufficiently clear distinction is rarely made between the results of economic activities, i.e. relations in the economic sphere and relations affecting the economic sphere. For instance, buying and selling are economic activities while determining the turnover tax of customs duties are administrative measures affecting economic interaction.

Clearly, the difficulties and unfavourable trends resulting from administrative measures or which can be removed or mitigated by administrative measures are the object of interstate agreements. Such political measures relating to economic interactions may only conditionally be included under economic relations. They must be clearly distinguished from economic relations proper.

These two spheres of relations or interactions are frequently intertwined and are more often than not inspired by identical motives within the framework of a single state. This still does not reduce the need for distinguishing between them. In the same way that a distinction must be made between a balance of forces, that is a condition, and action on the international stage, in the political and economic spheres. In the political sphere, the yardstick is power and influence whereas in the economic it is the level of development and average labour productivity. Naturally, the developed countries are usually those that are powerful and influential in the

economic as well as the political sphere, affecting the economic activities of the weaker partners on the world stage.

In reality, these individual concepts, categories of activities and the nature of their subjects are closely linked together, acting in unity through subjects defined as the state which implies both the political authorities and the economic organizations within national boundaries.

This is only understandable as in most cases, the political and economic components are harmonized in terms of motives and objectives and are logically therefore the interaction and balance of forces. Domination is not encountered unless there is a corresponding balance of forces and that relationship (in both senses of the word) is both an economic and political one. This does not mean to say, however, that the distinction referred to above is unnecessary or that it is the product of academic pedantry. On the contrary, it is all the more necessary as manifestations in real life tend to veil those differences.

We have to insist on the above-mentioned distinctions particularly when we wish to consider or undertake action to change the established state of affairs. For instance, a realistic assessment of the situation and of possible actions and their effects in connection with a new international economic order in the world is unfeasible without those distinctions. What is more, many misbeliefs and illusions are due precisely to the absence of such a distinction or inadequate recognition of its existence.

Any loose discussions on the North-South relationship or, to be more precise, on the relationship between the developed industrialized states and the less developed countries (frequently referred to as the developing countries) which makes no such distinctions, may result in completely contradictory views and proposals for action and methods of such actions. If the distinction could essentially, or even exclusively, be reduced to the use of discriminatory measures or policies, a solution might be achieved through an inter-state agreement or on the basis of fierce political confrontation.

Such a radical approach did in fact manifest itself within the movement of non-aligned countries seeking to engage the movement in a confrontation with the West by aligning it with the East. The majority rejected the strategy as unrealistic. It has no real chances of success under the present circumstances. The developed states can hardly be forced by a confrontation to change their attitude and lift barriers or to introduce any kinds of preferential treatment for the less developed countries.

Furthermore, and this is most important of all, even if that were possible it would be no solution, just as the cooperative road through a global debate, if it succeeds, cannot improve the actual economic relations. Differences in development levels would remain as well as the relations on the market which would, even with preferential treatment for the less developed countries, extend and even aggravate differences in the level of development. Privileges introduced by unilateral political or legislative acts may be abolished by agreement but the agreement will not affect differences in labour productivity and other internal and global elements inherent in economic activity.

The advantages the developed have over the underdeveloped will remain in relations between enterprises, between entire economic branches and also between national economies as a whole. If the subjects of economic activities, and not just the state, continue to behave in the old way, differences will increase so that the less developed countries will remain in an inferior position. Leaving other elements aside for the moment, such as questions of energy, commodities and other resources, the changing of laws, regulations, usance and other institutions in the area of international economic inter-action, is only a marginal inclusion with only a very limited effect which can be expected to wane with time under the impact of economic laws. All this holds true on the assumption that the economic subjects in the highly developed countries continue to behave "normally" on the market.

It follows therefore that even the most successful actions designed to achieve agreement among governments can only be expected to produce limited results. Such action only affects political relations and can only regulate those relations and is consequently one-sided. This, naturally, does not mean that more favourable conditions in inter-state relations resulting from inter-state agreements will not indirectly affect economic relations too. However, these indirect effects in themselves necessarily fail to produce any deeper results which could decisively change economic relations or market relations as they are usually called.

This is due to the fact that, for instance, the abolition of administrative barriers and granting of other facilities such as preferential treatment and the like, undoubtedly increase chances for the improvement of the balance of payments of the less developed countries. Exports may be encouraged, foreign exchange earnings and, to some extent, employment increased in the less developed countries and the like. Nonetheless, it is extremely naive to believe that such limited and, I would say, marginal effects can produce any such economic changes as would be conducive to the narrowing of the gap between the North and the South.

The drive that is under way on what is known as the New International Economic Order is a drive of this kind. It is true that it has not so far produced any major results in the desired direction but that is not the most important thing. In fact, under the present international conditions when the less developed countries are "exporting non-liquidity" to the highly developed ones by transforming credits received into dubious, if not fictitious items in the debtors balances, the global debate might be revived and emerge from the deadlock.

Such forecasts are based on two premises. First, it has to be assumed that in reviving their initiative the non-aligned and all other less developed countries will take care to formulate it in such a way that it reflects the old thesis on the general interests of both the North and the South. The other premise is that the countries of the North will agree to pay at least some slight heed to the actual interests of the South. For, the resistance coming from that quarter to the settlement of global problems always conceals the egocentric intentions and ambitions of the highly developed countries.

The limited possibilities of decisively improving the predicament of the less developed countries can be fully grasped by looking into the origins of the present problems. We are referring to the division into the highly developed and less developed countries, to the aspect of the global crisis which manifests itself in the division of the world into the North and the South. This actually brings us to the heart of the problem of the non-aligned countries' inclusion in economic inter-action following World War II.

First, a terminological explanation. The non-aligned countries and not the less developed countries as such, have emerged in the forefront because they were politically most active, mobilizing the entire South to action and it was precisely their aspirations towards emancipation that created the problem as a political phenomenon. The existence of inequality in the level of development is a fact and that fact becomes a problem when people refuse to accept it and launch a political drive to change such a state of affairs.

The countries of the South are identified with the less developed countries as underdevelopment is their salient feature. The term "developing countries" was proposed by Sukarno in a speech in the United Nations General Assembly on the grounds that the term formerly used was humiliating for those countries. The term was accepted by the majority of authors and it has become official terminology. In fact, however, this change of label is senseless, wrong and naive. If it is shameful to be underdeveloped, which is in itself a snobbish and aristocratic attitude, no change of name can change that. What is more, this incorrect euphemism only masks the drama of the problem making it easier to ignore. This is all the more true as if there is development anywhere today it is precisely in the ranks of the highly developed and industrialized states.

Appearing on the world scene after the Second World War, the less developed countries encountered growing differences in development levels and the gradual broadening of the circle of the less developed. It was precisely this intensification and escalation of differences in development levels that triggered off a powerful movement for emancipation. True, the first phase of that movement took the form of demands for the liquidation of the colonial system; it should not be forgotten, however, that for the process of decolonization, two specific elements were decisive.

The colonial peoples were finding it increasingly hard to tolerate their condition while at the same time, economic growth reduced the need for keeping colonies and exploiting the vast under-developed expanses under the sovereignty of the metropolises. As a result, the struggle against colonialism gained in momentum while the motives of the metropolises to keep them waned. There were of course some exceptions which resulted in fierce and protracted armed struggle in a number of cases. Vietnam and Algeria are cases in point. The fact remains, however, that the colonial empire that was preserved was that of the least developed metropolis - Portugal.

Without entering into a more detailed analysis, it should be noted that as the first colonies and dependent territories gained independence immediately after the end of the war, economic problems became focal in the case of the South too.

Of course, this was not due solely to the circumstance that economic difficulties were the prime preoccupation of the newly liberated countries but also to the inability of those governments to resolve their problems by themselves. Those countries' economies had been structured as an appendage to the economies of the developed countries and suddenly they were in a situation to interact with the developed part of the world on their own and relying on their own forces. The developed world, on the other hand, had no obligations or intentions nor was it motivated to invest in those economies but merely to take advantage of their weaknesses on the world market. In this way, independence had a high price for the newly emerging states and their peoples.

The positions of the former colonial empires were increasingly taken over by transnational corporations which could not care less about the economic development of the former colonies. In this way the already difficult situation inherited from colonialism became even more difficult. The only way out was to exert oneself to a maximum in order to benefit as much as possible from international interactions. Increasing labour productivity was out of the question as there were no earnings or profits from exports with which equipment could be purchased. There was no other choice therefore but to opt for labour-intensive production, to mobilize human resources to a maximum which sooner or later resulted in repressive measures and the development of authoritarian regimes.

As all this was nowhere near enough for maintaining the status quo so that these countries mostly slid downward in relation to the world average and even at times in relation to the previous level, they soon had to look to the United Nations for assistance. At this level there was a very limited consensus with the West. For, even the highly developed countries needed to modernize, at least to some extent, the production of commodities and other materials they were importing from these parts of the world.

Owing to the course of economic development, in most former colonies the people soon became dissatisfied as they had expected independence to bring them a divisible improvement in their economic status and overall living conditions. This was not the case in just about all of those countries. One of the major reasons for ineffectiveness on the economic plane was the weakness of social institutions. These were mostly passed on from colonial times or were modelled on corresponding institutions in the former metropolises. As a result, in environments which were still in a stage preceding initial advances towards the formation of modern nations, political state institutions began to be formed. Those institutions were not the product of a national revolution as was the case in Europe for instance, but were alien models imported and imposed on social structures that were incompatible with them.

The consequent weakness of political and state institutions in virtually all the countries of the South, including those in which the entire process had taken place prior to the Second World War, not only reduced the potential for economic development but also caused growing political

instability. Political coups executed by force of arms became increasingly frequent. In the least developed countries that had still not acquired the characteristics of modern societies, these were carried out in most cases by officers who were at the head of the only organized modern social force joining the hierarchical system of every military organization with draconian discipline.

Hence, with the gaining of independence, the newly emergent countries became highly vulnerable. This vulnerability could not be quickly or easily removed, regardless of measures, nor did it really depend on which model taken from the North had been implanted - the western or the eastern. As a result the objective uppermost in the minds of the leading circles was increasingly how to maintain the regime, to stay in power, and it gained precedence even over concern for economic development, which could not be totally neglected as it is, after all, one of the most tangible sources of political weakness and instability.

This resulted in a disproportionately great emphasis on international rives for providing solutions and salvation. On the one hand, this encouraged association within the movement of non-aligned countries, but on the other it created a propensity to rely on certain powerful countries of the North, either in the East or the West, depending on the inclinations of the leading circles. To speak of ideological options in the sense in which the term is used in Europe would be going too far. It is more a question of affinity or even simply of the degree of interest of this or that big-power or super-power. How the super powers changed the international positions of individual countries is best illustrated by the example of Somalia and Ethiopia in connection with the war in the Horn of Africa.

This tendency and weakness of most non-aligned countries was revealed and intensified as a problem by Nyerere at the Ministers' meeting in Dar es Salaam in 1970 prior to the Lusaka Summit Conference. That was when he noted the need for self-reliance and mutual aid and cooperation among the non-aligned countries themselves as being their primary task. The fact is, however, that not much has been done in that respect and that the non-aligned countries as a whole and the majority of them taken individually are still seeking salvation on the international plane. What is more, lately the demand has been growing for a direct or "natural" alliance with the Soviet Union, for instance.

Let us add to these grave problems the leaders of the newly emerging countries are confronted with, the fact that economic development today is not feasible, at least not to the extent desired, without quite serious changes in the character of the population, without a general modernization of both structures to adjust them to the needs of a modern state and economic activities, education, working habits expertise, the successful internalization of all the basic elements of modernization whether it be modelled on this or that system or based on original conceptions.

This legacy of problems which surfaced with the formation of independent states or with the independence of territories that were dependent before the war, has been passed on to the movement of non-alignment collectively as well as to its individual member-states. It does not apply in equal measure to all countries but it can be considered to be, on the whole, a general characteristic.

We have there another area of obstacles and difficulties hampering the further development and improvement of their position in the international community. Clearly the objective cannot be achieved on the basis of inter-state treaties which are supposed to affect the economy and economic relations nor with the help of injections into the economic bloodstream of those countries or by any kind of economic measures. All this has been and is only partially effective due to social, cultural and all the other circumstances which go under the term of general modernization.

For example, an economic shortage in an African country cannot be compared with economic shortages in a European state. Let us take West Germany which was deprived of the vast majority of its material means of production. With some, not too large, injections of capital, that country achieved its well-known "economic miracle". Obviously this was possible only because the centuries of previous development had formed Germans in such a way as to make them capable of such a feat.

This does not mean to say that all the countries of the South have to wait centuries since nowadays a transformation of nations and their states can be carried out much more quickly than at the time Europe was going through this stage in its development. However, though the period required can be shortened it is still a lengthy period, the exact duration of which cannot be forecast with precision.

Finally, let us sum up the three principal theses presented above. First of all, inter-state agreements are only one of the possible instruments of international action and they can mitigate to some extent the unfavourable position of the South but economic effectiveness continues to be the necessary precondition which cannot be realized solely by economic means but requires certain transformations in society which are by definition rather slow. All this means that the problems that emerged simultaneously with the emergence of the non-aligned countries on the world stage remain to this day and that without a settlement of all of them there can be no way out of the present predicament. At the same time, it should be noted that social transformations cannot be attained by government decision but that they have to stem from and grow within the very fabric of society. They may be encouraged by livelier economic activities but these also depend on social transformations.

Similarly, it could be demonstrated that inter-state action cannot succeed without progress on the social and economic planes. However, these are precisely the objectives that have yet to be achieved through the action of states and a global debate. Real progress is possible therefore only if progress is *simultaneously* achieved on all three fronts, which is very hard to do as the necessary preconditions is an atmosphere of creativity and emancipation which is mostly lacking in these countries, at least to a sufficient degree.

All this means that the world today needs a much deeper and more far-reaching transformation than can be achieved through negotiations and agreements among governments, even if these are constructive, and that this transformation has to embrace all the countries of the world. In addition to all that has been said above, this is corroborated by the fact that a way out of the division into North and South such as it exists today, is possible only on condition that the

transformation embraces the industrialized countries as well. By their way of life and consumption of all the necessary resources required for development and their current way of life, they leave little scope for the development of the less developed countries.

This problem is frequently referred to in the context of the need for revising development strategies, primarily in the North, but also in the South. This does not appear to be sufficient, however, as it is not just development strategy, or the methods and objectives of economic activities that have to be revised but the overall way of life. In fact, a change of development strategy implies a thorough transformation because under present-day conditions it cannot be introduced without such a transformation, either by consensus or by imposition.

If we stop thinking in academic categories which only recognize the force of logic as it points to what should be done and how, and we find ourselves in a situation when there is no choice but to state the facts, then problems and finally indicate possible roads to a better future. Only then do we come to politics and social action. Insistence on the realization of theories by force of argument instead of the realization of objectives through political and social action eventually amounts to a belief in imposed solutions. Agreement in a global debate among governments is actually no more than that, on the assumption of course that they really do agree on a general programme. Even laws adopted by a democratic procedure do not change society. Transformations that would change the established way of life in the world and thereby provide scope for the genuine development of the South cannot be proclaimed by acts of law which can give legal expression to those transformations only when they have taken place.

Consequently, all the activities of the movement of non-aligned countries so far, even the greatest accomplishments at the level of inter-state relations relating to the economic activities and development of the South, have not had any substantial effect on the problems that arose when the non-aligned countries joined in economic inter-action. Today's problems are essentially identical with those in 1945 and later, only they are more extensive and more acute in form.

This means that even in the case of a maximum degree of success in the global debate, the key problems stemming from differences in development levels cannot be resolved. All the facilities which the South may gain in addition to the abolition of all barriers and discriminatory measures, can only marginally contribute towards the social transformation that is required so that economic development can be furthered on the basis of a higher productivity of the whole economy.

At the same time, in-depth changes are required in the way of life in the North, too. The developed countries have to reduce the level of utilization of all the necessary forces of production. This does not mean to say that the standard of living has to go down but it has to be adjusted in quality to the natural environment on the assumption that the whole of mankind will be using it. The present level of consumption of resources in the highly developed countries cannot be expanded to all countries. The plenty enjoyed by the minority is achieved by depriving the majority of mankind from its share in it.

Naturally, this does not mean to say that activities should be geared towards limitation nor should any absolute limits be set as all this depends on the further progress of science and

technology. Under present-day conditions, however, it is quite obvious that the purchasing power of the North is one of the greatest barriers to the progress of the South. All this on the implied assumption that the South transforms itself in such a way as to become capable of making the best of its chances.

By way of conclusion the following may be said: The North-South issue is only partially an inter-state problem. Mankind is confronted with the need to carry out profound transformations in both the North and the South in order to adjust to a natural framework based on the development so far of science and technology and to continue adjusting to further developments in those areas. To preserve the privileges of the North and, on that basis, to regulate the principal problems by interstate agreements is a superficial undertaking based on a superficial analysis.

Darko BEKIĆ, Ph. D.

THE EVOLUTION OF THE POLITICAL ECONOMY OF NON-ALIGNMENT

The theoretical principles and positions, economic decisions and the practice of the movement of non-alignment can, in our opinion, be considered to be elements of a new political economy which the non-aligned countries have been gradually developing in the past thirty or so years.

An empirical analysis shows that the origins of that new political economy, viewed globally, should be sought in the first wave of decolonisation which swept the countries of Asia at the end of the forties. Having gained their formal-legal independence, the formerly colonised nations strove to establish control over their only material "capital" - their natural resources.

To get rid of neo-colonialist aspirations and to utilise the vast natural wealth of one's own country in order to promote national socio-economic development - we consider to be the first economic principle of non-alignment.

Under conditions of accelerated polarisation of the world into blocs this was a very difficult task indeed for which to important pre-conditions were essential: first, due to the specific weaknesses of these predominantly small or on the other hand large but extremely poor countries - positions and action had to be mutually coordinated, international unity reached and finally, the small and weak nations of the world had to be mobilised; secondly, to avoid alignment with the blocs - as this would in the political sense mean replacing one hegemony with another and in the economic sense, renouncing material and all other kinds of assistance from one of the mutually confronted blocs.

Under different historical - political and economic - circumstances, these views were maturing virtually simultaneously in Yugoslavia and in India, Burma, Indonesia and other Asian and African countries which had won their liberation towards the end of the forties.

Prompted by the Yugoslav experience in the conflict with the Cominform, Comrade Tito made an important contribution to the economic concepts developed by the Asian "fathers" of non-alignment: Nehru, U Nu, Sukarno and others. As early as October, 1954, he said: "...by their struggle to overcome economic backwardness and by their completely justified demands for other countries to contribute to that struggle, the under-developed countries are simultaneously waging a battle against unequal economic development. Such unequal economic development is not only the Achilles heel of the world economy but is hampering the normal evolution of the process I referred to at the beginning (i.e. the benefits of accelerated development of the under-developed countries for the developed ones - D. B.) one aspect of which is creating conditions for the economic integration of the world into a single whole..."

This position was also adopted at the Afro-Asian conference held in Bandung, in 1955, which concluded, among other things "... the participating countries shall take collective steps to

stabilise the international prices of primary commodities and the demand for these commodities by means of bilateral and multilateral agreements..."

If the utilisation of *indigenous* natural resources for *indigenous* development was the first economic principle of non-alignment, then the *establishment of equitable international economic relations is the second fundamental principle of the "political economy" of non-alignment*. Furthermore, it follows from what has been said that the economic doctrine of the non-aligned already at the time of its inception, carried a *novum for political-economic thought; a decisive integration of its national-economic and international-economic aspects*.

The next event of significance for the process of theoretical grounding of the political economy of non-alignment was the Conference of Independent African States (CIAS) convened in Accra by the Ghanaian president at the time, Nkrumah. Solidarity - an essential characteristic of traditional African civilisation came particularly to expression at that gathering. The conference's economic resolution gave three problems top priority: setting up a *joint scientific-economic commission of participating countries, a joint policy in relation to foreign investments and the more equitable exploitation of Africa's mineral ores for the benefit of the African peoples*.

Nkrumah's "Pan-Africanism" and contemporary continental African affairs index another contribution to the political economy of non-alignment, denoted as its *fourth fundamental principle; mutual economic cooperation and solidarity of the non-aligned countries as a guarantee of their faster development and greater bargaining power in international economic relations*.

All these theoretical options were summarised in the declaration of the heads of state and government of the non-blocs countries adopted at the Belgrade Conference in 1961. By the number and prestige of its participants, the first "summit" of the non-aligned was also a review of the "power" of the poor, so it is no wonder Article 22. of the mentioned Declaration called for mutual cooperation among the developing countries in a militant mobilising tone: "...with a view to resisting the policy of pressure on the economic plane as well as the harmful effects that could ensue from blocs of industrialised countries."

This provision of the Belgrade Declaration can be considered to be at the origin of the *fifth important political-economic principle of non-alignment and that is the association of countries-producers of individual commodities for the purpose of concerted action to achieve stabilisation or fair prices on the world market*.

The next step in formulating the political economy of non-alignment, actually the economic doctrine of the small and under-developed nations was taken at the Conference on Economic Development Problems, held in Cairo, in 1962. The meeting, which rallied the appropriate ministers from as many as thirty-six countries of Asia, Africa, Latin America, and Europe, declared its resolute support of "...convening an international economic conference within the framework of the United Nations...", which "...should embrace all vital questions relating to international trade, trade in primary commodities and economic relations between the developing countries and the developed". Two years later, that conference was, in fact, held and

it went down in the history of economic relations because, from it emerged the organisation known as the United Nations Conference on Trade and Development (UNCTAD) but also, an informal economic forum of the developing countries known as the "Group of 77"!

"The political economy" of non-alignment was thereby enriched *by another, the sixth theoretical political principle and that is that international trade as a "classical" political-economic instrument has to be expanded with new and "the highest forms of economy" (Marx): by negotiation and agreement among sovereign and equal countries regardless of size and power.* As the optimum forum for the process of global negotiations, the choice of the non-aligned countries resolutely fell on the mechanism of the United Nations Organisation. In the period that followed, the non-aligned and other developing countries' international economic activities and continued theoretical elaboration of the political economy of non-alignment were mostly carried out within the system of the UNO. Annual and special General Assembly sessions adopted a number of resolutions sponsored by the non-aligned and other developing countries, which, in addition to their significance in terms of political action, had a definite theoretical significance too, as they asserted some entirely new concepts, principles and measures in the area of international economic relations. *This was the first time in the history of science, that its protagonists were not outstanding individuals, theoreticians and visionaries, but the "collective intelligence" of the broadest popular masses of the world's South, which through its representatives in the UNO, gradually gave shape to a new outlook of the world of which a constituent part was the new, "political economy" of non-alignment.* This new political economy, in its still only principled yet consistent form, was presented at the Sixth Special General Assembly Session on Commodities and Development held upon the request of the non-aligned countries, in 1974. The principled positions of the non-aligned countries on international economic relations coordinated at the Algiers Conference which had shortly preceded the Special Session, were presented by the incumbent Algerian president at the time, Boumedienne. Most of those positions found their way into the main documents adopted by the Special Session: the Declaration and Programme of Action for the Establishment of a New International Economic Order. The theory of NIEO was actually a synthesis of all the political and economic generalisations within the non-aligned and other developing countries up to then. *In addition to the principles that have already been cited, the mentioned documents asserted another two, which are today essential constituent principles of the political economy of non-alignment: first, the concept of collective self-reliance of the developing countries and second, the concept of a comprehensive and joint regulation of the world's commodity market.*

The first of these two principles adopted at the Algiers Non-Aligned Conference, in 1973 already, constituted the further operationalisation of the original principle on "mutual cooperation and solidarity". This principle was laid down as early as the fifties, when the concept of the comprehensive and joint regulation of the commodity market was the theoretical reflection of the need and possibility for the laws of supply and demand to be coordinated or, to be more precise, to be complemented with the principles of international negotiation and agreement, at least to begin with in the area of exchange of commodities.

On the basis of the decisions and instructions of the Sixth Special Session of the General Assembly, work began in the non-aligned and other developing countries as well as in the specialised organisations and agencies of the UNO, on the further elaboration of concrete measures and modalities for establishing a new international economic order. Most of this work was carried out in the Committee on Commodities of the UNCTAD Council for Trade and Development in Geneva. The group of experts meeting there prepared, in December 1974, (*An Integrated Programme for Commodities, UNCTAD, Report by the Secretary-General of UNCTAD, TD/B/C.1/166, 9 December, 1974*), which represented the first concrete, economic-political elaboration of one segment of the new international economic order.

The last few years have been spent in negotiations at various international forums within and outside the United Nations organisations, at regional and other kinds of associations and gatherings at which painstaking but persistent efforts have been made to assert in practice, the concept of NIEO or rather, its concrete modalities. It has to be admitted however, that the balance of forces in international economic and political relations still does not favour the picture of the world as it has been painted by the non-aligned and developing countries.

Nonetheless, there is no cause for pessimism with respect to the realisation in practice of NIEO, that is of the economic theory of the non-aligned developing countries: *as was the case with every epochal concept of the world, only that which is truly realistic and based on objective interests and possibilities of the world will go down as historical practice.*

It should be noted that a negative circumstance in this connection, at the moment, is the continuing economic recession which has swept the whole world, but also the increasingly strained international political situation which after, a short-lived period of "detente", is again characterised by power politics, military interventions and interference in the internal affairs of others.

THE RELATIONSHIP BETWEEN POLITICAL AND ECONOMIC FACTORS IN THE DOCTRINE AND ACTIVITIES OF THE NON-ALIGNED COUNTRIES

1. Though non-alignment came into being as a political idea - of resistance against the division into blocs and their confrontation, support of national liberation movements, independent choice of internal development roads and an independent international position - it contains as one of its essential pre-conditions, an elaborate platform of economic development.

The founding fathers of non-alignment knew well that the doctrine and movement they were creating would not be able to fulfil their historic mission if they remained on the surface of social and international events, if they limited themselves exclusively to the sphere of diplomatic and political action. Though they were not all Marxists, as thinkers and revolutionaries they accepted the dialectical stance that changes in international political relations were unfeasible without changes in international economic relations.

All this can be elaborated at length on the basis of the documents of the 1st Conference of Heads of State or Government of the Non-Aligned Countries, held in Belgrade, in 1961, at which the foundations were laid of the movement of non-alignment and of organised international activities of non-aligned countries. The Belgrade Declaration as the most important document adopted by this meeting provided a comprehensive overview and concise analysis of all segments of international affairs. Such an assessment is not warranted by any formal consideration, such as the space devoted to individual international phenomena and events, but by the fact that a reliable diagnosis was given of conditions in all areas of international life and adequate roads indicated for the realisation of set objectives. In that context it was quite natural for so-called political problems to be in the forefront, both those resulting from conflicts and confrontations of the blocs as well as those that attended the decolonisation process. At the same level the significance was indicated of dealing with economic problems not only with a view to improving the predicament of the developing countries, but also to consolidating overall political relations in the world.

This certainly means that the doctrine of non-alignment and the activities of the movement of non-aligned countries clearly recognised from the very first day that political problems could not be dealt with or resolved separately from economic problems. Or, to be more precise, that in a long-term social and historical perspective, the resolution of economic problems is a pre-condition for the realisation of the political principles and objectives of the non-aligned countries.

2. The significance attached to economic problems in the doctrine of non-alignment and in the activities of non-aligned countries, is attributable to a number of concepts;

a) the political independence of non-aligned countries achieved through their national liberation struggle and resistance against the proponents of domination and hegemony, cannot be consolidated without complete economic independence. Though there is a definite socio-historical sequence in the sense that political independence comes first, it is quite obvious that it cannot be preserved without the struggle for economic independence.

b) The struggle for economic independence as the other side of the same process implies ensuring conditions for freedom and unhindered economic development and resisting assaults by the protagonists of all forms of neo-colonialism and economic domination. In that sense, ensuring economic conditions for the development of non-aligned countries becomes one of the most significant preoccupations of the doctrine and activities of non-alignment.

3. On a global level, there is a total inter-dependence between national and global economic problems. A large portion of the world belongs to the zone of under-development extending mostly across the southern hemisphere. It is easy to see that these are mostly countries which were for decades or centuries in a position of colonial and semi-colonial dependence. On the other hand, the zone of development extending mostly across the northern hemisphere, embraces most of the countries which had once had colonial empires. Though this pattern cannot be mechanically applied, it is a fact that the developed part of the world belongs to the North and the under-developed to the South of our planet.

Thanks to the logic of history, the developed belt includes countries most of which had joined the military political alliances of the big powers and created the divisions into East and West after the 2nd World War. On the other side are mostly countries which did not join the big power military political alliances, the countries of the "Third World", that is, the countries of Asia, Africa and Latin America. In this way, economic polarisation mostly coincided with political polarisation and also, in many ways, with the North-South confrontation.

On a global scale, the demarcation line dividing the world economy into developed countries and developing ones and which is reflected in international economic relations in the form of the complete domination of the centres of economic power which are located in the developed part of the world and in the unequal position of the developing countries - has become the root cause of not just unbalanced economic development but also of far-reaching political upheavals.

As a result, the doctrine and movement of non-alignment had to go further than a national approach to economic development and to opt for a global approach to development as a world-wide phenomenon. Several perceptions are inherent to such an option;

a) that the balancing of the world economy and the establishment of equality in international economic relations is an essential pre-condition of the economic development of under-developed countries;

b) that the balancing of the world economy and the establishment of equality in international economic relations is a necessary pre-condition of the democratisation of international relations in general;

c) that the balancing of the world economy and the establishment of equality in international economic relations is the only way of ensuring world peace and durable stabilisation of international world affairs.

These three inter-connected and inter-dependent links justify prime attention which the doctrine and movement of non-alignment devote to economic development as an international problem.

4. The doctrine and movement of non-alignment did not immediately come up with a ready model of a new international economic order. Almost two decades went by from the emergence of the ideals of non-alignment and just over one decade from the beginning of organised international activities by the non-aligned countries for the principles contours of a new international economic order to take shape.

Several factors played a part in this. It was quite natural for the idea of non-alignment to first grow into an integrated political doctrine and for the movement of non-alignment to acquire the dimensions of a material factor for changing the world and then, on that basis, for an integrated vision of the struggle for a new international economic order as a feasible historical objective, to emerge. Had it been otherwise, to present such an idea at a time when non-alignment had only just emerged as the option of a small number of far-sighted statesmen and when the movement of non-alignment was only just becoming a factor constituting a moral force in world affairs, would have been seen as no more than a Utopian vision without any real historical chances of materialising.

At the same time, it was necessary for effective changes to be carried out in international relations as a whole to enable the acceptance and implementation of initiatives and actions for the establishment of a new international economic order. It goes without saying that in the first post-war decades, at the time of the cold war and for a period afterwards, there were no realistic chances for initiating a global dialogue on this capital international issue. In other words, it was not before material relations and the general atmosphere in the world changed, that the idea of a new international economic order could be accepted, in varying measures, by all international factors.

As is known, in the first years of their joint activities the non-aligned countries concentrated in the economic sphere on the following main points;

- a) organisation of international aid to the developing countries primarily via the United Nations;
- b) the setting up of international mechanisms for extending organised aid to the developing countries;
- c) the encouragement of mutual cooperation among non-aligned countries and of their self-reliance.

A certain degree of incoherence or fragmentation of the non-aligned countries' efforts at the time, should not be exaggerated, but should be seen as the birth pains of an evolutive process which led up to the creation of an integral and comprehensive programme of the policy and

movement of non-alignment in the sphere of economic relations - the concept of a new international economic order.

5. Recognition of a necessity for struggling for the establishment of the new international economic order is, in a sense, the result of a combination of negative and positive experiences in the non-aligned countries' activities in the sphere of economic development over many years. The negative experience is contained in the assessment that fragmented methods and ways of dealing with the contemporary world's economic problems, no matter how significant they may be, cannot, in the final analysis, eliminate disproportions in the world economy and inequality, discrimination and exploitation from international economic relations. The positive balance of those activities is contained in the ideological, material and organisational pre-conditions created for engaging in the struggle for the establishment of a new international economic order.

Therefore, the option for the establishment of a new international economic order embraced a negative experience visible in the circumstance that in spite of the activities of the non-aligned countries and the efforts of the international community, the developing countries have been lagging behind even more in economic development in the past decade. At the same time, awareness has increased of the fact that the problems of the world economy and of the developing countries can be resolved exclusively by in-depth changes of established international economic relations, or by creating the setting and platform for eradicating inequality, exploitation and discrimination in the contemporary international community.

6. The drive for the establishment of a new international economic order cannot be reduced to a mechanical removal of existing relations and the automatic establishment of new ones. Changes in the economic sphere are harder to achieve than in the political sphere. That is why the question of the methods of struggle for a new international economic order is of first-class significance.

In a general approach to the struggle for the establishment of a new international economic order, the view that it is not in the interests of the non-aligned or developing countries alone, but of the entire international community, is of fundamental significance. Underlying this view are two premises;

First, non-alignment is a universal political doctrine and the movement of non-alignment has a global role in present-day international affairs which makes it clear that the principles and objectives of non-alignment do not reflect the specific interests of a narrow circle of countries but that they affect the interests and destiny of the entire international community.

Second, the primary objective of the non-aligned countries is to establish a constructive dialogue in all their activities, including those in the economic sphere, with all relevant factors in international relations and to gain the broadest possible support of world public opinion.

Never for a moment therefore, was the thesis that the objectives of a new international economic order can be achieved exclusively through a method of confrontation with the developed world inherent in the concept of non-alignment. Without underestimating the significance and role of the political and economic pressure which the movement of

non-alignment can exert by virtue of the fact that it rallies two thirds of today's states, the emphasis is on a dialogue with all the subjects of international economic life and primarily with the developed countries.

The basis for such an approach is recognition of the circumstance that the main levers of economic development under existing international conditions are still firmly in the hands of the developed countries. It would be Utopian to believe that international economic problems and especially the establishment of the new international economic order could be achieved without their participation.

Therefore, the dilemma between confrontation and negotiation exists mainly in the phraseology of quasi-radical advocates of different forms of tri-continentalism and steps outside the coordinates of the doctrine and activities of non-aligned countries. Being a factor with definite political and economic strength, the movement of non-alignment unavoidably clashes with other international factors bent on preserving their position within the existing international order. At the same time, it is urging global negotiations, the principle task of which would be to jointly resolve questions concerning the establishment of the new international economic order.

7. The movement of non-alignment does not have a monopoly on the idea of the establishment of a new international economic order, nor does it tie in the struggle for a new kind of international economic relations exclusively with the mechanisms it has at its own disposal. Certainly, the contribution of the movement of non-alignment itself and of the non-aligned countries to the establishment of a new international economic order is of exceptional importance. Particularly important are the activities to strengthen mutual cooperation among the non-aligned countries which constitute the realisation of the principles on which the new international economic order should rest. If the non-aligned countries were consistently to implement the principles of the new international economic order in their international economic cooperation, they would be paving the way to the realisation of those principles in international relations in general. Of no less significance is the realisation of the ideas of self-reliance. This idea, in the final analysis, is the surest and quickest way for accelerating the economic growth of the non-aligned countries and for achieving their economic independence in international economic relations. With their economic independence, the material basis would be ensured for their equitable position and active role in international economic life. This is also one of the preconditions contributing to the materialisation of the idea of a new international economic order.

The realisation of these objectives within the circle of the non-aligned countries themselves is encouraged in the first place by the documents of non-aligned countries' conferences which speak of the strengthening and development of those countries' mutual cooperation within which economic cooperation holds a very important place. However, the movement of non-alignment has not limited its efforts to setting targets but has also undertaken to develop mechanisms that would facilitate such cooperation. We are referring to the formation of the group of coordinators for various aspects of their mutual cooperation. The non-aligned

countries cannot be said to be satisfied with the work and contribution of those coordinators so far but they have received every encouragement to continue to promote their activities.

Another important field of action of the movement of non-alignment and individual regional groups of non-aligned countries is to work for the new international economic order through the mediation of other international bodies. The most important part of those activities is naturally channelled through the United Nations Organisation and its specialised agencies in the areas of economy, finance and technology. Though the developed countries still have a powerful influence on the world organisation and its bodies and agencies due both to the position they have secured for themselves within the mechanisms of those bodies' activities and to the general political, economic and military role that they have in world affairs, the non-aligned countries have managed to effect such adjustments in the mechanisms of the UNO and such a reorientation of its activities that objective conditions have ensured for the world organisation's major contribution to the objectives of the new international economic order.

The links between the movement of non-alignment and the "group of 77" of developing countries which already numbers 136 countries are extremely important. The movement of non-alignment can be quite legitimately considered to be the ideological and political founder of the "Group of 77" within the context of initiatives and actions which led up to the formation of UNCTAD. At the same time, the movement of non-alignment was the ideological-political author of the platform on which the "Group of 77's" activities have been based ever since it joined the struggle for the realisation of the interests and objectives of the developing countries. And finally, the majority of the participants in the developing countries' "Group of 77" or its main body consists of non-aligned countries.

All these three circumstances clearly show that the views according to which the movement of non-alignment and the developing countries' "Group of 77" are at different levels are quite unacceptable. The intention behind such claims being to separate the "Group of 77" from non-alignment or even to impose some kind of rivalry between them. That the movement of non-alignment and the developing countries' "Group of 77" are organically linked together is clear from the fact that the latter is one of the most effective instruments in the struggle for the realisation of the principles and objectives of non-alignment in the world economy and in international economic relations.

8. It has already been noted that the realism of any political doctrine and the historical justification of the strategy of any international movement depend most of all on their attitude towards the so-called economic factor. However, a balance between political and economic objectives in the doctrine and activities of non-alignment cannot be struck mechanically. We have already seen that in the first stage of development of the policy and movement of non-alignment, the impression was that so-called political questions had priority. Since the Algiers Conference, in 1973, however, according to some views the scales are being tipped in favour of economic problems. We cannot agree with such views. In the first development stage, at the time of the cold war and of the main thrust of the decolonisation process, it was quite natural for the priorities to be mainly in the so-called political sphere. In that

context, the decolonisation process has been virtually terminated, the motive force and a major common interest of the non-aligned countries is the struggle for the establishment of the new international economic order. It is quite natural therefore, that in the present stage tasks from the so-called economic sphere should stand side by side with activities to resist assaults by the vehicles of domination and hegemony.

Those who neglect this dialectic in the programme commitment of the policy and movement of non-alignment are seeking to put up a “great wall” between the time when the movement of non-alignment allegedly had an exclusively political character and orientation and the present time when it has allegedly been transformed into a vehicle of exclusively economic demands. At times this is due to lack of understanding for the substance of the policy and movement of non-alignment as well as of developments in international relations whereas at times concepts can be discerned designed to provide scope for the realisation of particular ideological and political interests. In that context there is the familiar idea to reduce non-alignment to a regional, “Third World” dimension or to transform non-alignment into a movement of developing countries. In both cases this would be a step backwards - from globalism and pluralism to the regionalism and monolithism of different variants of tri-continentalism.

There is no need to cite examples from history to show that the struggle for political objectives can be successful only if it pays adequate attention to economic objectives, and only if it does not neglect political principles and interests. At the international level, the doctrine and movement of non-alignment are geared simultaneously towards the realisation of political and economic objectives as inseparable pre-conditions for an in-depth transformation of an entire system of international relations along democratic and progressive lines.

Srba TODORVIĆ

THE RELATIONSHIP BETWEEN ECONOMIC AND POLITICAL ALIGNMENT

One particular idea in Professor Adamović's introductory paper had an extremely inspirational effect on me as it has had on many others. It is the division into independent, dependent and inter-dependent countries repeated so many times today. I believe it is rich in implications so that even on those grounds it can hardly be denied. It is one of those ideas which is invaluable for us as academics, for it stimulates further thought and reflection as it eludes the standards of finalisation and explicitness which present-day Yugoslav economics is quite mercilessly showering us with. According to those standards, only the things that can be calculated, measured and, if possible, using the formulas of functional theory at that, that is equations of the first and second order, can be considered to constitute science.

There have been here a number of interesting historical reviews of the development of the movement of non-alignment. A conclusion that appears to be warranted, perhaps not on sufficient grounds, but certainly one that provides ample food for thought, is that ever since the beginning, that is since 1961 when the heads of state or government met in Belgrade and founded the movement, two parallel, uninterrupted lines but divergent in quality, have been in evidence. On the one hand, is the line of those structures which we usually describe as capitalist and which have in the meantime, particularly since 1971, quite simply, brutally and evidently manipulated the non-aligned countries' continuous, logically, readily-distinguishable strategy, eventually to bring them to their present state, in 1983 with a yoke around their neck, labouring under the weight of debts on one side and armaments expenditures on the other.

Then we have the second line, that of the activities of the developing countries themselves which has made political progress and which has produced certain humanitarian-ethical, politically and even economically intoned, brilliant reflections, which were at times so rich as were considered to be contradictory. Patience and understanding was lacking however, for the common interest to be found within that diversity, so that both sides persistently avoided joint action.

As we are meeting in a Marxist centre, we can be allowed to speak in Marxist terms which means that we should or at least are entitled to respect all the principles of the Marxist method which in the specific case means first, that we must not underrate the gravity of the situation and second, that we must bear in mind that we are speaking in a particular historical moment. This is particularly important in view of the fact that one of the additional motives for this discussion could be the pending Seventh Summit Conference.

The situation in the world economy today is such that it is very difficult, while respecting empirical facts and without a priori recognition of classification patterns or the patterns of neocolonialist domination in the economy, clearly to distinguish between forms of economic

alignment and non-alignment as all the links between what are usually referred to as developing countries and particularly the non-aligned among them, and the former metropolises, cannot be said to be based purely on force, coercion and pressure. There is cooperation between them, perhaps between partial social structures within the developing countries and the managerial system of capitalism, rather than an integral social cooperation. There are also certain overlapping interests which cannot always be identified or interpreted as a form of confrontation. The situation is highly diversified in that respect with a broad spectrum of phenomena. An equation mark cannot always be put between international economic relations and dependency and domination. Even in the case of a clear option for non-alignment, there is evidence of economic alignment.

There is also a rather delicate and implicit question and that is, do we really know, at least in broad terms, if not with precision, what it means economically to align oneself with the capitalist countries. Furthermore, it is not easy to tell what it means economically to be aligned with Comecon or with the Warsaw Pact bloc. Does such "alignment" decisively affect the economies of those countries? In international trade Finland, Austria and Yugoslavia are exceptions. Can their relations with COMECON be considered as belonging to the organisational patterns of that bloc? If so, is Mexico an aligned country? Is this affiliation based on the original pattern of internal social relationships? Ethiopia is still not a member of the Council, nor is Angola as far as I know, at least not as explicitly as Bulgaria, which means that we have exceptions again.

There is no point in assessing economic alignment on the basis of such details and simplified criteria. What do countries align themselves with in the world today? Is it with this or that military-political bloc? I would say that it is deeper than that. Is it the model of socio-economic relations? I am afraid that this is going too deep, being too rigorous. Is it something else, something from the outside? I have not managed to find any consistent pattern outside this range - from alignment with military-political blocs to alignment with a socio-economic order. This means that it is something in between the two.

I have tried to put my finger on it, for the present, without any pretensions of it being accepted except perhaps at the level of a modest challenge. Alignment is based on a certain typology of managerial systems because the trap that the countries which we consider to be aligned with the developed western capitalist states fall into is essentially a system of multinational companies only in a somewhat broader sense. The basis of the alignment of the countries of real socialism (with central planning) is the management of the economy by the state. I would therefore suggest, at least as an additional or alternative interpretation of alignment and non-alignment, the idea of managerial systems. This could perhaps be helpful in making some progress towards fully perceiving the situation as it is obvious that the objective economic base, the actual trends, cooperation, independence or communality of interests, funds invested, inter-connected flows of production and trade as the objective, realistic, tangible, material base of the movement of non-alignment is still in the initial stage - to put it mildly. As for the new international economic order, in spite of a large number of documents adopted internationally be

it at the regional plane or at our non-aligned summit conference and at the United Nations and though it has acquired clear rich, positive, explicit expression, it is still somewhere between meta-economics and ethics, rather than being economics in the proper sense of the word, even though the idea of NIEO by now has the impact of an objective real ideological force within the movement of non-alignment which is certainly not insignificant. However, when it comes to its specific and consistent form, to the possibility of putting it into effect, this idea is far less powerful. A question that comes to mind and that may have the effect of a small shock when one hears it in passing, is the following: what in fact does the new order seek to achieve? The new international economic order is the counterpoint, the opposite to the existing, contemporary and old international economic order. However, that old international economic order has rather an annoying aspect to it which we tend to overlook. In our day and age it is extremely heterogeneous as it consists of the European Economic Community, OECD, COMECON - a pluralism of entities, and, as these are not equal, uniform, it means that the new order is against such a conglomerate.

And another, slight, unintentional shock, is the attitude of the creators, the advocates of that new order towards it, of those who have a historical mission, interest and responsibility in relation to it and its realisation. Essentially, all the principles, all that the new order stands for is, to say the least, compatible with the opening of the economy. In reality, however, the economies of both the developing and the developed countries, at least nowadays, are closing up and no signs of them opening can be discerned.

NON-ALIGNMENT AND ECONOMIC DEVELOPMENT

The syndrome of under-development is one of the principle preoccupations of the contemporary world. Consequently, there is an abundance of theoretical works on the causes and effects of under-development. This could not however be said of corresponding theoretical efforts and practical-political steps taken with a view to overcoming existing development problems of the world which, in fact, finds itself in a critical situation.

The doctrines on this problem presented so far are highly diversified and frequently contradictory by their premises and conclusions. This is primarily the result of immense and even greater contradictions (of a class, social, economic, political, cultural and other nature) characterizing contemporary social processes in the world but also of endeavours to justify different, frequently opposing interests of the subjects of international relations and to provide them with a plausible theoretical foundation.

Bearing this in mind there is a growing need for a critical re-examination of development concepts and strategies both on the national and international planes. All the more so as no objective analysis of development performance of the present-day world should or could side-step such essential components as the place and role of the developing countries in the world economy and international economic relations, on the one hand, and the interdependence of all subjects in the international community, on the other. This interdependence is increasingly acquiring universal proportions and is asserting itself in virtually all areas of international development and relations.

The fact should also be borne in mind that the entire post-war development indicates that in spite of acquired political independence, the developing countries have nowhere near rid themselves of their own economic backwardness but have retained *grosso modo* all the typical characteristics of a state of social and economic under-development [G. Querini, *Ekonomski razvitak i nerazvijenost* (Economic Development and Under-Development), Stvarnost, Zagreb, 1978., p. 21.]:

1. Collapse of a traditional social order, desertion of agriculture and accordingly, the transformation of the surplus agricultural manpower into the urban unemployed.
2. Rapid population growth and aggravation of general conditions due to the shortage of foodstuffs and social services to meet the needs of the majority of the domestic population.
3. Limited industrialization, isolated from the totality of the system, coupled with hypertrophy and parasitism of the tertiary sector.
4. Pronounced disproportions in income distribution as a result of the absence of integration among social classes, production sectors and areas.

5. Under-development of national unity: economic and frequently political dependence on external factors (states or transnational companies).

The cause for such a state of affairs should primarily be sought in the fact that the development objectives and methods of attaining them have not significantly changed in relation to the main characteristics of the international division of labour as it was established in the last century. On the contrary, the most frequent development models to be applied were those that relied heavily on external factors or were, in a sense, an expression of dependency in the international economic order.

Choice of Corresponding Industrialization Strategy

Experience so far indicates that the developing countries have mainly been pursuing two strategies in the process of their own industrialization. The first proceeded from the need steadily to increase and promote exports on the basis of which income would go up and would be invested in the diversification of national industrial production and the satisfaction of domestic needs. The other strategy was based on import substitution which means channelling the structure of domestic industrial production in the direction of reduced dependence of the national economy on external factors.

The strategy of export promotion is based on the premise that decisions on industrial investments are conditioned by external demand. In the case of import substitution however, demand is generated by internal factors, primarily by the high-income group of the population whose preferences in consumption are a reflection of colonial and external standards. Neither of these strategies, therefore, is adjusted to the needs of the body of the population in the developing countries since it lacks the necessary purchasing power which, naturally, prevents it from transforming its needs into effective demand. What is more, any review of those strategies reveals that the colonial dependence of the developing countries on the developed ones has been replaced with new forms of dependence on export markets or imports of capital goods, industrial raw materials, technology and know-how.

How fragile these strategies are is obvious from the crisis in their realization resulting from the stagnation in the developed industrialized economies and the subsequent protectionism. The World Bank Report for 1979 clearly elucidates this: "It is unpleasant to watch the semi-industrialized countries grappling with import substitution in order to keep up their industrial growth under conditions of a far weaker growth of the world economy." [The World Bank, *World Development Report*, Washington 1980, p. 95.]

In addition, this fragility is also due to the fact that the transnational companies play an active part in determining the course of industrialization. In this connection a few other relevant facts need to be mentioned:

First, the transnationals invest primarily in the high-export countries or in those in which the share of foreign investments is between 36.5 percent and 40.6 percent of the total.

Second, the transnationals prefer to invest in the manufacturing industries which are attracting an ever greater share of foreign investments primarily in Asia and Latin America, Japan, F. R. Germany, Great Britain and USA are channelling 50.8, 60.4, 47.6 and 39.1 percent respectively of their total investments in the developing countries into the manufacturing sector of industry.

In that context, a major and specific problem is the contradictory role attributed to agriculture: the role of exporter with a view to procuring foreign exchange and the role of domestic supplier of food for the population and of a decent income for the majority while at the same time it is expected to expand the internal market.

Wage levels have remained low in spite of a labour productivity that can in many cases compare with that in the developed countries. In the case of India for instance, real earnings went down significantly in the manufacturing industries between 1961 and 1975. The well-known “trickle down” effect did not come fully to expression because of major social obstacles: after fifteen years of accelerated industrial growth significant segments of the population remained poverty-stricken as they did in Brazil, Mexico and South Korea.

All in all, neither did import-substitution oriented industrialization nor an industrialization oriented towards external markets manage to provide durable employment for the whole population and resolve the problem of income, in other words to socialize development. As a result, the need arose for a completely different, new strategy, that of so-called endogenous industrialization which essentially proceeds from the anticipated needs of the population adjusting the structure of industrial production in such a way as to produce the goods to satisfy those needs. This means that the dynamics of growth have to be conditioned by internal efforts with emphasis on the need for self-reliance.

A strategy conceived in this way required that the income be concentrated in the hands of the majority of the urban and rural population in order to satisfy minimum needs for food, clothing, housing, medical care, education and transport. Under such conditions, projects would be based on a low capital coefficient, low energy consumption coupled with simultaneous encouragement of domestic know-how, utilization of available resources, capital goods and technology. This would imply a greater role for small and medium-sized industrial branches and capacities, as well as the linkage of agricultural production with industry so as to reduce rural-urban differences.

Naturally, the strategy of endogenous industrialisation should not be equated with a policy of isolation and autarchy. International exchange of goods and services is an irreplaceable element of the development process, however, it should be born in mind that, rather like international financial flows, technology and the other components of development, it can produce positive results only to the extent it is adjusted to a structure of production enabling the fulfilment of the social and economic objectives of the developing countries.

The experience gained in the course of the developing countries' industrialisation process so far shows that there are essential pre-conditions for that process: 1) market, 2) technology and 3) means to finance industrial development. No abstract explanations are required of the necessity of all three pre-conditions being fulfilled. On the contrary, it is precisely on the basis of a concrete analysis of market conditions, an understanding of technological conditions and the terms for financing industrialisation that the characteristics of the strategy of endogenous industrialisation should be determined.

In the first place, industrialisation should, in principle, be oriented towards the domestic market. The dynamics of internal demand is directly dependent on income growth of the majority of the population i.e. the rural population. Industrialisation should therefore also contribute to an increase of productivity in agriculture which would take over industrial products and procedures on condition that the increase of agricultural productivity is not discredited by an inadequate policy of prices and distribution of agricultural products. (In this connection, World Bank experts claim that the only real substitute of industrial growth by exports is the transformation of agrarian structures). [The World Bank, *World Development Report*, 1979, op. cit. p. 61.]

The growth of the market also depends on urban demand, the structure of which under strong pressure of the so-called middle-class, threatens to determine import policy and domestic production along the lines of the western model of consumption, focussing on durable consumer goods. Finally, the dynamics of internal demand will hinge heavily on keeping a check on industrialisation costs which today negatively affect prices and demand.

The technological problems in connection with the industrialisation of the developing world also appear in the form of costs and (possibilities of) reproduction. The costs of industrialisation based on technology that is permanently imported necessarily have to be excessive. As a result, scope for (industrial) construction is limited and modernisation (if any) will embrace only a segment of the population and not its totality.

Instead of relying exclusively on imports of appropriate technology, a collective and adequate technology policy consisting of controlled and coordinated purchases of technology abroad and promoting the education of national technical and specialised personnel is indispensable to the developing countries. [OUN, *The Impact of Multinational Corporations on Development and on International Relations*, E/5500/rev. 1, ST/ESA/6 New York 1974, pp. 66-73.] Such technological advances are naturally more difficult in the countries in which industrialisation is executed and controlled by transnational companies which are guided by their own logic of production, trade and implementation of know-how and technology.

As for the funds required to finance the developing countries' industrialisation, views are frequently encountered according to which funds should be concentrated in the interest of industrialisation even though history shows that availability of finance is certainly necessary but not sufficient for industrial development. [UNIDO, *Industry 2000 New Perspectives*, New York 1979. pp. 71-86.]

This question appears in different forms depending on which natural resources, if any, the developing countries in question command. The most effective policy in the case of the countries commanding such resources is to evaluate available natural resources at a rate required by internal development rather than being guided exclusively by world demand over which there is no control. This means putting an end to the practice of seizing the resources of the developing countries. In the case of the others (those without significant resources) a dynamic agrarian policy and international public aid (in capital) is required, particularly on the part of the developing countries (which means collective self-reliance by the developing countries in development financing).

It has to be noted however that the need for external aid should not be over-estimated as a properly managed industrialisation process generates the funds required for its further development on condition that the industrial sectors and construction procedures are rationally selected.

The Principles of the Policy of Non-Alignment and International Economic Development

Numerous declarations and documents adopted at developing countries' gatherings (Group of 77 and movement of non-aligned countries) underline in the first place the need for the developing countries "individually and collectively to resist imposition of political, social and economic structures which strengthen relations of domination, dependency and exploitation of the developing countries", while consolidating at the same time "... their own struggle for national independence and economic emancipation, unhindered development and economic and social progress of the non-aligned and other developing countries as a natural sequel to the historical process which had resulted in their countries' national emancipation and which had prompted them to undertake steps towards the establishment of a new kind of international economic relations based on justice, sovereign equality and genuine international cooperation." [Economic Declaration of the Sixth Non-Aligned Summit Conference in Havana, 1979 (from the book *Non-Alignment in the World Today*, Vjesnik Press Agency, Zagreb, 1979, p. 896.)]

While underlining the importance of respecting certain (definitely progressive) norms, i.e. principles of international cooperation, the non-aligned and developing countries consider "structural changes in the international economic system to be an essential factor conducive to such external conditions as would be suited to the socio-economic and institutional transformation of their societies which would contribute to a speedier modernisation and expansion of their production systems, increase their technological capacities, promote their self-reliance, eliminate widespread poverty and contribute to the establishment of a fairer order." [Arusha Programme for Collective Self-Reliance Frame-Work for Negotiations, Geneva: UNCTAD, 1979 (Document Td/236), p. 19.]

When reviewing political problems and measures for implementing structural changes in the world economy, the developing countries indicate that the concept of structural changes embraces several separate yet inter-connected elements. First, they imply a transformation of the structure of production, consumption and trade in the world economy. The second element which is closely related to the international situation, is an effective national control mechanism for the use of national resources. The third element has to do with the restructuring of the institutional framework, even, if necessary, creating a new one to correspond to the mentioned structural changes. Finally, those structural changes require the greater and more equitable participation of the developing countries in the process of international decision-making.

Proceeding from there, the developing countries see the prospects of their economic development in the following light:

“In view of the fact that intensified economic cooperation among the developing countries is a key element in the restructuring of the established international economic order, further efforts need to be invested, on the basis of the principle of self-reliance, to strengthen and promote economic ties among the developing countries.” [Arusha Programme..., op. cit. p. 48.]

Though there is no doubt that the developing countries' present predicament is the result of their centuries-long participation in the process of the global development of capitalism [Andre Gunder Frank, *Latin America: Underdevelopment or Revolution*, London, 1979, p. 5.] and not of inherent internal characteristics, and that means that the structure of their national economies is the result of that same process, nonetheless dependency cannot be overcome if one of those two aspects of development is neglected while the decisive role and specific impact of international norms and external conditions on the transformation of their societies is simultaneously strongly emphasised.

A development strategy designed to steer social and economic trends towards transcending dependency must cater for the contradictions of social relations as a whole. This appears to be overlooked by the developing countries in their approach to the resolution of their development problems. They can therefore be rightly accused of a normative approach.

Consequently, the view is predominating that development and therefore, the choice of development strategies, necessarily requires an *integrated approach* which would observe the effect of the internal (national) and external (international) development factors in the form of a synthesis.

While drawing attention to the need to redefine the objectives of international development strategies because of the danger of development concepts taking a trend “that could serve the interests that predominate in the external order”, the supporters of such an approach indicate that the only possible objective can be “the establishment of a new society through the concerted efforts of all the nations of the world and for the well-being of the whole international community” [Idriss Jazairy, Procjena izgleda u svjetlu nedavnih iskustava (contribution in A. J. Dolman and J. van Ettinger, *Partners in Tomorrow*, Globus, Zagreb, 1979, p. 75.)] so that a *different kind of development* may be achieved (underlined by the author); a development of which the ultimate goal is humanity and which corresponds to the global and comprehensive

perspective of economic, social and human factors; a development geared to economic and social equality and activity and which will not pay attention solely to the economic aspects; a development focussing on the satisfaction of basic needs of the broadest masses of the population.

Self-Reliance and Interdependence in International Economic Development

For a comprehensive perception of the strategy and concept of self-reliance i.e. its interpretation as expressed through the many years of activities of the Group of 77 and the movement of non-alignment, [“What was at the beginning just a list of separate demands of the Group of 77 gradually became a strategy of joint action” from the time of the 1967 Algiers Charter of the Group of 77 to the Programme for Collective Self-Reliance adopted in Arusha in 1979 and the documents of the 1979 Havana Non-Aligned Summit Conference. (Paraphrased from I. JAzairy’s contribution in the book *Partners in Tomorrow* by A. J. Dolman and J. van Ettinger).] its origins based on the need for restructuring the world economic order and international economic relations is of decisive significance. This implies full respect of the principles of sovereign equality among independent states, non-interference in internal affairs, respect of different economic and social systems and the right of every state to achieve full and permanent control over its natural resources and its economic activities without being exposed, in the process, to economic oppression or discrimination of any kind.

Having built these norms or rules of behaviour in international life into the foundations of their concept, the developing countries consider its realisation to hinge on three practical-political preconditions.

1. A new international economic order cannot be achieved through a confrontation between the developing and the developed countries but only through their mutual economic and other forms of cooperation. It is therefore of utmost importance for the developing countries that they strengthen their collective bargaining power and that they use their economic potential as a counter-balance. In this way conditions would be created that would force the developed countries to demonstrate readiness for the desired changes in the international economic system. The strength of the developing countries which should act as a counter-balance, is derived from their individual and collective self-reliance. The intensification and strengthening of economic ties among the developing countries should serve as a basis for collective self-reliance which indicates in itself that the objectives in question will take a long time to achieve.

2. The strategy of self-reliance therefore is a component part of the global economic system and above all the central element of the general development strategy which makes provisions for the restructuring of international economic relations. Viewing in that context economic cooperation among the developing countries is a key element of the strategy of

collective self-reliance. It is at the same time an essential element and instrument of the structural changes that are indispensable for a balanced and just development of the world economy conducive to the establishment of a new kind of relations based on common interests and agreement among all countries.

3. The strategy of collective self-reliance offers developing countries the opportunity to act together and thereby not only to strengthen their bargaining position in relation to the developed countries, but also to reduce their dependence on them and consolidate their mutual trade and economic relations which is in fact a part of the structural changes required for achieving a more rational international division of labour which should enable the more effective utilization of the world's resources.

Proceeding from respect for mentioned norms in international economic relations and the practical-political preconditions indicated for the realisation of collective self-reliance by the developing countries, the following principal objectives of international economic cooperation need to be aspired for (indicated in a number of programme documents adopted so far): [An analysis of available documents adopted within the framework of the UNO system and at other international gatherings and conferences of the developing countries warrants the conclusion that the documents adopted in Arusha in February 1979 at the ministerial meeting of the Group of 77 was the most advanced in that respect as it contained, in addition to the basic premises of the concept, a clear and systematised programme of action based on them.]

- to promote mutual relations in the spirit of the principles of the new international economic order;
- to pool the economic potentials of the developing countries with a view to strengthening their bargaining position in the dialogue with the developed world;
- to develop a joint production-economic basis and a greater degree of complementariness of the developing countries' economies at the sub-regional, regional and global levels;
- to use every opportunity to promote direct economic relations among the developing countries while eliminating mediators from the developed world.

It is obvious therefore that the whole issue of mutual economic cooperation among the developing countries consists of elements and modalities of international economic cooperation, the implementation of which would signify the realisation in practice of the principles on which the concept of a new international economic order in the world is based. Within the framework of efforts to establish a new international economic order the developing countries' orientation towards a policy of collective self-reliance is a principal strategic option of their overall foreign economic relations.

In that context, collective self-reliance implies the establishment of an open system of cooperation among the developing countries within which ways should be found for linking the national development of individual developing countries with their cooperative undertakings within the framework of global development tendencies. The fact that the developing countries' cooperation is an open-ended system means that the developed countries and international

organisations should participate in the cooperative undertakings of the developing countries on the basis of new principles as stipulated in UN documents on the establishment of the new international economic order. In this way, the first active mechanism for restructuring the existing inequitable international economic order could be set up.

Pursuing this logic further one comes to the conclusion that under conditions of the global interdependence of the world, cooperation among the developing countries, unless attended by an improvement and advancement of economic relations between the developing and developed states, even if adjusted to the principles of the new international economic order, is not in itself a sufficient guarantee of the realisation of the development objectives of the developing countries nor of the new international economic order as a whole.

In view of this, the realisation of the concept of collective self-reliance should be viewed in the context of achieving a synthesis between the strategy of collective self-reliance and the strategy of global inter-dependence to produce a new common development strategy of the international community as a whole. [UNIDO, *Industry 200 New Perspectives*, UN, New York, 1979, pp. 62-65.]

This means that, together with the strategy of global inter-dependence as an expression of the interdependent economic growth of the developed and developing countries, the strategy of collective self-reliance should constitute the backbone of the new international economic order.

Similarly, implemented on its own, the strategy of global inter-dependence could affect certain marginal improvements in the existing world economic order without changing decisively the position of the developing countries. At the same time, equality in international economic relations can be achieved only if the developing countries establish such relations amongst themselves as will gradually strengthen their national economic and bargaining power on the basis of collective self-reliance taking care not to form a closed circle of cooperation which would have a centrifugal effect in relation to the totality of the world economy.

Bearing this in mind, global inter-dependence and collective self-reliance should be considered complementary and not opposite factors in achieving the development objectives of the international community and establishing a new international economic order. This, in every respect, objective stance was reflected in the conception of the non-aligned countries' strategy for the pending international economic negotiations between the developing and the developed states. Namely, it was stressed in the documents of the Seventh Non-Aligned Countries' Summit Conference (held in New Delhi in March 1983) that the growing interdependence of the world's economic problems and the interconnection of solutions to them should be viewed as a cause and incentive for a dialogue and cooperation (between the developing and developed countries) which the international community as a whole has a common interest in stimulating and bears a common responsibility for.

Blagoje BABIĆ, Ph. D.

THE ECONOMIC EVALUATION OF THE POLICY OF NON-ALIGNMENT

By his study of the economic side to non-alignment Professor Adamović has focused on a question which appears to be gaining momentum daily. The relationship between the political and the economic has emerged into the forefront of virtually all the documents of the movement of non-alignment.

Examining the relationship between the political and the economic in Yugoslavia's overall strategy, some uncertainty is justified. We have already grown accustomed to the refrain that with the non-aligned or under-developed countries "our political relations are good and our economic relations are bad". If our understanding of politics was identical to that of the ancient Greeks, that is as the art of conducting the affairs of the "polis" or state, this refrain could be called into question.

In fact, when talking about the policy of non-alignment we primarily have in mind Yugoslavia's position in international relations in general. We are obliged, willy-nilly, to bear in mind the fact that this country's international standing is conditioned, to a considerable extent, by the existence of the gigantic military alliances in both the West and the East. In the defence of its international identity and the identity of its social essence, Yugoslavia must consistently seek to resist this conditioning. Naturally, the main source of its resilience is its internal cohesion. On the international plane however, an important factor of resilience is its policy of non-alignment.

There are no objections to be made to the diplomatic side of this policy. There is simply no alternative to it. The question is however, whether the economic side of that policy cannot be improved upon. For, it would appear that our foreign economic policy is suffering from a certain inertia which manifests itself in two ways:

First, in its foreign dealings, Yugoslavia is mostly oriented towards its traditional partners in the West and in the East. Economic advances in the under-developed part of the world are still far below expectations.

Second, in the development of its foreign economic relations, Yugoslavia seems to have chosen the easy way out. It tends to rely excessively on simple trade. In international flows of capital and technology, it plays a passive role, mostly that of an importer. It hasn't made much progress in capital and technology exports without which no real breakthroughs in the world can be made. It has long since been recognised that trade alone does not ensure continuity of the flow of products among countries. This continuity can only be ensured by an organic linkage among countries through the flow of capital and technology.

It seems that this is the main reason why Yugoslavia has not achieved adequate economic evaluation of its policy of non-alignment, why it has not fully asserted its immense diplomatic

capital in the underdeveloped part of the world. Consequently, “our political relations are good and our economic bad.”

This seems clearly to indicate that for the policy of non-alignment to be economically validated, our foreign economic policy needs to be advanced. To ensure steady commodity flows with the under-developed countries we have to export capital and technology to those countries. We should bear in mind in the process that Yugoslavia is a small, medium-developed country which is itself short of capital. Therefore, when establishing organic links with the under-developed countries - through capital and technology exports - it has to be highly selective. It should select a limited number of partners but those with whom there is a chance of engaging in long-term and diversified economic cooperation. Secondly, when investing in those countries our prime concern should be to ensure the regular supply of items which we have to import. Cooperation should therefore be based on the strictest economic criteria respecting the interests of both sides. Besides, to judge by available data, our partners in the under-developed world are applying precisely those criteria in their economic dealings with Yugoslavia. “Political exports” and “political imports” would be just as pointless as the construction of “political factories” in the country.

In brief, in Yugoslavia’s case, a certain distinction appears to be warranted between the political and the economic in the practice of the policy of non-alignment. In view of the political capital it has accumulated, Yugoslavia is capable of engaging in global diplomatic activity. However, its economy is not strong enough to enable it to pursue a global economic policy. In its economic dealings with the under-developed world therefore, it has no choice but to be selective both in terms of the structure of those relations and in terms of geographic distribution. It is only on such a basis that measures should be taken to increase the volume of economic cooperation with that part of the world.

The Contemporary Economic Crisis
and the Policy of Non-Alignment

CAUSES OF THE CONTEMPORARY WORLD ECONOMIC CRISIS

1. International economic relations, especially relations between developed and underdeveloped countries, as well as the normal course of development of national economies have, under the influence of the scientific-technological revolution and internationalisation of production, run into exceptional difficulties manifested in the world economic crisis. All the traditional mechanisms as well as new one's resorted to in order first to prevent and then to overcome that crisis, on the national and international planes, have proved ineffective.

In the last decade, or more precisely in 1974-1975 and 1980-1983, a generalised economic crisis has gripped the world with surprising severity and depth without showing any signs of ending soon.

2. The main areas in which it is most in evidence are: raw materials and food, international finance and ecology, so that reference is made to several crises - the energy crisis, the crisis of raw materials, the crisis of food, the crisis of international foreign exchange system and the ecological crisis. The increase in the price of crude oil starting from 1973 going on to 1982 (so-called oil shocks) is frequently cited as a cause of the crisis which later spread to the other mentioned areas.

The world crisis has swept all countries of the world with varying degrees of intensity: the developed capitalist states, the developing countries as well as the socialist states. The main effects of that crisis have been galloping inflation, growing unemployment, economic stagnation, unsettled international exchange relations, balance of payments deficit, an aggravation of the economic position of the developing countries, failure in adjusting national economies in a way that would resolve the problems encountered, and the inability of international and regional organisations to find an effective way out of the crisis at the general or regional levels.

The political and military repercussions of the world crisis have manifested themselves in increased military-political tension and the growing polarisation of the world into blocs. Under the influence of the crisis the existing military-political blocs are asserting themselves as instruments of collective security as the necessary inventory of a divided world confirming its *raison d'être* and usefulness precisely at times of crisis. At the same time, the crisis has proved to be a convenient excuse for strengthening the economic and military dependence of the weaker members of blocs which are forced to subordinate themselves to the global strategy of the main vehicles of those blocs.

3. Though the crisis still appears to be of a short-term and cyclical nature, it apparently has deeper roots which have not yet been fully investigated. Among the main causes of the crisis the following may be indicated:

a) Saturation of industry with outdated technology, i.e, technology based on the steam engine and electric energy, and only limited application of the achievements of the scientific and technological revolution.

b) The system of neo-colonialism as a new form of economic exploitation, which is in a crisis and can no longer ensure high profits for monopoly capital,

c) The maladjustment of national and global economic structures which are still based on the traditional international division of labour.

d) The reduced impact of capitalist international relations and the strengthening of the impact of socialist relations and of the developing countries on world trends.

4. It is evident from the above that there are many factors contributing to the crisis and having a synchronised effect on it. It is therefore highly risky to assess the nature of the crisis on the basis of traditional patterns and criteria. It can nonetheless be claimed with reason that it is a general, global, universal crisis as it has swept the whole world and is affecting all key areas of economic life and international economic relations and is clearly disrupting the normal course of both national and global social reproduction.

Furthermore, it is both a technological and structural crisis as further economic development can no longer rely on the predominantly traditional technology applied so far and which had carried out the industrial revolution but new production technologies emerging from the contemporary scientific and technological revolution need to be implemented. The structural aspect of the crisis is due to a high degree of inertia in changing the sectoral structure of national economies and to the need for a faster change of world economic structure in the direction of a new international division of labour within which the developing countries could more rationally utilise their natural resources and abundance of manpower in manufacturing industries and modern agriculture.

Finally, even though both bourgeois and Soviet economists consider the crisis to be a cyclical one. It would appear to be of a more durable nature demanding major adjustments in both national economies and the world economy. There is grounds therefore, to consider it to be a long-term and fundamental crisis which will persist until the essential technological and structural adjustments imposed by the second stage of the scientific-technological revolution have been made.

5. Owing to such a nature of the crisis it is difficult to determine the adequate ways and means of pulling out of it. The latter correspond to the nature of the crisis as presented above and consist of:

a) Accelerating the technological revolution in material production which requires conscious channelling of scientific research and scientific-technological policies in individual countries and at the level of the world community in that priority direction.

b) A decisive expansion of production which should absorb the growing army of the unemployed and check inflation as a current manifestation of all forms of spending beyond means.

c) Strengthening the economic potential and the material basis of the developing countries which need to establish a consistent system of self-reliance and considerably intensify mutual cooperation in order to jointly tackle global and specific problems of economic development.

d) Intensifying international cooperation between East and West on the basis of coexistence and a cut-back on armaments and increasing economic North-South cooperation which could be more successful and of greater benefit to both sides.

e) The focusing of the international community on efforts to resolve the world's global problems which cannot be successfully dealt with either by the mechanisms of the world market or by individual or regional inter-state agreements.

Mihailo CRNOBRNJA, Ph. D.

CAUSES AND NATURE OF THE PRESENT-DAY WORLD ECONOMIC CRISIS

In view of the fact that the manifestations of the present-day economic crisis in the world are relatively well-known and have been frequently highlighted in various information media, I shall not go into them at length here but will only present a few basic indicators in order to provide some background:

- The growth of total social production (world product) has slowed down significantly in the last three years and in many places has been reduced to zero. For instance, in terms of the GNP the USA and the Federal Republic of Germany were at the beginning of 1983 where they were in 1979. Great Britain has dropped far below that level, Japan, which was for many years a phenomenon of growth, now has a growth rate of only three per cent and the more developed and faster growing among the developed countries which in the 70s grew at an average rate of 6-8 per cent are now recording a rate of between zero and three per cent.

- The situation is even worse in industrial production alone which has dropped in most of the developed countries to the 1976-1977 level. The utilisation of industrial capacity is below 70 per cent which is very low compared with those countries' past standards.

- Low utilisation of industrial capacity is attended by unemployment so that in the most developed countries it amounts to ten per cent or more of the active population. The exceptions are Japan and Switzerland. The total number of people looking for a job in the developed countries is over 30 million.

- As a result of reduced economic activities world trade stagnated in 1980 and 1981 and dropped significantly in 1982.

- In the last three years, interest rates have been higher than ever before since the Second World War which certainly decisively affects the possibility of stimulating aggregate demand by credits. At the same time, such high interest rates affect the ability of the developing countries to service their debts which are fast approaching the 700 billion dollar mark.

- National currencies have been oscillating considerably in the last three years and the gap between the currencies of countries applying "strict monetarism" (Great Britain and the USA) and those of the countries which were not prepared to follow the policy of high real interest rates of the countries in which these were involuntarily and externally induced, has been growing (France, FR Germany and Japan, in the first place). Changes in parity and particularly their abrupt oscillations have had a negative effect on trends in the stability of world trade.

While these manifestations of the current world economic crisis are relatively clear, it is evident the deeper causes and reasons of the crisis are not, as they are far less frequently investigated and analysed.

I would say that the current crisis in international economic relations is, above all, and predominantly, a crisis of capitalism and the capitalist system of managing the world economy and at two levels:

a) At the level of occasional cyclic oscillations which are quite regular and which, by its active role, the state managed to transform into recessions in the past few decades.

b) At the level of fundamental, long-lasting and far-reaching shifts in the forces of production and in production relations, shifts that occur at infrequent and long intervals. It is no coincidence, therefore, that Kondratieff's concept of 50-year-long waves of (capitalist) production is re-emerging.

I am confident that this latter statement on decisive shifts as a cause of current difficulties is more interesting and far more relevant for understanding economic conditions in the world today than the former. The current crisis, in my opinion, was in the making for several decades; it grew under the surface finally to emerge in the last two or three years from under the cover of fictitious capital which concealed the substance and depth of the contradictions which had multiplied and increased in the meantime.

The fact that the crisis was "in the making" for years seems to indicate that overcoming it will also be a lengthy business, sometimes that cannot be achieved overnight, this or next year. Today, foreign and domestic media are full of reports and commentaries saying that the ice is finally moving, that recovery has begun and that economic difficulties are at an end. My belief, which I shall try to substantiate, is that this is a poor and short-lived recovery induced by measures that can but have a short-term effect rather than a revival of full development and production potentials of either the developed or developing countries. In this context, for specific reasons, the term developed country is used to include the socialist countries which are also experiencing specific pressures mainly due to the deformity of the economic-systemic premises of intensified production and development rather than to their integration in the world economy.

Though this may sound contradictory at a time when all the developed countries (with the exception of Italy) are proud of their pronounced reduction of inflation, we consider the inflationary process to provide a decisive indicator of the substance and nature of the current world economic crisis as it has revealed *the two most important causes* of the crisis we are in.

1. *The process of consolidation of capital* particularly finance capital and especially in the most powerful capitalist economy in the world - that of the United States of America;

2. *The failure of state intervention*, regulations and "dirigisme" both on a national and international scale.

Why do I consider inflation to be the key indicator? Because, for a decade and more, it has been the condensed expression of all the difficulties which capital and particularly financial capital have been obsessed by. That is why the consolidation of the social and economic position of capital, financial capital in particular, in the most developed capitalist countries, has taken the

form of "a struggle against inflation". Having found political support among the citizens dissatisfied with soaring prices, financial capital undertook to consolidate its own positions which had been seriously undermined, jeopardised and eroded by inflation. Growing costs, the intensified social role of the state, monetary-credit trends and relations within which the debtors fared better than the creditors in the long run on a national and international plane, structural maladjustments in the economy - all this contributed to the objective erosion of the positions of capital, particularly financial capital.

In view of the significance attached to inflation as an indicator in this approach an interesting question could be: how did inflation come about, or rather how did it manage to become "enemy No. 1"?

Explanations of inflation which was the immediate forerunner of the current crisis are extremely varied ranging from those which attribute the reason for inflation directly to so-called oil bills of 1974 and 1979/80 to those which (like that put forward by Arthur Bernes at the Annual Assembly of the IMF and World Bank in Belgrade in 1979) found the causes of inflation to be in Roosevelt's New Deal as long ago as 1936 when the seeds were sown of the socialisation of the economy and thereby of potential inflation which shot forth in the meantime.

In my opinion, the most valid explanation would be the one that sees as the main cause and source of the inflation of the 70s the growth of certain contradictions even in the period of high and growing prosperity of the developed western economies in the 50s and 60s. That was a period in which capitalism knew twenty years of uninterrupted ascent. That was a period of the simultaneous effect of several sets of factors which in aggregate produced exceptional (unrepeatable) conditions for dynamic growth.

First, cheap oil and an abundance of it brought on the "oil era" and what coal had been for the industrial revolution and electrical energy for the beginning of the 20th century, oil became after the Second World War: a positive shock and or impulse for supply of factors of production, a shock in the sense of maximisation of profits on the basis of undervalued oil.

Second, the reconstruction of the war-devastated economies of Western Europe and Japan first conditioned vast investment and enabled the productive engagement of the swollen production capacity of the United States as a result of the war, and later, with the growing inclusion of Japan and FR Germany in world trade a major incentive to development were the endeavours of other developed countries to catch up with the United States in terms of technology.

Third, for many years the United States pursued a policy which was only to be expected of the most developed economy in the world: a relatively free trade and provision of adequate world liquidity as the dollar had become the dominant factor of that liquidity which meant having a virtually permanent deficit in the balance of payments.

Fourth, the United States pursued for a long time a Keynesian policy of aggregate demand control which for a time made the domestic market appear to be growing at a faster rate than it actually was which resulted in a faster export-oriented growth of its main partners in the international division of labour.

Fifth, this was a period of emerging west European integration which made it possible for many of these economies and particularly the German and French to achieve significant economies of scale. A major factor of the phenomenon of growth and development of the west European countries and the policy of intensive investment based on capital evaluation were the migrations of the labour force from the South (Turkey, Greece, Yugoslavia, Italy, Spain, Portugal) to the North (France, Holland, FR Germany, Austria, Switzerland). Finally, the process of rapid decolonisation, national emancipation, and a wave of new development aspirations in the newly liberated or emerging developing countries clearly contributed in their own way to maintaining the dynamics of investment and the aspirations for accelerated development.

This whole set of favourable circumstances may also be considered as a major cause of imbalance development stimulation, the imbalance being evident at the level of international and intranational relations between the main subjects of economic expansion. In Europe, this development was based on capital expansion induced by its "exorbitant" price, i.e. high profits. On a world scale, development was dominated by the American financial system.

Such a favourable set of circumstances for development and capital expansion began slowly to break down in the following areas:

1. Relations began to change substantially between the most powerful partners on the world market. The relations of the 1950s and 60s proved to be untenable as a result of which the first to collapse was the established monetary system, based on the Bretton Woods Convention, followed by the collapse of the system of relatively free trade. They were all due to the strengthening of the actual power of Japan and western Europe which was not adequately reflected in the international monetary and financial system. The absolute domination of the USA which was to some extent well founded at the beginning of the period, began seriously to shake with time so that the hegemony of the USA in the spheres of money, finance and the institutional frameworks of international trade, primarily to the extent to which the USA was the main source of multinational companies, began increasingly to lose ground.

2. Overvalued capital and high profits became the target of workers' criticism who demanded a different distribution of the nation's wealth. Real wages started slowly to increase. In this connection it is worth mentioning the view of Janez Stanovnik according to which the student unrest in 1968 had a decisive effect on the strategy of capital in relation to the working class out of fear that a united front of workers and young intelligentsia could become too powerful and that De Gaulle was actually the initiator of strategic reconsideration in favour of a welfare state and the economic appeasement of the working class.

3. In all the developed countries with the exception of Norway, the rate of growth of labour productivity gradually began to decline bringing pressure to bear on the gap between output and incomes, pressure that was partially relieved through the safety valve of inflation.

4. A blow to profits was inflicted by the fantastic increase of the price of energy. Though the developed countries managed quite quickly to adjust to the new energy prices they nonetheless affected profits and the distribution of the national income.

5. The 70s brought with them a phenomenon that had a significant effect on the international financial situation and particularly on the volume and quality of the developing countries' debts. Notably, the international financial system was again privatised and the transnational banking expanded. The USA had the main say in this new process.

In their race for ever greater profits, the commercial banks filled in the "vacuum" left with the collapse of the Bretton Woods system and became the main financiers and money traders in the fields of crediting and payments, both in dealing among the developed countries themselves as well as between them and the developing countries.

Testifying to the degree of expansion of transnational banking and crediting operations is the fact that the ten largest American banks' claims on the developing countries were larger than their own equity capital and by 50 per cent or more.

The money the transnational banks put at the disposal of the world community in 1982 was no less than 13 times greater than in 1970. A number of other processes and phenomena which could help in understanding the present crisis are directly or indirectly tied in with this fact:

- Loss of control by the national states and national monetary policies over international financial capital flows due to the completely independent policy of reserves, deposits and money supply pursued by transnational banks.

- As a result of the immense expansion of credits under conditions of the mentioned relative slow-down of labour productivity, the banking capital again gained precedence over production capital, or in other words, with the expansion of crediting and the growth of fictitious capital the declining rate of growth of its actual fructification was partially concealed.

- The collapse of the Bretton Woods system, the policy of floating exchange rates, the accumulation of dollars in central banks outside the USA followed by the fantastic jump in gold prices - were in their own way incentives for the inflationary pressure on a global scale. Measured in dollars, the world's money reserves in the ten years from 1970 to 1980 increased twelve times over. As Professor Triffin points out this meant that the world's money reserves had increased in those ten years 11 times as much as in the whole of previous history.

Speculative investment, or investment that is not related to the intensity, quality or effectiveness of production also increased and so did fictitious capital. There was a very serious danger of the "balloon of capital illusions bursting" as had happened during the 1929 Depression.

With the rapid, uncontrolled and unwarranted expansion of banking capital and its domination over production capital as part of financial capital, the links with real production and the reproduction of values on the national and international scale gradually began to break down. At the same time, the state proved to be impotent and incapable of consolidating and stabilising, by income policy or some other policy of redistribution, the negative tendencies initiated and encouraged by inflation.

What happened after 1979 could be described as a process of financial capital consolidation primarily by checking inflation and introducing high realistic interest rates. Capital must above all be *protected in its pure and most tangible financial form*. This must be done even

at the cost of liquidating significant segments of production capital, particularly so if it is dysfunctional and morally rebated by relatively high wages as were prevalent in the 70s.

The consolidation of capital, primarily financial capital, now under way, has at least three major negative aspects to it and cannot be viewed as an exclusively positive and constructive phenomenon even from the point of view of the capital that is being consolidated. Those negative trends resulting from the current consolidating process are:

- Declining wages and increasing unemployment of the working class which is a major potential social and political threat.
- The slow-down and even stagnation of production growth which is not coincidental but is a function of consolidation on "firm" ground, has a depressive effect on international trade and, coupled with high real interest rates, significantly aggravates the position of debtor-countries, primarily the developing states thereby also adversely reflecting on financial capital investments made in the period of the unbridled scramble for profits.
- There is a confrontation of national interests and national economies as the immediate framework within which capital relations are manifested and realised. The starting impulse to consolidation came from Great Britain and the USA. The Versailles summit (1982) showed that the consolidation process could not be realised as agreed on the international plane, that the necessary minimum of common interests and motives was lacking primarily because of the fact that Western Europe had more delicate labour-capital relationships than is the case in the United States so that it tended to adopt a different approach to the settlement of the current crisis. Western Europe reacted to the process of financial capital consolidation in the United States as they did, unwillingly and under pressure.

Therefore, if the 70s can be said conditionally to have signified the consolidation of workers wages and other forms of non-profit earnings the crisis that set in at the end of the 70s and which still continues signifies the consolidation of profit primarily through the institution of "normal interest rates" or the fructification of financial capital.

I believe that from what has been said so far it is possible to discern the ways in which, in the process of consolidation, capital seeks to maintain the connection with the process of economic development, with even greater yields in prospect. Those are first the reduction of wages and the thesis that widespread unemployment which is cyclical and structural can be overcome only given a change in the balance of the factors of production and if the abundant labour force becomes cheaper and capital, again presented as a "scarce" factor of development, is given the opportunity to be fructified at higher rates. True, as long as real wages are above labour productivity (a situation we in Yugoslavia are not unfamiliar with) both capital and labour will continue to be devalued whereby the situation on the fronts of both labour and capital will deteriorate. Excessive wages rather like state deficits actually keep the interest rates up and delay the moment of return to economic growth. However, definite class interests are behind such wages precisely in the same way as other class interests are behind the demands for wages to lag behind labour productivity.

Secondly, financial capital appears to be in a nervous state when it comes to consolidation through the return of funds invested in the developing countries either in the form of credits or direct investments. How can a return be obtained on investment of capital which is fictitious to a large extent, in the form of actually fructified yields? How can financial bankruptcy, delayed payments, rescheduling, refinancing and other enforced and undesired credit relations be prevented? In all this, the support of the state is expected and forthcoming as the latest events indicate. The consolidation of international financial capital will be achieved, to a considerable degree, with the help of the active support of multilateral organisations, the IMF in the first place, and the active inclusion of official financial institutions in arrangements referred to by western bankers and information media as "rescue operations" obviously implying that the country's debtors are being rescued while in fact it is the return on commercial financial capital that is at stake.

Third, attempts to coordinate economic policies and national economies persist. The idea is to overcome the situation which US Secretary Shultz described in the following way: "when the whole world has gone mad it is stupid to be reasonable", and by identifying common grounds for actions that would not be counter-productive.

Will these efforts be successful; will the process of capital consolidation achieved by force now be able to provide a basis for long-term prosperity? The answer to this question is as much in the sphere of politics as it is in the sphere of economics and political economy for it is conditioned by the actual balance of forces and the factors establishing, maintaining and possibly changing it, on three fronts:

- On the front of labour vs. capital, a strategically important front for the survival of the capitalist mode of reproduction, a front on which labour is currently on the defensive. The question is however, whether capitalism can continue to grow in the long-term on such an assumption as a permanent one or will it increasingly acquire the properties of a destabilizer of the capitalist development process.

- On the front of conflicting and common interests of the group of the most developed western countries. Obviously, new rules of the game have to be devised among the allies to match their changed relative standing in the world economy as a whole and within the OECD. That question, however, is not independent of the success or failure of internal consolidation on the front of labour-capital, a consolidation that takes various forms, dimensions and characteristics and is more or less successful in different countries. The crisis of state "dirigism" can be seen in its absolutely contradictory effects on the national and international planes: by intervening in the area of international coordination of economic activities, the state brings pressure to bear on the ways and means of fructification of "domestic" capital; conversely, acting in the direction of closing and safeguarding national economies (which some have termed "neo-mercantilism") it hampers and presents capital fructification on a world scale as best evidenced by the growth of multinational and supra-national companies and banks which thereby surmount the problem of the economic policies of the national state.

On the front of developed VS. developing countries, where a fundamental contradiction is in evidence, the vast amounts of financial capital invested make the repayment of those debts the prime consideration of both debtors and creditors. On the other hand, it is precisely in the developing countries, though not in all of them, that it is objectively possible for capital to be fructified in a way that would correspond to the endeavours to consolidate financial capital - primarily in the form of "capital-saving" or "labour-intensive" investment. Unlike some other authors, I believe that the relative bargaining power of the developing countries in the consolidation process has not significantly deteriorated but that it has in fact improved. The logic of fructification of fictitious financial capital alleviates to some extent the debtor status of the developing countries, namely, the developed countries-creditors have to steer their boat with a heavy ballast of fictitious capital on board in such a way that no one sinks. Today, the question of refinancing is no longer raised by the developed countries-creditors but by the developing countries-debtors; it is more the result of the need to consolidate financial capital than a real economic necessity for the developing countries though this aspect cannot be completely eliminated either. That is the only way in which the increasingly frequent and even louder demands for cooperation, concerted efforts to seek a way out, and the like can be interpreted even when they come from someone like Kissinger who had, until recently, viewed the solution to all the world's problems solely through the prism of mutual relations among the developed and their relations with the East.

What is most important, in my opinion, in the present situation regardless of all the avenues along which a way out will be sought and is being sought is the fact that real interest rates will not go down soon. The pressures which had raised them, as already mentioned, are not of a short-term or cyclical nature but of a more durable and long-term one. An anti-cyclical or anti-inflationary policy will not do much good. The only way to speed up to some extent the return of prosperity and the fuller utilisation of economic potentials would be by some kind of technological revolution, which would decisively and drastically change the structure of values, i.e. expenditures, and which would raise the marginal efficacy of investment to such an extent that even a relatively high interest rate would be acceptable. In that case, those interest rates would "naturally" begin to go down. All other attempts to reduce them will either fail or will succeed but at the cost of quite considerable redistribution along labour-capital lines, a redistribution that cannot be a long-term basis for the development of capitalism as has been said.

The resolution of the crisis can be seen and expected in one of the two following ways: either through the weakening of state intervention and the resolution of the contradiction between labour and capital through the socialisation and association of labour, or in the further strengthening of state intervention but on a new basis. Just now the former option appears to be the more probable one. Not because the Yugoslav model of associated labour is such as to offer any universal solutions but because the option of state regulation has proved to be inadequate in many regions and in many different historical cultural circumstances.

Concluding this discussion on the cause and characteristics of the present-day crisis, I should like briefly to comment on the new international economic order. It is asserting itself with the full force of a historical inevitability; perhaps, not in the way the developing countries have conceived it in their declarations but nonetheless in a form that is objectively conducive to a greater degree of recognition of mutual connections and interests. In this context it seems to me to be opportune to quote a thought of Aleksandar Grlićkov who said: "A new international economic order cannot be imposed by force, no matter how strong, just as the dialectics of that order's advance cannot be changed by force."

Trends in the World Economy
And Non-Aligned Countries

ECONOMIC POLICY AND CRISES

Introductory Remarks

After a period of prosperity in the fifties and sixties of our century, the world economy is again confronted with old and familiar problems: unemployment, declining economic growth rates and labour productivity levels. For the first time the world economy is confronted with stagflation. Our world is facing fresh crises: monetary, energy and ecology crises.

At the same time, the arsenal of economic theory and economic policies appears no longer to be broad enough, and especially not effective enough, to be able to grapple with all these problems with any measure of success. More and more frequently Keynes' economic theory and macro-economic policy are said to be inadequate, out-lived and even counter-productive. Towards the end of the sixties, the monetarists "discovered" that Philips' curve was no longer valid for the long term but they had no effective solutions to suggest for outstanding problems.

It was under such circumstances that the concept of the supply-side economy appeared. This is a new theoretical concept of economic policy embracing and benefitting from the findings of several schools: the portfolio theory, the monetarists, the school of rational expectations and the economy of supply itself (Laffer's curve). [The "economy of supply" is used in this contribution to imply a concept of economic policy that combines the premises of all the above-mentioned schools of thought.] Supply-side economics offers solutions for stagflation "attacking" both inflation and stagnation simultaneously. However, it also implies a moderate recession which is supposed to be followed by a period of prosperity.

A new international economic order is the third possibility of dealing with conflicts in international economic relations. However, since 1974, the NEIO has remained for the most part a set of theoretical principles that have not asserted themselves in daily international economic practice. What is more, with the advent of the concepts of supply-side economics and their practical implementation by the U.S. and Great Britain, international economic practice may be said to have departed even further from NEIO principles.

Bearing this in mind we proceed from the thesis that the assertion of NEIO principles as well as the behaviour of the developed western countries are determined largely by what phase of the cycle the world economy finds itself in. If the world economy is in the "cooling" phase, the western countries may be expected to pursue an economic policy that is convergent with the interests of the developing countries, i.e. a pro-inflationary, Keynesian economic policy. If, on the other hand, the world economy is in an "over-heated" phase, the economic policy of the

western countries must necessarily be anti-inflationary which means divergent in relation to the interests of the developing countries.

Such a view is based on Marx's economic teachings on the crisis of hyperproduction. Accordingly, we shall try in this paper to find a "common denominator" for Marx's economic thinking, Keynes' economic theory and the concept of the supply-side economy. If we succeed, it will emerge that from the point of view of the interests of big capital, the concept of the economy of supply is logical and that it corresponds to the present phase of the cycle of the world economy and that it is simultaneously divergent in relation to the interests of the developing and non-aligned countries.

Marx's View of the Crisis of Hyperproduction

The business cycle, according to Marx, consists of the following phases: state of rest, growing recovery, prosperity, over-production, crash, stagnation. "The industrial cycle is of such a nature that the same circuit must periodically reproduce itself once the first impulse has been given. During a period of slack, production sinks below the level which it attained in the preceding cycle and for which the technical basis has been laid. During prosperity - the middle period - it continues to develop on this basis. In the period of over-production and swindle, it strains the productive forces to the utmost, until it exceeds the capitalistic limits of the production process." [K. Marx, Vol. III, International Publishers Co. Inc. 1967, p. 490.]

From the stage of rest onwards, production increases, the capitalist makes a profit, the demand for labour becomes increasingly acute. On the money market, interest rates go up as an expression of the discrepancy between money supply and demand. The reproduction process requires fresh inputs: raw materials and manufacturing materials. Imports increase and so do exports. However, exports lag behind imports. The importers defer payment (they import on credit). At the same time, the differences between prices in England (Marx analyzed capitalist production using England as an example) and in the countries that were its foreign trade partners, caused by the uneven development of the business cycle, have a depressive effect on exports. As a result the necessity of crediting exports increases. The gap between the residents' incomes and expenditures widens. "After the reproduction process has again reached that state of prosperity which precedes that of over-exertion, commercial credit becomes very much extended; this forms, indeed, the "sound" basis again for a ready flow of returns and extended production. In this state, the rate of interest is still low, although it rises above its minimum. This is, in fact, the *only* time that it can be said that a low rate of interest, and consequently a relative abundance of loanable capital coincides with a real expansion of industrial capital. The ready flow and regularity of the returns, linked with extensive commercial credit, ensures the supply of loan capital in spite of the increased demand for it, and prevents the level of the rate of interest from rising. On the other hand, those cavaliers who work without any reserve capital or without any

capital at all, and who thus operate completely on a money-credit basis begin to appear for the first time in considerable numbers. To this now is added the great expansion of fixed capital in all forms and the opening of new enterprises on a vast and far-reaching scale. The interest now rises to its average level. It reaches its maximum again as soon as the new crisis sets in." [K. Marx, op. cit. p. 488.]

In the period of over-production in a capitalist economy all the relevant prerequisites have accumulated for the next phase of the cycle - the crash:

- 1) Hyperproduction
- 2) Inflation
- 3) High interest rates
- 4) Balance of payments deficit
- 5) Gold drain

6) Discrepancy between the social character of production and the individual character of appropriation as one of the principal contradictions of the capitalist mode of production.

As can be seen, all the relevant preconditions for the next phase of the cycle, the phase of the crash have been accumulated in the phase of over-production. From the standpoint of this paper, two of them are of special interest: inflation and high interest rates. We draw attention on this occasion to inflation and interest because both of these monetary categories play a significant part in Keynes' economic theory as well as in the concept of a supply-side economy. According to both these alternative economic policies as well as in Marx's economic teaching on cycles, there is an incentive for investment as long as the returns on capital invested in production are higher than the interest. In each case the owner of capital decides on the structure and investment of his portfolio. According to Marx's explanation of cycles, his decision is guided by the ration between profit and interest, the latter being only a component part of the former. For the entrepreneur therefore, his profits are decisive. "In the discussion on interest-bearing capital we have already shown that the average interest over a long period of years, other conditions remaining equal, is determined by the average rate of profit, not profit of enterprise, which is nothing more than profit minus interest." [K. Marx, op. cit. p. 512] Marx further says: "But it is possible that this high rate of profit may leave only a low rate of profit of enterprise after the high rate of interest has been deducted. The rate of profit of enterprise may shrink, while the high rate of profit continues. This is possible because the enterprises must be continued once they have been started. During this phase, operations are carried on to a large extent with pure credit capital (capital of other people); and the high rate of profit may be partly speculative and prospective. A high rate of interest can be paid with a high rate of profit but decreasing profit of enterprise. It can be paid (and this is done in part during times of speculation) not out of profit, but out of the borrowed capital itself, and this can continue for a while." [K. Marx, op. cit. p. 512.]

The Great Crisis and Keynes

In the 1929 to 1932 period the world economic scene was dominated by deflation. The GNP in the U.S. was reduced by one half. One half of all U.S. industrial capacities were at a standstill and wholesale prices went down by 32 per cent. About 5,100 banks closed their doors. [P. T. Elsworth, *International Economy*, Macmillan, 1950.]

It should be recalled, however, that pending the great economic crash "the destruction of savings and economic disorganization caused by inflation had wrought such havoc that it appeared to be quite normal that it (inflation) was the main problem that had to be overcome whatever the cost." [Ibid, p. 515.] In the book *International Economics* by Enke and Saler we come across data showing that thanks to the increase of the money supply and the drop in production, prices soared in 1920 as compared with 1914. Wholesale prices increased about seven times over in Italy, six times in France, thrice in Great Britain and the U.S. and about twice in Germany. [Enke - Salera, *International Economics*, Dennis Dobson, London.] According to Elsworth, the wholesale price index in France in 1926 in relation to 1913 was 836, in Italy 691. Interest rates went up simultaneously, by as much as 8-10 percent just before 1930. Before the 1929 crash, industrial investments were depressed. Investments were saturated again. "Many manufacturers of durable consumer goods such as washing machines, vacuum cleaners, radio sets and the like were confronted with the problem of finding a market." [P. T. Elsworth, op. cit. p. 425.]

The main cause of the 1929-1932 depression was the total absence of openings for investment. At the time, as today, the world had one of the following options open to it:

1. to do nothing at the level of the world economy and national economies - this would mean that production and employment would go down;
2. for the national economies to resort to protectionist economic policies - this would have a destructive effect on world trade;
3. to come to an agreement on the rescheduling of debts;
4. to pursue an active deflationary policy in line with the tradition of the gold standard.

The U.S. opted for the latter possibility. It was the most promising one in the struggle against inflation. However, it introduced into the world economy a deflation of unprecedented proportions. We are familiar with the aftereffects.

There were some views even then according to which a more rational road of action would be to pursue an economic policy that would compensate for the drop in private initiative by increasing state spending. This is reminiscent of Keynes. Speaking in the State Department in 1934, Roosevelt said that "a complete and permanent domestic recovery depends partly on the revival and strengthening of international trade... American exports cannot keep increasing without a corresponding increase of imports." [P. T. Elsworth, op. cit. p. 546.]

The revival of economic activities became an imperative for the world economy. The problem of employment took precedence over inflation on the scale of priorities in national economic policies. Accordingly, the principal concern of current economic policies became to raise prices to a profitable level (e.g. the devaluation of the dollar in 1934 when the U.S. had a surplus in its balance of payments and vast gold reserves).

Following the world economic crisis, the dominant influence on economic thought was Keynes' economic doctrine. He had shifted the focus of economic theory from the theory of prices which he reduced to a minimum, to the question of employment and interest rates, as a monetary phenomenon. In his analysis, investment and consumption as means of establishing an internal equilibrium and resolving the problem of employment acquired particular significance. Put in a nutshell, Keynes' concept is based on the interaction of: investments, consumption, savings and income. According to Keynes, the principal level of economic activities, employment and production, is demand. In view of the special significance that demand and consumption have in Keynes' economic system, we believe that his economy could be called a "demand-side" economy. The key point of such an economy, as we have already noted, is employment. As employment is a function of production, employment and income can be said to be two dependent variables. The determinants of employment and income are, according to Keynes, independent variables which include:

- propensity to consumption,
- marginal efficacy of capital,
- interest rate.

It should be noted that Keynes' system and mechanism start with given values such as: available manpower, existing quality and quantity of equipment and technology, the unchanging tastes and habits of consumers and the like. [S. D. Kučar, *Keynes teoretičar državnog kapitalizma* (Keynes - the Theoretician of State Capitalism), Kultura, Zagreb, 1957, p. 44.]

Keynes therefore ignores changes in the organic composition of capital and in labour productivity. These are precisely the weakest points of Keynes' concept and, on the other hand, the strong points of the supply-side economy. The fact that he started out from a given level of labour productivity points to at least two conclusions:

1. that Keynes believed it was normal for labour productivity to grow steadily under conditions of a capitalist mode of production, and
2. that his system is designed primarily to pull the economy out of the depression.

The first independent variable of the mechanism of a demand-side economy is the propensity to consumption. Consumption is the driving force of investments, production and employment. Spending on consumption is determined by a law of a psychological nature which Keynes calls the propensity towards consumption. A number of subjective and objective circumstances affect that propensity. [D. Stojanov, *Kejnzijanizam, Monetarizam, Laferizam i ekonomska stabilizacija* (Keynesianism, Monetarism, Laferism and Economic Stabilisation), paper for the 30th anniversary celebrations of the Faculty of Economics in Sarajevo read at a round table discussion on "Economic Theory and the Policy of Stabilization".]

Marginal capital efficacy is the second decisive determinant of employment and income in Keynes' economic system. It affects the level of investments. An analysis of the marginal efficacy of capital leads to some interesting observations. First of all, we see that Keynes has placed the private entrepreneur and private initiative in the centre of his system. We draw attention to this fact as Keynes is known as the father of state intervention and state capitalism.

The problem of Keynes' day was the depression. Capacities, manpower and technology needed to be aroused and nudged into action. The aroused entrepreneur would then, by force of logic, pull himself and the state out of the crisis. This is why Keynes calculates the marginal efficacy of capital on the basis of the entrepreneur's expenditures and his expected yields. The entrepreneur expects returns under conditions of stable prices. Under conditions of stagflation, this element of price stability is particularly important. For, one of the objectives of supply-side economics is to reduce the inflation rate. Inflation and inflationary expectations can be counterproductive, particularly in the case of subjective behaviour.

Keynes went on the assumption of stable wages which seemed logical in his day and under conditions of unemployment. Without the intervention of the state, wages could even be expected to go down. Keynes also neglected the effect of labour productivity on prices and wages by assuming that labour productivity remained unchanged.

An entrepreneur's investment activity depends on the incentives he has to invest. The incentive to invest can be said to exist when it pays more to invest in production than to keep money in the bank. In other words, an entrepreneur will invest if he expects to obtain higher returns on capital invested in production than in the form of interest from the bank. Investments are therefore a function of the marginal capital efficacy and the interest rate. When interest rates go up, the incentive for investment is reduced as the relative marginal efficacy of capital is lower. It follows therefore, the lower the interest rate the greater the incentive to invest. The interest rate, according to Keynes, depends on money supply and demand or on the preference for liquidity. Monetary demand is a function of the transaction and speculative demand for money.

The transaction demand for money is determined by the current operational needs of the entrepreneur whereas the speculative demand for money depends on the expected interest rates. The higher the expected interest the greater the incentive to keep money in cash than to invest it at a profit in production.

Pursuing Keynes' logic further we see that investments can be further encouraged by increasing monetary supply or by reducing interest rates. Having realized this, it is no wonder that Harrod, Kaldor and Kahn suggested to their "countrymen" in 1958 that they opt for an expansive monetary policy, thereby demonstrating their concern that the British economy might stagnate if the inflation rate was too low. [Courakis, *Inflation, Depression and Economic Policy in the West*, Manssell, London, 1981, p. 91.] Lord Kaldor never thought for a moment that inflation could become disease number one of the modern economy. Lord Kahn, a Keynesian, claimed in 1958 that a growth of monetary supply is conducive to lowering of the interest rate.

Today, thanks to our recent experiences and discoveries, particularly in the area of portfolio theories, it cannot be claimed with certainty that as monetary supply increases, the interest rates decrease. In fact, quite the opposite may occur.

In the book *Inflation, Depression and Economic Policy in the West*, Walter Eltis sets out the thesis that the Keynesians must ask themselves why it is that the countries which were most familiar with the way in which the macro-economy functioned, such as Great Britain for instance, had the poorest economic performance. On the other hand, the economies managed in the opposite sense in relation to Keynes, fared best, Eltis notes. [Ibid, p. 91.]

In support of the thesis on the obsolescence and outdatedness of Keynes' concept. Eltis notes that "so it happened that in 1958 the three greatest Keynesians - Roy Harrod, Lord Kaldor and Lord Kahn - suggested to their countrymen simultaneously: monetary expansion, indifference in relation to inflation and the irrelevance of budgetary deficit as methods of stimulating economic growth and stability." [Ibid, p. 107.] This example, according to Peter Drucker, speaks for the thesis that the economic crisis is a crisis of basic premises, a crisis of the paradigms of the system and not of individual theories. [P. Drucker, *Toward the Next Economics*, Impact 2/81.] Similar views are upheld by other reputed economists like Martin Feldstein, Kenneth Arrow, Lawrence Clain and particularly representatives of supply-side economics such as Arthur Lafer or Martin Feldstein.

Supply-Side Economics

This new school of economic thought is based on Laffer's curve. It focuses on production, i.e. supply as opposed to Keynesian economics which is based on demand. The supply-side economy is frequently interpreted as centering on taxation policy. It is assumed that a reduction of taxes encourages private initiative (Laffer's curve and a rudimentary form of the concept of the supply-side economy). Having been encouraged in this way, private initiative becomes the motive force of investment, production and employment. In fact supply-side economics can only partly be reduced to fiscal policy but it certainly cannot be identified with it. That would be an over-simplification of a rather complex concept.

The supply-side economy is supposed to struggle against stagflation and the state galaxy. This means that this concept is expected to suppress inflation and encourage economic growth, which is at first glance a contradiction in itself. At the same time, a supply-side economy has to find outlets for the potential increase of production, which means it should generate demand in spite of reduced assistance from the State.

We believe, however, that Martin Feldstein is right when he says that a supply-side economy will not for some time provide new job openings or reduce unemployment. Even though increased capital accumulation will make existing workplaces more productive, the rate of unemployment can be steadily reduced only by a change of behaviour and motivation.

Similarly, a higher rate of investment will not eliminate inflation or even significantly reduce it. Though more capital will increase productivity and reduce inflation at least to the extent higher productivity restrains wage increase, the only way to reduce the inflation rate is by introducing changes in the monetary and fiscal policies which brought on the heated demand and inflationary expectations. [M. Feldstein, *An Essay: The Retreat from Keynesian Economics*, Impact, 1/82.] These observations of Feldstein's indicate that the effectiveness of the supply-side economy depends on a number of factors: monetary and fiscal policies, investment policy, capital accumulation, inflationary expectations and motivation. We must add immediately that Feldstein forgets that in order to combat inflation and reduce it to a level as to make investments profitable, an active deflationary policy is required, which is simply a process of capital centralization, and this fosters unemployment. That is the price that has to be paid under conditions of commodity production so as to ensure preconditions for the next stage - the "take-off". However, the economic, social and political price of a deflationary policy has become so high today that many countries prefer stagflation to a strict deflationary policy. There is a choice until soaring inflation leads to ever greater unemployment. Namely, at the end of the sixties, the developed countries were confronted with the paradox of what is called the "Phillips' curve". In its more developed and generally accepted version, this curve indicates the relationship between inflation and unemployment. Phillips established in 1958 that unemployment can be reduced by an expansive economic policy but at the cost of increased inflation. Shortly, however, the thesis that there was no long-term and causal relationship between inflation and unemployment appeared in the works of the monetarists, and specifically from Friedman, Brunner and Metzler. Proceeding from the natural unemployment rate, the monetarists came up with the view that the cyclical and secular oscillations of the national income depend primarily on oscillations of the money stock in relation to available production. [B. Mc Callum, *Monetarist Principles and the Money Stock Growth Rule*, AER, May, 1981, p. 134.] In brief, the message of the monetarists would be as follows: long-term inflation will adversely affect employment. The principal aggregate for checking inflation is the money stock. By adjusting money supply to money demand a stable economic growth can be ensured. A stable economic growth and a vertical Phillips' curve signify the existence of a natural rate of unemployment.

The Keynesian type of economic policy is proving to be less and less effective in dealing with current economic problems. The monetarists have directed their attention to adjusting money supply to money demand. They have not even tried to fathom the function of monetary demand, the essential element of which is production and how to determine it. We believe we would be justified in saying that the monetarists also went on the assumption that production and productivity would regulate themselves.

As opposed to both these schools, supply-side economics insists on treating inflation in the same way as stagnation. It approaches the struggle against inflation by regulating monetary supply, rather like the monetarists, but at the same time, it wants to affect monetary demand by influencing production which neither the Keynesians nor the monetarists would do simply

because, according to them, both production and productivity are given values which are self-regulatory.

The motive force of investment, according to the concept of the supply-side economy, is savings or accumulation and the expected profit. For the estimated profit to be attractive, inflation must be lower and that means increasing interest rates. As paradoxical as it may seem, the only way to achieve attractive estimated profits in a period of stagflation is via a “phased-out” crash or, as it is commonly known today, a recession.

Concluding Remarks

Pursuing Marx’s premise on the cyclical crises of hyper-production we have come to the conclusion that investment is encouraged when the interest rate within the framework of the profit rate is low enough and the enterprise profits are simultaneously high enough so as to attract capital to productive rather than non-productive sectors. In the positive phases of the cycle and particularly in the phase of prosperity, the profit rate is high, the interest rather low, and therefore the enterprise profits are high enough to encourage further investment in production. In the phase of over-production there is inflation. As a result of growing demand on the labour market, the market of goods (raw materials in particular), the money and capital market - wages, input prices and interest rates go up. Consequently, under conditions of the gold standard, the money mass is contracted and the profit rate declines, whereby further investment is discouraged. In a period of crisis, returns are harder to achieve and sales are extremely difficult. In the phase of the crash over-extended enterprises fail. [See: Karl Marx, *Capital*, Vol. III] A deflationary balancing of the reproduction process implies bankruptcy. Those bankruptcies constitute, at the same time, a process of capital centralization. A drop in prices and interest rates and a centralization of capital are preconditions for the revival of capitalist production.

With his mechanisms of a demand-side economy, the main motive force of which is derived from the relationship between the marginal efficacy of capital and the interest rate, Keynes only confirmed what we could have learnt by reading *Capital*. Keynes’ capitalist decides where to invest his assets depending on the ratio between the interest rate and the returns on capital invested in production. Also according to Keynes’ theories capital investment is most intensive in the initial stage of the cycle, dying down when inflation becomes enemy number one of every national economy.

Under conditions of stagflation an expansive monetary-crediting policy would necessarily affect an increase of interest rates and encourage inflation and inflationary expectations. According to the premises of portfolio theoreticians, the owner of property chooses the portfolio structure that guarantees the highest gains at the least risk. In the case of high inflation their choice will certainly not fall on production.

The concept of the supply-side economy, in our opinion, constitutes a consistent, logical and inevitable recipe for an anti-inflationary struggle under conditions of stagflation. By raising interest rates, the monetarists form an anti-inflationary front. High interest results in the bankruptcy of “over-extended” enterprises and consequently in the centralization of capital. This process sets off unemployment and recession. It might be more correct to say that it brings about a “phased-out” crash, it being under the “supervision” of the vehicles of economic policy. The process of consolidation of “strong” enterprises is doubly encouraged. On the one hand, by bankruptcy, i.e. the process of capital centralization and on the other by the implementation of the instructions of Laffer’s curve.

An easing of inflationary pressure, which is inevitable, can also reduce the interest rate. A lower interest rate is one of the preconditions of the next investment cycle. Furthermore, new, strong enterprises begin the cycle with their own capital which has been increased through the purchase of shares of the “over-extended” enterprises. For the expected rational effects to be produced, the decline of interest rates must lag behind and be slower than the anti-inflationary policy so that fresh capital investment may be expected. On the whole, the concept of the supply-side economy is based on the perceptions of portfolio theoreticians, it uses the findings of the monetarists and of the school of rational expectations and is inspired by Adam Smith’s old ideas about the role of private initiative (Laffer’s curve).

At first glance, the supply-side economy is a new theoretical concept running counter to all that preceded it, clashing especially with Keynes. In fact, after a closer analysis and comparison we find that supply-side economics is the economic policy of the “phased-out” crash. It has emerged as an inevitable product of the capitalist mode of production which has again been “strained” beyond the extreme limits of its existence.

While Keynes acts from the bottom of a cycle with an anti-deflationary policy, supply-side economics acts from the top of a cycle with an anti-inflationary policy. It stands at the top of the cycle observing the bottom of it. By a “phased-out” crash, supply-side economics creates conditions for another phase of prosperity. Being new only in terms of method and economic policy, the supply-side economy is but another confirmation of Marx’s economic thought. Let it be said once again that according to our own findings and according to both Marx and Keynes and the premises of the supply-side economy, investments will be encouraged when expected profits are higher than the interest. As a rule, this happens at the beginning of a new economic cycle. When the cycle reaches its climax, investment will be discouraged by all that has taken place in individual phases of the cycle and which is immanent to the capitalist mode of production.

After all this, the following may also be said. If we accept the principal thesis of this paper on a “common” denominator, it becomes quite clear that the conservative governments of the developed western countries will not readily renounce their economic policy. By applying supply-side economics they have at least two objectives in mind which can essentially be reduced to one: to revive production with a view to making a profit and to assert the capitalist mode of production, that is to preserve the capital relation and its domination.

The price they have to pay in the form of growing tensions between the system and its environment (relations with the developing and non-aligned countries) and within the system itself (relations between individual western countries, relations between labour and capital and relations between capitalists in each of those countries) is a high one. It is higher today than it ever was. It is a price big capital is consciously paying knowing that any other rational solution would be a threat to it. Unfortunately, the non-aligned and developing countries are also paying a high price in view of the growing interdependence of the world economy today. This very fact should encourage the latter countries to step up the struggle for the establishment of a new international economic order and to continue to pursue an active economic policy which has humane and rational dimensions to it.

THE NON-ALIGNED COUNTRIES UNDER CONDITIONS OF GROWING PROTECTIONISM

Whenever the economic aspects of the policy of non-alignment are discussed two mutually conditioned and complementary terms are used - the non-aligned and the under-developed countries. A sharp, scientific distinction between the two is not indispensable as virtually all the non-aligned countries are economically under-developed. The opposite, however, cannot be said - all the economically under-developed countries are not at the same time non-aligned.

The term “non-aligned countries” is used to denote the political dimension of the problem whereas when the term “under-developed countries” is used, it refers to the overall level of economic development in those countries. In essence, however, these are two sides of the same coin. In their economic analysis, international organizations treat the non-aligned and under-developed countries as a single group. This can be explained by the fact that ever since the Bandung Conference of Asian states, the nucleus and backbone of the movement of non-alignment has consisted precisely of underdeveloped countries. Consequently, from the beginning the element of economic under-development has been “built into” the movement of non-alignment. Economic under-development and pronounced dependence on the developed states were major motives for joining the movement of non-alignment.

It would be wrong, however, to equate the terms “non-aligned” and “under-developed” because some under-developed countries play an active part in the division of the world into blocs or are well above the average level of development of the non-aligned (under-developed) countries. An analysis of various economic aggregates indicates that the non-aligned countries are not a homogeneous whole. They are highly heterogeneous not only in terms of the level of economic development they have achieved but also in terms of the availability of natural resources, size of territory, population, political order, culture, etc.

In view of the fact that when dealing with the economic factor, the problems of the non-aligned and developing countries are one and the same, my attention has been drawn in particular to the “system of economic dependency” which Professor Ljubiša Adamović referred to in his introductory paper. In this context, the dependency complex in the area of cooperation in trade between the under-developed and the market-economy countries is particularly interesting. Trends in international trade and access to developed markets for the products of the under-developed countries determine to a large extent the bargaining power of the non-aligned (under-developed) countries. Access to the markets of the developed countries is crucial for speeding up the economic development of the underdeveloped countries and is one of the economic aspects of the policy of non-alignment.

Discussing the economic aspects of the policy of non-alignment, I consider the three questions listed below to be decisive for the present and future status of those countries in the world economy:

- 1) industrial exports of the non-aligned (under-developed) countries and ever greater trade barriers;
- 2) mutual trade; and
- 3) a differentiated and more favourable treatment of these countries on the world market.

The increasingly important role of the underdeveloped countries in international trade is due to the fact that in addition to being the suppliers of critical fuels (and minerals) they are also increasingly important exporters of industrial goods. The chances they have for competing in international trade of industrial products lie, in the first place, in their ability to make use of their comparative advantages, in a relative abundance of unskilled manpower and specific raw materials. Changes in comparative advantage as a result of accelerated growth and successful export-oriented development strategies, are the main factors underlying the ever-greater participation of the under-developed countries in the world markets of industrial products.

Up to the mid-sixties, industrial products accounted for only 11 percent of the export earnings of the underdeveloped countries; 6 percent of the world's industrial exports came from those countries. Having opted for an export-oriented development strategy, these countries increased their share in total exports and particularly in industrial exports. At the end of the seventies, industrial exports accounted for about 40 percent of these countries' total exports. The value of the under-developed countries' industrial exports in the 1970-1980 period went up from US \$24 billion to US \$60 billion so that the average annual rate of growth was 9.9 per cent. For the sake of comparison let us mention that the corresponding growth rates of the developed market-economy countries were 5.9 or 6.4 percent respectively. Thanks to such high average annual growth rates the share of the under-developed countries on world industrial exports increased from 8 percent in 1970 to 11.3 percent in 1979. In the same period the share of the developed countries dropped from 92 percent to 88.7 percent and of the socialist countries of eastern Europe from 10.5 percent to 8.8 percent. [Data taken from George Koopman, *Trends in World Trade, Intereconomics*, Hamburg, Sept./Oct. 1981, Table 3.]

It is common knowledge that the developed market-economy countries provide the main market for the industrial exports of the under-developed countries. In the seventies they accounted for two-thirds of the total industrial exports of the under-developed countries. However, trade in industrial products among the under-developed countries themselves is gaining in significance. This particularly applies to trade in industrial equipment so that trade in industrial products among the under-developed countries is more capital-intensive than between the underdeveloped and the industrialized states. It is estimated that about 33 percent of the under-developed countries' total industrial exports at the end of the seventies went to other under-developed countries. The question of trade between the under-developed countries in industrial products is closely tied in with national trade policies. In view of the fact that by

protecting domestic markets a very similar range of industries has been developed in the under-developed countries, in exporting industrial products to other under-developed countries very severe trade barriers have to be surmounted.

The industrial exports to the under-developed countries ease the ever-present need to promote “convertible” exports which increase scope for importing. Most of those exports, however, are realized through the mediation of transnational corporations, particularly in the case of capital and technology intensive and non-traditional industrial exports. The transnationals in developed countries play a very important role in the transfer of products and specialized labour-intensive manufacturing processes to the under-developed countries for the finishing of products or the export of components and parts to the head office country.

Even though the industrial exports of the under-developed countries have hardly “scratched the surface” of the developed countries’ market and though their significance in consumption and in total and particularly industrial imports, is small, the under-developed countries are having a great deal of difficulty in marketing their products. Decisive for the export performance and growth of the under-developed countries is precisely their ability to secure an expansive and regular approach to markets. The notable export achievements of the under-developed countries in a relatively short period of time have resulted in demands for a greater degree of protection of the developed countries’ markets. These could not have been foreseen as they appeared suddenly when the same industrial branches in the developed countries were going through a protracted cyclical decline.

Precisely in the same way that the economic aspects of the policy of non-alignment have been overshadowed by primary (political) factors so have the adverse effects of growing protectionism (particularly non-tariff barriers) on the under-developed countries not been adequately analyzed. In the view of UNCTAD experts, the under-developed countries are confronted with trade barriers on 47 percent of their exports (not counting fuels) to the developed countries. Virtually 27 percent of the raw material exports and 68 percent of the food and industrial exports of the under-developed countries are affected by trade barriers. Non-tariff barriers alone apply to almost 23 percent of the total value of the under-developed countries’ exports (not including fuels). [UNCTAD, *Trade Barriers Facing Developing Countries*, Gene Preliminary findings, August 1974.] The under-developed countries are particularly sensitive to non-tariff barriers because of their pronounced dependence on exports to the developed countries. In view of the fact that the industrial exports of the under-developed countries consist of a very limited range of products, trade barriers imposed by the developed countries significantly curtail the volume of those exports, prevent a diversification of their structure and reduce possibilities of earning foreign exchange and importing capital equipment required for economic development. The protectionism of the developed countries is at the root of the pessimistic forecasts with regard to prospective exports from the under-developed countries. The under-developed countries are especially adversely affected by various masked and sophisticated non-tariff barriers. The instruments of “new protectionism” have been supplemented with “voluntary export restrictions” and “agreements on the regulation of the market”, which

essentially implies quantitative import restrictions by limiting exports. These export barriers are voluntary only in name. Export quotas are in theory set by the underdeveloped countries-exporters themselves so as to avoid coming up against even more stringent trade barriers imposed by the developed countries. Our twenty-year-long experience in the textile sector confirms that such bilateral arrangements are not of a temporary nature.

The asymmetrical effect of non-tariff barriers in the sense that they more adversely affect the under-developed countries is the result of the still insufficiently developed and diversified production and foreign trade structure of those countries. Numerous analyses also confirm that non-tariff barriers are mostly imposed on products which the under-developed countries are interested in exporting and in which they have or are gaining a comparative advantage.

In the last few years, authors in the West have been claiming that the effect of non-tariff barriers on the import of products from the under-developed countries is negligible. To corroborate this they maintain that a very few dynamic underdeveloped countries are affected by them. This view is borne out by the fact that the industrial exports of the under-developed countries to the developed countries went up by three-quarters in the seventies (Argentina, Brazil, Hong Kong, Malaysia, India, Mexico, South Korea and Singapore). It is quite evident that a large number of other less dynamic under-developed countries were also affected by difficulties of access to the developed countries' markets. The non-tariff protective measures enforced by the under-developed countries themselves on goods and services in particular, complement the protectionism of the developed states. Though the former are in principle non-discriminatory, it is important to eliminate those measures as their very existence is an added argument enhancing the "tide of protectionism" in the developed countries.

By promoting mutual trade the under-developed countries become more resilient to the various protectionist pressures of the developed while at the same time strengthening their own bargaining power. Cooperation among the under-developed countries themselves is not a substitute for global economic cooperation between the developed and under-developed countries nor does it relieve the industrialized countries in the least of their responsibilities and obligations in relation to the under-developed. Such cooperation is not an expression of autarchic aspirations nor of the desire to "draw away" from the developed countries but it does provide a chance for reducing all-embracing dependence on the North and of taking advantage of existing and potential complementarity of those countries' economies. Being one of the most powerful "tools of anti-protectionism", trade among the under-developed countries is not only a means of revising the international division of labour among countries but is a part of industrialization strategy. Growing protectionism on the part of the developed countries reduces the chances of an externally-oriented development strategy of the under-developed countries, forcing them to turn to domestic markets and to trade amongst themselves. The increasing scope of trade among the under-developed countries makes it possible not only to develop economies of scale, complementary resources, to transcend the bounds of a narrow, local market and accelerate technological development but also increases awareness of common problems and potentials.

The growth dynamics of trade among the under-developed countries is best illustrated by the following data: excluding fuels, the value of trade among the under-developed countries in the seventies increased at a rate of 23.4 percent as compared with 3.5 percent in 1955-1970 period; the physical volume of that trade went up at a rate of 7.9 percent as against 5.8 percent in the period under observation. As a result of comparatively high growth rates, the share of the trade between under-developed countries in international trade as a whole increased from 3.5 percent in 1970 to 6.1 percent in 1979. It is also interesting to note that in the seventies, in the total exports of underdeveloped countries, the share of exports to other under-developed countries went up from 20.9 percent to 24.7 percent. [UNCTAD, *Trade Among Developing Countries by Main SITC Groups and by Regions*, Geneva, UNCTAD Secretariat, TD/B/C. 7/45, 21 May, 1981, Table 1, p. 4.]

The expansion of trade among the under-developed countries is to a considerable degree the result of the recession and the slow-down in economic growth in the developed states, coupled with a decline in their demand for imports. On the other hand, awareness of their mutual dependence has set off an initiative to set up a general scheme of preferentials in mutual trade as the principal instrument for promoting trade. Aside from its positive aspects, trade among the under-developed countries has many limitations. A very large proportion of the world's purchasing power is still located in the developed industrialized states. In this connection, the uneven distribution of income within the under-developed countries is a major obstacle to trade among them. The differences in development requirements of the under-developed countries themselves can seriously jeopardize the entire concept of advancing mutual trade.

The fact that the bargaining positions of the under-developed countries are weak and that many of them are not signatories of GATT have resulted in inadequate attention being devoted in international forums to the adverse effects of non-tariff barriers. The under-developed countries were sorely disappointed by the results of the Tokyo round of the multilateral trade talks. One of the outstanding questions of vital significance for them is the question of differentiated and preferential treatment, the reasoning behind it being that the same rules cannot apply to countries at different levels of economic development. The thesis that the unequal should be treated unequally is designed to ensure the correct and just implementation of the principle of equality. In that sense, a differentiated and preferential treatment of the under-developed countries constitutes a means of overcoming under-development and economic backwardness as it is designed to ensure equal opportunities for the weak and poor countries by increasing their competitiveness on the world market.

The developed market-economy countries, particularly the member-countries of the European Economic Community are bringing pressure to bear on the other countries in GATT in favour of sanctioning selective protection which is in contradiction with the principle of non-discrimination. By introducing a "rating" among the under-developed countries they are actually openly discriminated against. The idea behind such a rating, which denies the principle of non-reciprocity in GATT, is that the under-developed countries can gradually, as they develop, open up their own markets and remove the barriers for the branches which are no longer "young"

or “under-developed”. In this way, the differentiated and preferential treatment of the under-developed countries of which they have high hopes, is directly called into question. The under-developed countries have rejected such a rating saying that there is no grounds on which to make it and that should such a concept be applied it would make it possible for the countries to take unilateral and arbitrary action.

An in-depth international analysis of protectionism and its adverse effects on international trade is particularly important for the trade and development of the under-developed countries. An approach to the study of this major phenomenon of international economic relations has been made thanks to the more flexible stand of the non-aligned and other under-developed countries which have agreed that the problem of protectionism and structural adjustment should be consistently reviewed with all groups of countries and all sectors of international trade.

Jurij BAJEC, Ph. D.

ECONOMIC INTERDEPENDENCE BETWEEN THE DEVELOPED AND THE DEVELOPING COUNTRIES

The form and substance of economic relations among countries and their position in the world's economy have an impact not only on the internal economic processes of individual countries but also on relations between the main social classes and groups, and therefore, on the socio-political sphere of life. Consequently, the conception of "economic interdependence" which has been as of late in the forefront of attention, especially concerning the regulation of North-South economic relations, is determined, in my opinion, by politico-economic factors. This in no way implies a mere academic discussion on the various theoretical and methodological approaches to economic interdependence, but rather the need of placing this phenomenon in a historical and politico-economic context so as to perceive more clearly the present position and role of the developing countries and their (inter-)dependence vis-a-vis the developed countries as well as the principal causes of this state.

From the historical point of view, economic interdependence between the former metropolises and their colonies and semi-colonies should be viewed through the development of the international (capitalistic) division of labour and the role imposed by the developed countries on certain parts of the world in the global (capitalistic) production pattern. The classics of Marxism devoted much of their time and energy to this problem, particularly R. Luxemburg who was one of the first Marxists to analyse the consequences of capitalistic penetration in the underdeveloped regions. She conceived the relation of economic (inter)dependence between metropolises and colonies much more dramatically, explaining why the destructive effects of capital in the underdeveloped regions were so powerful and the creative ones so negligible and slow. Economic interdependence within the framework of colonial relations can be summarized as a forcible expansion of the volume of trade with the metropolis in conditions characterized by precapitalistic simple reproduction in the underdeveloped regions. It is actually a question of an increase of (agricultural) surpluses that can be traded at the expense of a decrease in the domestically required product and reduction of fixed capital intended for compensation. This type of interdependence generates underdevelopment which is not manifested solely in poverty and the exploitation of the domestic population but like-wise in the direct destruction of the existing economic foundations of underdeveloped societies. [R. Luxemburg, *Accumulation of Capital*, Kultura, Belgrade, 1955, pp. 287 and 2.]

In the present conditions characterized by the rapid internationalization of capital and production, the logic of economic interdependence between the developed countries and the politically sovereign countries of Asia, Africa and Latin America remains under the strong influence of the expansion of capitalistic methods of production. Two things need to be

emphasized in connection with this: first, regardless of the fact that the role of the socialist countries in international economic relations is gaining in strength, and that the number of developing countries that are turning to socialism is constantly growing, the present-day world economy and nature of international economic relations in their current stage of development are under the powerful impact of capital-based relations. [For more details see: J. O. Connor; *The Meaning of Economic Imperialism* in R. Rhodes: *Imperialism and Underdevelopment*, Monthly Review Press, New York, 1979.] Economic interdependence, therefore, necessarily reflects the basic characteristics of that relationship in all fields of activity. The monopolistic structure of the world and the national markets, the domination of trans-national capital and the firm integration of the capitalist states as well as national and international processes of capitalistic reproduction - these represent the essential and specific features of the present phase in the development of capitalism. Accordingly, the nature of economic interdependence should be viewed in just such an environment, which normally leads to the exploitation of the developing countries, precisely by those who “objectively deserve” these countries. According to Marx’s analysis, the appropriation of extra profit (within the same branch) by the most capable, i.e., most productive manufacturer whose individual production conditions are beneath the socially required working hours, actually means the appropriation of an above-average profit. Yet in conditions of total competition these favourable circumstances last only a certain period of time, i.e., until these advantageous conditions of individual production become general, in current international trade this state is maintained and prolonged using all available means of monopolistic and imperialist domination. The monopolistic structure of the world market is not, however, an artificial product of the 20th century so the “developed” can rob the “under-developed”, but an objective process characterized by the uneven development of capitalist production forces in global proportions. In this situation, no “automatic” process exists for making economic interdependence into a series of long-term actions aimed at decreasing economic inequality among participants of unequal strength. [Compare: W. Schoeller, *Lagging Behind in Development and Inequitable Trade on the World Market*, *Marxism in the World* 2/78.]

The idea of possibly returning to a competitive economy in both a national and international framework, in which economic interdependence could be achieved along with the full effects of the law of value is perhaps interesting in the analytical sense of the word, but in reality has no chance of being materialized. It would mean introducing a de-concentration and decentralization of production and capital in order to return to the conditions of an atomized economy. The presumption that a possible “decentralization of economic structures” would be reinforced by the “decentralization of social superstructures” on the national and international levels is even more naive. Therefore, the insistence of certain developed countries, in the first place the USA, that economic interdependence between the developed and the developing countries should be based on “square accounts” and on principles of economic liberalism as a way of reaching equitable economic cooperation that “automatically” leads to mutual gains, should be taken with a certain amount of reserve.

The second factor which is of no less importance for understanding the nature of economic interdependence and its implications for the developing countries is the specific nature of the internal development of capitalism in the developing countries, which is expressed in the appearance of “old” and “new” contradictions in the development of capital-based relations. On the one hand, this gives rise to the formation of distorted economic patterns, greater differences in distribution and an absolute growth of poverty, an enormous increase in the number of unemployed, uncontrolled migration from rural to urban environments and the placing of both the urban and rural populations in a marginal framework, etc., which are not only features of underdevelopment but are the normal contradictions and conditions of capitalist development in these countries. On the other hand, “new” contradictions that exist in the modern phase of the development of capitalism are increasingly gaining ground: the growing role of the state and the relation of “national” capital in the developing countries towards monopolistic international capital. Accordingly, the view that all the internal economic processes in the developing countries are blocked by interdependence expressed as external dependence on a capitalist centre should be considered within this context and with reserve. [J. Bajec, *Criticism of the Theory of Structural Dependence and the Prospects of the Developing Countries*, Third Programme, No. 49/81.] Research carried out in some Latin American countries has shown that internal underdevelopment is not a consequence, or at least not the sole consequence of (inter) dependence, but also of the internal power balance and class rule. Regarding the interrelation of national and international capital, the fact is that capitalist development in the developing countries can be “national” only to the degree and within the bounds of international monopolization and management of global economic relations. Within the capitalist world, the developed countries continue to maintain a monopolistic bargaining position vis-a-vis the developing countries which enables the former to control to a considerable degree the development of the latter. Foreign state-monopolistic capital behaves towards national capital (private and public) like a powerful monopoly towards a small individual capitalist. It subordinates him, destroys him, or else turns him into its agent, allowing him to claim only a part of the “domestic” surplus of value. National capital, on the other hand, which concentrates on achieving as much profit as possible in international capital, necessarily finds an ally, differences arising most often precisely when the generated surplus is to be distributed between them. [A. Boeckn, *Interne Konsequenzen externer Abhängigkeit*, Verlag Anton Hain, Meisenheim am Glan, 1979]

As the above-mentioned external and internal factors of economic interdependence are closely interlinked, I must agree with the definition of economic interdependence which highlights these very aspects: “In the economic sense of the word, interdependence implies that trade in commodities and services, capital and labour force movements and international financial relations bear influence not only on the economic parameters of a country, but also on relations among social classes, thereby penetrating the political sphere of life as well.” [M. Simai, *Interdependence and Conflicts in the World Economy*, Akademiai Kiado, Budapest, 1981, p. 29.] Hence full significance must be attributed to the interaction of changes occurring in

economic (and socio-political) relations among countries and the internal changes in relations between the main social classes, this being of particular importance for a number of developing countries which have yet to undergo fundamental social transformations.

It is within this context that the attempts and experiences linked to various forms of integration among the developing countries should be assessed, as well as the endeavours to promote integrational process in accordance with the principles of the New International Economic Order. This is not only a form of collective self-reliance but also an instrument for the more equitable inclusion of the developing countries in the world economy and international division of labour, or, “the greater the economic interdependence of the underdeveloped world, the broader the scope for progressive internal socio-economic development and for the joining struggle of all the developing countries for fuller international economic emancipation.” [B. Cizelj, *Economic Cooperation Among the Developing Countries*, Economic Review, Belgrade, 1981, p. 273.]

THE RELEVANCE OF OPEC'S EXPERIENCE AS A MODEL FOR THE ASSOCIATION OF PRIMARY COMMODITY PRODUCERS

In the first decade of its existence, the movement of non-aligned countries focused its attention primarily on political issues, in the first place on the process of decolonization. Nevertheless, even then the non-aligned countries did not neglect economic problems in their considerations, an indication that the movement was aware of the dialectic relationship between the resolving of the world's economic problems on the one hand, and political ones on the other. The inclusion of this subject matter in the documents of all the more important gatherings of the representatives of non-aligned countries in the course of the sixties clearly shows the significance that the non-aligned countries attached to economic problems.

At the close of that decade, the non-aligned countries became increasingly aware that the existing world economic order could not bring about a substantially accelerated development of their economies, a presumption fully confirmed by the failure to implement the objectives adopted in the International Development Strategy for the First Decade. It was on this basis that the non-aligned countries set out to define the concept of collective self-reliance which was to provide a greater degree of independence in their own economic development. This concept won greater recognition for the first time at the Summit of the Non-Aligned Countries in Lusaka in 1970, where economic problems were given more attention than ever before in the history of the movement.

In the following years the concept of collective self-reliance was elaborated in more detail, and one of its elements - full support for the association of primary commodity producers - found its rightful place in the documents of the non-aligned countries adopted in Georgetown in 1972, and at the IV Summit of the Non-Aligned Countries in Algiers in 1973. What the oil-exporting developing countries associated in OPEC succeeded in achieving, i.e., increasing several times the price of this raw material in 1973 was a powerful assertion of this support in practice.

The oil price rise, as the first important achievement of the developing countries in the struggle for the New International Economic Order effectuated from a position of power, was of additional relevance for the affirmation of the concept of self-reliance since:

1. it demonstrated a high degree of political and moral solidarity between the non-aligned and other developing countries which, in view of their long-term interest in the transformation of international economic relations, gave full support to the actions of OPEC, although the higher price of oil affected them most;
2. it gave the developing countries a potentially very important material basis for achieving the concept of collective self-reliance;

3. it confirmed the historical regularity of the phenomenon that socio-economic changes, and thereby changes in international economic relations can not be materialized on the basis of strong and justified arguments, but rather, that they are primarily the expression of the balance of forces;

The rise of the price of oil echoed vigorously among the developing countries that produce and export various primary products, and they responded by establishing numerous associations of primary product producers after 1973 (banana, copper, cocoa, coffee, iron ore producers). This reinforced the belief that joint action by the producers of various primary commodities could become one of the pillars in the developing countries' struggle for the New International Economic Order. Some of the conclusions of the Conference on Primary Commodities held in Dakar in 1975 were along these lines. Namely, on that occasion it was recommended that the producers of certain primary commodities should draw upon OPEC's experience.

In spite of the initial enthusiasm of the developing countries for the establishment of associations of producers and exporters of certain primary commodities, numerous studies undertaken in the following years showed that due to the technological, economic and other features of each of these products, an uncritical imitation of the OPEC model would be impossible and in most cases quite harmful.

A number of economic, political and other conditions affect the successful functioning of various primary commodity producers associations, since the absence of only one of them substantially detracts from the efficient cooperation of the association, and in some circumstances may even completely forestall its activity. The vulnerability revealed by the majority of associations of primary commodity producers even in the initial stages of their operation compelled them to pursue a more cautious and less radical policy than was the case with OPEC in the period after 1970.

If we analyse some of the numerous specific features that OPEC had at the time of the multiple oil price rise as related to associations of other primary products producers, the most important of them are the following:

1. When the price of oil was raised in 1973 the OPEC member countries disposed of approximately 75% of the world's oil reserves, while their participation in world production that year amounted to 55.5%. In spite of the relatively low share in world production (the United States and the Soviet Union were the largest oil producers), the share of the OPEC countries in the world's oil exports was as much as 87.3% that year. [“Annual Statistical Bulletin”, 1979, Vienna: OPEC, 1980, p. XXI.]

2. In terms of physical volume and value, oil is by far the most important single item of international trade. In 1973 the tanker fleet accounted for 46% of the world's shipping industry capacities, while in the same year oil made up more than 50% of the physical volume of the world's seaborne trade. Viewed through value indicators, the share of fuels (mainly oil) in world trade amounted to 11% in 1973, and from 1974 onwards this share has constantly been at

the approximate level of 20%. [*Prospects for International Trade*, Geneva: GATT, 1980, p. 5 (GATT 1271).]

3. The average annual oil exports from the developing countries in the 1967-1969 period were valued at 13.5 billion US dollars, which was six times more than the average exports of the second most important primary products of the developing countries during that period (copper and coffee). In the same period in terms of average value, oil exports equaled total exports of the next 15 primary commodities from the developing countries, as much as 45% of the exports of the 35 leading products of the developing countries. [Helleiner Gerald: *A World Divided: The Less Developed Countries in the International Economy*, Cambridge University Press, 1976, p. 58.]

4. In 1977 only six OPEC member countries affected over 77% of the overall oil exports of this organization, i.e., 67% of the world's total oil exports. [*Annual Statistical Bulletin* 1979, Vienna: OPEC, 1980, p. XXI.]

5. Since the majority of OPEC member countries are sparsely populated (seven countries have less than ten million inhabitants), their absorption capacities are limited. In most OPEC countries this brought about an increase of currency reserves, enabling them to exert pressure in a more effective manner on the world oil market. Their financial independence and thereby greater possibility of overcoming with relative ease the problems that might appear should oil profits “dry up” is a feature which distinguishes the majority of the OPEC member countries from all other developing countries belonging to various associations of primary commodity producers.

6. The possibilities of substituting other energy sources for oil in a relatively short period of time were very slight. The power generation industry, which is a markedly capital-intensive branch, requires a comparatively long period to switch to other sources of energy. Precisely due to the great dependence of the world economy on oil (at the time technology was mainly adapted to oil energy sources) the demand for this source of energy proved to be quite inelastic pricewise. According to Panayotou's data, with an oil price of 6 US \$ per barrel the short-term elasticity of demand at that time amounted to only 0.04, and the long-term to 0.33, while at a price of 12 US \$ per barrel it was 0.09. [Panayotou Theodore, *OPEC as a Model for Copper Exporters: Potential Gains in Cartel Behaviour. The Developing Economies* (Tokyo) vol. XVII, 1979. No. 2, p. 204.]

7. OPEC had another advantage at that time, namely, the price elasticity of the oil supply from the countries outside OPEC was exceptionally low. At a price of 6 US \$ per barrel, the short-term elasticity of supply amounted to 0.9, and the long-term to 0.35, while at a price of 12 US \$ per barrel it was 0.16, the long-term 0.52. [Ibid.] In view of the situation, it is understandable that OPEC's decreased oil exports in 1973 (embargo) should have proved to be at that time such an effective measure.

8. For the success of the OPEC countries, their political basis was of substantial importance. Namely, all the OPEC members are developing countries, which regardless of the considerable differences that exist between them, provided the unity necessary for the

Organization to achieve one of its vital economic goals. The fact that Arab countries make up its nucleus also contributed to OPEC's action unity.

9. For all the OPEC countries, oil is the most important natural resource and its share in the exports of almost all the member countries of the Organization is dominant. Oil earnings represent in all the OPEC member countries the most significant source of funds for financing their economic development, so that the member countries' concentration of efforts on the two basic goals proved to be of utmost relevance for the success of OPEC in 1973, i.e., the increase in the price of oil and the adjustment of national policies and legislation in these fields.

10. Contributing also to the success of the OPEC countries was the general trend of growing primary commodity prices after 1972 and the position of oil on the world market, where at that time demand was high due to the accelerated economic development in the world during the sixties and beginning of the seventies, as well as the changed patterns in energy consumption, i.e., the greater use of oil derivatives.

The extent to which OPEC's oil price rises in 1973, 1979 and 1980 were the consequences of taking advantage of the specific economic and political circumstances in the world in a specific period of time was confirmed by the crisis which this Organization has faced in the last two years (1981 and 1982) and especially in the last few months (September 1982 - February 1983). The reasons behind OPEC's present crisis are in part the same as those that emerged at the time of both oil price rises, except that in the present situation they are counter effective, exerting a negative influence on the functioning of OPEC. In short they are manifested in a substantial decrease in the demand for OPEC oil on the world oil market over the last 2-3 years.

The oil price rises in 1979 and 1980 were accompanied by a definite slow-down of economic activity in the developed industrialized countries, the major oil consumers, as well as by the further deterioration of the economic position of the oil-importing developing countries. Under these circumstances the demand for oil slackened, as is evident from the data pertaining to the production of this raw material in the world. In 1980 it dropped 4.08%, and in 1981 even 6.5% compared to the previous year. The downward trend in the world's oil production continued in 1982 (-5.1%). Within the framework of this oil production decrease over a number of years, the production of the OPEC countries decreased most: 12.0%, 16.3%, and 17.8% in 1980, 1981 and 1982 respectively, while in the same period some non-member countries of OPEC, such as Great Britain, Norway and Mexico increased considerably the level of their oil production. This implies that the cut-back in the world's oil production is by no means the exclusive cause of the diminished oil production in the OPEC countries in the last three years, but is to a large degree the consequence of the declining participation of these countries in world production and increased share of OPEC non-member countries. It should be emphasized in particular in this connection that the supply of the OPEC countries on the world oil market was always a residual part (larger or smaller) between overall world demand on the one hand, and the supply of the non-member OPEC countries on the other. Since these countries' supply on the world oil market is relatively stable, the OPEC countries account for the greatest part of the

demand fluctuations on that market, which makes it clear why they were most and first affected by changes in the overall demand on the world oil market.

In the first stage (October 1982) the OPEC countries responded to the decreased oil demand by lowering prices; however, as it later became clear that the Organization would not be able to stabilize conditions on the world oil market only through the price mechanism, an agreement was reached in April 1982 among the OPEC countries on introducing quotas according to which each member country had the right to produce a precisely specified quantity of oil. Thus, for the first time in the history of the Organization the OPEC countries were compelled, due to the decreased oil demand on the world market, to come to an agreement on the share of individual countries in OPEC's overall production, which led to new, qualitative changes in the relations between the members of the Organization.

As some member countries did not comply with the fixed quotas, and in addition sold oil at prices lower than those agreed upon, the OPEC countries have actually been waging a price war since the beginning of 1983, which has had extremely negative effects on the functioning of the Organization and may even lead to its dissolution.

The basic characteristics of the changes on the world oil market in the last two years indicate that OPEC's present position is similar to the one that associations of primary commodity producers had to face in the past and are still facing at present and which hamper to a great extent and even frustrate their effective operation. This supports the thesis that the OPEC countries successfully countered all problems in the period up to 1980, actually in the period of a relatively high demand for oil, while when the demand for oil fell in the last two years and quotas were introduced, the Organization encountered a crisis which it has not yet been able to resolve. Accordingly, it can be concluded that the specific issues pertaining to oil and generally favourable economic and political circumstances were the main reasons which enabled OPEC to bring about major changes on the oil market in the course of the seventies.

INTEGRATION AMONG THE DEVELOPING COUNTRIES

The relationship between politics and economics, of which Professor Adamović spoke in his report, is to my mind of vital importance. Vital in so far as it opens to question the actual feasibility of applying in practice the economic policy of the non-aligned movement and joint policy of the developing countries in general. Namely, the developing countries succeed in reaching agreements on specific principles of common economic policy, but the implementation of these principles in a later stage is quite difficult and even impossible. In this process the political decisions of governments play an exceptionally important, and at times, even decisive role.

Opinions regarding the relation between politics and economics are varied and range from the stand that everything is politics, and therefore economics as well, to the belief that politics is completely detached from economics and vice versa. The truth lies somewhere in between. In many countries, however, and in a great number of situations the belief that everything is politics is much closer to reality. In my opinion, this relation between economics and politics is of exceptional significance in the field of economic cooperation among the developing countries, especially within the developing countries' regional economic integration groups. This sphere is of relevance to the developing countries because successful economic cooperation and regional economic integration as its components imply, at the same time, the application of the principle of collective self-reliance. It is a well-known fact that both the non-aligned and other developing countries are exerting efforts to materialized the principle of collective self-reliance.

Accordingly, if one takes as a point of departure the belief that politics dominates over economics in the field of economic cooperation among the developing countries, then the question of whether state and inter-state agreements can lead to effective economic policies that was posed here (by Leo Mates) becomes exceptionally important. In other words, can the results of the political will of various factors, and the establishment of integration groups should be taken as such, make it possible to achieve real economic effects?

It should be emphasized that although this process is under way within the framework of economic cooperation among developing countries it is nevertheless fraught with difficulties. It is by no means easy to attain economic results, but on the other hand it is more than certain that in order to achieve integration and implement a joint economic policy, the political will of the member countries is a necessary or even a precondition in some fields.

To be more specific, there is general agreement that the effects of economic integration among the developing countries are unsatisfactory and that the results of economic cooperation among the developing countries have been extremely modest. Namely, in practice, for a number

of reasons, it was not possible to carry out inter-state agreements with economic efficiency. I shall touch briefly on a number of them.

The general characteristics of all integration groups among the developing countries (regional, sub-regional and inter-regional) is that their results have fallen short of expectations. This, in other words, means that greater economic efficiency is expected of the member countries, as results are almost always linked to economic indicators. The second general trait is that the schedules pertaining to the gradual liberalization of trade or the application of some other joint criteria have not been met. Time-limits were not observed, due to an inadequate political assessment of the capacity of the member countries' economies to take the envisaged measures.

In order to understand better the results, it is necessary to consider both the incentives and the limiting factors of integration. The incentives for entering into economic integration are both political and economic by nature, but primarily political. The limiting factors of successful economic integration are also both political and economic, and I would also say here mainly political or socio-political.

Among the incentives it is necessary to single out the following: first, the desire to weaken the links on the basis of which the relationship of the developing countries towards the developed ones was characterized in Professor Adamović's introductory report as a relationship of dependence, and the simultaneous desire to establish a counter-balance to that relationship by promoting new forms of cooperation, forms that can be qualified as relations of increasing interdependence between the developing countries. Second, a more powerful position of the member countries towards third countries can also be an incentive. In the first place towards the traditional partners among the more developed countries (the big powers with which the developing countries have something in common geographically or politically, or else the former colonial powers). Third, the desire to establish better relations with neighbouring countries can be another motive. This motive can be illustrated with many examples - (within the Andean Group, for instance, Bolivia tried to regain access to the Pacific Ocean which it had lost long ago during a war with Chile, and the possibility of settling its relations with Chile was one of the motives for acceding to integration).

Incentives that are economic in nature are much more numerous, although of less importance. Among them the more significant ones are: the possibility of stepping up industrialization, utilizing the economics of volume, resolving the problem of an improved use of natural resources and production factors on a regional scale, increasing trade in non-traditional export commodities, as well as the possibility of accelerating economic development in general, something domestic economic forces are too weak to do. Expanded regional markets along with the joined forces of the member countries offer, in each of the above-mentioned fields, greater possibilities, making it undoubtedly a powerful motive for accession to integration in cases of small under-developed and frequently mono-culture economies.

Factors with a limiting effect on the development of economic integration processes among the developing countries, and because of which the results of integration have been unsatisfactory, are of an economic and political nature.

Among the economic factors the most important is the uneven level of the member countries' economic development, and accordingly, the heightened polarization effects of integration and the uneven distribution of positive and negative results. To date, economic theory has not offered reliable instruments for measuring the economic effects of integration in the developing countries, so that the economic results of integration cannot be spoken of with complete certainty. Besides, I believe economic factors are not decisive for the fate of integration so there is no need to dwell upon them any longer on this occasion.

The limiting factors of a political nature can be divided into external and internal ones. Among the international political factors of special significance for the development of integration is the effect of the international political environment on integration as a whole or on individual member countries. Among the internal political factors it is necessary to single out two which have a decisive role in the development of integration. Firstly, these are the frequent changes of regimes, namely, the instability of political regimes, and as a consequence the constantly changing attitudes towards the relevance of integration for the country concerned. Secondly, various forms of antagonism that exist among the member countries (incompatible political systems, religious intolerance, altered natural borders between nations, etc.) and which provoke not only crises, but wars as well, and at times determine the duration of integration in general or for certain of its members.

Among the limiting factors a special place is held by those comprising political, social and economic elements, i.e., the problem of integration at a national level. The majority of the developing countries have not achieved integration on a national level. The following facts, therefore, have to be taken into consideration:

- a) that integration has remained a matter of the policy and interest of the ruling structures;
- b) that integration has had an impact on greater polarization between regions within a national framework.

I am convinced that the problem of mobilizing the population and achieving integration on a national level requires urgent solution. It is necessary to break the circle within which incomplete national integration can have a negative influence on the development and results of economic cooperation among the developing countries, wherein it influences unfavourably, especially through industrialization at the level of integration, the achievement of national integration. If the problem of mobilizing the masses and linking their interests to integration were to be solved, it might also be easier to achieve a better use of production resources and production factors at the regional level. In this way economic cooperation among the developing countries could be brought to a higher and more efficient level. In other words, the internal strengthening of the developing countries is a precondition for attaining the forces necessary to implement the principle of collective self-reliance, i.e., to advance from a level of growing

political interdependence to a level of efficient economic interdependence among developing and non-aligned countries.

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INTERNATIONAL ECONOMIC INTEGRATION AND THE NON-ALIGNED COUNTRIES

The policy of non-alignment emerged as a reflection of international realities at a time of increased tensions in world politics and an escalation of the cold war. Parallel with the occurrence and intensification of the cold war, another new phenomenon and process appeared in international economic relations, namely, international economic integration. It may well be said that the origin of international economic integration coincided with the beginning, development, and escalation of the cold war, which was one of its basic sources outside the economic sphere. On the territory of Europe, both within the framework of the West European capitalist and East European socialist countries, numerous international organizations and institutions were set up. In Western Europe, to mention just a few, the Organization for European Economic Cooperation (OEEC), the European Payment Union (EPU), the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), while in Eastern Europe, the Council for Mutual Economic Assistance (Comecon).

The explanation of the synchronized evolution of the cold war process on the one hand, and the process of international economic integration on the other, is founded on the belief that prevailed at that time, namely, that a future war would be waged with conventional weapons, making it necessary to secure an adequate material basis. It was accordingly considered appropriate to opt for a speedier and more intense linking of national economies into forms of regional international economic integration groups which were to serve as the economic bases of the two opposed military-political blocs - the North Atlantic Treaty Organization (NATO) on the one side, and the Warsaw Pact on the other.

It would be difficult to dispute this interpretation, especially in view of the fact that the principal motivating force and incentive for international economic integration is economic in nature and the result of a contradiction between constantly growing production forces and narrow national markets. Immediately after the war, however, when the process of international economic integration was in its initial stage, the West European countries emerged with drained national economies, and only partly redressed damages caused by World War II and the great economic depression. At that time the need of linking more closely the economies of the West European countries was not recognized; it was viewed from the angle of sufficiently large domestic markets that could absorb without difficulty demand being greater than supply - the entire national production. Naturally in these circumstances narrow national markets were far from being a problem. This applies to an even greater degree to the economies of the East European socialist countries, including the USSR, among which no tradition existed for economic cooperation.

In view of the interconnection existing between the cold war, the formation of military-political blocs and international economic integration, one must raise the question of the relation between the policy of non-alignment and the process of international economic integration, considering that these processes not only appeared simultaneously, but represented the most prominent feature of post-war international economic and political relations. What are the prospects of these two processes? How realistic are they? Do they contradict or complement one another? All these questions require an answer.

International integration was not without consequences, both for the countries that have become members of regional economic integration groups, as well as for those that have remained outside those groups. The question of how the process of economic, and hence political integration among the developed capitalist, the socialist and the developing countries influences the non-aligned countries should be posed within this context.

1. Economic Integration of the Developed Capitalist Countries and the Non-Aligned Countries

When assessing the effects of integration by developed capitalist countries, one should not overlook the impact of the two regional economic integration groups established and active in Western Europe - the European Economic Community and the European Free Trade Association. Although these two integration groups differ as to their goals, levels of integration and aspirations in regard to the further linkage of the member countries' economies, they have similar effects on the economies of the non-aligned countries and on the policy of non-alignment.

In analysing this influence, one must proceed from the fact that the majority of today's independent countries which opted for the policy of non-alignment were once colonies and under the economic and political patronage of the EEC and EFTA countries, which were formerly their metropolises. However intense their dislike of the former colonial countries, the majority of the non-aligned countries after formally gaining their political independence remained economically linked to and attached to the former metropolises, so that in the period of political independence not only were formerly established economic ties extended, but constantly strengthened and consolidated.

Contributing to this situation was the policy of the integration groups, a policy based on objectives incorporated in the agreements on integration adopted by the countries joining regional economic groups in Western Europe. Thus, for example, France and several other EEC countries conditioned their accession to the group by the prior settling and defining of the status of their colonies within the EEC, those that were just about to gain their independence. In this way, a number of non-aligned, mostly African countries attained associate membership in the EEC, which provided them with certain financial facilities and easier access for their

commodities to the markets of the EEC countries as compared to other countries. However, although a number of non-aligned countries enjoy considerable short-term advantages as associate members, this has negative long-term effects in the sense that it petrifies the unfavourable economic structures prevailing in these countries. Within this context lies the second aspect which has had and still has adverse effects on the policy of non-alignment. Namely, the EEC offers economic facilities only to certain non-aligned countries, those that, owing to their associate status have similar production patterns and similar interests in selling their commodities on the markets of the EEC member countries, thereby playing in an unfavourable position other underdeveloped countries without such a status with the EEC.

It is therefore not difficult to understand why under these circumstances a number of thus affected non-aligned countries frequently voice justified protests, thereby increasing dissension and giving rise to contradictions within the movement, blunting the cutting edge and weakening the unity of the member countries in the implementation of their economic and political objectives. It should be added that as a consequence of the EEC's tariff policy, the underdeveloped countries suffer losses not only on these markets, but also on those of the EFTA countries and other developed countries, which is contrary not only to the interests of the underdeveloped raw material exporting countries, but to those of the developed countries and to world peace and progress in general.

2. *The Economic Integration of the East European Socialist Countries and the Non-Aligned Countries*

The impact of the economic integration of the socialist countries within the Council for Mutual Economic Assistance (Comecon) on the policy of non-alignment, namely, the countries which are advocates of this policy, should be viewed, on the one hand in relation to the conditions of economic cooperation among the Comecon member countries, and also their economic strength and position in the world economy, and on the other hand in relation to the economic policy adopted by these countries towards foreign countries.

As regards the first aspect of the problem, one cannot overlook the fact that the economic potentials of the Comecon member countries have not been used to the full, and also that a considerable period of time will be necessary to achieve this. Apart from that, it should be emphasized that a large disproportion exists between these countries' participation in world production and their share in world trade, the latter lagging considerably behind the former. This adversely affects the role of these countries as participants in world trade and diminishes to some extent the actual chances of overcoming this state in the near future.

Taking the above-mentioned as a point of departure, only a modest contribution of the Comecon can be expected, compared to the potentials that exist within the regional integration

groups of the developed capitalist countries for transforming the existing international division of labour, which maintains a large part of mankind, above all, the non-aligned and underdeveloped countries in a hopeless state of economic backwardness. This, however, does not mean that the results achieved in economic cooperation between individual socialist Comecon countries and the non-aligned should be underestimated, a cooperation that has been to date primarily bilateral in character, within the framework of inter-state agreements.

Emphasis should be laid on the fact that in the case of a certain number of non-aligned countries, the Comecon countries' share in their overall economic cooperation with foreign countries holds a dominant place. The question of whether these non-aligned countries can defend with full independence and decisiveness the principles of their foreign policy which is postulated and linked to non-alignment is not posed without reason. This was manifested in all clearness at the VI Non-Aligned Summit Conference in Havana, when attempts were made to modify the original principles of non-alignment and distort them into an international political orientation that presupposed a "rapprochement" to one or the other military-political bloc, and the exclusion of one or the other socio-economic system.

It is easy to understand why these conceptions are unacceptable to the movement of non-alignment, inter alia, because they are in direct contrast to the policy and principles of the movement, and because they lead directly and unmistakably a step nearer to a global catastrophe. On the other hand, the exclusiveness of one or the other socio-economic system not only limits one of the vital and fundamental rights of every country, i.e. to choose independently the socio-economic system it deems most appropriate, but is at the same time contrary to the principle of non-alignment relating to cooperation and co-existence among countries with different socio-economic orders, a necessity resulting from the heterogeneity of the international community.

The second relevant factor underlying the modest impact of the economic integration of the Comecon countries on the non-aligned can be found in the persistent stand of the members of this regional group that they are not responsible for the present position of the underdeveloped countries in the world's economy. For the time being the Comecon countries for the most part support only in general the developing countries' requests for changes in existing international economic relations, and are not taking specific measures that would help the underdeveloped countries to shed more quickly the burden of economic backwardness. Thus, in the struggle they are waging for the political and economic emancipation of peoples and states, the nonaligned countries encounter various forms of resistance from certain Comecon countries, manifested primarily in the refusal of the developing countries' concrete requirements, i.e., initiatives taken by the non-aligned regarding the necessity of establishing a New International Economic Order. [Edita-Stojić-Imamović, *Socialism as a World Process and the New International Economic Order*, NMEP, IMPP, Belgrade, 1977, p. 206.] This seems quite a paradox as it is incompatible with socialism as a world process which should naturally bring economic and political emancipation to insufficiently developed countries. At the same time, more equitable international economic relations would be in the interests of the East European socialist

countries, ie, the Comecon member countries which also lag behind the level of development of the developed capitalist states.

The afore-mentioned support which is primarily formal and declarative in character, along with a passive or negative attitude towards certain requirements of the developing countries is a serious obstacle to the introduction of the New International Economic Order, implying actually indirect support of the maintenance of the existing division of labour, contrary to the interests of the world's economy as whole, and therefore, also to the interests of the socialist Comecon countries. There is no doubt that all this is not to the advantage of the non-aligned movement, in the first place because it has a negative economic impact.

In an attempt to explain the attitude of the Comecon countries towards the acute problems of the developing countries, it would be helpful to consider the evolution of economic cooperation between the two groups of countries. Without intending to go into an analysis of this cooperation, it should be borne in mind that the Comecon countries have no tradition of economic relations with the developing countries as former colonies. Economic relations with these countries began developing from the mid-fifties onwards with the differences in the Comecon countries' policy towards those countries appearing from the very beginning. Namely, the Comecon countries established economic relations only with those underdeveloped countries whose socio-political orientation was socialist. Later this policy was abandoned and economic cooperation was expanded to other underdeveloped countries, although there still remained certain features essential for the effects of economic integration with Comecon on the non-aligned countries. This pertains to the still noticeable ideological and political components present in economic relations with the non-aligned countries which burden to a considerable degree their cooperation.

Another reason for neglecting economic cooperation between the Comecon countries and the developing ones is that the socialist countries lag behind the developed Western countries in technical and technological development. [Ljubivoje Prvulović, *The Development of Economic Cooperation Within the Comecon and the New International Economic Order*, Belgrade, 1977, p. 331.] Due to this, the Comecon countries have shown interest primarily in the promotion of trade between the East and the West, and only after that, in changing the existing international division of labour, and within this framework, in promoting economic cooperation with the developing countries. There is no doubt that the objective possibilities of the Comecon countries and the developing countries are far greater than the present level of economic cooperation. It should be added that a tendency exists among the Comecon countries, and the USSR in particular, of directing cooperation mostly to a small number of economically, politically and strategically relevant developing countries, neglecting thus the economic potentials of other developing countries. This tendency is by no means harmless, considering that it intensifies divisive and discriminating relations, which can become an ample and real source of negative repercussions for the non-aligned countries.

3. *The Integration of Developing Countries and Non-Aligned Countries*

International economic integration, as a phenomenon inherent to the laws governing international relations, has embraced, apart from the developed, the developing countries as well, including naturally in the process a certain number of non-aligned countries. Although the process of international economic integration among the developing countries has many specific characteristics and major distinctions, it has not passed unobserved in respect to the policy of non-alignment.

The organizational forms of international economic integration among the developing countries first appeared and began to develop in Latin America, later expanding to groups of African and Asian countries. The evolution of integration in the developed countries inspired the developing ones to exert efforts and establish their own forms of integration. It was believed that they would contribute to more fruitful economic cooperation and increase their bargaining capacity, in the first place, vis-à-vis the developed capitalist countries. The underdeveloped countries turned to the establishment of regional economic groups in an attempt to neutralize the expected consequences of the developed countries' integration. [Ljubiša Adamović, *International Economic Relations - Current Trends*, Savremena Administracija, Belgrade, 1978, p. 106.]

As was anticipated, the effects of international economic integration among the underdeveloped countries have not been satisfactory. This is not surprising if the objective limiting factors of economic cooperation among the developing countries are taken into consideration. Therefore, no illusions should be entertained as to immediate and spectacular results of economic integration among the non-aligned countries, as they are for the main part underdeveloped countries which accede to integration groups with all their numerous specific and complex economic problems, and with traditional economic ties with foreign countries that are quite difficult to change.

In such conditions the elimination of trade barriers among the developing countries which are members of integration groups can yield only limited results due to the symbolic volume of their trade and overtly expressed inclination towards the developed countries. As it is, regional integration among the underdeveloped does not receive the attention of countries outside the groups because their exclusion affects them only slightly or not at all, which is the main reason for the lack of opposition in the international community as was the case in the process of initiating and later functioning of regional integration groups among the developed industrialized countries.

This does not mean, however, that economic integration among the underdeveloped countries is evolving without difficulties and contradictions. The establishment of the Andean Group is, among other things, the result of the dissatisfaction of a certain number of member countries of the Latin American Free Trade Association (LAFTA) with the development of

integration within the regional group which is comprised of underdeveloped countries of this region. [Kevin I. Middlebrook, *Regional Organizations and Andean Economic Integration*, 1964-1975, *Journal of Common Market Studies*, Vol. XVI, No. 1, September, 1978, p. 64.]

The process of international economic integration among the underdeveloped countries can be furthered only by the non-aligned countries, particularly, if this process includes joint planning, joint ventures in optimal projects of common interest and other forms of economic cooperation which can contribute to a more accelerated development of the under-developed countries. This would most probably strengthen to some extent the bargaining position of the non-aligned countries, narrowing at the same time the possibilities for the negative effects of foreign capital in regard to the needs and programmes of economic development of the underdeveloped countries and stimulating the creation of a more favourable atmosphere for strengthening the unity of the non-aligned countries.

In analysing the effects of the economic integration of the developing countries on the non-aligned, one should proceed from the assumption that differences exist among these countries in their levels of development, overall national income and income per capita as well as in their socio-political systems, languages, traditions, etc. Consequently, in these circumstances one cannot expect to establish integration on a universal principle in spite of identical foreign policy options linked to non-alignment. The formation of regional economic groups among specific non-aligned countries is a much more realistic option, wherein the barriers that exist in the free flow of commodities and capital, movement of the labour force and organization of other forms of economic cooperation would be eliminated first. At the same time this option is free from any elements that could lead to the restriction of trade and economic flows, i.e., discrimination against countries outside regional groups, as is the case with the practice of the developed countries' regional organizations.

A contributing factor is the fact that the economic differences among groups of non-aligned countries are slight and that these remain sufficient opportunities for developing inter-regional cooperation on an individual basis with those countries that are not members of any regional economic formation. In this sense all the non-aligned countries are in favour of establishing joint economic institutions (joint banks, a common accounting unit, joint payment unions), which would stimulate economic integration and economic cooperation. However, in these attempts there is real danger from the presence of foreign capital which utilizes with skill the tariff facilities on the markets of the developing countries' regional groups and so impedes economic cooperation with other developing, i.e., non-aligned countries outside these groups. It can have a negative impact on political relations among certain non-aligned countries, which is certainly not conducive to the unity of the non-aligned movement. As an illustration one can take, the example of the activities of multinational companies within the integration groups of the Latin American countries, [Paul Prebisch, *Propos sur le developpement et la politique commerciale internationale*, in the book *Justice economique internationale*, Gallimard, Mexico, 1976, p. 181.] among which a large number incline towards the movement of non-alignment, and some have already become full-fledged members.

It is a known fact that the further strengthening and development of the non-aligned movement is hindered by deteriorating political relations and open military conflicts between certain non-aligned countries. Undoubtedly it is difficult to do away with traditional distrust inherited from the past, and stimulated by reactionary internal and malevolent external instigators of tensions among the non-aligned countries. The history of international relations, however, is not lacking in examples of economic cooperation between hostile and opposed parties serving as a reliable and efficient remedy for regaining confidence as a guarantee of lasting peace and common prosperity.

Accordingly, certain forms of international regional economic integration among the non-aligned countries can represent a rational mechanism for the lasting elimination of political disputes, something that would most certainly mean considerable economic benefits not only for the non-aligned countries as the direct protagonists, but for other countries that belong to this movement and the world in general.

Proceeding from the firm belief that underdeveloped countries have enormous untouched potentials for the promotion of economic cooperation, regional economic integration among the underdeveloped countries can be a useful institutionalized mechanism offering possibilities for these countries to achieve self-reliance. The laying of emphasis on this orientation does not imply a departure from the policy of non-alignment and its principles. It is exactly the contrary, since self-reliance means maximum mobilization of indigenous economic resources in removing the main obstacles on the path to economic development. Even less does it imply a step towards autarky in international economic relations or attaching less importance to economic cooperation with the developed countries.

The substance of self-reliance, including integration of the national economies of the underdeveloped countries, is justified from the economic point of view in the first place because these countries cannot develop their vital infrastructures and expand production facilities with their own resources in a short period of time, and foreign indebtedness cannot go on forever because of the balance of payments. Therefore, the logical alternative is the development of joint infrastructure facilities along with the construction of production capacities that are optimal in size on the basis of pooled financial resources. This is justified not only because of reduced purchasing power and a lack of financial means, but also because of the complementarity of the developing countries' national economies. In conditions characterized by a low level of economic development, the complementarity of economies is a powerful incentive for regional integration, which is not the case with the integration of developed countries whose primary objective is to generate profits on the basis of competitive national economies.

Conclusion

In analysing the relationship between international economic integration and the non-aligned countries one should be careful not to oversimplify and assess the effects of the process of international economic integration on international economic relations either as completely negative or completely positive. Likewise, the question of the complexity of influences and relations that exist between international economic integration and the non-aligned countries cannot be answered quickly or categorically. The strengthening of regional economic integration groups and their stability has promoted the speedier economic development and more lasting and stable economic growth of the integrated countries. This has motivated a certain number of countries to join existing regional groups. If the negative effects of closed regional groups on third countries (non-members) are disregarded, and only the possibilities offered by these groups for the accelerated development of production forces are taken into consideration - then this process cannot be denied its economic and social justification.

Furthermore, in certain circumstances international economic integration can have a positive impact on peace and the stabilization of political relations and not just heighten dissension between the countries that are integrated into regional groups and those that suffer the negative consequences of discrimination due to economic isolation. The linking of the economies of France and West Germany within the EEC is a convincing example of how international economic integration has contributed to the elimination of a traditional lack of confidence between the two countries.

Viewed from these aspects, international economic integration can have positive effects on the further affirmation of the policy of non-alignment, provided that the political aspects of integration increasingly give way to economic motives, exerting in the process a positive influence on the establishment of balanced relations, in the first place by bridging the gap between the developed and developing countries. If the process of international economic integration were free of various bloc and political factors, and if the elements of isolationism and discrimination of regional groups were eliminated, i.e., those originating primarily from various political and other non-economic interests, then the principles of the policy of non-alignment and the effects of the process of international economic integration could continue to develop along parallel roads.

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THE POSITIVE IMPACT OF TRADE AMONG DEVELOPING COUNTRIES ON THE POLICY OF NON-ALIGNMENT

1. Introduction

In the seventies, after 1976 in particular, the developing countries began devoting greater attention to the promotion of their mutual trade. As early as 1973, at the Fourth Summit Conference of the Non-Aligned Countries in Algiers, it was recommended to all the developing countries to “double their mutual trade growth rates”. At subsequent developing countries’ meetings a number of decisions and recommendations were adopted as well, with a view to enhancing their mutual trade flows by introducing new forms of cooperation in trade and establishing an elaborate system of preferences among developing countries (GSTP).

The aims that developing countries pursue by promoting cooperation at the macroeconomic level (as defined in their Programmes of Action and other documents) comprise the following elements:

- making better use of the existing complementarity among developing countries (in many cases calling for the exclusion of go-between from developed countries);
- evolving a new, mutually beneficial division of labour through subregional and regional specialization, establishing thereby broader interdependence among developing countries;
- reinforcing the individual and collective bargaining positions of the developing countries on international markets;
- implementing at least some of the principles of the New International Economic Order (e.g. having better-off developing countries grant preferential treatment to the least developed ones).

Evidently *these aims exceed by far the normal, i.e. conventional functions of foreign trade*. In any case, the structure of foreign trading partners and the regional orientation of foreign trade have long since become an area of *strategic consideration* for all countries, regardless of their development levels. However, under present-day conditions, developing countries see their mutual trade as having an even *broader function*, one associated with overcoming their unsatisfactory position in international trade and speeding up developmental processes through greater collective self-reliance.

In the light of this, the emphasis placed on the role of trade among developing countries is at times designated as too politicized a concept (particularly when that trade is defined as a substitute for trade between developed and developing countries). However, one can only partially agree with this critical assessment, being aware that the concept indeed derives from politics, whereas theory is somewhat slower to work out adequately the required conceptual framework. The fact that economic theory lags behind can in this case be accounted for by the necessity of combining theoretical efforts from various disciplines: foreign trade, the theory of economic development, and international economic relations.

This becomes all the more important since an expansion of mutual trade does not necessarily produce adverse effects on developed countries. Given a more constructive international environment - one where trade among developing countries is accepted by developed ones as a legitimate and useful factor of restructuring the world economy (promoting and facilitating the transfer of industries) - it may, in fact, directly benefit developed economies.

Regrettably, one must point out that even today certain skeptics from developing countries still underrate the role of mutual trade. To them it is nothing but “*a second best trading strategy*” for developing countries.

Both approaches, however, disregard the fact that - especially at the subregional and regional levels - a major portion of the trade among developing countries constitutes a “perfectly normal” economic transaction warranted by the differences in factor availability, low transportation costs and similar consumer habits among groups of developing countries. In the past this trade developed at a very slow pace, above all owing to imposed colonial trading links.

The main objectives referred to above, adopted by the governments of developing countries at international meetings, constitute multilateral political commitments which in many cases have not been sufficiently translated into foreign trade measures and everyday priorities within the foreign trade policies of the countries involved. Taking this into consideration, a rather skeptical attitude to trade among developing countries - primarily on the part of their private sectors - is to be expected.

One can certainly not expect trade among developing countries to be economically attractive only if supported by national (governmental) or international measures and actions (subsidies and other preferentials). Trade among developing countries is affected by numerous aggravating factors, each comprising objective as well as subjective-psychological elements (prejudices, ignorance). The shortage of suitable goods and associated trading services, the lack of transportation links and communications, the inadequate credit potential and availability of necessary business information, etc. should be mentioned within the first category. In the subjective sphere, there is obviously a disinclination to trade among developing countries, associated with an underestimation of their technical capacities and inertia in respect of changing traditional trading partners and trade marks.

Developing countries are increasingly aware of the factors inhibiting their mutual trade and are exerting efforts gradually to eliminate them. Measures encouraging trade among developing countries can be classified into the following two categories:

a) measures directly encouraging trade (trade liberalization, export subsidies, support for state trading organizations and multinational marketing enterprises, etc.).

b) measures indirectly affecting trade (development policy fostering economic cooperation among developing countries, especially regional industrialization schemes).

All these measures already belong to the past but even now appreciably help strengthen trade among developing countries, although it is too early to appraise, i.e. quantify their actual contribution.

2. *Results of Trade Among Developing Countries to Date*

Over the past decade trade among developing countries has been the most dynamic segment of international trade: *namely its share in the overall trade of the developing countries as well as its share in overall world trade has kept increasing* (See Table 1). In the 1970-81 period, reciprocal exports of developing countries increased fourteenfold, with their share in overall developing countries exports in 1981 amounting to 27.3% and that in world exports to 7.6%. Available data indicates the growing importance of trade among developing countries in the seventies, reflected also in a changed position of the developing countries in international trade. Concurrently with an exceptionally strong influence of increased oil prices on the above-mentioned trends, other relevant factors have to be taken into account, among which surely the most significant is the intensification of trade in industrial products in terms of both value and quantity (See Table 2). From 1970 to 1981, mutual industrial trade grew from \$3 billion to \$47 billion. Observing the volume of this trade alone it is clear that industrial products were the chief component of trade among developing countries (in 1975, the mutual exports quantity index, with 1970 as the base year, was 275 for industrial products and only 128 for oil).

TABLE 1.

Relative Significance of Trade Among Developing Countries, 1970—1981
(based on export indices)

Year	Mutual exports of developing countries (in \$ bill.)	Share of mutual exports of developing countries in their overall exports in %	Share of mutual exports of developing countries in overall world exports in %	Quantity index of mutual exports of developing countries (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

1	2	3	4	5
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	163
1977	68.6	23.8	6.1	173
1978	73.3	25.7	5.6	183
1979	101.3	24.3	6.2	—
1980	141.2	25.3	7.0	—
1981	149.0	27.3	7.6	—

Source: UNCTAD Handbook of International Trade and Development, Statistics Supplement 1976, 1977, 1980 and 1981, Monthly Bulletin of Statistics, July 1980 and July 1982.

As a result of such trends, the industrial exports of developing countries, unlike their overall exports, depended less and less on developed markets and this was conducive to significant structural changes. [In 1973, the share of developed countries in overall developing country exports was 73%, and their share in industrial exports was 65%. In 1981, their share in overall and industrial exports fell to 68% and 56%, respectively (Industrial Trade, 1981/82, GATT, Geneva).] These trends are bound to exert a long-term influence on the development of the developing countries and bolster their cooperation while reducing their dependence on developing ones. Hence, one can note that industrial products shall determine future trends in trade among developing countries to a great extent.

TABLE 2.

Value of Mutual Industrial Exports of Developing Countries
(Industrial goods, SITC 5—8) and growth indices

Year	Mutual industrial exports of developing countries (in million \$)	Chain index	Quantity index (1970=100)
1970	3,020	—	100
1971	3,770	125	110
1972	4,780	127	137
1973	6,845	143	151
1974	10,940	160	187
1975	11,490	105	197
1976	14,930	130	224
1977	18,744	126	250
1978	23,161	124	275
1979	31,950	138	—
1980	41,600	130	—
1981	46,900	113	—

Source: Handbook of International Trade and Development Statistics 1976, 1977, 1980 and 1981, International Trade 1981/82-GATT, Monthly Bulletin of Statistics, July 1980.

Other indicators also reflect the intensification of trade among developing countries. Although oil-exporting developing countries, with their effective demand, have substantially contributed to the expansion of trade among developing countries, it should be pointed out that *during the seventies the number rose of developing countries with mutual exports and imports accounting for a growing share of their trade.* [In the period from 1964 to 1966, out of 90 developing countries, 32 had above 20% of their imports coming from developing countries, and 28 a similar percentage of their exports going to developing countries. From 1977-79, of a total number of 94 developing countries, this number increased to 55 countries for imports and 50 countries for exports.] This means that the expansion of trade among developing countries is not confined to a certain number of countries only, although some groups of countries did have a greater influence on the said trends.

TABLE 3.

Share of Developing Countries in NICs Overall Exports and Imports, 1964—66, 1971—73, 1974—75, 1977—79, in %.

Country	1964—66		1971—73		1974—75		1977—79	
	exp.	imp.	exp.	imp.	exp.	imp.	exp.	imp.
Argentina	18.9	29.4	28.6	24.7	34.2	33.2	32.2	23.6
Brazil	15.4	28.6	18.9	13.0	24.7	33.7	25.5	42.4
Mexico	9.8	3.2	12.7	3.2	15.7	8.3	11.1	6.2
Yugoslavia	14.7	12.8	9.0	10.6	14.9	15.0	18.5	14.1
India	22.8	15.4	24.8	24.4	32.1	30.8	29.8	36.4
Pakistan	35.7	9.2	41.2	21.1	53.8	30.1	48.0	35.2
Rep. of Korea	22.6	12.8	13.4	17.7	18.8	25.6	22.2	25.3
Singapore	—	37.8	50.1	39.5	48.5	46.7	45.7	46.6
Malaysia	16.6	33.7	36.5	29.4	36.8	30.5	30.7	28.8
The Philip- pines	5.7	16.7	8.1	18.2	9.3	27.8	10.9	29.9
Thailand	47.6	16.9	43.0	20.6	40.8	27.4	39.3	29.0

Source: Directions of Trade, Annuals 1964—68, 1970—76, 1974—80, IMF.

TABLE 4.

Structure of Mutual Exports of Developing Countries by Chief Groups of Products, in 1955, 1965, and 1975—79, in %

Groups of products according to SITC	1955	1965	1975	1976	1977	1978	1979
Food (0+1+22+4)	27.6	27.3	15.5	12.7	13.4	13.5	12.7
Agricultural commodities (2—22—27—28)	16.2	10.3	4.8	4.8	4.8	5.2	5.2
Ores and metals (27+28+67+68)	2.2	4.8	3.7	4.3	4.1	4.6	4.9
Fuels (3)	37.3	34.5	54.1	55.3	53.0	48.4	47.1
Industrial products (5 to 8 except 67 and 68)	15.8	21.6	21.3	22.4	24.2	28.0	26.9

Source: Handbook of International Trade and Development Statistics, 1976, 1977, 1980 and 1981.

Table 3. shows that in almost all newly-industrialized countries, the share of developing countries in both their imports and exports has risen. This is especially true of the imports of India, Pakistan, Singapore, the Philippines, Brazil and Thailand and of the exports of Argentina, Brazil, India and the Philippines. This points to the conclusion that the share of mutual trade among developing countries grows parallel with the industrialization process and the economic development of the countries in question (accompanied by an expansion of the industrial products pattern).

Another change in trade among developing countries should be pointed out, namely *the strengthening of inter-regional trade*, which today accounts for over half of their trade. This is to a great extent a consequence of increased oil prices, as oil is mainly traded on an interregional basis. Leaving oil aside, interregional trade nevertheless grew significantly over the past decade (i.e. 29% annually, and if oil is included, as much as 36%). Still more important, interregional trade grew faster than intra-regional did, in respect of all categories of goods except agricultural commodities and non-ferrous metals.

Describing the pattern of mutual trade among developing countries, there are important structural changes that should not be omitted. (See Table 4). The most evident is the increased share of fuel, which toward the close of the seventies accounted for over 50% of their trade.

Another, even more important, structural change in the seventies is the increased share of industrial products, which in 1981 accounted for over 30% of the trade among developing countries. The share of food and agricultural produce - the traditional export items of developing countries - has declined since the mid-fifties as a consequence of the developing countries orienting themselves to industrial production.

TABLE 5.

Structure of Mutual Industrial Exports of Developing Countries in 1973, 1975, 1977, 1979 and 1980, in %*

Industrial production categories	1973	1975	1977	1979	1980
Non-ferrous metals	7.3	6.8	6.4	4.7	5.0
Iron and steel	6.9	5.1	4.7	6.7	5.7
Chemical products	12.6	12.3	10.5	10.5	11.2
Other semi-manufactures	10.2	10.2	9.9	10.9	10.9
Machines and transport equipment	30.3	36.7	38.2	39.0	39.2
— machines for special industries	7.7	8.9	7.4	7.4	7.9
— office and telecommunication equipment	4.2	5.0	4.5	5.7	5.3

	1	2	3	4	5	6
— road motor vehicles		3.6	4.6	3.6	3.8	4.0
— other machines and transp. equipment		10.2	13.6	16.6	15.7	14.6
— electrical household appliances		4.5	4.6	6.1	6.4	7.4
Textiles		19.5	15.5	15.3	14.3	13.5
Clothing		6.0	5.4	6.2	5.0	5.6
Other consumer goods		8.3	7.7	8.8	9.0	9.0
Total industrial products:		100.1	99.7	100.0	100.1	100.1

* Excluding oil-exporting developing countries
source: International Trade 1979/80, 1980/81, GATT.

The rising importance of industrial goods in trade among developing countries requires a more detailed analysis of their structure. The developing countries first featured as exporters of labour-intensive industrial products and later on gradually diversified their export patterns by introducing more sophisticated products requiring a more extensive application of their own technologies and know-how.

Table 5. shows structural changes in the pattern of industrial trade among developing countries. Surprisingly enough, *there is a growing share of machines and transportation equipment, which in 1980 made up 40% of the developing countries' mutual industrial exports.* Within this group, electrical household appliances and machines for specialized industries registered the strongest upward trend. Such structural changes result on the one hand from national policies of industrial development oriented to more capital-intensive industries and from the production of transnational company branches on the other.

Among the categories of goods the share of which has declined in industrial trade among developing countries, the steepest fall has been recorded in textiles and clothing, confirming that more and more developing countries are initiating industrialization processes in their textile industries, thus to a greater or lesser extent meeting their own requirements. A considerably slower decline has been observed in the non-ferrous metals trade - mainly as a result of their reduced prices and partially thanks to the efforts of the developing countries to introduce higher processing stages for their own commodities.

Although chemical products, other semi-finished products (leather, leather products, rubber, wood, cork, paper and glass products) and other consumer goods (furniture, travelling bags, footwear) account for quite a share of the developing world's mutual industrial exports, over the past few years there is a marked tendency of stagnation in that respect.

In addition to the above mentioned changes, another salient characteristic of the developing countries' industrial exports should be stressed. Developing countries find it easier to market their more complex industrial products and capital equipment within their mutual export

transactions than when dealing with developed countries. This is why their chief exports to Western countries are consumer goods and less complex industrial goods, while capital equipment and other technology-intensive products (heavy-duty equipment, building materials, transportation equipment, motor vehicles, machines, metal products) are primarily exported to developing countries.

3. *Possibilities for the Further Development of Trade Among Developing Countries*

Will the described trends in trade among developing countries continue into the future as well, and what factors will they be determined by? An answer to these questions necessarily has to take into account the factors which in the past also stimulated greater cooperation among developing countries, as well as the anticipated developments in international economic relations. It is most likely that the interest of developing countries in more intensive cooperation shall further increase. Here we will adduce just some of the factors contributive to that:

- *the closing of the developed markets and the strengthening of protectionist barriers* (various discriminatory measures and attempts to make a gradation of developing countries) to products of particular importance to the developing countries, is the strongest external factor contributing to the expansion of trade among developing countries. In such a position with poor prospects for the future (especially bearing in mind their accumulated foreign debts), developing countries become increasingly aware of the indispensability of stronger mutual cooperation as a factor of their further progress and advancement.

- developing countries are a most heterogeneous group in view of their economic development levels, availability of natural resources, market size and economic systems. Although for the time being these differences often engender difficulties in respect of coordinating the interests of individual countries or groups, they are at the same time stimulating to mutually beneficial long-term cooperation. More vigorous cooperation among the developing countries in the future will necessarily have to be based on *the complementarity of their natural resources and production facilities, which should be put to good use*. It is precisely the differences in the abundance of natural resources and production factors that can lend impetus to trade among developing countries in minerals, metals, rubber, wood, artificial fertilizer and food-stuffs. Also, developing countries commanding ample energy resources are in an advantageous position when it comes to the production of energy-intensive products, and so are some more developed developing countries in the production of technology and capital-intensive products.

- intensified industrial trade among developing countries reflects an increase as well as a diversification of their industrial exports, resulting from *structural changes in their industrial production*. This may in the long term bring about increased industrial trade among

developing countries and create conditions for *substituting industrial imports* from developed countries by imports from developing ones. Shifts in the structure of industrial exports from developing countries towards capital-intensive products may render an appreciable contribution to this end. Taking into account the fact that for the time being such products are less competitive on developed country markets or protected by strict barriers (e.g. steel), their exportation shall be oriented to developing rather than to developed countries. The so-called newly-industrialized developing countries could play a major role in these processes, producing as they are a quite diversified range of industrial products. Other developing countries have a keen interest in their equipment because it is better suited to the needs of the former than products from developed countries are.

- the complementarity of the economies of the developing countries and their political willingness are doubtlessly factors important to mutual cooperation, but by no means sufficient for long-term mutual cooperation objectives to be attained. Therefore, the economic policies of those countries should devise adequate measures and instruments to support mutual economic cooperation. The measures taken so far have unduly concentrated on liberalizing intra-group trade and were of little use to the less developed countries - members of such groups, permitting at the same time transnational companies to capitalize on the advantages of tariff concessions within such groups of developing countries. Among the instruments stimulating trade among developing countries, barter arrangements are certainly worth mentioning. In view of the balance-of-payments constraints of the majority of the developing countries, greater recourse to such arrangements can gain in importance as has already been demonstrated of late (e.g. many OPEC countries successfully operate barter arrangements and thus increase their oil sales while ruling out the risk of decreasing the price negotiated within the OPEC).

- a major step towards a long-term expansion of trade among developing countries may well be *the coordination of their development plans*, especially in view of the fact that developing countries are short of products to trade in. Therefore, when planning future investment, the requirements of the broader regional markets of the developing countries would have to be taken into consideration, provided appropriate agreements are arrived at beforehand on the part of the developing countries concerned.

- trade among developing countries could be substantially improved through *their own marketing systems* which at present are very poorly developed. Owing to the ramified marketing outlets of the developed countries and of transnational companies in particular, developing countries frequently import the products of other developing countries via developed countries and pay inordinately high prices for them. *The multinational marketing enterprises (MME) of the developing countries* represent a step forward towards overcoming these difficulties and these have already achieved certain results, especially in the joint marketing of commodities within integration groups. In the future, developing countries ought also to set up multinational enterprises to market industrial products, including increasing numbers of manufacturers from developing countries from all regions.

- *State trading organizations (STOs)* could also help increase trade among developing countries, as through such organizations the governments of developing countries can implement their decisions better and translate them into specific business transactions in order to expand their trade with other developing countries. Through state trading organizations a major share of state purchases could be marshalled to developing countries. Bearing in mind that a number of such organizations are already operating in some developing countries, their linking would be necessary in the future so as to support and facilitate their efficient work.

- the General Scheme of Trade Preferences (GSTP) can in the future appreciably contribute to stepping up trade among developing countries. Their introduction will be a lengthy and gradual process, one encountering numerous difficulties owing to structural economic differences, varying development levels of countries, different forms of tariff and non-tariff restrictions, as well as to the varying degrees to which their budgets draw on tariff receipts; also, the majority of developing countries are parties to various regional and subregional preferential trade schemes.

In the first stage, therefore, priority should be placed on strengthening and linking the existing preferential schemes and extending bilateral agreements which can reinforce the existing links among developing countries. With a view to stimulating mutual cooperation it is particularly important that every developing country include in its development plans its targets relevant to increasing trade with other developing countries (e.g. their share in the overall trade of the country in question, or, the faster growth of trade with developing than with other countries). The GSTP can at the same time be a long-term basis for the more successful cooperation among developing countries in general.

While expounding the possibilities and prospects for the further expansion of mutual trade among developing countries, one should not lose sight of the fact that this can in no case substitute for trade with developed countries, but, rather, supplement such trade flows. It is obvious that the pronounced differences between developed and developing countries in respect of production facilities and infrastructure will persist for some time to come. Nevertheless, these differences, together with those in the availability of production factors can still keep developed country markets attractive to all developing countries. That is why increased trade among developing countries will affect the structure of trade between developing and developed countries more than its volume (although trade between developed and developing countries will not grow at so fast a pace as will that among the developing countries themselves). [A. W. Lewis - The Slowing Down of the Engine of Growth - The American Economic Review, Sept. 1980, p. 560.]

The developed countries would be ill-advised to prevent the expansion of trade among developing countries, since this, while contributing to the faster growth of the developing countries, is also in their own interest. In view of the high degree of interdependence [Statistics show that for the U.S.A., the EEC and Japan, developing countries are a more important export market than the other two developed partners taken together.] between developing and developed

countries, the progress of the former is also of great significance for overcoming the international economic crisis and therefore vital to developed countries too.

In the context of present global economic trends, of the position of developing countries and their developmental prospects, these countries are increasingly aware that the only right solution for them is to activate their own resources and development potentials more fully and pursue more intensive mutual cooperation. However, in so doing they cannot rely solely on purely economic criteria (which even the developed countries did not always observe, notwithstanding their more favourable circumstances). In other words, mutual cooperation should contribute to a comprehensive socio-economic development of the developing countries. Simultaneously, such cooperation helps reinforce the bargaining strength of the developing countries, reduce unsound dependence and implement the policy of greater collective self-reliance.

Marjan SVETLIČIĆ, Ph. D.

ELEMENTS OF THE STRATEGY OF THE NON-ALIGNED COUNTRIES TOWARDS TRANSNATIONAL COMPANIES

Introduction

This paper shall review some of the elements of the strategy of the developing countries (hereafter: DCs) towards so important a protagonist of international economic relations as transnational companies (hereafter: TNCs), which so often provoke controversial opinions as to their role and importance in international economic relations. I believe, that is, that short of a realistic analysis of the positions of the DCs and of the non-aligned countries as their most conscious political nucleus, no efficient strategy vis-à-vis TNCs can be devised. The paucity of information and the fact that the phenomenon of TNCs has not as yet been thoroughly analyzed, contribute to the high measure of secrecy enveloping them. Their vast power is pointed to, they are said to be chiefly to blame for all current economic and political problems, the monstrous international economic relations are said to be their doing, they are deemed guilty of subversion and the rulers of this world, and so on and so forth. Examples are given as if TNCs were a spider spinning its web enmeshing the whole world and holding its prey. Then again, there are those who maintain TNCs to be the very prototype of rationality, who say that theirs is a new business, economy and technological progress logic, that TNCs and vigorous growth are synonymous, that it is TNCs that are surmounting hurdles along the track of international development, eliminating differences among peoples and countries and setting universal development models.

That there is a lack of comprehension is exemplified by the results of the poll conducted in Europe in 1976. [G. Peninou, M. Holthus, D. Kebschull, J. Attali, *Who's Afraid of the Multinationals?*, ESGIM, 1978, p. 207.] Even though most in the interviews said they were acquainted with the phenomenon of TNCs, in 60 to 80% of the cases they exhibited a modest and often inadequate knowledge about TNCs. According to them, the foremost characteristic of TNCs was their size, the second their supranational nature, and their monopolistic significance and centralized decision-making came only third. [Idem, p. 56.]

Characteristics of Transnational Companies

The point of departure of the developing countries in charting their strategy towards TNCs will have to encompass at least the following elements:

- a) the recognition of TNCs as a phenomenon important enough to warrant a special strategy,
- b) the characteristics determining their role and position within international economic relations,
- c) the general development strategy of the DCs (nationally and collectively),
- d) a realistic perception of the role and position of DCs in international economic relations and of the nature of their mutual relations.

Appreciating the fact that items (a) and (c) are generally known, only some of the characteristics of TNCs shall be outlined here.

Their basic characteristics, relevant from the standpoint of DCs strategy are the following:

- TNCs are a legitimate product of capital concentration and centralization tendencies at the present level of development of productive forces. They are not, ergo, a malignant neoplasm that has to be extirpated to restore infallible operation to the whole system.
- TNCs are a manifestation of the articulation laws of the technical and social division of labour and of the growth of the size of economic units.
- TNCs are predominantly national organizations with a branched transnational structure in their operation (global combinations of production factors) and centralized key decision-making factors at their headquarters. Thus they are neither supranational nor multinational in terms of multinational decision-making and distribution of the results of the operation of the entire system.
- TNCs targets and motives are decided by the system as a whole rather than by its individual constituent parts.
- TNCs are a (capitalist) manifestation of the process of the transnationalization of production in the world, stemming from the contemporary development of productive forces which necessitates increasing labour integration and division.
- TNCs are not so much generators of new fundamental knowledge and technological inventions as catalysts successfully translating, through research, inventions made elsewhere (institutes and universities) into innovations (new products and technologies). [In the period from 1963 to 1964, 51.2% of all research carried out in American enterprises was financed by state institutions in charge of national security. (Gaps in Technology, Paris, 1970). Fundamental research in corporations financed on their own accounted for only 6.5% of the research carried out in the U.S.A. in 1965.]
- TNCs exhibit a high degree of flexibility and adaptability.
- By internationalizing business they create institutional monopolies as a way of maximizing their profits. They gradually try to impose such conditions upon others as objective laws, as global criteria. They encroach upon markets as their substitute.

- TNCs are particularly powerful in the sector of technologies of point and development-intensive activities [67% of direct foreign US investments in 1975 were in technology-intensive activities (chemistry, non-electrical machines, transportation equipment, electrical machine-building). J. H. Dunning, R. D. Pearce, *The World's Largest Industrial Enterprises*, Gower Publishing Company, 1971, p. XXI.] and in medium technology-intensive production or large-scale production (automobiles, tires, TV and radio sets, refrigerators, cigarettes, non-alcoholic beverages, cosmetics, etc.).

- TNC advantages in most cases derive from agglomeration facilities, accumulated knowledge and monopoly over technology. Exploiting these advantages in a way that would not lead to their alienation is frequently the decisive criteria for translocating production abroad (the commercialization of technology). [It would indeed be unrealistic to expect them to annul their own advantages by actually transferring technology and the capacity to create technology.]

Thus, it is the specific advantages of these companies that have become the determinant of international production and they are much more important than location considerations.

To be familiar with these characteristics is essential to charting a strategy that could be efficient. Namely, a most diverse instrumentation appears, or, better said, the efficiency thereof varies if the instruments of macro, meso and micro economic policy are, for instance, geared to TNCs conceived of as national, multinational, or even supranational entities.

If it is a question of national factors this imposes as a priority the introduction of regulatory measures in national economic policy. [Illustrating this there is, for example, the relationship between the U.S.A. on the one hand and France and Great Britain i.e. the branches of American TNCs set up in these countries on the other. After the US government restricted the export of equipment for the U.S.S.R. pipeline, the other two countries both undertook highly efficient measures rendering those American measures ineffectual. Had this really been a supranational exercise of TNCs, then such national measures would have had no effect.] National economic policy measures would be ineffective if supranational organizations were involved. If it is a question of supranational factors stronger than states, then national measures become ineffective too, because TNCs are capable of overriding such measures. Objectively, such an erroneous estimate taken for a point of departure would discourage the introduction of national measures, assuming that they are incapable of efficiently governing the operation of TNCs.

If TNCs were truly multinational both in terms of decision-making and of income sharing, then no special safeguards would be required to protect national interests, apart from adequately staffing the decision-making TNC headquarters and affiliations pursuing their activities in the territory of the host country. This not being the case, various measures at the national, regional and international levels are required at macro, as well as meso and micro levels. Only the synergetic action of all these measures together can ensure effectiveness.

TNCs are primarily national entities, notwithstanding the global combination of production factors, capital and manpower, and their extensive activity in general, because there exists a strong bond between the national (parent) state and the companies. In their transnational expansion TNCs seek the support of their own countries and at the same time a "visa of sorts for

penetrated countries". Without this visa operations abroad would be impossible. This is something all the developing countries have to be mindful of, since the mere opening of the door to the activity of these companies has to be seen as stimulative to the operation of the TNCs. Often, that is, the incentives offered by developing countries to attract TNCs are either too high or misdirected and thus only contribute to TNCs scraping off extra profit and make way for additional competition among developing countries to attract foreign partners. [Studies show that incentives offered to attract foreign capital are of little use in ensuring such inflow. However, they can considerably augment their profits. But the effects of such 'attraction' measures for foreign capital may well be to redirect its flow from other DCs towards the one making greater concessions (competition among DCs as host countries) and thus become counterproductive.]

Nonetheless, this is not to say that there are no perceptible differences or even conflicting interests between the activities of transnational companies and their states of origin, both in certain segments as well as in certain sectors of their activity. TNCs set certain limits to state intervention, whereas the state with its interventionism can in turn influence the operation of transnational companies (their own, as well as in the host country).

Elements of the Strategy Adopted to Date

Before discussing the strategy of the non-aligned countries towards TNCs, an outline at least should be given of the basic features of their strategy to date towards TNCs.

The foremost characteristic of this relationship is the *defensive* nature of the majority of the measures so far undertaken by developing countries relevant to TNCs. The second is their *partial* nature which only of late has begun to be remedied through the ideas underlying the collective self-reliance strategy and the strengthening of mutual economic cooperation. [Reportedly the self-reliance strategy is to be found in the ideas of Mao Tsetung and Gandhian philosophy (Segasti: Countries, World Development, 1976, Vol. 4, No. 10/10).] The third characteristic is the great discrepancy between the recently well elaborated elements of that strategy in the *declarations* of the non-aligned countries on the one hand, and the actual *implementation* of those declarations and action programmes in practice on the other. Among the causes of this discrepancy is undoubtedly the fact that the programme documents of the non-aligned countries, as well as those of the Group of 77, proceed from a long-term projection of targets and of the ways to make them operational within action programmes, while assuming it a realistic possibility to implement them over the short term. Short-term goals aimed at the gradual implementation of these programmes aided by short-term instruments are often lacking or run somewhat counter to the global and long-term aims of these programmes. Concurrently, the absence of a thorough insight into the phenomenon of transnational companies, into the laws of their operation, the ways of their penetration and their implications for development, given the heterogeneity of interests and conditions prevailing in developing countries - leads to the poor

efficiency of the strategies of the non-aligned countries. Chronologically, the heretofore evolution of relations and elements within the strategy of the non-aligned developing countries towards TNCs, can be divided into four stages:

1. The identification of problems (Ministerial Session of the Non-Aligned Countries in Georgetown, 1972).
2. The recognition of the indispensability of concerted DC action vis-à-vis TNCs and articulation of some proposals of action as part of the orientation to strengthen mutual economic cooperation and self-reliance (The Algiers Conference of the Non-Aligned Countries, 1973).
3. The preparation of a programme of mutual cooperation among developing countries (The Manila Declaration of the Group of 77 from 1976).
4. Action orientation to the effect of setting up joint institutions and having developing countries establish their own multinational companies (The Colombo Conference of the Non-Aligned Countries).

In view of the multifarious national backgrounds they are starting with (i.e. legislations, socio-economic systems, the existence of TNCs and experience with them), the developing countries, given their relations with TNCs, i.e. the investment of foreign capital, are unable to initiate early universal action which in fact for many of them would basically imply the lowering of their own criteria as compared to those developing countries pursuing a more liberal policy towards foreign investments. These elements set realistic limits to the scope of action of the developing countries. Nevertheless, there indisputably remains leeway enough for charting a joint policy despite the mentioned limitations and regional specificities.

The necessity of devising an optimal long-term strategy of the developing countries towards TNCs should not lead to underestimations of the necessity to take short-term action at all levels as well. This should doubtlessly include the establishment of close coordination of the actions of the developing countries in terms of both harmonizing their legislation and adopting international instruments to govern TNCs.

Underlying inadequate coordination often is the fact that many developing countries are unable to find solutions that would be efficient in their relations with TNCs over the short term. The lack of knowledge about the phenomenon itself can also be a cause of poor efficiency in actions to date. [Here, of course, only internal factors in the DCs themselves are taken into account, while the generally known international circumstances which surely have a considerable impact on the former are disregarded.]

General Strategic Issues

Like any strategy, the strategy of the developing countries towards TNCs implies a multifaceted approach to reality (superficial and analytical). Essentially, strategy means the

choice of one or a number of objectives, or priorities of a given activity, as well as of the instruments conducive to that, i.e. of the policy of achieving the targets set under prevailing external conditions which a long-term strategy might even change. Observed over the short term, external conditions act as a constant. In other words, strategy is the pursuit of the very best option in the light of the existing conditions, the targets set and the necessity of their materialization within a specified period (short, medium or long term). The inclusion of a temporal dimension necessarily implies a long-term changeability of priorities in the constant pursuit of optimality.

Another point of departure is the existence of two heterogeneous groups of factors when it comes to strategy towards TNCs. However, the strategy of these groups can be discussed in very abstract terms only, whereas, in effect, in most cases what is involved is a relationship between a TNC of a given country towards the host country or an enterprise in the host country. Much less frequently the confrontation involves groups of enterprises (first multinational companies) on the one hand and groups of countries (e.g. an integration grouping) on the other, or some other combination.

This indicates how complex the problem is of charting the strategy of the developing countries towards TNCs. What further complicates matters is that it could turn out to be a “zero-sum game” (a gain for one partner entails a corresponding loss for the other), or then, it might end up as a game everybody is winning, naturally at various levels, or, all could be losers. A zero-sum game is unquestionably the worst, and, unfortunately, it does happen. This is intended to point to the various conceptions as to how this strategy should be approached, conceptions of considerable importance to its formulation. [In the following sections only the elements of the ‘everybody wins’ and of the zero-sum game strategy shall be analyzed, and not only because of the objective interdependence of the world where a game with everybody losing would be unacceptable and a zero-sum one surely not optimal.]

“Under present conditions, relations between the developing countries and TNCs are typically those of zero-sum game, and only in cases of high ability and an elaborated strategy can DCs abandon this variant and approximate the one where, given the prevailing interdependence, all partners win.” [Interdependence means a mutual link between economic and non-economic variables. In international relations it is the situation in which the welfare of a state (nation) depends in various ways on the decisions and policies of other states (nations), and vice-versa. One can speak about symmetrical or asymmetrical interdependence. In the first case it is an interdependence of equal intensity between partners, while in asymmetrical interdependence, one country in fact depends on another. Although the interdependence that has emerged is highly relevant right now, given the present state of international relations, it was already mentioned in the *Manifesto of the Communist Party*, where Marx says the following: “The need to constantly expand markets for their products disperses the bourgeoisie all over the world. They have to build a nest everywhere, take root, and establish their relations. By exploiting the world markets, the bourgeoisie have given a cosmopolitan importance to production and consumption in every country... Instead of old needs, production of products from faraway countries and climates.

Instead of the old local and national loneliness and self-sufficiency, relations now develop in all directions, there is *a universal interdependence of nations* (underlined by S. M.) in both material and intellectual production.” (Karl Marx, F. Engels, *Manifesto of the Communist Party*, Progress Publishers, Moscow, 1977).]

In the case of relations with a number of partners on both sides, as is the case in the strategy towards TNCs, the efficiency of their relations to one another (the strategy) depends on whether their action accommodates the other partners, or, in specific terms, on the unity and synchronization of the action of the developing countries vis-à-vis these dominant factors in international economic relations. By adjusting their legislation, through collective action and negotiations, the developing countries can make up for their numerous other shortcomings, i.e. for those elements weakening their bargaining capacity in their relations with TNCs.

The programme of action priorities of the DCs in respect of TNCs would necessarily have to include the following as their main points:

a) the instituting of national, regional and international regulatory mechanisms and instruments, and the introduction of institutional changes in the system of international economic relations, with the short-term goal of eliminating those elements within the action of TNCs upon the host countries, the world economy and cooperation among developing countries in all spheres, that check the development of productive forces;

b) the parallel creation of a system of international economic relations geared to the attainment of material, social and institutional conditions for the progress of all nations and of mankind in general, based on equitable cooperation and understanding.

The interweaving and interdependence of action in these priority directions make parallel action indispensable. Over the short term it would mean according priority to defense mechanisms aimed at alleviating and eventually obliterating the harshest forms of exploitation, domination and dependence.

Over the medium and long terms the significance of regulatory mechanisms would decrease somewhat as a means of transforming the defensive strategy of the developing countries and of the international community at large into an active strategy featuring all the necessary structural and institutional socio-economic elements.

It would indeed be too simple if a structural change in the behaviour and operating logic of TNCs could be brought about only through international action and the introduction of international regulations to govern the actions of TNCs, combined with regional and national legislation. For, even the latest of regulations will not radically change the existing relations unless attended by economic and other social measures and internal adjustments in the DCs themselves.

In view of the character of TNCs, answers have to be found to structural questions stemming from TNC activity. An important course to embark upon to this effect is the gradual transformation [Elements of this strategy are already contained in the documents of the non-aligned countries.] of the heretofore prevalently defensive measures into a more active strategy, adapted to the peculiarities of every DC as well as to those of other host countries.

In their relations with TNCs, the DCs have to achieve harmony between the kind of short-term cooperation with the former that is manifested in a relatively much “less expensive supply” of technology and know-how on the one hand, and the time it takes to attain the same goals on their own, on the other. However, unless DCs incorporate such cooperation with TNCs into a long-term strategy so as to make use of the advantages it offers to build their own facilities, for which TNCs are “short-term substitutes” this cooperation may well turn from a short-term “sweet apple” into a long-term “sour apple”. Cooperation with TNCs, that is, would either substitute or discourage their own scientific, technological, or simply creative efforts and thereby only add to the underdevelopment of the host country.

The most important task within the strategy towards TNCs should be to ensure, on the one hand, that the operation of TNCs be made subordinate to the laws of the internal development of the DCs themselves as well as of the world at large, and to prevent TNCs from imposing their own interests and trampling on the principle of sovereignty in all its economic and political dimensions on the other. TNCs, in effect, are striving to establish a unique world development model and this runs counter to the fundamental principle of equality - the possibility to choose one’s own road to development.

An active strategy consists of an internal and an external component. The external component is the creation of such international conditions and systems as would make it possible to transform transnationalization into truly equitable internationalization.

The internal component involves the setting up of DC centres for the exchange of information, training personnel, technical assistance and for strengthening business and technical cooperation among DCs in general, i.e. promoting those instruments conducive to production internationalization, including the establishment of DC multinationals. [This subject matter has been analyzed in other works (e.g., *Multinational Enterprises of Developing Countries*, Centre for Studies of Corporation with Developing Countries, Ljubljana, 1979. p. 84). Hence it is not analyzed here.]

The inadequate reliance solely on an arsenal of more or less defensive control instruments stems from the complexity, ramification, flexibility, wide geographical distribution and oligopolistic power (technological, marketing, financial, transport, etc.) of TNCs. The predominant inter-company transactions, the complexity and the high degree of flexibility in TNC activities are such as to be extremely difficult to regulate by traditional economic policy instruments. This, therefore, makes it necessary to work out new instruments and control mechanisms for TNCs on the one hand, and to seek ways actively to utilize the advantages of production internationalization on the other. Thus the optimal combination is that which includes both control-regulatory and active strategies.

Disregarding the national dimension when the possible impact of multilateral instruments is limited or idealizing the role of such instruments may reduce the efficiency of national legislation which, after all, is crucial to controlling the operation of TNCs. Inactivity at the national level pending substantive changes and innovations in the international system of

regulating TNC activities, the possible effects of which are quite limited, might well decay the introduction of genuine changes in relations with TNCs.

The strategy of collective self-reliance would open up possibilities to strengthen endogenous development processes in DCs within such frameworks. To start with, it would enhance their capacity of making their own decision relevant to technological and developmental requirements and the absorption of technologies. Later on there would be a combination of autonomous decision-making and the capacity to generate critical technological elements, and, eventually, the creation of an autonomous potential for the production of goods and services. The psychology of the necessity to import would have to evolve into a psychology of the capacity to innovate, coupled with a selective adjustment of imported components.

Making the development of DCs an endogenous matter is one of the ways of weakening centrifugal development tendencies within them, resulting from the greater integration of certain sectors, enterprises or activities into the TNC production system rather than into domestic production systems. TNCs are said to control a significant part of the trade among DCs. This makes it possible for them to exert a substantial influence on the flows of trade among DCs. This possibility expands when developmental, technologically more intensive “new products” [The chief components of industrial trade among developing countries are equipment, transportation means and chemical products.] or their components are involved, as they account for a considerable share of the trade among DCs in industrial goods. Thus TNCs can appear as a factor limiting the scope and efficiency of the self-reliance strategy of the developing countries.

This is to say that transnational enterprises can considerably decelerate integration processes among developing countries or diminish the effects of such processes by appropriating a larger share of the gains from such integration than the countries that integrate. At the same time, they can impede the articulation of joint policy and even add to the competition among developing countries in respect of granting facilities, i.e. determining their policy towards transnational enterprises. In this way influence could also be exerted so as to weaken the unity of the developing countries, which, objectively, may discourage the latter from promoting mutual cooperation and thus blunt the edge of this strategic orientation.

The Code of Conduct of Transnational Companies

The purpose of establishing this code is to ensure that the activities of TNCs comply with the developmental objectives and principles of the countries of penetration and, not less important, with those of their own countries and of the international community as well. This idea originates in the inalienable right of DCs to supervise activities pursued in their territories in accordance with their own targets. The developing countries have high hopes in the establishment of this code. However, the code alone cannot resolve the essential issues of the role of TNCs in international economic relations. Its fundamental present function is to create

international conditions favouring less abuse and mitigating other negative implications of TNC operation at the national level, especially the imposition of dependence relations. The legal nature of the code would have to reflect this priority and it should point, at least inchoately, to the principles of the future. Here we have three basic objectives in mind: the efficient prevention of adverse effects, the earliest possible adoption of the code, and the harmonization of mutually linked international instruments (Code on the Transfer of Technology, Rules on Restrictive Business Practices, etc.). The legally binding nature of the code would surely provide for the pursuit of the interests of DCs to the largest possible extent. Important as this may be as an optimal solution, it is just as important to overcome the present state of affairs with no regulation of this activity as soon as possible.

It is becoming increasingly evident that the developed countries will not accept a binding code, not having accepted either the rules on restrictive business practices or the technology transfer code. Willingness to accept the binding nature of the code on their part, would most likely entail such a reduction of its scope and efficiency as to bring into question the expediency of drafting such a code at all. Hence, the developing countries are now faced with a strategic question: should they insist on the binding nature of the code and thereby on the possibility of not having a universal code accepted at all in the foreseeable future; or, should they accept the idea of an unbinding code as a realistic short-term solution based on the existing ratio of forces and try to compensate for this shortcoming by other national or regional instruments? There is no doubt, however, that the scope of a binding code is much broader and consistent with the long-term orientation to codify the principles of the new international economic order.

Proceeding from the reality of the times, even an unbinding code, provided the reach of its measures and its firm implementation are insisted upon and entail sanctions for lack of compliance, can contribute to the establishment of new relations. At the same time, one could insist that the issue of the nature of the code should be placed on the agenda again within a specified period (e.g. 5 years).

In the long run, the implementation of the code depends largely on national legislation, its mandatory provisions and envisaged sanctions. A uniform approach on the part of the developing countries would prevent their competing to grant the most favourable conditions possible for the operation of TNCs and would make it possible for even such a code to mark a major step forward in regulating TNC activities. In the last analysis, the efficiency of legal prescriptions does not depend so much on the ratio of forces. Namely, law should not be expected to produce what is in effect the domain of policy. [R. Vernon, noted American expert on transnational corporations, believes that in regulating TNC operation in the future it will be necessary to establish differentiated types of regulation based on functional principles for different spheres (tax policy, labour relations, etc.). According to him, the establishment of a code is basically inoperative, but it was psychologically totally wrong for the U.S.A. to oppose the establishment of a code in 1975. He assesses that many will agree that such a code is actually useless and harmless at the same time. (R. Vernon, *The Power of Multinational Enterprise in Developing Countries*, p. 172 in C. H. Madden, *The Case for the Multinational Corporation*, Praeger, 1977.).]

Then, there are also those who advocate the establishment of a separate code of conduct governing the mutual relations of DCs. This actually implies two possibilities: the first involves a code stipulating a uniform attitude of DCs towards TNCs, or to put it better, the bringing into accord of their relevant legislation, and the second involves the establishment of a code of conduct for DC multinationals to govern their mutual relations. [This exceptionally important area of future action is now undoubtedly encountering serious difficulties.]

Many are the elements corroborating the thesis that now it would be inopportune to draft a separate code for DCs, as objectively this could block negotiations to establish a universal one. The question also arises whether it is realistic to expect that DCs could succeed in establishing such a code over a relatively brief period. In my opinion the existing differences among the DCs, in the degrees of their development, as well as between their enterprises could lead to prolonged negotiations at DC level and this could ultimately have an adverse effect on negotiations to establish a universal code. A code of this kind could restrict the further expansion of their own enterprises giving rise to problems not unlike those associated with the passage of a universal code. Namely the interests of their companies would be affected.

The situation is similar when it comes to the definition of TNCs which has not as yet been definitely articulated. Some think that DC multinationals should be excluded from the definition of TNCs but there are opinions to the contrary as well. Our premise is that it is inexpedient to try to introduce certain rules of proper conduct in international economic relations, while asking that the enterprises of the countries wishing to introduce such rules be exempted from them. Namely, it is quite clear that enterprises from DCs can also violate the provisions of the code. We therefore consider that the code would necessarily have to apply to any action constituting a breach of its provisions, irrespective of who the party in the breach may be. This, however, does not mean that it would not be necessary concurrently to apply the principle of preferential treatment, which has already been adopted in various other international instruments in respect of enterprises from developing countries.

Multinational Companies of Developing Countries

The establishment of multinational companies of developing countries is an integral part of the long-term DC strategy towards TNCs based on the assumption that the process of the internationalization of production is an objectively conditioned one. It is one of the long-term elements which can actually be implemented over the long term.

For such an orientation of the DCs to be efficient over the long term, joint ventures among DCs in the labour-intensive sector only, i.e. where DCs traditionally enjoy comparative advantages, will have to be gradually abandoned. The advantages of setting up DC multinationals are to be found in the utilization of economies of scale by linking the modest national economic potentials and thus reaching the critical mass permitting optimal production

also in sectors of development-intensive activities, the spearheads of progress and structural change.

It is another matter what the principal function of DC multinationals as compared to TNCs would be: competitive, complementary, or primarily in the service of strengthening their bargaining position vis-à-vis TNCs. There exist various views as to which of the said directions should be supported. However, it is most likely that in practice these functions will be combined in some way, with varying specific weights depending on the specific features of each developing country. Our opinion, however, is that DC multinationals should differ from TNCs if they are to prove an efficient means of restructuring international economic relations and changing the position of DCs within them. In what way should they differ? It is quite certain that they cannot compete in terms of finance, technology and marketing. This, however, does not rule out the possibility of their being competitive, provided they adapt their technologies and products to local conditions, reduce their production costs and hence increase their productivity, introduce a simpler and better suited management system, and finally, allocate labour results among partners more equitably. The existing conditions, namely, require that these companies develop certain superior characteristics as the only way for them to advance and penetrate into the international market. That they can be complementary to TNCs is a myth, ultimately reducing DC multinationals to marginal functions, and certainly not stimulating the development of DCs. History would repeat itself, bringing dependent, induced development with all its implications.

Sound economic logic necessitates that DC multinationals boast certain advantages which would make them fit for the market battle. As under present circumstances such advantages are not to be found in sophisticated technology or available financial resources, they might be sought in the quality of the relationship offered on their part, that is to say in more equitable relations. This would provide them with an advantage over TNCs so that, combined with an adequate technology and management style, they would be able to compete on a more equal footing. It is in this that we perceive the only, though gradual, way for DC multinationals to prosper, despite the widely held views that such superiority over TNCs is too much to ask of DC multinationals.

Other Elements in Strengthening the Bargaining Position

Often in developing countries inordinate or even exclusive emphasis is placed on the macroeconomic and political levels, with the meso and micro, i.e. entrepreneurial levels underrated. Neither international instruments nor regional and national legislation can substantially alter the situation if there are no efficient negotiators in the enterprises themselves, no efficient bankers, no insurance experts and timely, comprehensive and accurate information about all forms of TNC activities.

Thus, a prerequisite to an efficient strategy is also the promotion of the level of knowledge and information about TNC activities. According to some estimates, namely, information costs have reached as much as 70% of production costs (information with research included). So the competitiveness of the economy increasingly depends on information. It represents an infrastructural precondition to strengthening the bargaining capacity vis-à-vis TNCs. This requires that special information and consulting services be organized to assist enterprises in their negotiations with TNCs. Experiences of the DCs demonstrate that technical assistance is inadequate, especially in pre-investment stages, because once the control apparatus at the state level is set in motion, it is often too late to make any essential changes. At the same time it is necessary to keep personnel training at the micro and macro levels, as not even ideal international or national instruments can be effective unless wielded by able experts commanding full, correct and timely information.

Partly answerable for the many negative experiences in cooperation with TNCs are also the corresponding national services and enterprises which cooperate with them but frequently enter negotiations insufficiently prepared. It is not enough just to know one's own motives, but also the motives and interests of the foreign partner, or how a given business proposition fits into the whole TNC system. For, there is a possibility that in some cases TNCs enter transactions unlikely to be efficient. TNCs primarily observe the criterion of the efficiency of the whole system rather than of individual transactions. Thus it is on the individual and collective ability of the DCs that the results of their operations with TNCs, at least in the short run, shall largely depend.

Accordingly, the first duty of negotiators with TNCs is to learn more about all the aspects of TNC activities on a worldwide scale. Only thus, given the other requisite international and national conditions, can non-aligned countries successfully resist attempts to impose TNC criteria, i.e. counter relations of inequality.

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THE NON-ALIGNED COUNTRIES AND THE PRESSURES OF INTERNATIONAL CAPITAL

In his paper, Professor Adamović, reflecting on relevant literature, asks whether the leading capitalist countries need imperialism or expansion to the territories of the underdeveloped world. I wish to briefly discuss this question.

The politico-economic significance of the global spreading of capital lies in the fact that it is associated with an enormous appropriation of value and surplus value on an international scale, and thereby of capital formation sources, in favour of big internationalized capital, which also means, in favour of capitalist countries as countries of origin of the former. This is primarily reflected in the exploitation of the developing countries, and, as generally observed, leads to the exacerbation of inequalities, contradictions and imbalances in the world economy.

The usurping class of the “centre” appropriates surplus value for itself on a world scale. Any form of ownership, any way of penetration or any kind of business arrangement is acceptable to it if it ensures the continued transfer of surplus value to the centres of world capitalism. Never has capital expansion been so wide-ranging, in view of the forms of its expression and the sectors of its penetration, never has capital been so powerful, considering the degree of its concentration, the diversity and multitude of domination and influence levers, its synthesizing capacity, its financial, technological and market weight, and in particular, the power and reaches of action of all those supporting its global penetration in the political, cultural, ideological, military and economic spheres. Capital commands such resources and methods of culturally influencing and winning over people already in their earlier years, as well as such tools of cultural and ideological manipulation which are intended to conceal the true motives, forms and effects of contemporary imperialism. Never in the past has the economic and technological gap between the “centre” and the “periphery” been so wide, and it is in fact the basic objective of the appropriating class to maintain and deepen this gap and to appropriate enormous surplus value on that basis.

The appropriating classes of the “centre” intensify their pressure on developing countries so as to create for foreign capital the best possible penetration and investment conditions, but , they also attempt, employing a broad spectrum of methods and influences, to establish fulcrums inside the social structures of these countries and link themselves with those internal social forces, which would provide them greatest accessibility to the sources of raw materials and to manpower utilization. The growing pressure on the developing countries is compounded by the present critical processes which the capitalist system is undergoing. The deteriorating conditions for the fructification of capital in the countries of the centre further accentuate the importance of foreign monopoly operations. Also, the growing competition among the leading monopolies, especially owing to the global penetration of Japanese and West European capital, increases

pressures on developing countries and gives rise to corruption, military aid and other forms of support for actual or potential domestic allies.

Indeed, it is extremely difficult for any country to disentangle itself from the neocolonial network of capital, e. g., to dismantle foreign military bases, nationalize foreign enterprises or undertake any other more significant measure conducive to national independence. The examples of the countries of southern Europe, Greece and Spain, in which socialist forces have come to power show that the proclaimed aims of getting rid of foreign military presence (bases and the like) are very difficult to implement under the present circumstances. If a country has been drawn into a whole system of dependence - in foreign trade, technological development, financing, transportation systems and other spheres, a highly complex mechanism is created of the interaction of a series of foreign domination levers. On the other hand, efforts and attempts to break any of the links of dependence cause a counter-reaction on the part of the appropriating classes, setting in motion a whole series of pressure levers, a mighty tool of political and economic destabilization, all the more efficient to lessen the chance of getting external support and the fewer the alternative options of political and economic cooperation.

This formidable power of capital essentially has one objective: to provide the conditions and structure, economic as well as political, for attaining a high rate of exploitation of producer classes on the “periphery”, one much higher than in countries of the “centre”. This high and growing rate of exploitation is at the root of the problem, perpetuating, on the one hand, the poverty of the masses and preventing the growth of a massive market of consumer goods on the other. In this framework, hired labour features mainly as an element of production costs, and it is in the interest of foreign capital for this labour to be as cheap as possible.

This high rate of exploitation makes it possible for the world’s appropriating class to continuously transfer surplus value from the “periphery” to world capitalism centres on a massive scale. It is estimated that through the transfer of profits and through other forms of profit draining, monopolies draw off from the “periphery” the value of over 200 billion dollars every year. Thus, the growing inequality between the “centre” and the periphery stems from the exceptionally high and increasing rate of exploitation at the “periphery”, as well as from the transfer of enormous surplus value to the centres of world capitalism.

The implications of the strategy of the appropriating class for earning profits on a global scale are far-reaching. It is the direct source of the exceptionally high rate of exploitation afflicting developing countries, while foreign investments, technology transfer and other economic transactions undertaken within the political, social and economic structure of world capitalism are aimed at consolidating this structure rather than changing it.

Undoubtedly, very significant social, political and economic factors in developing countries are trying to reverse this situation, primarily to gain control over their natural and economic resources, to use them for their own aims, to carry out nationalization and implement measures to control transnational corporations. The struggle waged by these countries, non-aligned countries, is rough and it is not at all easy to foresee the course it may take or its outcome and implications, even though a certain standstill in recent years may be observed,

attesting to the magnitude of obstacles to be overcome, and to the tenacity of the resistances and pressures of all those powerful forces whose interests are affected or potentially endangered.

On the other hand, actual implementation of the strategic plan of the appropriating classes to draw even more deeply many developing countries into the world reproduction cycle of capital, based on the global expansion of monopolistic capital (and tendencies in this direction are certainly not to be underestimated) would entail three key implications:

- first, there would be an increasing integration of peripheral economies, as the dependent pole in world capitalism,
- second, the economic independence of countries of penetration would be reduced as would the effectiveness of national economic policies and the channelling and controlling of economic life within national frameworks,
- third, conditions would be greatly exacerbated for any attempts and efforts to effect progressive political and economic changes in countries of penetration while capitalist logic in economic development would be stimulated, primarily that of transnational corporations which are first capitalist and only then transnational.

Through this contribution to the discussion we wish to underline an aspect which emphasizes the complexity of the struggle of developing, non-aligned countries, for economic independence and to show how difficult and lengthy a road they will have to cover to achieve full economic emancipation, and finally, how powerful forces and interests resist the introduction of genuine changes in those structures which are in fact the cause of the extremely stressful position of these countries in the world's economy.

TRANSNATIONAL COMPANIES AND THE NEW INTERNATIONAL ECONOMIC ORDER

The emergence of transnational companies has led to the internationalization of the production of surplus value due to the modified operation of the law of value on the world market. If, in such circumstances, the capital of all nations taken together represented ideally the total capital of the world, the result would be international production prices and average profit rates. Since this is not the case in practice, there is competition between the capital of different nations, and capital with superior organic composition and other advantages, particularly with more sophisticated technology, yields better results in economic relations on the world market, increasing at the same time its share in world trade.

The fact that the transnational companies realize significant extra profits is highly important for the developed capitalist countries which can appropriate extra profits neither directly nor through national companies. In addition, domestic capital in the countries of penetration accumulates around transnational companies and their branches, indirectly resulting in the domination of international capital in these countries, as well as in the control of capital and economic trends. [Dr. Dj. Popov, *Transnational Companies and International Economic Relations*, doctoral thesis, Belgrade, 1977, p. 321] In this process, technological rent is one of the main sources of extra profit, one requiring however, high investments and thus intensifying the relationship between industrial and financial capital in order to achieve sufficient capital formation for large projects.

A problem which should be underlined at this point is unequal exchange from the aspect of the transnational companies. A. Emmanuel considers that the cause of unequal exchange lies in the existence of differences in the levels of rent, while Dj. Popov believes that a large number of working days are exchanged for fewer working days. [A. Emmanuel, *Inequitable Trade*, Belgrade, 1974 and Dj. Popov, op. cit., p. 328.] On account of the underdeveloped and undiversified economic structures of the developing countries, they are compelled to pay monopoly prices for the products of transnational corporations, which results in the transfer of values to the developed capitalist countries. Since extra profits cannot be exported, the whole idea is that developing countries should cover the lower processing stages, while the developed ones the final stages. Thus, semi-manufactured products are taken for finalization to developed countries, and later returned to the developing ones as final products, with the profits remaining with the developed countries on the basis of price disparities. It is no longer necessary to be on the spot to the end, it is sufficient to possess the technology and capacities for final processing and to transfer the profits through transnational corporations to the metropolises. The fact that transnational corporations sometimes become supranational and act primarily in accordance with their own interests, is a problem in itself.

Although these arguments should speak against transnational corporations, it must be borne in mind that the world economy imposes, as imperative, the integration of productive forces at their current level of development, which is expressed, among other things, in close competition between the developed countries for extra profits. For this reason, it is necessary to change the nature of transnational corporations and to find new ways of integrating the world's capital, rather than to completely cut off these integration processes, as has been proposed by some economists. It is precisely the concept of the New International Economic Order that offers the world's economy a chance to change the nature of transnational companies.

It is obvious that the existing international economic system, dominated by the industrially developed Western powers is bursting at the seams, i.e. a system built up for the needs of economic domination and the neo-colonialist order of the developed capitalist countries. [See M. Minić's Statement at the Consultative Meeting on the New International Economic Order in Dubrovnik, January 26-28, 1979.] Western capitalism aspired to exploit the economically weaker economies through the existing international economic order. Within that framework, the function of the transnational corporations was to carry out the major part of these economic concepts. This calls for changes, both in international trade and in financial relations, raising at the same time the questions of a final split between production mechanisms and capital. Likewise, there is a dilemma about whether to put a stop to the further aggregation and internationalization of capital, or to establish a new political and economic power which could cope, on behalf of capitalism, with the frightening international giants of the third generation, which, in the opinions of some, represent the interests of the metropolises, and according to others, primarily their own. Gigantic international corporations operate in the world on behalf and for the benefit of those developed countries from which they originate. The problem would become even greater if these corporations became independent, especially if they possessed the most sophisticated and, at times even military technologies which could be controlled, in James Bond fashion, by a small number of people.

It is evident that the developed capitalist countries continue to hold a superior position in international economic relations both directly and through transnational corporations, but are, at the same time, faced with serious dilemmas stemming, above all, from the uncontrolled activities of these companies on the one hand, and the resistance of the developing countries, on the other. The structure of the present international economic system will most probably lead to the internationalization of numerous legislative and economic policy factors, as well as to the lasting weakening of capitalism as regards long-term perspectives. [J. Stanovnik, *Towards a New International Economic Order* 'Medjunarodna politika', No. 666, 1978, p. 6.]

Numerous indicators show that the position of the developing countries in the world economy is deteriorating, something for which thorough analyses are not necessary, since sufficient evidence exists in daily press reports. Increased indebtedness, a deteriorating position in world trade and distribution of the world's income, balance of payments and foreign trade deficits, inflation, unemployment, hunger, lower rates of development and financial problems -

are the basic characteristics of the present position of the developing countries, all of which can be proved by statistics from these fields.

The unfavourable position of the developing countries points to the need for radical changes, which are essential since the world's economy, as has long been known, is one indivisible unit. Economic inequality gives rise to conditions in which both political and often armed conflicts occur, sometimes accompanied by those of global proportions. The destructive exploiting activities of transnational corporations should be added to all this. Therefore, the struggle for the New International Economic Order, which must include changes in the position of transnational corporations, is an essential precondition for future world development.

As G. Mirdal has emphasized, present-day problems should be resolved through a new economic re-integration based on changed relations between the developed and underdeveloped, wherein the question of economic equality holds a central place in regard to the "third world countries" to "the South", namely the developing countries, as they are most often spoken of. Consequently, equality should be the objective of the new interdependence which is especially difficult to achieve with respect to the operation of transnational corporations. The key to the world's problems, including the elimination of the negative effects of the activities of transnational corporations, is not to be found only in substantial and institutionalized changes of relations at the international level, which could alleviate the negative consequences deriving from the activities of the transnational corporations, but above all, in the industrialization of the developing countries along with the simultaneous development of the infrastructure and modernization of agriculture in order to eliminate certain essential problems, which in their drastic forms can sometimes hamper the development plans of many developing countries. This process would also require certain adjustments in the industrial structures of developing countries. In the past, this was a precondition of progress. Accordingly, a new interdependence based on mutual interests, is one of the foundations of the New International Economic Order.

Further elaboration of these problems, on theoretical as well as applied and institutional levels, should enable the developing countries to emerge from century-old backwardness; this can be achieved only within the New International Economic Order, and not within the existing one which benefits the developed countries and places the developing ones in a position of inequality and exploitation, particularly through the mechanisms of the transnational corporations. [On the crisis of the present economic order see Dr. Lj. Adamović "Criticism of the Bourgeois Doctrine of the International Division of Labour", 'Problems and Trends in Contemporary Economic Science', Belgrade, 1977, pp. 101-116.] The New International Economic Order is one of the preconditions of accelerated development for the economy of the whole world, including the economies of the developed countries, without which the resolution of the complex and increasingly deteriorating economic problems of the developed countries would be impossible. The New International Economic Order can have a beneficial effect both on a world scale, as well as on the European continent, particularly by the introduction of elements of solidarity and equality between the developed and the developing countries,

accompanied by intensive economic exchange among the European countries, and the strengthening of reciprocity and cooperation.

Within this entire context, and observing the documents of the Non-Aligned Conferences as well as of other international gatherings at which the necessity of resolving these problems was underlined, the uncontrolled activity of transnational corporations and internationalized capital in general, create enormous problems, as does inflation which determines the behaviour of these corporations, through price disparities between final products from metropolises and semi-manufactured products from branches in the developing countries.

Undoubtedly, all these issues are current problems facing the world economy, and in particular the developing and non-aligned countries; future developments in the world's economy depend on their being resolved. It is therefore necessary to set about resolving more efficiently such problems as future development, the mode of regulating the behaviour of transnational corporations, prevention of their interference in the internal affairs of developing countries, the problems of exploitation and whether or not they provoke crises on the international level. These questions should be addressed as soon and as consistently as possible in the search for the most rational solutions.

The New International Economic
Order and the Non-Aligned Policy

Žarko MRKUŠIĆ, Ph. D.

THE ROLE OF NON-ALIGNED COUNTRIES IN CONCEIVING THE NEW INTERNATIONAL ECONOMIC ORDER

The institutionalization of new ideas of international development policy implies overall activity at the international level with a view to forming and attaining the objectives of the new concept of international economic development. For this reason we shall here analyse the New International Economic Order, as defined of the Fourth Summit Conference of Non-Aligned Countries in Algeria in 1973, and finally formulated at the Sixth Special Session of the General Assembly of the United Nations Organization in 1974, together with the Programme of Action for carrying out the New International Economic Order in practice.

Non-aligned countries are constantly active in the field of economic development, particularly since the adoption of the Declaration and Programme of Action at the Algerian Summit Conference held in 1973. A number of conclusions from this Declaration and Action Programme were also spelled out in the Declaration and Action Programme of the Special Session of the General Assembly of the United Nations Organization in 1974, while others found practical expression in the activity of non-aligned countries in the further struggle for the attainment of the basic objectives of international economic development (the Fifth Summit in Colombo, the Sixth in Havana and the Seventh Summit in New Delhi).

The Contribution of Non-Aligned Countries

The principles of the New International Economic Order, laid down as original principles by non-aligned countries, found expression at the Fourth Summit Conference of Non-Aligned Countries in Algiers in 1973. These principles were gradually developed within the organization of non-aligned countries in the course of the three preceding Conferences of Non-Aligned Countries and, in my opinion, can be systematized in the following way.

The principle of non-reciprocity of benefits in trade and development between the underdeveloped and developed countries is the basic one in mutual economic relations, which means that the developed world, in granting benefits to the underdeveloped world, can not count on being given equal benefits by these same underdeveloped countries. GATT adopted this principle only in its newly added Part IV.

Next is the principle of non-discrimination signifying the inadmissibility of treating one country less favourably than another in international economic relations, although the first principle of non-reciprocity implies a differentiation of rights and obligations based on

differences in developmental levels. The principle of non-discrimination has been contained both in the GATT and in the International Monetary Fund from the very beginning.

The principle of one-sided preferential treatment of developing countries by the developed is the third principle characteristic of relations between these countries, and, in a way, is also a basis for differentiation of countries' rights and obligations. In principle, preferential treatment should be an integral part of any reform of existing foreign trade institutions.

The expansion of the general scheme of preferential treatment, meaning that all developed countries should apply it to all developing countries and for all products, including basic agricultural commodities, and without making preferential treatment conditional on approved import quotas for products from developing countries - is also one of the important principles. The developing countries would be well advised to establish their own internal preferential system in mutual trade with a view to forming a free trade zone. However, this objective has not been attained in full, although the process has started and is evolving in a number of countries, including Yugoslavia. Preparations are underway for a general system of trade preferentials between developing countries.

The Action Programme of Economic Cooperation, adopted at the Fourth Conference of Non-Aligned Countries, almost fully specifies the principles of the Declaration, laying particular emphasis on the deepening of cooperation among developing countries. According to it, every developing country should strive towards doubling its rate of imports from other developing countries. Likewise, no developing country should accord imports from developed countries more favourable treatment than that accorded to imports from developing countries. Developing countries should initiate mutual trade negotiations within multilateral trade negotiations at GATT, for the purpose of promoting mutual trade. The Programme of Action also envisages the possibility of concluding regional and inter-regional clearing payment arrangements. This has to do with regional multilateral clearing payments similar to those of the former European Payment Union (such as the African multilateral clearing payment arrangement). Developing countries should endeavour to use "united" financial assistance resources to the greatest possible extent in their own countries.

Cooperation and consultations among the banks of developing countries should create a common financial climate in these countries, with a view to strengthening monetary and financial cooperation among them. The credit surpluses of developing countries should primarily be used for financing projects intended for export. Developing countries should grant each other credits on a preferential basis.

The association of producers of major products, which are of importance for the world economy, should put an end to the deterioration of trade relations of developing countries and reinforce their bargaining power. The exchange of technical know-how and innovations, as well as the promotion of mutual communications of all types and scientific research are also a part of this. The United Nations Organization should establish a chair for non-alignment studies at the already founded International University. Developing countries should also encourage such initiatives at their own universities and scientific institutions. They should form institutes for

studying projects of special interest to them, and also solve the problems of training personnel for developing countries.

The tendency of strengthening non-tariff barriers, protectionist measures and restrictive practices in developed countries should be eliminated so that developing countries could use all the advantages offered by the general scheme of preferential treatment. Trade liberalization and the gradual abolishing of tariff barriers among developed countries should be accompanied by adequate compensatory measures, the purpose of which would be for the developing countries to preserve their competitive advantages resulting from the general scheme of preferential treatment. This is mostly a question of expanding the preferential margin. Particular attention should be paid to the strengthening of the export capacities of developing countries, especially through the corresponding restructuring of the economies of developed countries, which will make possible a more rational international division of labour.

The international monetary system should be reformed in accordance with the deep-rooted changes on the world economic scene since the Bretton Woods Conference in 1944. It should stem from the equitable participation of developing countries in the decision making process, from a stable but at the same time flexible system of foreign exchange rates, as well as from special drawing rights linked to development financing.

Within overall financial assistance delivered for development, the share of public aid should be increased. Adequate international action is called for to undertake measures to offset the adverse effect of the external debts of the developing countries. This, inter alia, includes the rescheduling of the debts of developing countries. The International Bank for Reconstruction and Development should actively take part in resolving problems which arise in connection with the external debt burden. Regional and subregional development banks should play a greater role in the allocation of development aid funds.

Both at the national and international levels urgent measures are called for in order to stop the brain drain from developing to developed countries. Also, international legislation and practice should be amended as regards the sending of experts abroad, and preferential treatment should be envisaged for experts going to developing countries.

International agreements on primary commodities should resolve the problem of fair prices for these products. This is particularly valid for sensitive primary commodities, e.g. tea, the prices of which are constantly decreasing.

Also significant is the work performed by coordinators in line with the Action Programme adopted in Georgetown, which was endorsed in Algiers, and the mandate of the coordinators extended till the following Summit Conference, i.e. the Fifth in Colombo in 1976. Particularly worth mentioning here is the establishment of the Development and Solidarity Fund for the purpose of pooling resources to finance important projects and extend long-term assistance to member countries; it also comprised elements of the later established Fund for Commodity Stocks. A working group was formed to work out the principles of the operation of this Fund and to submit concrete and definite proposals to the next Conference. Also adopted were the guidelines proposed by the Coordinating Committee appointed within the Action

Programme at Georgetown concerning foreign direct private investments. This also includes the principle that all foreign investments fall under centralized government control. Foreign investments should complement national efforts, make possible the import of the most sophisticated technologies; foreign exchange savings, as well as decentralized management by the parent enterprise. In terms of procedure, profit reinvestment should be considered a new investment requiring new approval by the government of the user country. Foreign investors should be prohibited from purchasing existing national resources. Similarly, foreign investments in sectors which are considered strategic, such as mining, production of basic commodities, public services, communication facilities, banking, insurance and trade, should not be permitted. Detailed elaboration of all issues concerning payment and transfer of profits are necessary.

It is necessary to design and adopt common standards as regards the work of multinational corporations. Likewise, concerted action is needed in the system of economic and financial relations so as to prevent underdeveloped countries becoming dependent on developed capitalist countries. Nationalization for the purpose of restoring natural resources represents a realization of the sovereign rights of developing countries. A decision was reached to form an information center on multinational corporations for the exchange of experiences and information among non-aligned countries. This center should also train personnel for research activities in this area.

Finally, the principle was adopted that non-aligned countries should act as a catalyst within the Group of 77 to increase the effectiveness and solidarity of the developing countries. This should help achieve greater homogeneity within this group of countries, which up to now has always been a serious problem.

The UN Declaration as a Derivative of the Activities of Non-Aligned Countries

The Declaration and Action Programme for the establishment of the New International Economic Order were adopted at the Sixth Special Session of the General Assembly of the United Nations in New York in 1974. This session was dedicated to problems connected with raw materials and development which are the most important problems facing the world community. The Declaration adopted at this Session is based on the principles of the existing United Nations Charter.

The point of departure of the Declaration is that the New International Economic Order should be based on equity, sovereign equality, interdependence, common interests and cooperation among all countries, irrespective of their socioeconomic systems. Accordingly, these are the basic principles on which the New International Economic Order should be founded.

The existing system of international economic relations perpetuates inequalities among countries. Moreover, it deepens the gap between developed and underdeveloped countries,

because it was founded at a time when the majority of underdeveloped countries did not have the status of underdeveloped states. The elimination of colonialism, given the existing international economic order, resulted in its transformation into neocolonialism, which in its various forms slows down the process of the total liberation and progress of developing countries. The existing order makes it impossible for the whole world community to achieve balanced development through an even distribution of benefits from technical progress. Developing countries account for 70% of the world's population and receive only 30% of the world's income. They are vulnerable to external changes, and even minor ones can affect them. This was particularly felt in the 70's when the world economy underwent a series of grave crises; the monetary crisis, the crisis of the world monetary system, the inflation crisis, the energy crisis. The increased international political influence of the developing countries is not coupled with their having adequate influence on the resolutions of these problems in the world. Changes in relations should have a reversible effect and permit greater participation on the part of the developing countries in formulating solutions. However, it is a fact that there is no such reversible effect between changes in the balance of forces and changes in participation in the economic decision-making process at the world level.

On the contrary, these crises have shown that the interests of the developed and underdeveloped countries could not be isolated from each other, and that there is interdependence among all the members of the world community and that its prosperity depends on the prosperity of its components. For this reason participation on a basis of equality of all countries is necessary in solving the world's economic problems.

Every country is entitled to opt for the economic and social system it deems most appropriate for its needs and can not be discriminated against in any way whatsoever on such grounds. The full sovereignty of every country over its natural resources and economic activity is recognized, including the right to nationalization, as well as compensation for the exploitation of its resources and their depletion. Also, every country has the right to regulate and control the activities of transnational corporations on its territory in the interest of its own economy. Each developing country also has the right to rid itself of foreign domination and regain control over its resources and economic activities. Moreover, provisions have also been envisaged for the extension of assistance to such countries in establishing control over their natural resources and economic activities.

Constant improvement of the unsatisfactory terms of trade of developing countries through just and equitable parties between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by developing countries, and the prices of raw materials, primary commodities, manufactured and semi-manufactured products, capital goods, and equipment imported by them, and the expansion of the world economy on this basis - this is the most important task to be realized in the New International Economic Order.

The next task for the whole world community is to extend active assistance to developing countries without any political or military conditions, as well as to transfer financial resources to these countries under favourable conditions. In this context, one of the major objectives of the

reform of the world's monetary system should be to promote the development of underdeveloped countries and enable an adequate flow of real resources towards these countries.

Another task is to promote the competitiveness of natural raw materials in relation to their synthetic substitutes. On the other hand, the need was underlined to put an end to the depletion of natural resources and food products in every country. This is connected with the energy and raw materials crises, as well as with the food crisis in the world.

Preferentials and non-reciprocal treatment for developing countries in all spheres of international economic cooperation, wherever practicable, also represents one of the basic tasks of the New International Economic Order. Likewise, one essential task is the increase of mutual economic trade, financial and technical cooperation among developing countries, primarily on a preferential basis.

A further aim is to enable developing countries to use the results of contemporary science and technology through the promotion of technological transfer and development of endogenous technologies. In this connection the need was underlined to concentrate all the resources of developing countries on the development needs of the economies of these countries.

It is well known that producers' associations can play a significant role in ensuring both the growth of the world's economy and the accelerated development of underdeveloped countries, so it was concluded that this should be facilitated. This primarily refers to international commodity agreements between the producing countries.

The Programme of Action adopted at the same General Assembly Session gives specific substance to some of the conclusions advanced. Important conclusions include those pertaining to the necessity of promoting raw material processing in producer countries, enabling developing countries to import the quantities of food they need without undue strains on their foreign exchange resources, this being especially applicable to the least developed countries; gradually lifting tariff and non-tariff barriers and discontinuing restrictive business practices in developed countries; reimbursing developing countries receipts from customs duties, taxes and other protective measures applied to imports from underdeveloped countries (favourable consideration of the relevant requirements of developing countries); extending the general scheme of preferential treatment to include agricultural products, as well as other manufactured and semi-manufactured products of developing countries; discontinuing new investment in production facilities for synthetic raw materials in cases where natural ones can meet market requirements; adjusting developed countries' economies to allow for the expansion and diversification of developing countries' exports; preventing that inflation from being exported from developed to developing countries, i.e. alleviating the impact of inflation in developed countries on the economies of developing ones; maintaining the real value of underdeveloped countries' foreign exchange reserves and preventing their erosion owing to inflation and depreciation in the countries of such foreign currency reserves; establishing a link between drawing rights and additional economic development financing; increasing the share of public aid within developmental assistance; exempting developing countries from controls on capital outflows from developed countries; renegotiating developing countries' debts with a view to

their cancellation, moratorium, rescheduling and interest rate subsidization; establishing an international code of conduct governing technology transfers and the practices of transnational corporations.

As regards cooperation among developing countries themselves, the Programme of Action suggests in particular the establishment and promotion of an adequate mechanism to protect the prices of their export products, to foster economic integration, step up imports from other developing countries; the mechanism should also serve to preclude that a more favourable treatment should be given to imports from developed countries than those from developing ones; to ensure preferential treatment in trade and granting of credits, foster cooperation in industry, science and technology, transport and mass communication media.

A special programme of action is envisaged for the least developed countries and it includes measures for maintaining imports at an unchanged level regardless of the balance of payment deficit, measures for sustaining and increasing growth rates and alleviating the effects of various crises (energy, monetary, etc.) both by the developed and more advanced developing countries. Developed countries should write off the external debts of the most affected countries, while development aid should exceed the level achieved to date. The period from the end of the Second Development Decade was envisaged as the minimum period for the extension of assistance to developing countries which are most seriously affected. Unfortunately, this task will be carried over into the Third Development Decade.

The above-mentioned Sixth Special Session of the United Nations General Assembly in 1974 devoted to problems of raw materials and development adopted the Declaration on the Establishment of a New International Economic Order which sets out in detail the principles on which that order should be based, and we shall try to systematize them. This was not the first time that the principles of new international economic relations were determined at the world level. This was done at the First United Nations Conference on Trade and Development (UNCTAD) in Geneva in 1964, when 15 general and 13 special principles were adopted as the foundations of new international economic relations. The general principles are:

1. Principle of economic relations based on the sovereign equality of nations;
2. Principle of non-discrimination on the basis of differences in socio-economic systems;
3. Principle of sovereignty over trade and natural resources;
4. Principle of accelerating economic growth and reducing differences in income inasmuch as economic development is the concern of the world community at large;
5. Principle of an international division of labour in the interest of developing countries and of assistance to the underdeveloped by the developed countries;
6. Principle of increasing the export earnings of underdeveloped countries;
7. Principle of international arrangements for increasing access to markets and remunerative prices for the exports of primary products;
8. Principle of preferential and non-reciprocal treatment for developing countries;

9. Principle of the functioning of regional groupings without adversely affecting the interests of third countries, particularly the developing ones;
10. Principle of encouraging the regional groupings and integration of developing countries;
11. Principle of increased development assistance free of any political or military pressures;
12. Principle of allocating resources released by disarmament for the promotion of economic development;
13. Principle of free transit for the trade of land-locked developing countries;
14. Principle of complete decolonization;
15. Principle of recognizing differences in stages of development.

The special principles are the following:

1. Principles relevant to the concept of trade in the least developed countries;
2. Principles relevant to the industrialization and modernization of agriculture in the developing countries;
3. Principles of Conference participants taking no action on a principal concerning preferential treatment;
4. Principle of protecting infant industries in developed countries;
5. Principle whereby domestic support for prices in developing countries does not stimulate uneconomic production;
6. Principle whereby developed countries provide assistance to undeveloped countries without replacing their primary commodities;
7. Principle of compensatory financing for deterioration in terms of trade;
8. Principle of commodity surplus disposal according to international criteria;
9. Principle of refraining from all forms of dumping;
10. Principle of technical assistance;
11. Principle of expanding the share of multilateral forms of assistance and of less strict crediting conditions, as well as of repayment in local currency or in kind;
12. Principle of action for the increase of invisible earnings in the balance of payments;
13. Principle of multilateral trade and payments arrangements between developing countries.

Only ten years have elapsed since these principles were set forth and the need has already arisen for them to be reworded and partly repeated, which is an obvious sign that they are not easy to implement and that constant repetition is necessary in order to counter resistance and systematically create a climate and political will to put the principles into practice. For this

reason the UN Declaration of 1974 endeavoured to define these principles more specifically and, to that end also, included a Programme of Action for their implementation.

Božidar FRANGEŠ, Ph. D.

THE NEW INTERNATIONAL ECONOMIC ORDER AND THE ROLE OF INTERNAL FACTORS IN NON-ALIGNED COUNTRIES

Allow me to say a few words on the subject “Non-Alignment and the New International Economic Order”.

In this introductory statement, Professor Adamović has already emphasized the ever increasing linkage between the non-aligned policy and the key economic problems of the contemporary world. It is a fact that from the very beginning the non-aligned movement, as a new factor in international relations, has become, by its political orientation, a reflection of the modern world, pointing not only to its major problems, but also to ways of solving them. This fact has decisively influenced a new group of countries, grown out of the process of decolonization, increasingly to opt for non-alignment when they appeared on the international scene.

For, in contrast to other groups of countries, particularly those belonging to military-political blocs, only non-alignment pointed to and set universal objectives reflecting all aspirations for changing overall international political and economic relations, on a basis acceptable for all countries, irrespective of differences in their socio-economic systems.

In this way the global role of non-alignment was confirmed at the very outset, and during the last two decades asserted and reaffirmed itself in specific actions.

From these universal objectives and the global role of non-alignment emerged the struggle of the non-aligned countries for a new system of international political and economic relations, a struggle which, in the field of economic relations, is for a New International Economic Order.

Thus, the relationship between non-aligned and the New International Economic Order is that of a global factor to a global problem, to a complex of issues which the New International Economic Order encompasses. Beginning with these premises, reacting to the state of international relations and development of the world in general, non-alignment has defined a whole concept of international relations, and on that basis, developed a programme of action for the establishment of a new system of international relations.

There is no special need to deal here with history and explain individual stages of the struggle for defining problems and changing the existing situation. It is sufficient to say that the principles on which the New International Economic Order is based, as well as its integral elements, are the result of a permanent evolution in the activity of the non-aligned. The non-aligned movement has constantly adjusted to the conditions and needs of the struggle for economic emancipation and corresponding political and economic relations. In this, however, the

movement did not act pragmatically, but, on the contrary, always based its activity on the authentic principles and long-term aims of the policy of non-alignment.

So, if we want to define the point of departure and courses of action of the non-aligned countries in this stage of development, in greater detail, it is necessary to:

First, start from the fact that the crisis of the world economic system, as a reflection of a deeper socio-economic crisis and structural imbalances, manifests itself today particularly as a crisis of the system of international economic relations, a crisis of the mechanisms and rules of conduct in international relations.

Second, in analysing this stage and setting the political objectives of the non-aligned movement, it is necessary to bear in mind that a new world order would be all countries, both developed and developing; that the non-aligned and other developing countries are the major driving force of that process, but that they cannot be the exclusive protagonists of that idea. The common objective of the countries taking part in the struggle for a new order are changes in the system of international economic relations which would be in the interest of all countries and the world's economy on the whole. Consequently, when speaking of direct objectives, set by the world community in this phase of socio-economic development, without analysing here all the socio-economic elements of that process, these aims refer particularly to a new structure and new content of these relations, new frameworks for international institutions and behaviour based on established principles, particularly independence and equality.

The logical conclusion is that these rules of conduct show that we are speaking of independent countries which can, on a footing of equality, adjust their development strategies and coordinate their economic policies.

It is necessary to comment on this. We are accustomed to talking about "a new order", "a new system", etc. These terms are common, particularly because they have been adopted by the United Nations, so we should retain them. However, if we want to be more accurate in defining their substance and meaning, we have to emphasize that it is a question of a process of change in a certain direction, a process of surmounting old and creating new relations; and that in view of the clearly defined objectives of that process, any progress towards these objectives should be considered a success and a step forward toward the realization of the New International Economic Order.

Returning to the subject of non-aligned countries, the question arises of the strategy and tactics of the non-aligned and other developing countries in the struggle for the New International Economic Order.

From the standpoint of non-alignment, the struggle for the New International Economic Order includes three main strategic courses of action.

The first relates to action on the internal plane, within each country. This course of action has only been touched upon within the non-aligned movement, for understandable reasons. It was first mentioned at the Lusaka Conference of the Non-Aligned Countries, and then only in principle.

The second course of action coincides with the idea of collective self-reliance, which would involve the need to create new forms and structures of mutual economic relations among developing countries.

The third strategic course of action is directed towards defining a common platform concerning the need for essential changes in the system of international relations.

The strategic orientation is complementary and encompasses two essential elements: greater self-reliance (which does not lead to the isolation and self-sufficiency of developing countries, as often emphasized by developed countries) should contribute to stronger bargaining positions for developing countries at the international level. On the other hand, the improvement of the international position of developing countries creates additional preconditions for the development of new forms and structures of cooperation among them.

Here, I would like to return to the first strategic course of action (action on the internal plan). In our elaboration and further research we shall have to pay particular attention to this issue. Thus, the question arises whether the New International Economic Order, as a long-term objective, can be achieved without progressive internal social changes.

The struggle for greater justice on the international plane, certainly implies the same kind of struggle on the internal plane. It is a question of progressive social changes which in many environments coincide with socialist options.

However, due to different approaches and views, the consideration and resolution of these issues is primarily the task of the internal social forces of every country. Non-alignment, as a movement, should point to and insist on the importance of internal changes. But it is for each country to find its own ways, formulas and solutions.

In the case of Yugoslavia, the orientation towards non-alignment is a result of a combination of internal and external factors, and it emanates from the character of the National Liberation War and social revolution, from the fight to preserve their accomplishments, from the socialist self-management system of the country and its place in the international community. Affecting, thus, in its own way changes towards progress, adopting its own path, formulas and solutions, Yugoslavia contributes to the concept of the non-aligned movement, its development and aims.

Such an approach is the only one possible, since non-alignment implies ideological pluralism, a global movement with universal aims.

Non-alignment is neither a bloc nor a group of like-minded countries, but rather a body of countries linked by profound common interests which basically amount to a change of the existing situation. Subsequently, in contrast to countries belonging to blocs, which have created the existing system of international economic relations based on political, ideological and other divisions, non-aligned countries do not find the present situation satisfactory and are, thus, supporting the need for fundamental changes.

Finally, a few words on the attainment of the international economic order. The non-aligned and other developing countries should, by permanently elaborating and enriching their concept, adopt a realistic approach, particularly when the materialization and realization of

the New International Economic Order is in question. Also, as much as it would be a mistake to view the New International Economic Order as a complete and harmonious system, it would be useless to believe that the New International Economic Order could be achieved through pragmatic actions, without relying on broader, global aims, the principles and manner of their functioning.

Since the New International Economic Order, as already said, should be for all, an order in which both developed and those which are in the process of development would be able to realize their legitimate interests, the gradual materialization of this idea calls for a concrete dialogue and a permanent process of negotiations between developed and developing countries. Any other approach, no matter how revolutionary and progressive it may seem, would only postpone the solution of accumulated problems, given the existing balance of power.

It is becoming increasingly evident that the problems of individual countries and groups of countries cannot be successfully considered and solved if isolated and separated from the major problems at the world level. Not only from the political, but from this point of view also, it is necessary for the Comecon countries to take part in the struggle for new relations, based on the concept of the New International Economic Order; since the struggle for the New International Economic Order is the only global policy on the basis of which it is possible gradually to resolve the numerous problems of the world economy and economic relations at the international level.

In determining the negotiating strategy and tactics, non-aligned and other developing countries recognize the necessity of formulating a global, complementary and integral approach. The concept of the non-aligned countries can surely be substantially explained by a more detailed elaboration of the main strategic issues in the crucial fields of dialogue (raw materials, trade, finances, industrialization) which is not the subject of this paper.

In any case, non-aligned and other developing countries have, in their strategic approach, by accepting the increasing inter-dependence of world economic trends, supported the thesis that a long-term complementarity of interests exists between developed and developing countries, and this alone can contribute to the genuine restructuring of international economic relations.

The struggle for the New International Economic Order is, in any case, a much broader concept than the question of content and objectives of global or any other negotiations. The issue of the more equitable participation of the underdeveloped world in international economic relations is linked to different stages of the struggle and efforts for stimulating wider economic, political and social changes. This is a long lasting and very complex struggle. In this process of over-coming old and establishing new relations, global negotiations, as conceived, could be a stage of exceptional importance.

Concluding this brief expose, I would like to add:

Firstly, I would like to underline again the exceptional complexity of the process of establishing the New International Economic Order, a continuous process which points to the need for gradual steps to be taken, but also for continuity in its attainment.

Secondly, I would stress the continual topicality of the relations between theory and practice, between principles and concrete action, or more specifically, between the multilateral activity and bilateral behaviour of a country.

Thirdly, I would like to remind that the disharmony which often occurs between the last two elements sometimes results in the emergence of various tendencies towards isolation, “deglobalization” and of greater aspirations towards regional division in the sense of deforming natural global processes and emphasizing certain exclusively regional interests and solutions. Such negative tendencies, which hamper the establishment of natural and inevitable mutual dependence between global and regional processes, point to the need constantly to emphasize and insist on the complementarity and interdependence of those two integral parts of one and the same process.

Oskar KOVAČ, Ph. D.

THE ECONOMIC POLICY OF NON-ALIGNMENT AND ECONOMIC DEVELOPMENT

I would like to review the relation between the economic policy of non-alignment and the New International Economic Order, and economic development, a central issue of long standing.

Before that I would like to turn briefly to the relation between the economic policy of non-alignment and the New International Economic Order. Can one place an equal sign between them in all cases and forever? I do not think so. It is true that today without the economic policy of non-alignment, that without the non-aligned movement we would not have the concept of the New International Economic Order, or at least not in this form. That is as much as we can claim. The economic policy of non-alignment existed before the concept of the New International Economic Order appeared, and it will be necessary irrespective of its fate.

In the future, the non-aligned movement will also need its own policy relating to the burning problems of the world's economy. Efforts shall be exerted to solve them in accordance with the principles of the New International Economic Order, but it will not be a surprise if negotiations on concrete issues prove much more flexible and yield new ideas and more pragmatic methods of resolving them. The economic policy of non-alignment shall serve to that end, but not just as a mere instrument for the establishment of the New International Economic Order.

At any rate, the New International Economic Order does not expect to be only a policy of the non-aligned world for finding ways out of crises. Accordingly, I do not intend to elaborate the thesis that the New International Economic Order should be developed as an option for underdeveloped countries, since other options do not hold great promise for the resolution of the world's economic problems. There are many who think that the New International Economic Order should be for all. I agree with what has been said today already - that conditions for this should be created.

When speaking of the relationship between the economic policy of non-alignment, the New International Economic Order, the basic problems of world development - my comments refer to the problems Professor Adamović treats from p. 34 of his paper to that end. This part of the text shows very clearly that the common aim, common element and common denominator of the economic policy of non-alignment and the New International Economic Order is economic development. Socio-economic development is the basic objective of both policies, but if we want to discuss in greater detail economic development, i.e. in a manner of production different from the existing one, the definition of the international economic order has to be founded on a much broader basis than has been the case to date.

In this I shall employ some of the findings of the macro-project “The New International Economic Order” which will be printed soon. It is a voluminous collective work, but my impression is that four basic characteristics of the New International Economic Order emanate from the works of Ivo Fabianac. Basically, the New International Economic Order should be taken as: 1) an international community of independent countries; 2) as an international system of economic relations of these and such independent countries; 3) on the basis of this there should exist an internationally accepted development strategy, from national, regional to global levels; and 4) there should exist an international system of coordinated policies for the attainment of the aforementioned objectives, i.e. for the establishment of an international system of economic relations between independent countries and for the implementation of an internationally adopted development strategy.

In order to realize these four postulates of the New International Economic Order, other requirements have to be met. The first is to abandon those models and experience in development which reproduce domination. It has been observed that the central planning alternative, the state-capitalist alternative, as well as the decentralized market alternative in the existing international economic relations do not eliminate relations of dependence. All countries which opt for one of these alternatives fall into one of the models of dependence due to the nature of the system of international economic relations which still has the basic features of capitalism.

For this reason such models should be abandoned. They give birth to and reproduce dependence.

The second requirement is to build new mechanisms for the coordination of national policies of economic relations with foreign countries. To put it simply, a new international code of conduct should be instituted in economic relations in the world. Thirdly, a harmonization of the development policies of independent countries is absolutely indispensable in the new system of international economic relations.

If we bear in mind the mentioned postulates and conditions, we get the impression, which I share, that conditions are extremely difficult for the realization of all these seven points and that we are rather far from such a new international economic order.

Is it any use then to dwell upon development and development strategies in the international economic order? I think there is. The economic order in the world is changing. An economic order was built up after the war, which in forty years brought about enormous changes in the world's economy. In all fairness, that was easier to achieve, for that order was developed within the framework of a single socio-economic system. Now we have to build a new international economic order not just of developing countries, nor only their strategy. Consequently, it will probably take more than forty years to achieve this, but economic history and theory certainly provide arguments in favour of changing that order. Thus, it makes sense to discuss the central issue of non-aligned policy and the policy of the New International Economic Order, i.e. of economic development.

In this context we have, till now, principally adopted two approaches to economic development. The common, internationally accepted one which is used mostly in theory - is the indirect approach. The approach of creating conditions for development. We take the fact that there are no universal recipes for development to mean that it is sufficient to create conditions for development and everyone will develop according to their own objectives and circumstances.

This indirect approach to development begins with the demand to provide developing countries with access to the markets of developed countries, to resolve problems connected with primary products, raw materials, trade, new protectionism and financing of foreign-economic balances which result from the existing system of international economic relations. Today, these elements of the system basically still have a capitalist colouring. Under such conditions there are probably no possibilities for radical changes of development strategies.

The direct approach (which is treated to a very small extent in documents on the New International Economic Order, as well as in theoretical studies) would be to define possible socio-economic aims of development in developing countries, development factors or the possibilities they offer for attaining specific objectives. The next step would be the analysis of individual factors - population, natural resources, capital, technical progress, etc.

Professor Adamović adopts this direct approach in his paper. He attaches significant attention to population, i.e. the demographic factor. He warns of resources not being a special advantage of developing countries, as well as of their dependence on international capital. I did not notice any particular analysis of technological progress, which today is a major lever in perpetuating the dependence of the South on the North. It is of relevance to mention that now these relations are accompanied by a certain stratification of the subjects taking part in international economic relations, which have different ideas to what development should be. On the one hand, the state extends its international subjectivity. Not only do national states emerge as subjects, but also their regional integrations and military-political blocs, and in addition the United Nations. In this stratification of protagonists, certain changes lead to reduced dependence (such as is, for example, the activity of the United Nations in the elaboration of new codes of conduct in international economic relations), while on the other hand, military-political blocs and certain types of integration, negatively based, can deepen the relations of dependence.

Other new subjects, which Marjan Svetličić has already mentioned and, I believe, Milan Vojnović will do the same, are those which are the protagonists of what is known as functional integration in the world's economy, i.e. transnational corporations. I am of the opinion that these too are instruments in the reproduction of relations of dependence in economic development.

I fully agree with Bekić that the essential fact is that both Western and Eastern development models have been largely exhausted, and that today they cannot even solve the key problems of these same countries. It will be sufficient to recall that the study "Interfutures" very clearly pointed to directions and ways out of the crisis for the West. This study notes that changes in the scale of social values are necessary and elaborates on that basis the structure of social needs and from them structural changes in production, which primarily provide for the needs of the developed world, opening up certain prospects for the developing countries also.

It is also obvious that East European countries cannot resolve their autochthonous crisis without reforming the development model itself.

Within the concept of the New International Economic Order, economic development must be in the service of social development as a whole. The non-complementarity of economic and social development in the existing conditions represents one of the basic determinants of the stagnation in developed countries and the standstill in development in underdeveloped countries. This non-complementarity, and often contradiction, is manifested in the inadequacy of the prevailing cultural, educational and scientific-technical models with increasingly grave implications on the political, ideological and value determinants of certain societies.

In such conditions the development of subjective social forces is of particular importance. Social forces and ideas, which direct the social will to development efforts, are articulated in the educational, cultural and political spheres of social life. However, in cases where the process of development is not an all-embracing, complementary social one, but is realized according to partial patterns, which are either inspired or imposed from outside, it actually destroys social cohesion with subjective forces turning to a great degree against development itself. The accumulation of such contradictions, particularly in the relations between the developed and underdeveloped world, in the existing conditions - leads to a transformation of demographic, economic and social contradiction into ideological and political contradictions, which have unforeseeable consequences on development, peace and existence. For this reason, within the concept of the New International Economic Order the belief prevails that not only are the economic and social spheres of development inseparable, but that also development itself - of both developed and undeveloped countries - in the world as a whole is indivisible as well.

Consequently, the elaboration of development concepts and programmes, from the standpoint of authentic objectives, appropriate ways and acceptable methods, represents an integral part of the attainment of the New International Economic Order which is of great importance for all countries, particularly for the insufficiently developed ones. In this regard it is necessary to give full support to the justified efforts of developing countries to cast off growth models that reproduce their undevelopment and dependence. Emancipation is only possible by finding and utilizing the endogenous impulses of a country's own economic development, defining development strategies suited to one's own social conditions and by strengthening mutual cooperation between developing countries as an important factor of development. Bearing in mind the indivisibility of sectoral and regional aspects of development, it is obvious that complex national strategies of socio-economic development must, to a certain extent, be coordinated on a broader regional level as well. In that respect, a need arises for the adoption of international global development strategy. These strategies must, of course, fully stem from the objectives and conditions of development of individual countries, as their bases, as well as from the fact that different segments of production and international economic relations are to different degrees "ripe" for international regulation through agreement.

At the same time, joint and global development strategies should contribute to the overcoming of undesired differences between countries in conditions and levels of economic

development and organize their cooperation in the interest and for the benefit of all. Only on the basis of such development strategies, which would respect national and regional, as well as broader common interests, is it possible to utilize the instruments of the system of international economic relations in the establishment of equitable conditions for development in the world.

Any development, and particularly that which is inherent to the concept of the New International Economic Order, implies structural changes in production and international trade, i.e. in the international division of labour. Regional and global development strategies should be an expression of *general agreement* on what courses such structural changes should take.

A minimum degree of agreement on the basic directions of global structural changes in the world's economy is not only indispensable for the construction of the New International Economic Order, but also for a serious approach to resolving the current, deep-rooted crisis of development in the world. It would be good for a start to reaffirm and confirm in practice the agreement reached on structural changes, which are either explicitly or implicitly contained in the Third UN Development Decade.

In developing countries, re-structuring will involve the need for simultaneously developing multiple supports of the material production structure. The development of industry and agriculture has to be synchronized with the development of energy sources, raw materials production, transport and communications, and the development of science and technology.

Complex industrialization (not exclusive or one-sided) shall for many centuries be one of the predominant development paths. However, in that framework, the developing countries have to build relatively complete industrial structures, and not to accept only parts of some technological lines, which would only perpetuate their dependence. Naturally, their relatively complete industrial structure would have to be multiply linked with processes of reproduction on regional and world levels, but primarily in conditions of two-way economic and technological interdependence.

If we bear in mind the need for industrial development to be a function of authentic socio-economic development, in accordance with the concrete conditions and objectives of each country - there is no recipe for the industrial development of individual countries. The formulation of an industrialization strategy in each country is definitely the task of widely dispersed, progressive and all democratic forces which by their very orientation must also be involved in the elaboration of the basic postulates of the New International Economic Order concept.

However, for such a concept of industrial development in developing countries to succeed, it is necessary to create opportunities by affecting certain structural changes in world industry. In addition to the Third UN Development Decade, the UNIDO Programmes from Lima and New Delhi also pointed to the directions and necessary intensity of such changes. Since the method of "gradual" transfer of parts of industrial structure into developing countries has not yielded expected effects, it is apparent that the re-structuring of the world's industry should be carried out according to a specific system of criteria, which above all reflect the rational economic requirements of developing countries.

The international strategy of re-structuring industry can be effective only on condition that complementary strategies for development re-structuring are realized in sectors such as agriculture, other productive activities, infrastructure, trade, finances, education, culture, science and technology.

The complex re-structuring of the world's economy requires the corresponding transfer and redistribution of all available resources, naturally with a corresponding economic equivalent. Alterations in the system of international economic relations, the system of international development financing, the monetary system, trade system as well as the system of utilization and transfer of technology, should make it possible to change the structure and method of resource utilization.

Jelica MINIĆ

THE ECONOMIC ASPECTS OF THE NON-ALIGNED POLICY AND THE NEW INTERNATIONAL ECONOMIC ORDER

The principles of the New International Economic Order, which lay new foundations for international economic relations, are revolutionary in their essence. It would be hard to imagine such a concept of changes without the existence and actions of the non-aligned movement. At the same time, owing precisely to such a perception of international economic relations, the non-aligned policy has extended its field of work and won new followers.

However, an almost theological approach is very often applied in considering the principles and concept of the New International Economic Order. The New International Economic Order is observed as a definitive programme, as a hard-and-fast body of principles and ideas. While exactly the opposite approach is the only productive one. For, the New International Economic Order is an open system of principles and ideas, a concept which is in some parts even contradictory, as contradictory as the very reality it has to change.

The concept of the New International Economic Order, as formulated and adopted at the Sixth Special Session of the UN General Assembly (1974), raises a number of issues. On this occasion we shall mention only some of those which deserve special attention. Firstly, is the New International Economic Order a reflection of general interests, or a reflection and formulation of group interests? Secondly, the New International Economic Order implies different principles of conduct on the part of developed and developing countries in certain spheres of international economic relations. This means that a duality of principles exists in certain spheres. Thirdly, does this concept of changes in international economic relations advocate cooperation or confrontation, or both cooperation and confrontation at the same time? Fourth, what are the implications of the New International Economic Order for the relationship between class and national? Fifth, how is the relationship between national and supra-national resolved in the framework of this concept? Sixth, there are certain contradictions between the global strategy of the New International Economic Order and certain partial policies. Seventh, there is a basic dilemma concerning the choice of the governing principle of the New International Economic Order. Namely, is it a commitment to free trade or to an interventionist policy of a global scope?

All the above-mentioned quandaries and open issues [For more details on these issues, see 'Some Open Issues in the Interpretation and Application of the New International Economic Order' Jelica Minić, 'The Third Programme', autumn 1980, Belgrade.] related to the New International Economic Order indicate it is a partially contradictory concept of changes in international economic relations, which must be further developed without calling into question the value of the concept itself.

The debate on the New International Economic Order most frequently concerns the rehabilitation-destruction of the existing system of international economic relations. Specific Keynesian solutions, to be applied at the international level, are offered for the rehabilitation of the system. The demand for the destruction of the system has two basic alternatives. Some representatives of developing countries advocate the first alternative - "a break with the world market". The second alternative is formulated as destruction and substitution of the existing system by a new "international socialist system of economic activity". In practice, the socialist countries of East Europe, which uphold the second alternative, are almost completely disinterested and objectively restrain and hamper the construction of the New International Economic Order in spite of the slogan of "the natural alliance" with developing countries.

The majority in the world today acknowledge the need for changes and adaptations. Even the American Secretary of the Treasury, Mr. Regan has recently stated that certain adjustments and changes will have to be carried out in the international monetary system. So, the necessity of modifications and adjustments can no longer be disputed. But how will this be carried out, at what speed, in which spheres, with which priorities, and finally, under whose control - these are the problems over which the major battle is being fought today. The exceptional OECD study "Interfutures" ["Interfutures", OECD, 1979, Paris.] quite openly deals with the ways and means of controlling and using, to the maximum degree, the increasing interdependence in the world.

The increasing interdependence in international relations on the whole is thus an issue which deserves particular attention. Here we have in mind the growing interdependence of areas, problems and their solutions. In his paper Professor Adamović made a specific categorization of groups of countries according to the criteria - interdependence, dependence, independence. In my opinion, such a strict division can hardly be justified. A certain degree of interdependence in fact characterizes international relations of all groups of protagonists, but naturally in various forms, degrees, with different orientations, etc. It is enough to mention here what an important partner the developing countries are for the developed countries of the West and that, particularly in the case of the U.S.A. and Japan the markets of the developing countries absorb a greater part of their exports than the markets of all the developed countries taken together. The developing countries are also important for the investment of capital and technology, and have a vital function for developed countries in the international industrial division of labour. Ten years ago oil and raw materials, and today the international financial system clearly prove how difficult it is to control and manage the system of international economic relations if domination and dependence are taken as exclusive criteria for action. It is precisely this interdependence which makes the current crisis so all-embracing and all the more dangerous.

What is essential today, as Professor Adamović pointed out, is that this crisis calls into question the vitality of capitalism, that the effects of the outcome of this crisis will be of a very long-term nature, and that they shall to a great extent influence future international economic relations and the world's economy. What is perhaps given insufficient attention in relation to the crisis, is that a crisis of such volume is the result not only of spontaneous processes of structural and cyclical adjustments in the world's economy, but of a conscious deepening of the crisis, of

conscious manipulation with the crisis. In this sense, the strategy of the majority of the developed countries is ambiguous. First, in relation to the national working class, the crisis is consciously used and deepened so that a “balance” can be established in relations between profit and wages, by means of unemployment growth and the decrease of real wages. The second course in the deepening of the crisis is restraining the “immoderate” demands of developing countries in trade relations, and in international relations in general. The third course is aimed at achieving certain strategic advantages and positions as regards socialist countries. Finally, the specific aim of the U.S.A. is to stress its leading role and curb the increasing competitiveness within the “Western Alliance” (which includes Japan).

In this connection I wish to disagree with what Professor Adamović claims in his paper, i.e. that the crisis is not an argument in favour of the New International Economic Order, namely, that it doesn't encourage developed countries to state their support for essential changes in international economic relations. I beg to differ, as many facts show that quite the contrary is true. My premise is that today the differences among the developed countries are even greater, both as regards their positions and their strategies and policies for seeking a way out of the crisis. Two essential traits of the non-aligned movement - the non-bloc foreign-policy orientation and economic underdevelopment - are less and less its exclusive, and, in future, its determining features. So, for example, the policy of neutral European countries in a number of concrete actions coincides with and acts parallel to and jointly with the policy of the non-aligned countries (primarily of the CSCE). On the other hand, the non-aligned movement has always been open and included all those who recognized and advocated the basic principles of non-alignment. In this case, economic development appears as a temporary, important, historically determined, but not permanently defining feature of the non-aligned movement. The increasing interest of parties and governments of some developed countries clearly speaks of this. We primarily have in mind the socialist governments of France, Spain and Portugal, which in the past took part in the gatherings of the non-aligned as guests, then the strong support of the Italian communists, which is growing into a high conceptual and strategic concurrence of assessments, interpretations and planning of actions in international relations. Gatherings of European socialists, their governments and parties are emphatically in favour of the non-aligned policy, not only as an autonomous force, but also as their own potential political option. In the process of an increasingly wide affirmation of the non-aligned policy, the concept of the New International Economic Order is gaining recognition, since the existing system, or rather the absence of any regulated and multilateral system of international economic relations, threatens many developed countries as well. If we analyse international public opinion in the last ten years, since the time the idea of the New International Economic Order was launched at the Summit of Non-Aligned Countries in Algiers, we observe a shift of enormous proportions. In addition to the earlier mentioned countries and political parties, the role should be mentioned also of like-minded countries, then of Australia and Canada, which have specific economic and political interests and which, notwithstanding the alliance linking them, behave rather ambivalently at numerous international gatherings.

The preceding considerations require a brief analysis of the evolution of the economic aspects of non-alignment. In the initial stage of the founding of the movement, these aspects consisted only in pointing to economic difficulties and inviting (practically appealing to) the international community to help the non-aligned and all developing countries. The next stage is the phase of restitution claims. The third is a search for ways to transform the general, global system. Finally, in the present stage the emphasis is on the self-reliance of the developing countries. Such a division is, of course, only conditional because there are overlapping and parallel demands in all stages, while the differences appear mainly in major emphasis, particularly in the last stages.

In all this, the non-aligned countries gradually adopted an active and creative attitude towards international economic problems, in contrast to the passive and demanding attitude of the initial phases. Secondly, this attitude is becoming increasingly effective, action-oriented and pragmatic, as opposed to the moral one which dominated in the beginning.

What type of evolution of the economic aspects of non-alignment can be expected in the forthcoming period? This was probably most adequately summarized by the President of the Ivory Coast shortly before the Seventh Summit of Non-Aligned Countries, who said that there had been enough declarations, and that it was time to search for concrete solutions, or otherwise the non-aligned movement would discredit itself. In this connection, and taking into account the history and organization of the non-aligned movement, as primarily a political movement, it is maybe necessary to stress that the activity of the non-aligned countries in the economic sphere is predominantly aimed at the attainment of established political objectives, which are the following: the political, social and cultural liberation and emancipation of non-aligned and other developing countries. There is no doubt that the successes of non-aligned and other developing countries, in mutual economic cooperation, represent a strong argument in favour of the New International Economic Order, and proof that it can, indeed, be efficiently practiced and function.

What are the conditions for the development of mutual cooperation between developing countries? These conditions exist and are already being used in some areas. These conditions include natural and human resources, processing capacities, a certain level of technological development, while some countries also command significant financial resources. Conditions have, undoubtedly, been created, but it is necessary to have a more clear and exact picture of them. In this sphere, an idea meriting support is to elaborate a matrix of needs, resources and potentials for cooperation among developing countries, which appears in the Indian Draft of the Platform for the Seventh Summit of Non-Aligned Countries. The necessity of building a structure of economic relations among developing countries is also emphasized, implying a specific institutional infrastructure and financial support. Along the same lines are the demands for the establishment of a Developing Countries' Bank, although a dilemma still exists as to whether it should be established as a commercial, or rather a development bank. There are also open demands for the Solidarity Fund of Non-Aligned Countries to become operational and for the member countries to provide adequate support. The support for the decision of the Group of 77 to form a general system of preferential treatment in trade among developing countries, has

the same intention. [This very important initiative was strongly opposed by both developed Western countries as well as East European socialist countries in the UNCTAD Council, which the developing countries addressed seeking technical and financial assistance in the preparation of this project.]

In consideration of the economic aspects of the non-aligned policy, there is necessarily the question of parallelism, simultaneity and overlapping of the activities of the non-aligned and the Group of 77. Increasingly evident is the orientation of the non-aligned countries as a constant source of initiatives, guidelines and of political support for the international economic strategy and policy of developing countries. For this reason greater immediate success on the part of the non-aligned countries are more likely to occur in the political, social and cultural spheres. Such an orientation implies that the Group of 77 should elaborate, make operational, review and implement the programme of economic cooperation among developing countries, as well as their integral programme of international activities in the economic sphere. In other words, a certain clarification of competences and definition of activity is necessary as parallelism may prove expensive, unproductive and, thus undesirable.

How has the economic cooperation of the non-aligned countries been carried out so far? The analysis prepared in India, since India was the host of the Seventh Summit of Non-Aligned Countries, lists 23 areas of mutual cooperation among non-aligned countries. Something was done in fifteen of these areas (meetings organized, a programme elaborated, a Statute adopted, systematic activity organized and some results achieved in a small number of cases). Out of fifteen areas of cooperation, which found expression in practice, to a varying degree, Yugoslavia played an outstanding role in six of them. Cuba, India, Algeria, Sri Lanka are among the most active coordinators of such cooperation. It is evident that within the non-aligned movement also, there exists a specific, rather significant correlation between the development level and economic strength, and the capacity for active endeavour. It should also be mentioned that all the listed countries have been hosts of Summit Conferences and coordinators of the movement for many years.

Finally, there are some modest indications of the influence of the non-aligned movement on internal changes in developing countries. Or to put it more precisely, it is the influence of economic aspects of non-aligned policy on the internal development of developing countries. This influence cannot be denied, both at the level of principles, as well as the level of partial concrete actions. In addition to agriculture, industry, trade, technical cooperation of publicly owned enterprises, etc. - it is necessary to underline efforts to regulate the position of the labour force (employment and qualifications), also to democratize health care and education through specific actions of non-aligned countries, to influence the status of women, cooperation between new agencies and radio and TV networks, to influence cooperation in the field of development and research, etc. Concerted actions concerning transnational corporations, technology transfer, etc. have the same possible long-term effects.

The effects of the economic aspects of non-aligned policy, thus, have both their international and national dimensions. The above-mentioned changes are taking place in the

spheres of socio-economic and political structures and relations, in the creation of public opinion, in value systems. The processes involved are obviously long-term ones and necessitate a realistic approach to programme formulation, to the strategy of action of the non-aligned countries, and, of course, with respect to the results expected.

Vera PILIĆ-RAKIĆ, Ph. D.

THE NEED FOR COMPREHENSIVE STUDIES OF THE INTERPRETATION OF THE NEW INTERNATIONAL ECONOMIC ORDER

“International cooperation for economic development is *not a one-sided process of donor-donee relationships*; the development of underdeveloped countries benefits the whole world including the more advanced nations.” (Declaration on Non-Alignment and Economic Progress. - Objectives - The Lusaka Conference, 1970).

Very few in our present-day world explicitly challenge the view that the non-aligned movement is the conscience of mankind as well as a need of modern mankind. However, this does not imply that the movement has no one opposing it and that certain actions are not aimed at hindering the achievement of its objectives.

Excluding the latter efforts, if any at all exist in such a direct form, one should add that it is probably the case only of a different, a heterogeneous perception of the spirit and meaning of the movement, i.e. comprehension of its *original principles*, and what is more important and what stems from this, it is actually a question of the degree of readiness to accept a concrete struggle for the implementation of these principles.

Yugoslavia’s endeavours and the channelling of all efforts to return to the authentic principles of the movement and to ensure that they are observed during further action, in order to develop these principles and to enrich them through specific action, shows the consistency of the overall efforts of our country to demonstrate in the present stage of the movement’s development, perseverance, commitment and a desire to address the current difficulties of mankind.

Not only do member governments and states have a heterogeneous approach, but such an approach is also adopted by theoreticians re-examining some of its aspects or striving to develop them further, depending on their specific field of scientific interest.

Our analysis deals with the *economic aspects of non-alignment*. When we say this, then at least to us it is clear that we are talking about the main principles of the movement - the *pivot* around which all other issues and aspects revolve. In a different manner we have come to the issue treated in the introductory paper, that of relations between politics and economics, their interaction and feedback effects, and maintain the opinion that it is correct to speak about the primacy of economics over politics. However, one should add that those who discovered this were perfectly aware and said as much that in some periods of the development of a society certain parts of the superstructure can become independent and gain primacy over the economy. The most recent period of development of the world’s economy and the development of mankind in different parts of the world point to the correctness of this conclusion: economic laws operate

but all decisions are in the service of political solutions. The process is, however, a highly complex one and its manifested forms vary at different levels of development of individual economies and within different political systems. Even within a single system differences appear. And while the philosophical warp remains, another complementary part could be added: by implementing the original principles of non-alignment, as a forerunner of the dis-alienation of humanity and nations at the international level, we have moved a step closer to this process if we haven't already embarked upon it to a certain extent.

The economic aspects of non-alignment are seen as important, as being in the interest of both developed and underdeveloped countries, since, for instance, the establishment of the New International Economic Order means simply making it possible for the process of the expansion of society's productive forces to unfold normally, this being in the interest of both. [In our earlier research on the definition of the New International Economic Order, the point of departure was its immanent objective, i.e. the unhindered process of the expansion of society's productive forces at the global level (see contributions by the author from 1977, at the gathering "University Today" at Dubrovnik, or e.g. the article '*Myrdal's Method and Concept of Stabilizing the World Economy*', Marxist Library, No. 2/78, published by 'Economic Bureau', Belgrade, pp. 101-117).] This is very accurately and concisely expressed by the motto of this paper. However, this idea in my interpretation cannot be reduced to *the theory of interdependence*. In this connection, I would like to add at once that I feel that the scientific critical analyses of this theory to date are not thorough enough to warrant that this theory in its present form be easily either discarded or fully accepted.

Bearing in mind all that is necessary to establish the New International Economic Order, and aware of the economic problems to which solutions must be found in order to attain what we call the functioning of the New International Economic Order, it becomes clear that a revolutionary transformation of the whole theory of development is imminent. This theory must go through this process of transformation if categories are to truly be the expression of socio-economic relations. [In my opinion, for example, political economics as it exists in the developing countries is not adequate and is still in an undeveloped stage. See, for instance, the well-known study published in the English and German languages: Tamas Szentes, *Political Economy of Underdevelopment*, Akademiai Kiado, Budapest, 1974.] Relations inevitably change in the process of development; dynamic laws governing the development of commodity production as well as economic laws act and are implemented in spite of obstacles and difficulties. A new quality emerges: *new economic phenomena* arise and distinct forms of a process of *internalization of the world's economy* can be discerned clearly. All this even more strongly underlines the importance of reviewing the economic aspects of non-alignment.

However, all the new economic phenomena call for the revolutionizing not only of development theory but also of overall economic theory, economic science and particularly contemporary political economy. In this connection, let me add once again that all earlier views cannot be rejected, but must, inevitably, be re-examined theoretically and critically. This also refers to the neo-liberalist theory which is mentioned in the introductory paper. [See the

introductory paper by Ljubiša S. Adamović, D. Oec. 'The Theoretical and Methodological Approach to the Economic Aspects of the Non-Aligned Policy', Belgrade, February 23, 1983.] As science does not spring out of a vacuum, one must preserve an extremely cautious attitude towards the fundamentals of development theory.

The question arises of the problems to be solved if we examine closely the *preconditions* to be met for the New International Economic Order to start functioning. What are the direct tasks ahead of us? What is the picture of the world like? *What are the main contradictions?* Are they really North-South contradictions, or are they also East-West? Aren't they contradictions within the West? Or, are they contradictions within and between integrated wholes in the world or in Europe? Maybe it is a case of contradictions within integrated groupings in the East (the COMECON countries), or in the West (the EEC countries). A further listing of contradictions should not omit those that exist among the developing countries themselves, or on their territories, i.e. in their internal economic, social and political life.

Our first concern is whether any changes have occurred in the recent period. Models for the functioning of the New International Economic Order have been in existence in various forms for a long time. Even certain decisions were passed a long time ago, and after identifying the problems the New International Economic Order still does not function: the aims of non-alignment are not being realized at that level.

A more detailed and careful analysis would reveal that both in theoretical considerations and at the practical socio-economic and political levels there exist certain trends as regards the New International Economic Order, which could graphically be represented by an irregular, zig-zag curve. In addition, conclusions would have to be viewed from the following aspect: very little has been done in practice. Theoretically speaking, the *nihilistic attitude* has diminished with the *beginnings and continuation* of efforts to have the most eminent protagonists of the so-called main streams in economic science treat these problems. If we speak about a part of the theory of development, then such an attitude, as a conclusion, is not fully justified. The theory of development had a certain continuity in its inception but the results were to a large degree so abstract that they almost excluded generalizations based on an observance of practice, i.e. the specific manifestations of underdevelopment and how they could be surmounted.

Numerous questions to which science has still not given answers, arise when one tries to shed light on this field. What is it that should be solved, *primarily?* *What are the reasons for the absence of a take-off?* The question is not insignificant as today there are about 160 nations living in underdeveloped countries: from China to the so-called mini-states. It is not without reason that we speak today of a kaleidoscope of developing countries, rotating before our eyes horrible pictures of backwardness and deprivation of the basic living conditions and development for many people in the world, because numerous outstanding problems in underdeveloped countries persist.

In the non-aligned movement Yugoslavia has, from its establishment, been working to solve the outstanding problems of underdeveloped countries, always in a principled manner, taking into account both reality and the possibilities. This is now well known throughout the

world. We should add something else to this: Yugoslavia struggles for these principles in another specific manner: *by supporting and strengthening international organizations within the UN system*. Actually, the non-aligned movement in its principles favours such a form of struggle. The author of this paper recently again compared the original principles of the non-aligned movement with the contents of the UN Charter. The result was an exceptionally great occurrence between the objectives of non-alignment and the contents of the above-mentioned Charter. If one bears in mind that the United Nations has not recorded great specific successes in this struggle and that part of the theoretical concepts in the world, e.g. those of the movement of the new left, taken in a broader sense, very sceptically view the adequacy of the efforts made in the United Nations, it must be concluded that this struggle of ours is even more necessary and that in the forth-coming period it must be even more persistent.

All the issues touched upon undoubtedly fall into the framework of numerous studies which should be initiated on the basis of principles known to science. If we proceed from analyzing actual practice using that accepted methodology of abstract-concrete-abstract, there would necessarily be new theoretical conclusions and recommendations which would serve as guidelines in all future action. It would be necessary to take into account the interests and options of every underdeveloped country, without neglecting the existing situation and ideas in developed countries, as conditioned by individual and general interests. One must also not lose sight of the views held on these complex issues in the USSR and the Comecon countries.

This is another complex of issues we wish to discuss here, and even more to underline that it is necessary both to speak and write on this in our country, as such attitudes actually exist and influence movements on the world economic and political scene.

The question is simple: *what is the attitude of the Comecon countries towards the New International Economic Order?*

At the IV session of UNCTAD in Nairobi, and towards the end of 1976, these countries officially stated that they support all efforts exerted to date in this field.

It is a fact that many countries, almost all of them, depend on how the world's economy functions today. In Marx's analysis, and in science in general, it is known that *cooperation* becomes both understandable in theory and unavoidable in practice when industrialization in the world assumes vast proportions and when production forces and the technical level rise. Foreign trade in commodities and technology is undoubtedly expanding and capital exports are becoming a primary issue both in theory and in practice. The frequency of the transfer of capital is also increasing, and it is a fact that industrial activity is also taking on an international character. All this underlines the importance of the problem we are pointing to. The facts in the world's economy and the processes in question cannot be avoided in any analysis with pretensions of being complete. It is true that the Comecon countries account only for 12% of the world trade. However, this cannot be measured only by the percentage of their share in world trade. What is important is that their interest in such processes is increasing from day to day both in theory and practice. It suffices to mention just some of the conclusions which can be found daily in the specialized literature in these countries. One of them, for instance, is that the costs of modern

technical progress are being shifted onto the population of the poorly developed countries. Further, the analysis of contemporary processes proceeds from the conclusions of the “*Rome Club*”, i.e. from their calculations of the degree and scope of damage which developing countries suffer today due to various forms of discrimination resulting from the behaviour of the developed countries on the world political and economic scene. The thesis is also put forward that the protectionism of the second half of the 1970’s of this century is detrimental to the under-developed countries. By mentioning the conclusion that a significant portion of industrial production is under the control of foreign capital, as well as 1/3 of the developing countries’ exports, we only wish to illustrate the interest of this part of the planet in the same questions which are constantly on the agendas in all parts of the world, whether we are discussing scientific research or moves at the socio-political level which may or may not be taken, depending on the prevalence of the interests and power of the participants on the international economic and political scene. What we had in mind in mentioning these attitudes is that we are convinced that it is necessary to list all the elements of the concept of the New International Economic Order which are found in the theoretical-critical analysis of this concept in the COMECON countries, particularly in the USSR. In addition *we are convinced that the attitudes of these countries should be taken into account*. The sooner a greater number of countries find their interests in the model to be activated and operating, the sooner will the New International Economic Order start functioning. If this is the case, then it is even more indispensable to take these concepts into account. We have in mind what was said in the analysis of the “Rome Club” on the possibilities for the functioning of the New International Economic Order, and what V. Leontiev expressed in 1976 in his work: “*The Future of the World’s Economy*”. We are also aware of Brandt’s concept of *global interdependence and global responsibility*, and worth attention is the genesis of the problems anticipated in, for example, Myrdal’s concept of the stabilization of the world economy. [Concerning numerous different concepts and models of the New International Economic Order, regardless of whether they appear in the previous strands of development theoreticians or in the studies of the neo-institutionalists and others., one should at once add that all these views today are multiplying by geometrical progression, with new versions popping up every day, as well as criticism in the form of views signifying the partial or complete overcoming or denying of that known to date. The numerous works of Soviet authors, which are partly a theoretical-critical analysis of the above-mentioned movements may also be classified in this group.] Even more attention, in our opinion, should be devoted to the strands of the structuralist, i.e. neoinstitutionalists, such as for instance Galbraith, Heilbroner, etc. [The views of the authors belonging to the new left are also included here.] In our proposals we shall go even further from what we are considering so that theory and science may contribute to the perfection and adaptation of the model of the New International Economic Order to the possibilities for its operation. We should not only take into account all views, primarily those we disagree with, so as to reach an adequate solution, but also carry out a *comparative theoretical-critical analysis* of all these models, including the views which exist in the Comecon countries and particularly in the USSR, on the New International Economic Order. Our

considerations go even further. For instance, the *neo-institutionalists* strongly support, and even expound the idea on the need for planning in developing countries, on the need for short-, medium- and long-term plans of development of these countries. Such planning could be called indicative or a special aspect of planning. This idea undoubtedly implies the need, actual and potential, to coordinate the plans of the developing countries, and also to take into account the development tendencies of developed countries, the tendencies of expansion of transnational corporations and of their interests, etc. Soviet theoreticians with increasing frequency propose that underdeveloped countries should adopt a *system of centralized planning*. Some of them consider it not only necessary, but also the only way out of backwardness. No one at present can quote serious studies and analysis in which these views have been reviewed theoretically and critically, or ones which offer sufficient arguments that the latter proposal does not suit developing countries. These are indeed complex issues, all the more so as economic and scientific analysis is, unfortunately, so often concealed by political declarations to the effect that one or the other bloc imposes its own model on developing countries without critically examining the *specific circumstances* in them. To list these proposals concisely within the available analysis means exposing oneself to the danger of the listener or reader classifying the proposer among those who advocate one or the other existing model, without previously analyzing either. If these models originate from countries belonging to one or the other bloc, the *danger* becomes *even greater*. However, not to say that in all parts of the world there exist acute problems which must be solved and which are the subject of attention both in the East and the West - is to lose sight of all the influences which either favour or defer the possibility of the functioning of the New International Economic Order. This would also be contrary to the principles of non-alignment which Yugoslavia permanently upholds.

We would also see that in the literature there often appears the view that theoreticians in East European countries reject the idea of non-alignment and with it the essence of the struggle for the New International Economic Order, and explain this by the fact that in these countries the idea has for a long time been repeated both in theory and practice that *they were not the ones who exploited the underdeveloped countries*, and are not, therefore, obliged to invest material and financial resources to help the underdeveloped countries. The latter view also appears in new studies of the New International Economic Order in this part of the world. However, this does not mean that modern theoreticians should not subject all the existing studies in Eastern Europe to a special or comparative theoretical-critical analysis. This all the more so as these theories also contain the idea of the progressiveness of the non-aligned movement.

This is also true of studies in which the foreign exchange, monetary and credit problems of the world's economy are treated in these countries in a special manner, which largely challenges the courses and measures adopted thus far for helping the developing countries. This field certainly requires special re-examining, i.e. "criticism of criticism", without a priori approaches.

We consider this emphasis in our approach to these issues by no means irrelevant, particularly for future research which must be both in-depth and more comprehensive.

Ljubivoje PRVULović

THE SOVIET UNION AND COUNTRIES OF EASTERN EUROPE AND THE ECONOMIC ASPECTS OF THE POLICY OF NON-ALIGNMENT

We are undoubtedly living today in a multiply divided and disunited world, above all at the ideological and political levels, but a parallel trend which may be observed is that of a consolidation of mutual economic ties and economic interdependence between individual countries, certain groups of countries and even between the blocs. The Soviet Union and countries of Eastern Europe, which we can consider representative of centrally planned economies, have today in the world's economy a prominent place in world production with about 18-20% of the global social product and a relatively modest place in international trade, their share accounting for 8%. Some 50-60% of this is their own trade within the regional integration - Comecon -, about one third is their exchange with the industrialized Western countries, and only a marginal part of their foreign trade is oriented towards the developing countries. In this context, it is necessary to mention that the economic cooperation of the Comecon member countries with developing countries concentrates on those which are of particular strategic or political interest for the Soviet Union and the countries of Eastern Europe, as well as on a small number of developing countries with socialist orientations.

As regards the relations between the Soviet Union and countries of Eastern Europe and the underdeveloped countries, one must proceed from the assumption that it is essentially a question of a dominating bloc approach, since the protagonists of such relations are countries representing the main proponents of bloc relations and the bloc division in the contemporary world. It is an approach founded on a simplified and bipolarized vision of the modern world, where the main contradiction lies in the relation between capitalism and socialism, whereby capitalism and socialism in the bloc division of the world are most frequently identified with certain military-political and economic alliances rallied around the two world superpowers. The countries outside the blocs, including most of the developing ones, in such a simplified conception of the present-day and of socio-economic development, are thought of as the "second echelon" in the struggle against imperialism, i.e. "the reserve of the world system of socialism". This is especially true as it is in the Soviet Union and the countries of Eastern Europe that it is most often believed that the underdeveloped countries, in the course of their socio-economic development must reach a level of development that will impose the need for a more radical transformation of their socio-economic relations, which would lead to the majority of these countries becoming socialist.

In their relations with developing countries, an ideological and political approach prevails, this being the key component of most of the actions, stands and options of the USSR

and East European countries in international relations, either towards individual developing countries or towards the actions of these countries, primarily the non-aligned ones, at the global level. The Soviet Union and countries of Eastern Europe most frequently support only those strands and actions of non-aligned and other developing countries which are anti-imperialist in orientation, as they deem that the struggle against imperialism is the main feature of the non-aligned movement. Such an attitude also represents the essence of the global efforts of the USSR and of the East European countries to reorient the non-aligned movement. They most severely criticize countries and authors which, allegedly, do not draw a distinction between the blocs, do not see significant differences in the internal social essence of countries forming blocs and differences in their international relations, i.e. those authors who “group together” socialist and capitalist countries, “countries pursuing a policy of peace and international cooperation and countries striving for global domination and pursuing a policy of aggravating international relations”.

When we speak about the economic aspects of the relations of the USSR and East European countries with the underdeveloped countries, I am of the opinion that these relations can best be perceived through the example of the attitude of the countries of “real socialism” towards the actions and demands of non-aligned and other developing countries as regards the establishment, i.e. setting up of the New International Economic Order. In the Soviet Union and in certain East European countries there is a reluctance to speak about a unique integral concept of the New International Economic Order; on the contrary, it is most frequently emphasized that in addition to the concept of the underdeveloped countries there are also other concepts, put forward by certain developed countries, or certain circles in these countries, which, primarily, from the ideological and political aspect represent “concepts of improving the modern world”, i.e. concepts essentially leading to the restoration of disrupted capitalist international economic relations. Precisely from this aspect the most serious objections are made to all proposals for establishing or setting up new international economic relations, including the concepts and proposals of the non-aligned countries and the UNO, since, allegedly all these concepts lack a class approach, and this supposedly, “leads to the further consolidation of capitalist relations both at the internal and global levels”. Therefore, the USSR and the East European countries believe that prior to reorganizing contemporary international economic relations, the developing countries must undertake measures to effect an internal, more radical transformation of their socio-economic relations, as a precondition for the faster economic development of underdeveloped countries, rejecting in advance all the demands of the underdeveloped countries calling for a redistribution of the global social wealth.

Concerning the establishment of new economic relations in the contemporary world, the Soviet Union and East European countries deem that, simultaneously with resolving the economic position of developing countries in the world’s economy, which is certainly considered very difficult, it is also necessary to solve problems arising in economic relations between the East and West, objectively giving priority to the resolution of those problems which are more significant for the USSR and countries of Eastern Europe than the problems troubling the

underdeveloped countries or arising in their relations with socialist countries. Particular emphasis is laid on eliminating the existing restrictions, alleviating protectionism and doing away with discrimination in economic relations between the countries of the West and those of the East. In addition, the addressing of the economic position of developing countries in the world's economy is conditioned by the solving of other global problems, such as the problems of disarmament, peace and security, this objectively reducing the commitment of the USSR and countries of Eastern Europe in resolving the problem of establishing the New International Economic Order to one of secondary importance.

Regarding the developing countries, different versions of the thesis are put forward concerning the so-called historic responsibility of imperialist metropolises for the difficult position of certain developing countries, while it is considered that the USSR and countries of Eastern Europe are in no way responsible for the difficult economic position of the underdeveloped countries, and that, therefore, these countries should solve their economic problems with the industrialized capitalist countries, which, allegedly, put them in their present subordinated economic position in the international division of labour.

At the same time, it is characteristic that the USSR and countries of Eastern Europe in their economic relations with developing countries have a selective approach, laying emphasis on the development of economic and other relations with those developing countries which are of special geopolitical and strategic interest, primarily for the Soviet Union as a superpower, for East Europe and for the region as a whole. In line with this, those demands by developing countries are accepted which are conducive to the realization of the interests of countries with centrally planned economies, which primarily means support for demands for full economic sovereignty and that every country should be sovereign and independent in deciding on the ways of its own development, especially if this way of development follows the course pursued by the countries of "real socialism".

Economic cooperation with developing countries evolves on the basis of a state monopoly over foreign trade and payment, with insistence on the observance of certain principles, such as proletarian internationalism, mutual assistance and solidarity, etc., the contents of which are not always clear nor adequately elaborated and explained either in theory or in practice.

In view of the degree of economic development of the Soviet Union and of the countries of Eastern Europe in comparison with the development levels of the developing countries, the Comecon member countries see great possibilities for promoting cooperation with developing countries on a bilateral basis, in which the socialist countries would function as a link bridging the gap between the developed countries of the West and underdeveloped countries, i.e. in the role of technology and equipment exporters which would to a greater degree suit the developing countries and their level of technical and technological development. At the same time, it is necessary to point to the fact that the USSR and East European countries are closely linked within the regional economic integration of Comecon, where there also exist certain possibilities for promoting economic cooperation with some of the developing countries, priority undoubtedly

being given to the development of bilateral cooperation, while multilateral forms of cooperation exist with those developing countries who are either Comecon members, or are, by their orientation in international economic relations, close to such integration.

Lazar PEJIĆ, Ph. D.

THE SECOND REPORT OF BRANDT'S COMMISSION AND THE NEW INTERNATIONAL ECONOMIC ORDER

The independent commission for international development, better known to the world as "Brandt's Commission" recently published its second report on the world economy (the first published in 1979), which already only a few weeks after its publication has become a bestseller and has attracted considerable attention.

In this study - which is, at the same time, a dramatic appeal to the world to commit itself to the solving of the problems of world development, the financial and monetary system and institutions, hunger and crises - reiterating and reinforcing the argument addressed to the political leaders of the most developed countries of the world to take part in an urgent programme for the recovery of the global economy, if we are to avoid the crises taking on global dimensions.

Brandt's Commission points out that in the present-day world there are no isolated economies and countries anymore, and that the problems of employment, food and energy, the liquidity of banks, raw materials, the problems of standard and personal incomes, depend not only on the economies of certain countries, even though they are not manifested as problems of a local nature, but on the situation in the global economy in general.

Insufficient consideration of all these problems is one of the reasons why the world is falling today into an even deeper recession manifested through hunger, unemployment, financial disasters, bankruptcy, public and foreign debts. The soup kitchens in the streets of Detroit, the masses of hungry and exhausted people in Africa and Asia and other poverty-stricken regions of the third world are all signs of the financial and economic crisis and the crisis in international economic relations.

Brandt's Commission divides the world into the developed North and the developing South, as is common in the developed countries, and points out that mass unemployment in the countries of the North and the threat of economic disaster in the countries of the "third world" are the main dangers in the world's present economic situation. Other current problems such as the crisis of the international foreign exchange system and the increasing disruptions in world trade, the deterioration of relations between the East and West and the new arms race, political and economic crises in many parts of the world, wars and civil wars in numerous "third world" countries, all jointly point to an extremely uncertain and unstable future.

Brandt's Commission is of the opinion that the numerous decisions necessary to solve the problems which have arisen have been delayed for too long, both on the part of individual countries and of the world economy in general. This can particularly be seen through the increased external debts, which have in many countries taken on catastrophic proportions,

particularly in Brazil and Mexico, countries in which the “third world” had great expectations and which are now struggling to avoid possible financial crashes.

All this is why the second report of Brandt’s Commission, in the view of the author, represents a general call to everyone jointly to struggle against the present crisis, which may assume colossal proportions. Brandt’s Commission proposes to help developing countries solve their problems through an urgent and direct programme for the economic, financial and political recovery of the world economy.

The Commission underlines that its primary concern is that the industrialized countries of the North should adopt programmes and measures to prevent the daily transfer of their own problems to “third world” countries. Namely, during recent years, certain problems of the “third world” have become more acute, particularly due to high interest rates in the USA. The rising prices of industrial products and the further decline in the prices of raw materials have led to the further aggravation of terms of trade, and raw materials prices are currently at their lowest level in the past thirty years. This is why Willy Brandt appeals seriously to the industrial and developing countries; this appeal explains the main concept of the Report:

“This time we have concentrated on an urgent programme and tried to present these proposals in more detail than in our previous report hoping and expecting that a better general understanding of the critical points will lead to agreement. In 1982, when other forms of tensions became even more dangerous than the East-West conflict, global outlays for arms totalled about 650 billion dollars, further increasing military arsenals, long since sufficient to destroy mankind several times over. This increase is directly linked with the issues treated by our Commission in this report... What prevents us from accepting the challenge of the present crisis? As we stated in our previous report, it is not primarily the question of a lack of technical solutions which have to a large extent been known for a long time; what is lacking is a clear and generally accepted awareness of the present situation and its dangers as well as the political will necessary to overcome the really complex tasks. Urgently needed solutions may be found only in a spirit of solidarity which rests on respect of the individual, national heritage and universal well-being.”

In this way Brandt’s Commission appeals to the whole world with the request that industrialized countries should help the developing countries (requiring international financial institutions to perfect their programmes), that the international financial and monetary system should be improved, particularly as regards development financing in developing countries. The developing countries are also requested to develop and intensify their programmes of recovery. In that part of the report certain concepts are not as well developed as those relating to the programmes which are to be realized by the developed countries and international financial institutions. In that part of the development programmes of the North-South Commission (Brandt’s Commission), should take into account the potentials of the developing countries and the prospects of intensive development which would contribute to the general progress of the world economy.

Although in this whole programme the impact of the North-South Commission amounts mainly to the possibility of submitting proposals and to efforts to encourage action, there is the

opinion that this programme should find its place at the Sixth UNCTAD session in Belgrade in June 1983, and grow into general action. "We still have a chance", says the Report, "but our eyes should turn to distant horizons. We need strength and imagination. We must cooperate and overcome narrow interests. We must undertake vigorous action, now-" states Willy Brandt, inviting everyone to turn this study into a programme of urgent action.

However, it is evident that an opinion voiced in the introductory statement by Willy Brandt stands, namely that awareness of the need to undertake urgent and joint programmes is breaking through slowly as an international option, and through it, contribute to the harmonizing of opinions and to the struggle against the dismal economic situation of the present-day world. The problem of joint programmes is not a simple one due to the fact among other things, that the world community can exercise very weak control over world events, including economic ones, this making the issue of implementing the adopted solutions very topical.

The most important idea inspiring the Reports is a global approach to this problem area, as opposed to the narrow-mindedness, particularly on the part of the industrialized countries, with the remark that the current accelerated development of technology may contribute to the linking of the world and bridging of the differences between countries. On the other hand, the practice of isolation causes, today, destruction of alarming proportions. The present-day crisis, the present-day situation, is an impulse for agreement reaching, without which there can be no solutions, think the Commission, in order to prevent economic chaos and a global economic collapse which, today, seems imminent.

In the institutional field it is necessary to restore confidence in the international financial institutions, in the world banking system, and to channel resources through existing and newly-created mechanisms to the solution of the problems of the developing countries. In addition, increased protectionism and the confinement of world trade, price flows and the energy crisis threaten to become causes of an even deeper crisis than the present one. Besides all this, hunger and unsatisfied basic needs create additional difficulties.

Therefore, the main thrust of the measures which should be undertaken includes the increase of resources and the intensification of the activities of the International Monetary Fund, the activation of world trade, the elimination of the general deficit in food production, and particularly greater food production in the developing countries. The fourth strategic point is the development of energy research and the increase of possibilities for utilizing its potentials, as one of the basic conditions of development. The final point is negotiations which should be conducted between the North and South, and in general, as global, world negotiations.

There is no doubt, whatsoever, that the new report of Brandt's Commission deserves great attention and that the propositions put forth therein merit study. The proposals of this Commission should, by all means, be studied with respect to non-aligned policy, and the economic programme of the non-aligned movement, particularly from the aspect of the New International Economic Order. Numerous proposals are interesting and many, with certain corrections, represent a significant contribution to solving a number of problems.

One deficiency is that the study overly emphasizes the importance of private capital, that the programme represents a sum of technical measures for resolving the economic situation, which will in different social, historical and other conditions undergo various metamorphoses.

Nevertheless, many ideas and programmes offered by this study are very interesting and their careful examination will yield the answer as to their applicability. A studious examination is necessary in the nearest future.

Vladimir ŠTAMBUK, Ph. D.

THE SOCIAL ASPECTS OF THE NEW INTERNATIONAL ECONOMIC ORDER

Non-Alignment as a Concept of Development

The existing theoretical approaches, deficiencies in methodology group and class interests are among the reasons why the approaches to social phenomena have been partial. Such a biased approach has given rise to the stand that development is, essentially, linked only to economic aspects.

I wish to point out first of all that development, both in theory and in a given society, must be viewed as a differential and total phenomenon. When we say that development is a differential and total phenomenon, we proceed from historic and social achievements. To be more precise, differential progress has always led to overall changes in a given society. These changes were affected not only in the sphere of commodity production but also in the spheres of culture, political relations, gendered relations, etc. Accordingly, changes were made in relations between people, between people and social institutions, between people and the material goods at their disposal, etc.

Changes are not partial, isolated. They do not occur in such a way that we can perceive in them a dominant reason for the development of a given society. We can and often do overemphasize, both in theory and in methodology, the importance of one or another group of factors. However, it is increasingly clear that a genuine understanding of social processes requires that one bear in mind the “equal” importance of all factors considered during scientific examination. The “equal” importance of the factors which are being studied shows that we cannot know in advance which of these factors will be the dominating one in practice. This brings us to the question of selectivity (discrimination). Practice is far too complicated and often too confusing for it to be viewed from all its aspects in research. We must always decide which part of reality we will study, regardless of selectivity. The best way to reduce discrimination is to observe the reality which is being investigated in all its complexity and with all its contradictions. An approach which takes into account the complexity and contradictions of a given reality represents a *total approach*. In addition to complexity and contradictions, another feature of totality is that it requires the application of dialectics.

In social processes there is little that can be explained exclusively by evolution. There are, undoubtedly, processes which can be expounded by the logics of evolution. But these processes, analytically decomposed, show that changes which take on an evolutionary aspect are, in fact, the result of a large number of discrete, discontinued changes. Changes, most frequently, are not continuous. They do not last. They happen. They have breaks. In the quantum theory, therefore, in one aspect of the physical world, (revolutions) take place in quanta. In social

processes we do not have the quantum as a measure of change, but we increasingly insist that social progress consists of discrete, essential, discontinued changes. These quantum changes alter the existing structure, generating new relations and new factors as well. New relations and new factors surface as the result of opposition, conflict, the movement of existing “old” relations and elements. Opposition, conflicts, antagonisms, and cooperation itself, are not continuous. They change in intensity, form, volume, quantity, etc. In order to understand development we must apply dialectics which helps us follow the ups and downs, conflicts and cooperation - actually, the movement of reality.

The concept of partial development always involves activities, the aim of which is to emphasize partial or specific interests, and have as a consequence domination, involution (return to the old) and exploitation. This is normal, as partiality in development is always the result of specific interests. They are specific due to group interest or dominating goods. If we insist on the economic aspect of development, this means that all institutional and social advantages are subordinated to the production of capital. These advantages gain domination over all forms of life, with all other activities becoming less important.

Accordingly, development should be viewed as an “equal” combination of political, economic, social, moral and cultural factors. Naturally, this division may change if it is viewed from another aspect, but it is important to retain the comprehensiveness of the approach. Combinations, mutual influences, interactions, conflicts, cooperation, are different trends which may result in disunity and changes, but also in unification and stability. Changes and continuation are the consequence of the action of dialectics.

Just as movement is not continuous but is the result of the stability-instability relationship (in physical and organizational systems) so is development the consequence of the totality of changes and stability (continuation). Unlike physical movement where we study whether a physical object is inert or not, or when we study, in organizations, whether they operate optimally or not, in the case of social development, movements (changes) are measured with reference to the objectives set. In theory, we could agree that, today, the following objectives of development are acceptable, particularly in developing countries: in the political sphere this would be a system of greater democracy and broader participation; in the economic sphere - more diversified and better production which would meet the combined endogenous and exogenous needs of the people based on their common self-interests, regardless of their daily personal ones; in the social sphere - more humane relations between people; in the cultural sphere - the development of a more creative role for humanity, the opportunity to express individual and human creative potentials as a combination of individual and external cultural values; the formulation and building of a new civilization.

*I Does Non-Alignment Support, Develop
such an Idea of Development?*

Non-alignment is a differential and total phenomenon. Differential because it has called for qualitative changes since its inception, but also because it sets qualitative changes as the goal in the future development of the world. A total phenomenon because it involves all aspects of social life and international relations. Non-alignment may be understood fully only through the totality of the dialectic relations of non-aligned countries within themselves, among themselves and with the world.

An analysis of the creation and development of non-alignment shows that it has developed in a “quantum”. This has not been a continuous, straight-line trend. The constituent factors were, historically, very different, and it must be granted that the sources of the subsequent trends differed. Bandung took place under certain conditions. There were short-term activities not directly linked with Bandung. And still, non-alignment, in the period of its inception, during the mid and late 1950s, to a great degree differed from both. The consciousness, objectives and changes contained in these three different trends show discontinuity, but at the same time a similarity of objectives. This “quantum” revolution was the consequence of similar internal social needs and the external relations in which the developing countries found themselves. From the need to create something quite *different* from the existing, they helped create a *total* phenomenon, which is today defined as non-alignment. Opposing interests, conflicts, cooperation, etc. make this phenomenon dialectic, and this gives us the right to call it a total phenomenon when speaking of development.

Non-alignment is accepted as the strategy of its member countries primarily owing to their internal policy and social considerations. This, naturally, does not mean that the strategy of non-alignment is not oriented towards the international community. However, we wish to emphasize that the roots of the creation of non-alignment cannot be sought only in the need to change international relations. The re-organization of international relations stemmed, above all, from the needs of the non-aligned countries to implement their internal policy, i.e. to fulfill their national objectives. At the same time, the fact has been overlooked that the non-aligned countries became non-aligned in order to rely on their own capacities. Self-reliance is not just an idea adopted so that the developing countries could oppose industrialized countries. It is much more than this. The national and political freedom attained by most of the non-aligned countries is the result of popular movements. These movements, relying on the masses, were and had to be democratic and their basic organizational principle was self-reliance. This principle was adopted both in armed and in political revolutions. Freedom was won through the joint cooperation and activity of the people. During the struggle for independence new national objectives were set. These objectives could be attained only through self-reliance as the driving force in the reconstruction of civilization. Self-reliance was a means to overcome the most difficult situations in the struggle for independence, while in peace-time it is a tool for consolidating this independence. Therefore, self-reliance is both the root and fruit of non-alignment. This is why it is part of the differential approach to development. Industrialized countries do not base their development on self-reliance, but rather on their ability to dominate and exploit others. Their main idea has always been to rely on inequitable terms of exchange. Self-reliance is

incompatible with inequitable terms of exchange not only because of moral principles but also as a question of survival. In order to resolve this problem, self-reliance has appeared as a new international policy. This is the policy of active, peaceful co-existence, i.e. non-alignment.

Non-alignment is the direct or indirect consequence of the internal needs of developing countries to embark upon a specific differential manner of development contrary to that implemented or proposed by the leading industrial and colonial powers. This different manner of development was not, and is not, just a way to maximize production or satisfy the immediate, vital needs of the population, since meeting these needs - very large ones at that, owing to the very low social and economic levels left after colonization - is in itself a demand for profound, substantive revolutionary changes.

In order to ensure the social, economic, and cultural development of developing countries, different revolutionary paths must be followed. The basic mechanism of these attempts is self-reliance; the main objective is differential forms of development and a total development which will herald/conceive of a new civilization in which the relations between peoples and societies will be based on equal rights.

This type of development could be achieved if on the world scene there existed relations that would enable every nation to satisfy its specific needs, without cutting itself off from international cooperation, trade and external potentials. In this way differential development manifests its dialectic essence, as it is initiated by internal needs, but cannot be attained without the participation of *international* aspects. Therefore, self-reliance is dialectically linked with collective self-reliance (South-South cooperation), and national development with the New International Economic Order, the participation of peoples in a national framework and with genuine democracy and equality in international political, economic and cultural relations.

II The New International Economic Order, from an Order to a Civilization

The New International Economic Order has at least two levels. The *first* is pragmatic.

The pragmatic level derives from two viewpoints. The first is that there exists a conflict of powers, interests, geopolitical groupings. This division is accompanied by an uneven distribution of goods, production potentials, living standards, cultural conditions and developmental objectives. This is a consequence of historic development and basically, only certain adjustments and not substantive changes are possible. These factors have their validity. Sharp and rapid general changes are not possible at the moment. It is impossible to foresee what would happen if these divisions were eliminated simultaneously. Most analyses, however, supporting the existing divisions forget that the results of existing analyses are not sufficient for predicting future development. Analyses deal with the past, with what has been experienced, but they are not, and cannot be, the sole basis for organizing the future.

If the existing divisions are the reality of the present, this does not mean that they must remain so in the future. A weakness of the realistic approach is that it is partial. It does not cover the totality of development as something that belongs both to the past and to the future. Therefore, much closer to reality are those in favour of a different future. Their arguments are founded on events and processes from the last two or more decades. If the pragmatic approach requires that the past be recognized as the source of the existing divisions, it must also admit that the future is not a straight-line duration, but a different past. Such a future must differ from the existing relations.

The other standpoint is that due to the existing divisions, developing and developed countries should cooperate with a view to their joint interests in survival. This means that developed countries cannot survive at the attained level of economic well-being unless they extend a certain amount of assistance to the developing countries. In most cases, this assistance is not altruistic. If we look at the list of developed countries setting aside 1% or approximately 1% of their national incomes to the developing countries, we shall note that the small countries of Europe have the leading place. The very interests of these countries, in addition to altruistic motives it seems, are also a motive to support the UNO resolution.

In order to maintain their level of development, the developed countries must help the developing ones. Owing to the fact that in the past they were exploited by most of the industrially developed countries, they have a right to part of the wealth previously taken from them. Naturally, this cannot be seen just as a payment of debts, for most developing countries are aware that this assistance should be used to promote their development. A note of reality in this assumption is that economic processes have become global and that such cooperation has become inevitable. Nevertheless, this inevitability is not eternal, it is an expression of the existing division. If we wish to overcome this division, then international cooperation cannot be based on national interest only but must rest on equality and justice.

At this level the New International Economic Order is, actually, a pragmatic approach attempting to determine the best strategy of development for a given period. When the New International Economic Order is understood in this way, two strands are seen as inevitable. First, an international economic order thus conceived is a mechanism for the survival of the developed countries. If we inspect the negotiations on raw materials and price indexation, we may note that the developed countries have made "concessions" only in the case of oil. The discussion on the indexation of prices of raw materials is in progress and will last for quite some time. In this context, the New International Economic Order often becomes, for the developing countries, the only way to identify and discuss problems, but it is not a means to ensure the most favourable outcome. On the other hand, we must admit that activities of developing countries and their unity may prompt the developed countries increasingly to formulate new strands which would be acceptable to the developing countries. Therefore, only the genuine activity and unity of the developing countries may, at this pragmatic level, ensure that the New International Economic Order is their own order, and not the instrument of the developed countries.

Second, owing to this pragmatism, the New International Economic Order is still interpreted just as an order. This means that most countries wish to view the New International Economic Order merely as a way to organize, and not reorganize, international relations. Activities connected with the terms of international trade, price indexation, etc. should continue to be promoted through the New International Economic Order. But this should not and must not be the only objective. Terms of trade, percentages of industrial development, refer only to the other, to rules which will guide the international community. The decisive tendency is the creation of stable relations, the introduction of an order which will naturally call for some small sacrifices on the part of the developed countries but they shall be repaid in security in cooperation with developing countries. In the future too, developing countries will receive material, financial, technological assistance so that they will limit their expectations and pace of progress (growth). At this pragmatic level, the developed and developing countries have very similar positions to labour and capital in capitalist countries. In national relations, it is the trade unions which tries, in the name of labour, to formulate an order which would be acceptable to capital. The non-aligned sometimes have a similar approach. This, of course, can be and is useful, but if the New International Economic Order remains at this level, this will not ensure the finding of new solutions and a new different kind of development. This will only maintain the existing order without changes.

Ever since the Lusaka Conference, the non-aligned countries have been raising the issue of the economic aspects of the national independence of developing countries. This has initiated efforts to formulate an alternative development path for the developing countries. The alternative path is not different. It is only an adjustment to the existing one. However, the Conference in Algiers, and particularly the one in Sri Lanka, put the question of development into the forefront of the movement. So, in the activities between the Conferences (ministerial level UNO conferences), the non-aligned movement started its search for a different concept of development. The new concept has not been fully formulated yet, but it seems that the movement which began with the concept of an order, has embarked upon the road leading to the concept of a civilization. The Conference in New Delhi was an important step along this road.

At the second level, the New International Economic Order is a joint name for national developmental needs which in the fields of politics, economy, social structures and relations and culture increasingly calls for substantive changes which are not the result of evolution. At the present level, the New International Economic Order ceases to be only an order and has started to turn into a quest for a different future. Unfortunately, this stand on the New International Order is often concealed by the pragmatic approach, for two reasons. The first is that such an interpretation of the New International Economic Order is not well received, particularly among those who believe that it is necessary only to find rules which will protect the interests of the developed countries, and to the greatest possible extent, of the developing ones. The other reason has to do with the fact that the New International Economic Order as a possibility of a civilization has still been insufficiently explored partly because it is still primarily economic in its approach. However, the integral nature of the different aspects of social life as the

precondition and as the result of the economic process has not been sufficiently stressed. This also means that the New International Economic Order as a differential, total development concept of civilization has not been sufficiently examined. This partiality, on the one hand, is a great help to the developed and developing countries, which, in order to maintain their power and domination, insist that the New International Economic Order should only be a mechanism for retaining what already exists. However, on the other hand, this does not give sufficient theoretical and practical assistance to those in the developing countries who insist on the need for thorough changes. Therefore, a further elaboration of the civilization aspects of the New International Economic Order is necessary.

We could discuss what the New International Economic Order needs to overcome concerning partiality and social aspects. Without links with other social aspects, the New International Economic Order will always tend to remain at the level of an order and to abandon the essence of its existence - the need to create a better future and a new civilization. On the other hand, the partiality of the New International Economic Order cannot be imposed by complex changes in the civilization. Consequently, the New International Economic Order must be dialectically linked with the following social aspects: political, social, cultural. Naturally, those aspects imply a number of meanings. We shall try to list some of them, those which we deem important. This enumeration is done under the assumption that the relations between these different elements are dialectic. This means that changes are not straight, and evolutionary, but that conflicts and cooperation between different elements condition quantum movements which at every movement and in every place, encompass both the differences and similarities of the development concepts advocated in our investigation.

In the political sphere of the developing countries, as part of the endogenous factors requests are in the focus of the political system. The first is how to promote the mass participation of the population in the process of political decision-making. This issue has been raised in a host of different ways, and the answers may also differ. However, the main tendency is generally clear. The participation of the population in the process of decision making is necessary, as it is the only *factor of development* in which the developing countries are richer than the developed ones. When we speak about production factors, the population of the developing countries is not only the labour force in the classical sense. It is rather the “holder” of gray matter, which, due to technical and social development, becomes the main driving force of development. Gray matter takes the place of physical strength as an important element in the structure of production factors. If we take development to mean a different future, then the creation of new ideas and solutions is not significant only in the manufacture of goods, but in the creation of relations in society as well. The political system of a given society is the product of humanity. The changes which political systems have to undergo today to adapt to the initiative of a large number of peoples demand innovations. These innovations must increasingly be the result of the collective efforts of the workers and citizens, such as has been the case at all turning points of civilization (the destruction of the colonial civilization, for example).

In addition to the need for a large number of the people to take part in decision-making in production at the national level, the participation of the population is the only safeguard against a growing bureaucracy which threatens to gain command over all parts of our life. The involvement of the people in all the various forms of participation and self-management is the only efficient remedy against bureaucracy. Bureaucracy is taken to mean the domination of administrations of efficiency. Such demands, naturally, lead to the establishment of democratic political systems which proceed from the historic experience of the developing countries.

At the international level, requests for participation which represent requests for equity and equality are expressed through national independence, the equality of nations, peaceful and non-bloc policy. Democracy and equality cannot be sought at the international level if not developed at the national level. Since many developing countries have passed through or are in the process of developing mass participation and self-management in the pursuit of their policies, it is normal that they should want similar rights to be recognized in international relations as well. The more developed participation and self-management in decision-making are, in line with the needs of a given developing society, the more easily will equality at the international level be attained.

As already mentioned, in the economic sphere, the efforts to meet the basic needs of the people in many developing countries are “*al pari*” to substantive transformations of their economic systems. The existing economic systems, more or less inherited, and often still under the strong influence of the economic criteria of the former colonial metropolises, cannot satisfy the basic needs of the population. Therefore, changes are necessary. How can this be done? The economic system must be founded on self-reliance. The objectives of the system must be such as to satisfy the needs of the population with the maximum utilization of the intellect and physical strength of the country, as well as the natural resources, organizational patterns most suited to the given culture, and through exchange with the world, but under conditions promoting the national economic system. Two criteria prevail here - the needs of the majority of the people for the maximum use of endogenous sources (intellect, work, organizational patterns, natural resources, systems of values, etc), and cooperation with the world on an equal footing. Bearing in mind the existing international economic relations and pressures under which the national economies of most of the developing countries function, this is a very complex requirement. The meeting of these requirements will not be easy, but it cannot be bypassed.

At the international level, economic requirements should express the development needs of national economic systems. They are expressed through collective self-reliance (South-South cooperation). Collective self-reliance is necessary for two reasons. The first has already been discussed in connection with the pragmatic level. Collective self-reliance is a successful way to reduce the domination of developed countries, particularly in the field of technology, know-how, industrial development, etc. The other reason refers to the need to formulate and develop elements of a new civilization. A new civilization may be born only as the result of the greater inclusion of the values of developing countries (South-South), and of a critical approach to the achievements of the existing dominant models of civilization. If human potentials are the driving

force, and if the strategic elements of economic development are based on gray matter, then the developing countries may make a large step forward, particularly if this is coupled with national and international humanitarian cultural values. Collective self-reliance can play an important role in this.

Multinational corporations, with their concept of production and international trade relations, are the main obstacle to the New International Economic Order. Bearing in mind that multinationals are the economic and technological initiators of growth in international relations, the developing countries should be cautious with regard to the advantages they bring. Permanent South-South cooperation may help turn these advantages to the benefit of the developing countries. But, what is still more important is that collective self-reliance is developing and will have to develop adequate production models. Some elements of this production already exist, for instance, the participation of producers in decision-making, new organizational patterns in production, etc.

Linked to this is the establishment of the New International Economic Order. At the moment the non-aligned movement is, in an appropriate manner, very active in the field of mass communications. This is very important as the domination over and exclusiveness of creating and circulating information is a source of political, economic and cultural domination and exploitation. The production of information is, at present, becoming an increasingly significant activity. Societies in a position to create and sell information (in various forms of technology, knowledge, knowhow, cultural values, organizational values, etc.) are societies which are the protagonists of development. Information is produced like any other commodity. Those who produce better and cheaper information have and shall continue to have the same positions in the international market as those who, in the past, were able to produce better and cheaper material goods. Therefore, it is indispensable that the non-aligned take an interest in the dissemination of news, but this is not enough. Systems of public information are only a part of the development of the International Information Order. Developing countries should exert great efforts to develop their own production of information as part of their social and economic systems. Their futures and future development depends on this. These systems of producing information should concentrate on the coordination and management of social processes and organizations, production management, large systems (railways, oil, electric energy, fully automated production, etc.), the flow of information, the functioning of the administration, etc. The development of the above-mentioned systems will have a substantive effect on life-styles, forms of production - on the forms of civilization which will emerge.

The social aspect may be elaborated in a number of ways. Regardless of the selected approach, opposition will appear. We shall, therefore, insist on only one social aspect. This aspect is the same at national and international levels: creativity. Industrial civilization, in all its aspects, and particularly in its social aspect, is based on a large volume of repetitive work combined with a limited amount of creative initiative. Creativity is becoming the most important factor of future development. However, creativity does not play a significant role only in commodity production; it is becoming increasingly important in the transformation of our daily

life, our society. As mentioned on several occasions, the transformation of our life can be effected only through the creativity of the broad working masses. The main reason for this is that this transformation does not call only for innovation, but also implies realization and control. This can be achieved through an enormous concentration of gray matter, and if the support of the broad working masses is ensured. Creativity is characteristic of both these requirements.

The cultural aspect is much more significant at the national than at the international level. When we speak of culture on a broader global scale, we have in mind the overall achievements in culture to date, as well as the humanistic preconditions inherent to the human race. This dimension of culture must not be neglected. It is one of the factors connecting the future with the past. It is always present and cumulative by definition. In other words, it is constantly present and has a driving power. In the industrial civilization it made a significant contribution. The values of industrial society are still in force in this or that manner, but lack the strength to inspire culture to a greater degree. The new momentum necessary for progress is found in the cultural potentials most deeply rooted in the developing countries. The relations between traditional and new values are taking on a new form. Characteristic values, very often traditional ones in the developing countries, will begin to function, to live, only if they move modern society forward. Industrial civilization, characteristic of the present, has spent its momentum, the greatest representative of human culture. In order to inspire new cultural values in a new civilization, tradition must be less traditional so as to become the reality of tomorrow, and the present must carry the momentum of tradition without traditionality if it does not wish to become tradition. Tradition may, together with and opposed to contemporaneity, produce cultural values leading to the participation of the broad masses, self-reliance and creativity which will then become the source of new cultural values, new models of civilization. However, without criticizing the present through tradition, and tradition through the present ahead of us, large-scale self-reliance, creativity, would be either impossible or impractical. This is why development is, for the developing countries, very complicated, but at the same time inspiring and meriting efforts.

III What Can be Done?

When we speak about what must be done, we should make a distinction between future activities and the implementation of the objectives set. This multiple task may be approached in several ways and using different means. We shall try to present what is necessary to achieve development as a differential and total process. At the moment, the non-aligned countries are engaging in activity for promoting the New International Economic Order. We have said enough about the phenomenon of a civilization emerging beside the phenomenon of the order. In order to promote this, within the non-aligned movement and outside it, a certain number of “orders” should be developed which would be complementary to the New International Economic Order, thus forming a global order and making a step forward towards a different civilization.

In the field of political relations, political systems, in developing countries, the new political order is increasingly manifested through the demands for participation and self-management. In more than thirty developing countries which are building socialism there exists, in theory and in practice as well, the idea of the participation of workers in management. In a number of these countries, experiments with the participation of workers in management have promoted the idea and need for the mass participation of citizens, and the participation of workers in management more and more means a process going on at the place of work and apart from it. Participation in management is partial if carried out only in factories. For it to be a successful activity and the overall philosophy of a political system, in addition to factories, participation should take place at the level of local and national communities. This is what mass participation in many developing countries is trying to achieve.

Mass participation in management, as an integral part of the political system, is an effort to promote self-reliance as the main development concept of the developing countries. Mass participation is, therefore, an aspect of self-reliance in a political system. Without mass participation in the implementation of development objectives, they cannot be attained. However, participation in management is not sufficient. It is essential to participate in deciding what will be done.

Theory and practice as regards participation are very diverse. This is the result of different historic, social, economic and cultural circumstances. This is why the developing countries are faced with the need for a great deal of theoretical work. In addition to theoretical work, it is necessary to affect an exchange of opinions on practical, structural, informational and other problems. We still cannot envisage how mass participation in political systems will influence social trends in developing countries. Mass participation is a challenge which the developing countries should accept in a much more organized manner.

The production of information is gaining in importance with respect to the well-being of the developing nations. The New Information Order is based on public information systems. However, much more attention should be devoted to information systems in production, education, etc.

Changes have occurred in the cultural models of developing countries. Now it is necessary to start formulating important changes in the New Cultural Order. A different civilization based on endogenous as well as on external cultural achievements cannot be attained if cultural models are not elaborated.

In conclusion we may say that the launching and development of the New International Economic Order have shown that in the economic sphere there lie great possibilities for development and for changes in the world. However, unless a differential and total approach to development is elaborated, not all the potentials will be tapped. Therefore, constant development requires support in the political, social, information and cultural spheres. The intermingling of these different aspects of life at national and international levels can and should lead to a new civilization, the goal not only of the non-aligned but also all other progressive countries.

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