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Article — Digitized Version

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Intereconomics

Suggested Citation: Kebschull, Dietrich (1979) : Abiding by the new realism?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 6, pp. 265-266, <https://doi.org/10.1007/BF02925855>

This Version is available at:

<https://hdl.handle.net/10419/139640>

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Abiding by the New Realism?

Judging by the number of big international conferences being held, the developing countries are pursuing their idea of establishing a new international economic order with great application. The results of the UNCTAD meeting in Manila, the negotiations on agrarian reform and rural development (WCARRD) in Rome and the world science and technology conference have barely been set forth in a functional form when bags are being packed again for the third UN conference on industrial development (UNIDO III) in Delhi.

The outcome of UNIDO II, in Lima in 1976, was world-wide agreement, in principle, to the conception that the developing countries' share of the world's industrial production is to be raised from the present 9 % to 25 % by the year 2000. The developing countries expect the Delhi conference to bring a break-through to the implementation of this objective. The UNIDO secretariat has been working all-out on the preparations for quite some time. Secretary General Abdel Rahman Khane will present the delegates at Delhi with his ideas for speedy and successful industrialization in the Third World in the form of a comprehensive basis document entitled "Industry 2000 – New Perspectives" which he was instructed at the Lima conference to prepare as a "Joint Study". Numerous starting points for the negotiations and subsequent action have been set out on about 260 pages in the form of proposals, recommendations and additional suggestions. They relate essentially to the ambit of subjects with a bearing on the world-wide restructuring of the finance for the industrialization process, on the treatment of foreign investments and mining, and on flanking measures in regard to international trade and technology transfer.

After the important North-South talks earlier this year we may hope for a more seasonable climate at the Delhi conference. Since the voice of the "New Realism" was heard clearly at UNCTAD in Manila the moderate forces have gained further ground. They do not want the North-South dialogue to degenerate into a forum for the international struggle about consumption. This bent for more pragmatism with an eye on practicable and adequate reforms, instead of the pursuit of illusory visions of convulsive upheavals, has not failed to evoke an echo in the Western industrialized states. In the Federal Republic of Germany in particular, which has so long been denounced as a hardliner, there is now a greater inclination to meet the wishes of the developing countries for social, foreign-political and economic reasons. Demands for substantial abatement of the obstacles to trade in order to make access to the market easier for the developing countries have therefore probably as good a chance of arousing a positive response as have the aspirations for development and utilization of the productive forces within the Third World which are presented under the watchword of collective self-reliance. Even so it must be said that there is still little scope for major material concessions, especially on the two items which will probably occupy the centre of the stage: the restructuring and the financing of extensive industrialization programmes in all developing countries.

Their market-economy order makes it impossible for the Western democracies to consent to any kind of administratively directed relocation of enterprises and industries with the institution of a new international division of labour in view. In this area the developing countries cannot and should not expect the West to do more than give an assurance of support for the world-wide structural changes and of abstention from subsidies and protectionist measures hindering them. This would admittedly not go beyond what has been achieved at UNCTAD, for instance, but the reiteration and affirmation of this

conference outcome would be a success the significance of which cannot be overrated in view of the ever faster and wider spread of the new protectionism. For it is a fact that without structural changes and without free trade all industrialization plans of the Third World are doomed.

As for the financing of the industrialization, much of the evidence suggests that the negotiations are concentrating on the establishment of the "Global Fund for the Stimulation of Industry". As the UNIDO secretariat sees it, this fund is to play a cardinal role in the realization of whole programmes for which in the developing countries' view no suitable financing institution is as yet available. Envisaged is therefore a facility which, in a form similar to the Common Fund for Commodities or the International Fund for Agricultural Development (IFAD), by its statutes alone assures the developing countries of a safe majority and thus of the possibility to direct it as they wish.

The Global Fund could give rise to a repetition of the wrangling over the Common Fund for Commodities although many of its details, such as capital structure, deposits, functional mechanisms and relations with other international organizations and financing institutions, have not yet been fixed, for it would, similarly to the Common Fund, provide an umbrella under which all the detail issues connected with the industrialization could be negotiated more easily. It can be safely predicted that the welcome and support for this new fund will be less than enthusiastic, at least from the industrialized states, its main contributors. From their point of view a number of solid reasons can be adduced against setting up a new fund for up to now such funds have merely added to the manifest state of confusion of competences on the international level and to the existing oversized bureaucracies. Moreover, under development policy aspects they narrow down the opportunities for bilateral cooperation more and more for it would be optimistic to assume that additional budget funds can be raised for this purpose. It seems certainly more realistic to assume that the disbursements in question will be at the expense of other projects. In the case of the Global Fund this consideration carries special weight because its size is far larger than that of any previous fund.

The most serious objection to the fund however is probably that it cannot provide a guarantee of successful industrialization. That capital is a bottleneck factor in many developing countries is not contested, but it is not the only one nor the most important one. The experience of other financing institutions shows that there is plenty of money for economically efficient schemes. But if a project is not economically efficient, credits are hardly likely to be forthcoming from the new fund. Were it to act differently, its downfall would be predetermined.

For these reasons it would be unwise to wish the Delhi conference to achieve success through the establishment of a fund. The UNIDO secretariat and the developing countries should recognize that the past failures of industrialization were largely due to inconsistent policies in many countries of the world and to poor cooperation between them, and this is true of the treatment of their own enterprises as well as that of foreign investors. To make improvements in these areas and to evolve new ways of cooperation is a less spectacular undertaking than the establishment of a huge fund but holds out a better prospect of success in the long run.

All that has been said on the subject, from Friedrich List to collective self-reliance, the endogenous growth process and economic cooperation among developing countries, would have been in vain if the developing countries persisted in hoping for salvation through finance from abroad. As we enter upon the third development decade, they should at last give up the posture of supplicant, claimant or plaintiff in relation to the industrialized states. The time has come to reflect about their own capabilities and to stop using them only as a catchword. UNIDO III may provide an opportunity for such a new beginning.

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