CHAPTER VII
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INTERNATIONAL ENVIRONMENT AND RESPONSES OF UNDERDEVELOPED COUNTRIES

Self-reliance is necessary for removing the evil effects of the process of industrialisation in developing countries being dependent on the developed countries coming from its colonial tradition as also recently perpetuated throughout the multinational corporations with their base in the advanced countries. Self-reliance as a programme in its collective dimension is required to alter the political, economic, and socio-cultural structures created to link colonies to metropolitan countries (in status of dependence) into a link between developing countries into one another in the states of interdependence. ¹

VII.1 NATIONAL SELF-RELIANCE

The concept of economic National self-reliance which is today one of the proclaimed objective of a number of Latin American, Africa and Asian developing countries, notably India has its origin in the very formation of nations emerging out of political dependence around 1950s and its rationale is given in terms of unfavourable political, social and economic experience of dependence during the colonial days.

The concept of 'self-reliance' has meant to its early protagonists cooperating and developing relying primarily on their own capacities and using their own resources. ² Ideologically, it goes back to Friedrich List as the German
reaction to Britain then the workshop of the world. List's\textsuperscript{3} statement is:

"A nation that has managed fully to develop its own industry and agriculture to such a degree that an equilibrium is established between them in the sense that consumption in one sector is commensurate with production in the other, ensures thereby long-term prospects for the development of the forces of production and wealth, national power, welfare and civilization. At the same time a nation whose industrial power depends on other countries is susceptible to all kinds of disturbances in development. Precisely through an active interaction between these two production sectors, industry and agriculture should be part of the explanation sought for the magnitude and might of the production forces of England, an interaction which was unhindered and undisturbed for countries".

The meaning of 'Self-reliance is however to be understood in the context of the underdevelopment and political independence of the developing countries, i.e. in terms of higher growth rate associated with economic independence. Thus self-reliance means developing 'key' or leading sectors in the domestic economy which help accelerating growth rate as getting rid of the dominance of the erstwhile colonial powers, and developing without strings from the developed countries in international economic relations, notably in the area of (a) resources; (b) trade; and (c) building up the country's own technological development capability.

Self-reliance would basically mean that a country can generate foreign exchange resources enough to enable imports it
needs for development. In yet another sense, self-reliance is taken to mean meeting local needs through indigenous production. Complete or total self-reliance is of course, combined out of question in the modern world for any country, as it may be considered in feasible and as has been shown by the Chinese and the Burmese experience. In the structural sense, 'self-reliance' can be understood as developing the production, dynamics and consumption patterns within the national structure independent of the industrialized countries.

Thus 'self-reliance' means overcoming the economic backwardness and reducing dependence on the 'centres' not only for resources, trade and technology but also for their consumption patterns. In the static sense, self-reliance is irrespective of the consideration of growth over review period. In the dynamic sense, the concept is taken to mean independence considering the emerging economic scenarios of the country. Greater self-reliance will increase bargaining power and make it more likely that adjustments in imperfections and inequalities will give rise to new common interests.

VII.2 COLLECTIVE SELF-RELIANCE

While, the NIEO resolution have led to the growing realisation on the part of the developed countries that something has to be done in the interest of improving the trading position of the developing countries; the solution of their problems require steps to be taken by the developing countries themselves in the direction of individual and collective self-reliance. One of the important principles involved in the NIEO resolution has
been the encouragement of cooperation among the nations. The Programme of Action on the Establishment of the NIEO envisages inter-alia, measures to be taken by the developing countries to promote collective self-reliance among themselves and to strengthen mutually beneficial international economic cooperation with a view to bringing about the accelerated development of developing countries. In their search for solution to their problems the developing countries embraced the concept of individual and collective self-reliance. This concept was first enunciated by the Non-Aligned countries at their 1970 Summit at Lusaka. It was further elaborated in their 1972 Foreign Ministers Conference in Georgetown and since then it has been included in most major international economic documents.

Unity among the developing countries at the global level reinforced by their advantage in population and natural resources apart from opening new opportunities for development is most likely to enhance their collective bargaining power. The strategy of economic cooperation among developing countries enable a more vigorous development of preferential trading relationship with a view to establishing comprehensive and well-structured system of preferences for the third countries as a whole. The collective self-reliance is likely to help in restructuring the world economy in a planned way through the process of plan harmonisation which implies effective coordination in the planning process, policies of investment decisions, institutional and information infrastructure etc.
Significant among them are a number of bilateral ventures among developing countries, particularly in the productive sectors, the bilateral and multilateral financial support given by oil exporting countries to other developing countries, and the organization of producers associations and marketing schemes aimed that securing favour and stable price for certain commodities and increase of the producers share in their transporting, marketing and distribution. Also, trade relations among developing countries are being facilitated by new preferential arrangements and payments agreements at the sub-regional level.

These new steps towards economic co-operation among developing countries, as well as those leading to the restructuring and strengthening of existing integration schemes represent concrete actions which implement the principles of collective self-reliance and interdependence.

Regional economic integration was initially persuade as a mechanism for accelerating the economic development of economics with small domestic markets. The frame-work adopted was, however, influenced to a great extent by approaches to apparently similar problems in Western Europe. Moreover the various integration schemes in the developing countries had been formulated with little recognition of how to proceed from external dependence of the participant countries to genuine internal autonomy. The fields of co-operation included in the various integration schemes accordingly corresponded to the trade preoccupations of organizations such as the European Free Trade Association and EEC. Where as the existence of mature economy was
an accomplished feature, rather than to a context in which structural transformation of the economies must be the over-all goal. When economies entering an integration scheme are already nationally integrated and have attained self-generating and self-sustaining growth the concern of such a grouping may very well, for instance, be directed to marginal shifts of established structures encompassing tariffs. But when these economies comprise dependent productive structures, their concerns are best directed to the alteration of such structures and therefore to more comprehensive and qualitatively different modes of economic co-operation.

It does not emerge spontaneously from the innerplay of market forces; it needs therefore to be consciously pursued as collaborative endeavour undertaken in order to accelerate through mutually reinforcing efforts the overall development of participant countries singly and collectively. Ideally it should reach beyond economic growth and encompass the political social and cultural spheres. While the coverage and breadth of co-operation arrangements will naturally be influenced by the desire to maximize the benefits of the interaction of participant countries, they require to be so tailored as not only to protect weaker partners but also to be consistent with, and supportive of instruments of co-operation involving non participant developing countries. Several areas of future co-operation in the framework of collective self-reliance can be identified.

Reduced dualism and a more poverty oriented approach will tend to create greater intra-Third World trade opportunities. Various forms of joint multinational enterprises
will give rise to opportunities of investment co-ordination. Monetary co-operation can encourage trade expansion and growing trade, e.g. through Third World preferences can be financed by intra-Third World financial co-operation, such as clearing or payments unions. Mutual aid and technical assistance in rural development, family planning, technology, is often more effective between countries that are not at too dissimilar levels of development than when inappropriate methods are transferred from highly advanced countries. Joint activities could be developed in professional associations, in research, in the exchanged of information, in education and training, in transport and communication, in food and energy policy. In these ways the developing countries could make themselves less dependent on concessions from the rich countries, and at the same time, evolve their own styles of development.

It is certainly true that the recent report by the Secretary General of UNCTAD, in preparation for the Nairobi meeting in 1976, devotes a special chapter to a strategy for collective self-reliance. But it does so in a special way. The report is careful to qualify the objective as an additive rather than a substitutive relationship. What is recommended is more intensive economic interrelationship among the developing countries to reduce the concentration of trade and strengthen their capacity for joint action. As important as desire to diminish dependency is a very practical concern: the lack of sufficient market in the industrialized countries for all the potential exports of the south, particularly with slowing growth of the former.6
It will not be easy to implement the concept of collective self-reliance. The dual objectives of a more effective and unified bargaining position and a significant restructuring of trading relationship within the Third World are not fully consistent. Experience with regional trade grouping suggests that economic heterogeneity has hardly contributed to their success. The least industrialized countries within common markets wind up with less protection against the manufactures of the more developed and find their own aspirations for diversifications frustrated. As a consequence, few regional associations have progressed beyond agreement in principle. The more intense the pressure for lateral economic interrelationships, the more difficult it likely will be to sustain in political unity directed to common external objectives. In Latin America and Africa both attempts at economic integration have not furthered closer political links.

"Collective self-reliance, as officially promulgated is itself a long way from the radical position, and necessarily so. The range of development models with the Group of 77 negates, ideological purity let alone frank adherence to revolutionary change. Unity, now and for the foreseeable future, will dominate any Southern strategy. UNCTAD, itself makes quite clear that collective self-reliance is not inimical to global cooperation".  

In order for the developing countries effectively to realise the potential for collective self-reliance it is necessary, in addition to mobilizing the political will to undertake the necessary deliberate efforts, that they establish an adequate and efficient institutional and organisational
framework which will both enhance their co-operation and increase their capacity for serious negotiations with the industrialized countries. The foregoing assessment of past efforts in co-operation has provided a partial listing of the possible range and forms of economic co-operation among the developing countries. But there is a need to spell out a broader framework of principles capable of giving momentum to and establishing a mutually reinforcing relationship between these efforts of co-operation among countries, at the subregional and interregional levels, and weave them into a coherent system of co-operation applicable to the developing countries as a whole. This must include the search for ways and means of providing support to the least developed countries and those countries at a lower stage of development relative to those at a more advanced stage.

VII.3 URGENT NEED FOR COOPERATION AMONG THE DEVELOPING COUNTRIES

A number of factors and circumstances have given a new thrust to the concept of economic co-operation among developing countries. Foremost among them was the realization that the International Development Strategy was falling far behind the expectations placed on it in 1970. Deep and prolonged recession and severe inflationary pressures in developed market economy countries, the increase in oil prices, fluctuations in other commodity prices and the consequent financial and balance of payments problems, brought about dramatic changes in the world economy. All this gave rise to greater awareness of the potentialities of collective self-reliance. The developing countries had before them the challenge of acquiring increased strength through unity of action.
The interest of both developed and developing countries will be better served in this historical period by cooperation than by confrontation it is true that confrontation sometimes brings short-term benefits. But in the longer run it is bound to stimulate defensive and harmful response from the Governments and people of the developed world. The developed countries who have the military, political and economic power can only be persuaded by appeals to mutual interest, emphasis on adversary interests and the abuse of automatic majorities in international agencies is likely to delay the desired adjustments. 8

The Declaration on the Establishment of a New International Economic Order (General Assembly Resolution 3201 (S-VI) ) called for full respect for the principle of strengthening, through individual collective actions, mutual economic, trade, financial and technical co-operation among the developing countries, mainly on a preferential basis. It also stressed in that context the role which producer's associations might play within the framework of international co-operation, and that in pursuance of their aims, inter-alia, they might assist in the promotion of sustained growth of the world economy thereby accelerating the development of developing countries. The programme of Action for the Establishment of a New International Economics Order (Resolution 3202 (S-VI)) (See Appendix-IV) similarly stressed collective self-reliance and growing co-operation among the developing countries as the key element in strengthening their role in establishing the new international economic order.
Greater economic co-operation among developing countries would provide outlets for the exports of the more industrially advanced among them and foster effective competition with the enterprises of the industrialized counties, particularly the transnational corporations. It would also promote a much fuller mobilization of the resources of the developing countries themselves, which in turn would be a major stimulus to economic growth. This would involve the formulation and implementation of a range of measures to strengthen, or even refashion, the existing institutional framework within which economic interchange takes place among developing countries.

Furthermore, closer economic co-operation among developing countries would assist in evolving common policies and common action in their economic relations with developed countries. Such common policies and action would strengthen the countervailing power of developing countries in their economic relations with transnational corporations, and would thereby serve to improve the bargaining power of developing countries in the negotiating process in intergovernmental forums. This element could well be of decisive importance in achieving the structural changes in economic relations between developed and developing countries that are indispensable to the establishment of the new international economic order.

But an essentially autonomous process of development, based on collective self-reliance, accompanied by the full mobilization domestic resources and oriented primarily to serve domestic needs, is no less needed to reduce the present excessive dependence of developing countries on the economic interest of
developed countries. While the support of the international community and, of course, the United Nations system will be necessary for the realization of this important element of the new international economic order. Collective self-reliance is a matter that chiefly concerns the developing countries themselves and which has to be implemented by them at the subregional, regional and interregional levels, in accordance with their own priorities.

Since 1974, a series of intensive discussions have been held by the Group of 77, the Non-Aligned Movement and United Nations bodies on economic co-operation among developing countries. These discussions have resulted in a number of concrete recommendations including the approval, at least in principle, of special mechanisms or institutions to promote such co-operation. Among the key documents adopted at these meeting are the Dakar Declaration (February 1975), the Mexico Programme of Action on Economic Co-operation among Developing countries (September 1976), the Buenos Aires Programme of Action for Promoting and Implementing Technical Co-operation among Developing Countries (September 1978), the Arusha Programme of Action for Collective Self-Reliance and Framework for Negotiations (February 1979,) and the Havana policy guidelines on the reinforcement of collective self-reliance among developing countries (September 1979). Following the concern of those documents, an ad-hoc intergovernmental group of the group of 77, adopted in June 1980, for consideration at the ministerial level, a package of interrelated measures for the furtherance of the collective self-reliance of the developing countries. These measures cover technical co-operation among developing countries.
The frustrations of the developing countries arising from the present world economic order and its recent malaise, have imparted a great sense of urgency to the need for the developing countries to reduce their dependence on the developed counties and try to shape a new world economic order by their own individual and collective efforts. Activities and ideas in the fields of economic co-operation among developing countries have been given stimulus also by the opportunities provided by the likely availability of the new resources of the oil exporting developing countries. The new resources can provide the much needed financial underpinning for schemes for co-operation among developing countries. Thus, co-operation among developing countries has emerged as the instrument with the greatest potential to change the existing world economic order.

Till the beginning of this decade, co-operation among developing countries was seen mainly as an endeavour to liberalize mutual trade, and establish common external tariffs to protect domestic and integration industries. This form of co-operation had had only limited impact on structural factors and in most cases did not succeed in attaining even its limited objectives because of its inability to change these factors. There is now a shift of emphasis from trade aspects of mutual co-operation to joint endeavours in the field of production and infrastructure development.

The most significant feature of the Declaration and Programme of Action on the Establishment of a New International Economics Order was its recommendation on economic co-operation
among developing countries. This was the only part of the
documents which was not qualified by the phrase "all efforts
should be made". The concept of "collective developing world
self-reliance" embodied in the document admirable summed up the
spirit and atmosphere of the Sixth Special Session. The Dakar
Conference on Raw material and the Lima Conference of the Foreign
Ministers of the Non-Aligned countries were important milestones
in the adoption of significant measure of co-operation among
developing countries and in the strengthening of their unity and
cohesion. Reference has already been made to the decisions of
these conferences on the establishment of a special Fund for the
financing of Buffer stocks and of a Council of Associations of
Developing Countries Producers-Exporters of Raw Materials. In
addition, the Lima Conference also reached agreement on
arrangements for the functioning of a Solidarity Fund for
Economic and Social Development in Non-Aligned Countries; and
decided to create a Center for Scientific and Technological
Research and Development in Non-Aligned Countries. The
International Development strategy adopted for the Second United
Nations Development Decade viewed co-operations among developing
countries mainly as "efforts to negotiate and put into effect
commitments for instituting schemes for regional and sub regional
integration or measures of trade expansion". Since then, however
several resolutions and decisions adopted within and outside the
United Nations framework have widened the context of cooperation
beyond the boundaries set by trade and integration agreement
among neighboring countries. In particular, the Fourth Conference
of Heads of State of Government of Non-Aligned held at Algiers in
September 1973, approved an Action Programme for Economic Co-
operation among Non-Aligned and other Developing Countries which had been adopted at the conference of Non-Aligned Foreign Ministers held at Georgetown in September 1972. Then in 1974, the Declaration on the Establishment of a New International Economic Order adopted by the General Assembly of the United Nations underlined the importance of promoting new types of co-operation among the developing countries.

The programme of Action on the Establishment of a New International Economic Order adopted at the Sixth Special Session of the General Assembly envisages, inter-alia measures to be taken by developing countries to promote collective self-reliance among them and to strengthen mutually beneficial international economic co-operation with a view to bringing about the accelerated development of developing countries. In addition, the resolution on development and international economic co-operation adopted at the Seventh Special Session urged "developed countries and the United Nations systems to provide as and when requested, support and assistance to developing countries in strengthening and enlarging their mutual co-operation at subregional, regional and inter-regional levels. The development of collective self-reliance is thus an integral aspect of the new international economic order and one supported by all sections of the international community. Within the new global strategy of economic development and the principles governing international economic order and one supported by all sections of the international community. Within the new global strategy of economic development and the principles governing international economic cooperation, it has been given a new and more profound emphasis.

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Till now, the developing countries have been able to maintain their solidarity and cohesion in spite of a variety of pressures and several moved engineered to weaken their unity. The solidarity of the non-aligned countries and of the 'Group of 77' has been questioned on the ground of its being the basis of confrontation in international economic relations. Divergences in the short-run interest of different groups of developing countries also constantly present problems in maintaining their unity. On the other hand the example of the successful price action by the OPEC countries and other developing countries have made a common cause in mounting renewed efforts for changing the present world economic order.

This unity of the developing countries is based on the realization that though their short run interest diverge due to difference in their stage of development, their social-economic structures and their social and political background, they are confronted with common basis problems in their attempts to move from the periphery to the center of world economy. There may not always be a commonness of interest among them in the sharing of present benefits but they certainly have common aspirations and the common goal of changing the structure of international economic relations.

VII.4 MAIN DIFFICULTIES OF CO-OPERATION AMONG DEVELOPING COUNTRIES

There are a number of difficulties that continue to impede faster development of co-operative activities among developing countries. The economic dependence of these countries on the developed market economy countries has discouraged the
accumulation of experience and information on the potential of markets in the developing countries and on the procedures of trade and financing.

One structural factor that inhibits expansion of trade is the insufficient capacity of the production structure of developing countries to respond to new demands from other developing countries inadequate finance; lack of storage facilities, and poor transport facilities. These factors prevent producer developing countries from building up commercial stocks that would allow commodities to be supplied readily without delay, when consumer developing countries required them. Where crops are seasonal or fluctuate with the weather, limited storage facilities result in marked variations in supply and price. Poor transport facilities hinder trade among developing countries even when one country has the products demanded by the other. Intra-regional trade in Africa, for instance, suffers much from the lack of overland transport. Lack of regular shipping facilities, telecommunications and direct air transport also serve to inhibit trade among developing countries. These structural weaknesses can be overcome only by organization and institutional innovations that would augment the production and bargaining capacity of the developing countries, singly and collectively over a period of time.

VII.5 OPPORTUNITIES OF CO-OPERATION AMONG DEVELOPING COUNTRIES

VII.5.1 Energy Co-operation:
Many developing countries are confronted with a dual energy crisis. The oil crisis and the firewood crisis. Both
crises are interrelated and will involve difficult transitional measures. There are great opportunities for co-operation which are foreshadowed in the Havana resolution on policy guidelines on the reinforcement of collective self-reliance among developing countries, not only between oil exporters and oil importers in ensuring adequate oil supply but also in the establishment of joint ventures in the exploration and exploitation of traditional as well as new source of energy. Note worthy, in this context is the decision taken by the OPEC conference in December 1979, to accord priority to oil importing developing countries is securing a supply of oil for their domestic requirements, on the basis of the official price of OPEC member countries, and to ensure that these countries do not incur prices beyond official OPEC levels. The measures being taken to give effect to this decision include the establishment of concrete mechanisms at the regional level by some oil exporting countries.

VII.5.2 Scope of Co-operation for Multinational Enterprises:

There is also considerable scope for organizing buyers associations of developing countries to offset in their purchasing transactions at least some of the current unequal bargaining power of the developed countries, particularly that of transnational corporations. Such associations would bring together the largest buyers from among the developing countries for the purpose of collective bargaining with suppliers on prices and other terms. The benefits could be substantial where developing countries purchases large quantities of homogeneous and vital products from a few sellers in the industrialized world.
VII.5.3 Co-operation Through Producers Association:

The success of action by OPEC and the consequent changes in the international environment led to the expansion in membership of existing producers' associations and the birth of new ones. As already mentioned, the Charter of Economic Rights and Duties of States (resolution 3281 (XXIX) reaffirmed the right of each State to exercise full control over its national resources. The Declaration and Programme of Action on the establishment of a new international economic order had also affirmed this right and mentioned the creation of producers' associations as an important measure of implementation.

Since the Dakar Conference on raw materials in February 1975, the issue of co-operation among these associations have been under intensive discussion among developing countries. A significant step was taken when the Belgrade Conference of Ministers for Foreign Affairs of Non Aligned Countries (July 1978) strongly urged all Non-Aligned and other developing countries to ensure that those associations join without delay the Council of Associations of Developing countries producers exporters of raw materials, the status of which had earlier been approved by a conference of plenipotentiaries of the Group of 77 at Geneva16. This council could become a factor of considerable importance if it were to include a system of mutual insurance among its member associations so that each member subscribed annually a certain percentage of its earnings to a solidarity fund that would in turn extend financial assistance to any association facing exception conditions.
VII.5.4 Promotion of Commodity Development for Co-operation:

Another potentially fruitful area for co-operation among developing countries lies in the collaborative exploitation of their natural resources for their common benefit, including the processing of the raw materials within the developing world on the basis of comparative advantage. Such co-operation could also encompass the transport of semiprocessed and processed goods, as well as the marketing and distribution of commodities and goods, and the promotion of consumption of such goods in both developed and developing countries.

Producers associations could be strengthened and expanded in order to promote projects in the fields of industry, transport, marketing and technical co-operation. Their efforts in this regard could be channeled into a process of structural change in the developing countries by increasing their participation in the processing, distribution and marketing activities. The consequent shift to a domestic resource-based development could in turn foster new trade links with other developing countries within a relatively short period of time.

VII.5.5 Financial and Monetary Co-operation:

The ability of the developing countries to move away from traditional trade patterns and to expand their mutual trade and other economic interchanges will depend on the availability of adequate and appropriate credit facilities to support their initiatives. While complex and technical issues will be involved in the establishment of such facilities the principle of collective self-reliance points to the inclusion of arrangements
to ensure that borrowers have a voice in management and control of them. The proposed conversion of the OPEC Special Fund into an agency for development and economic co-operation between developing countries could constitute an important start in the attainment co-operation in the financial sphere; it would be a concrete expression of the will of the developing countries to overcome, through co-operation among themselves, their handicaps in the key area of international finance.

In the past decade developing countries have adopted a variety of financial measures to facilitate and foster their economic co-operation. These measures fall into two broad areas, namely (i) the formation of regional or subregional payments arrangements, which take the form of clearing houses, payments unions and reserve centres, and (ii) the establishment of multilateral development finance institutions and national development funds for external assistance.

There are seven clearing arrangements among the developing countries. A total of 47 countries participate in such clearing arrangements on a subregional basis, are in turn linked to broader economic integration and trade liberalization arrangements.

A new feature of monetary arrangements has been the establishment of regional monetary funds. An Arab Monetary Fund was established in 1975, which aims to co-ordinate the monetary funds and monetary systems of members and to contribute towards the realization of economic integration between member countries. It commands capital resources of the order of $1.1 billion. Other monetary arrangement include the Andean Reserve Fund the
ASEAN Swap Arrangement, the Latin American Free Trade Association's Financial Assistance Agreement and the Central American Monetary Stabilization Fund. The Finance Minister and Governors of the Central Banks of Latin American Economic System also agreed at their recent meeting at Lima, Peru to attempt to establish a regional monetary system. Although these monetary arrangements pursue different objectives, a common denominator appears to be the intention to supplement the balance-of-payments financing available from the IMF and thereby to avoid restrictions on convertibility and/or exchange rate arrangements.

Co-operation efforts of developing countries on a multilateral basis in the field of development finance date back to the formation of the regional development banks for Latin America (1959), Africa (1964) and Asia (1966). A number of subregional development banks have also emerged, e.g. the East African Development Bank, the Caribbean Development Bank, the Andean Development Corporation, etc. In more recent years, however, financial co-operation between capital-surplus developing countries, essentially members of OPEC, and capital-deficit developing countries has increased significantly. A large number of development funds have been either established or financially augmented, both on a national and multilateral basis, including the Islamic Development Bank, the Arab Bank for Economic Development in Africa etc. Flows of finance (ODA and non-concessional) from OPEC increased on a net disbursement basis from $ US 1.7 billion in 1973 to about $ 9.0 billion in 1977, more than half of which was on concessional terms. A large proportion of OPEC assistance takes the form of general support
assistance, united to specific project aid being frequently co-financed with other countries and agencies. This emergence of institutions in which the decisive voice is that of countries whose development perspectives are more relevant to the recipients provides the prospective borrowers with greater flexibility and new opportunities for satisfying their diverse financial needs.

A significant feature of financial co-operation among the developing countries has been the use of the joint venture agreements in agricultural and industrial projects located in the capital importing countries, which serve the mutual interest of the parties involved. Development of the Sudan's vast agricultural potential according to a 10-years programme with the assistance of the Arab Authority for Agricultural Investment and Development, is perhaps the most outstanding example of such co-operation.

VII.5.6 Co-operation Through Direct Investment:

The transfer of resources among developing countries for the creation of new real investment is still limited. In many cases it is effected through outside intermediates. A number of bilateral and multilateral investment corporations have been established, mainly between Arab\OPEC sources and other developing countries. National Investment companies in the Gulf area are slowly increasing their activities in developing countries. The Islamic Development Bank has given clear preference in its activities to equity participation, and the Kuwait Fund has been authorised to go into direct investment in addition to its lending activities. More recently the Arab
countries' members of the Gulf Co-operation Council have set up a joint investment authority which is expected to concentrate on external investments. These are all welcome developments. They should gradually open the door for an increase in the real wealth of the South, converting the paper claims held with Western Banks into new productive investments. They should also result in large scale commercially viable enterprises capable of benefiting from fairer co-operation with the transnational corporations of the North. But this trend should be encouraged to grow faster.

The potential host countries should take conscious measures to improve investment climates in their territories, and to accelerate international efforts for the establishment of the multilateral investment guarantee scheme presently being considered by the World Bank. The relatively industrialised developing countries in particular should take a leading role in this trend as they stand to gain most from it. They should provide funds as well as managerial and technical skills to allow for the formations of new investment companies and joint ventures which will eventually result in increased demand for their goods and services.

VII.5.7 Technical Co-operation:

Technical co-operation among developing countries offers important and practical possibilities as a catalyst and lubricant for the wider efforts, of the developing countries towards collective self-reliance, the plan of Action adopted by the Buenos Aires Conference in September 1978 described the basic objectives. The UNDP Administrator drew attentions to particular
uses of technical co-operation among developing countries that are providing substantial benefits to those countries, identified obstacles to the advancement of such co-operation and suggested methods by which it could be rendered more effective. Describing the principal characteristics of technical co-operation among developing countries, it is stated that such co-operation involves a deliberate and voluntary sharing of resources, knowledge and experience, skills and capacities between two or more developing countries for their individual or mutual development. So that it is initiated primarily by developing countries themselves, with the support of developed countries or organization of the United Nations system at the request of Governments involved; and that project inputs for activities should be provided entirely, or to the largest extent possible, by the participating developing countries themselves.

There are a number of factors which have effected the rate at which programmes and activities in support of technical co-operation among developing countries have been implemented. First is the fact that the present patterns in investments, production and marketing because of their orientation towards the developed countries have impeded the attainment of greater co-operation. Technical co-operation is not sought per-se but is pursued in the context of the implementation of concrete projects. As a result countries giving priority to the modern sector and requiring in their view the most up-to-date technology are apt to seek technical co-operation from the suppliers of related equipment and expertise namely the industrialized countries. On the other hand, those developing countries that seek alternative patterns of development and lifestyles, based on
self-reliance, can be expected, a prior to take more interest in technical co-operation among developing countries.

Second there is a close interrelationship between financial transfers and the absorption of technology. In this respect it is important for developing countries to endeavour to separate finance and technology and to unpackage the technology components in conformity with their respective circumstance, for which, purposes technical co-operation could be utilized. Further progress needs to be made in untying transfers of official development assistance in order to permit such resources to be utilized for the purpose of technical co-operation among developing countries. Thirdly attitudinal barriers deriving largely from the economic social and cultural legacies of history are prevalent both at the level of countries and in international organizations and these barriers will have to be removed if technical co-operation among developing countries is to become much more of a practical reality.

VII.6 TRADE : THE MAIN ELEMENT OF ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

The exports of developing countries witnessed in the 1970s an unprecedented expansion in volume and value. Most of this expansion centered, however, on two areas: exports to the DAC countries of the OECD, which moved from a low $47.7 bn in 1970 to $424 bn in 1980 (or from $31.8 bn to $171.3 bn if we exclude fuel) and trade between the OPEC and non-OPEC developing countries which increased on average by some 40 percent a year since 1974. Outside these areas, the increase in trade transactions among developing countries has not been impressive.
Agreements reached on trade liberalisation in several sub-regions have also faced serious obstacles in most cases in the form of non-tariffs barriers exceptions and the like.

A serious implementation of the already existing agreements on economic unity, economic integration, customs unions and trade liberalisation would itself result in significant changes. Experience shows, however, an obvious gap between written agreements and reality. In some regions countries bound by agreements of this type do not even maintain diplomatic relations at present. The relatively industrialised developing countries can again take a lead in this area by advocating systems of preferences among developing countries in favour of the poorer among them. Such arrangements would put these countries in a better position when they ask for similar preferences from the developed countries.

The OPEC fund is at present, through its Procurement Guidelines, granting certain preferences, upon the request of the borrowing country to procurement under its loans for goods and services produced in developing countries. The Arab Fund has similar arrangements for procurement from Arab countries.

The Arusha Programme for Collective Self-Reliance includes a proposal for the establishment of a global system of trade preference which would in addition to tariff and non-tariff measures, be interrelated with other co-operative activities in the filed of production, marketing, payments, finance and transport. It would be based on the principal of mutual advantage, have a broad product coverage including agricultural
raw materials but accord special treatment to needs of the least developed countries. It is conceived as a major instrument for promoting the mutual trade of developing countries, identifying establishing and promoting joint industrial ventures by developing countries for increasing production and employment as well as for co-operation in the improvement of transport, including shipping.

The Global System of Trade Preferences among the Developing Countries is thus intended to create a new framework of economic relations which will facilitate, sponsor and encourage trade and other exchanges among those countries. It also has an important political dimension in as much as it is intended to reach out to developing countries as a whole. The system could be greatly facilitated by the establishment of multinational marketing enterprises as well as multinational production ventures, and it could in turn lead to greater co-operation among state trading organizations. Payment arrangements and development finance for multinational enterprises are inevitable essential elements in such integrated mechanisms for the promotion of economic co-operation among the developing countries.

Expansion of trade among developing countries has long been an important objective of economic co-operation among them. Since the 1960s a large number of regional and subregional market integration schemes such as the Latin American Free Trade Association, the Central American Common Market, the Andean Group, the Caribbean Free Trade Association (later the Caribbean community), The East African Community, the Central African
Customs and Economic Union, the Economic Community of West African States, the Association of South-East Asian Nations and the Arab Common Market, to mention the prominent few have been formed among the developing countries. Market integration was perceived as a major instrument for trade expansion and for accelerating economic development through specializations in production. It was also perceived as a means of enhancing bargaining power in external economic relations. In a few instances, such as the Cartagena Agreement of the Andean Group, trade liberalization has been coupled with the mechanisms for strengthening the production structure of members.

There have been some serious difficulties in the operation of some of the integration schemes, and at least one of them, the East African Community, has de-facto broken down. In other cases such as Asian and the Andean Group, trade within some integrations schemes has expanded more rapidly than trade with the rest of the world. These diverse experience are variously explained. An important consideration, however is that at low levels of development the benefits of classical integration that is integration based on trade liberalization are limited partly because only a small share of the partners trade enters into intra-group trade. For the more developed countries the use of trade liberalization in the integration process becomes more meaningful particularly when accompanied by such measures as industrial investment programming to strengthen the necessary production base. Such initiatives not only increase the total benefits to be derived from integration but also contribute to a more equitable distribution of such benefits thereby reducing the potential for political tension and disintegration.
Outside the framework of integration schemes, the objective of expanded trade among the developing countries is being pursued through preferential trade system. A beginning in this direction was made in 1971 when 16 countries from four continents signed a protocol for tariff concessions on selected products. A similar, more recent scheme is the Bangkok Agreement which was instituted in 1975 among seven countries members of the United Nations Economics Commission for Asia and the Far East, now ESCAP (Bangladesh, India, the Lao People's Democratic Republic, the Philippines, the Republic of Korea, Sri Lanka and Thailand.)
REFERENCES


7. Ibid., p.68.


11. TD/236, Chap II. Resolution 3262 (S-VII) Section VI.1.


14. General assembly resolution 3202(S-VI). section 1,1(b).

15. General Assembly resolution 3362(S-VII) section.VI,1.