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Towards the Old Order?

These days the fourth anniversary of the 6th Special Session of the UN General Assembly on Raw Materials and Development comes round, at which the famous and well-known "Declaration" and the "Programme of Action" for the establishment of a New International Economic Order had been passed. During this period developments have gone on or are under way that have introduced or will introduce new elements into the international economic relationships which indeed implicitly hold the power to stimulate qualitative changes – however, with a number of important developments the question arises, whether these changes really contain elements of a new order which will achieve that all parties accept responsibility for a positive international development, that a greater equality of chances is obtained and more common participation in the development process instead of unilateral actions takes place.

Looking only at the formal-institutional negotiations within the international framework, they do not appear to offer such a gloomy picture as is sometimes painted of the so-called international dialogue. It is true, at the end of 1977 the Paris Conference on International Economic Cooperation failed to the effect that no solution whatsoever of the raw material problem could be passed. Nevertheless it is certain that a Common Fund will be created, that commodity agreements will be worked out and that allowance will be made for the wishes of the developing countries, mainly of those countries not exporting raw materials, in the sense of the so-called "second window". Certainly grave controversies are still existing, e.g. on sequence, linkage and competences of Common Fund and commodity agreements, on their number and on the dimension and the institutional form of a "second window". It is, however, hardly to be anticipated that through these difficulties, which must still be overcome, the basic consensus in this field, so far admittedly achieved with difficulty, will lead to a – symbolical – throw-back to the years before 1974.

Regarding another highly disputed item of the developing countries' catalogue of demands – the problem of indebtedness – at the beginning of March some progress has been achieved at the meeting of the UNCTAD-Board, since the government representatives of the western creditor countries consented to reduce the debt burden of the poorest developing countries through moratoriums and more favourable interest rates and redemption terms, or even to cancel remaining debts.

Certainly these concessions are limited in view of the developing countries' original demands and also with regard to the industrial countries' obligations linked to them. More decisive, however, ought to be that the frontlines have softened and more scope for further discussions has been created. For the time being more could only be expected by those who ignore that new orders were never created by an administrative act basing on a more or less ingenious concept, but always were the result of struggles, compromises and/or complex uncontrolled historical processes.

While thus in some areas, where initially the frontlines appeared to be immovable, certain progress could be achieved, it seems that just in those fields where on principle agreement existed the actual development took the opposite course. This applies particularly to the item "General Trade" of the "Programme of Action" which *inter alia* stipulates an improved access for the developing countries' exports to the developed countries' markets as well as promotion of imports to the latter from developing countries, even if these compete with domestic productions.

While at Geneva the multilateral trade negotiations on a reduction of tariff and non-tariff trade barriers are going on, for some years already new trade restrictions for many products have been issued by the industrialized countries. Most of the restrictions concentrate (still) – according to a recent study of GATT – on a few processed products: on textiles and shoes, steel, transport equipment, mainly ships, and such diverse light engineering products as TV apparatus, ball-bearings, thermionic valves, dry-all batteries, etc. These are sectors in which quite in accordance with the generally advocated international division of labour the exports of developing countries (but Japan too) to the West European and North American countries registered growth rates which exceeded considerably those of the trade with the same products within and among western Europe and North America. The restrictive measures taken most frequently against these imports are bilaterally negotiated, thus discriminating and conflicting with the spirit of GATT as well as with the above mentioned principles. Such restrictive measures are e.g. exporters' "voluntary" self-restraint and the so-called orderly marketing agreements.

A plan of the EC-Commission in connexion with the Lomé-Agreement is showing how even agreements, that are to guarantee the developing countries a preferential treatment, may run the risk of being reshaped in favour of the industrialized nations' protectionist efforts. When last year the EC reduced imports of textiles the developing countries complained rightly that, on the one hand, the EC-countries helped them to establish a textile industry, while, on the other hand, refused them access to the EC-market. The EC-Commission however does not plan to renounce the application of safeguarding clauses in order to "protect" the developing countries from a future recourse to them. On the contrary, within the renewal of the ACP-Agreement, that has to be negotiated during this year, on the part of the EC obligatory and periodical consultations are to take place concerning the developing countries' wishes regarding production and the EC's structural problems. Does this justify the conclusion that the EC will attempt to enlighten the developing countries on the fact that in future they should not invest in sectors where they could compete with EC-production? *Honi soi qui mal y pense!*

Although nothing has been decided yet this idea fits into the tendency, widely spread in the industrialized countries, to create fortified protective zones around their own productions. The GATT-Secretariat deserves full agreement when it points out that "the spread of protectionist pressures may well prove to be the most important current development in international economic policies, for it has reached a point at which the continued existence of an international order based on agreed and observed rules may be said to be open to question". For, it is significant that the possibilities of the GATT-Articles XII and XIX are not made use of, which provide for temporary trade restrictions for reasons of balance of payments adjustments or, against sudden surges of imports of certain products, but that measures outside the GATT stipulations are turned to. Formulated differently, necessary adjustments that have been neglected in better times are certainly not made now in times of lower growth and higher unemployment.

This behaviour, however, involves the danger of a vicious circle. Adjustment problems are economically and politically easier to be dealt with and advocated, respectively, with adequate growth rates. Adequate growth rates are however in the medium and long run only to be achieved through a continuing structural adjustment. Thus there is the risk that the readiness, lacking for short-term reasons, for accepting major frictions caused by adjustment processes obstructs growth rates in the long term which could stop the increasing protectionism. With that the world economy would in fact in the course of such a development arrive at a new order, a merchantilistic and autarchic order, however, well-known from the past. The only difference would probably be that the protective zones enclose not national states only but blocks of states. It is to be doubted whether or not such an order would be in line with the developing countries, which are still at the stage of becoming nations, or in line with the UN declarations, but also to the interest of the industrialized states themselves.

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