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Resources Diplomacy

There was really no need for the oil crisis engineered by the Arab countries as a sequel to the latest Middle East war to impress upon politicians and economists that there is such a thing as resources diplomacy. But the massive pressure, which the oil countries have exerted — and will continue to exert — has brought home to a wider public what formidable instruments are available to owners of vital natural resources who are willing to go to any length in the use of this resources diplomacy in pursuit of political objectives.

For other commodities the situation is certainly not as clear-cut as it is in regard to mineral oil and the territorial-political control over its production. In the case of other commodities the fact of possession and control giving power to one side, and dependence on a raw material which, despite nominal economic power and availability of political power instruments, reveals impotence on the other, will hardly manifest the same political-economic significance and stark reality for haves and have-nots. It was the discussion about oil, however, which gave rise to the enunciation of the concept of resources diplomacy although some contemporary observers have apparently already forgotten it; and it is also well to remember that it was before the Egyptian assault troops crossed the Suez Canal and the Israelis launched their counter thrust that this concept first surfaced in the international discussion.

It was the Australian Prime Minister, Mr Whitlam, who on July 27, 1973, submitted to the President of Mexico, Sr Echeverria, a

suggestion to make political capital out of raw materials. If the Arab states are in a position to dictate the world's oil prices, Mr Whitlam argued, why should not states like Australia and Canada, acting conjointly with Mexico and other countries in South America and Africa, determine the world prices of various commodities? He mentioned iron ore, coal, bauxite, copper and uranium. Among the things Mr Whitlam and the Australian Minister of Minerals and Energy, Mr Reginald Connor, were thinking of was an international monopoly to keep control over the dwindling reserves of all exportable minerals and maximise the earnings derived from them. Some thought was apparently also given to quotas as a means of fixing the production volume and adjusting saleable tonnages.

1973 has seen quite a few surprise developments of a kind to shatter what had become a conventional view and almost hardened into a dogma about the relationship of raw materials and industrial manufactures and the conditions imposed thereby on the countries participating in international trade. Economists and others concerned with trade policy had become used to seeing the problems facing a free world trade as arising not from blockage of exports but from openings for imports. Their intention was, on the one hand, to remove the import obstacles and thus overcome protectionism and, on the other, to act according to the well-known motive, linked to development policy, of offering the developing countries easier markets for their products and helping them to

obtain better prices. The theoretical premise for this tendency was the widely accepted thesis that the terms of trade were constantly worsening for the developing countries in their capacity of primary producers.

Now that the course of events has shown this thesis to lack validity and it is recognised that the possession of raw materials together with the possibility of their political control constitutes a power factor when the industrial states are dependent on these raw materials and are vulnerable to threats to their continual and undisrupted supplies, the whole matter requires reconsideration. The interventions of the USA in the case of the soybean exports and the EC measures on Community farm exports have demonstrated that there can be a reverse problem without providing full justification for applying the exemption rules of GATT Article XI, 1 concerning export embargoes. *No-lens volens* the "big battalions" of international trade have also been caught up by the resources diplomacy, and the question therefore arises: How are things to go on if the "oil policy" finds followers intent not only on better prices but on other objectives? Is the practice of intervention to be more or less tolerated, with all the risks which it implies for international trade? Or has the time come to look upon the resources diplomacy as part of the establishment of a new order and by this case to consider in the light of the experience in 1973 how, going beyond GATT Article XI, 1, new foundations can be laid for good conduct in the world economy?

Günther Jantzen