4

INTERNATIONAL TRADE AND THE DEVELOPING COUNTRIES

J. F. Rweyemamu

THE SETTING: THE WIDENING GAP

THIS ARTICLE IS CONCERNED with an analysis of the causes of the poverty of the developing countries. The decade of the 1960s opened with a new wave of optimistic expectations for the periphery.[1] There were, first of all, the massive decolonisation efforts, which to many implied the eclipse of imperialism and the possibility of meaningful economic reconstruction by the former colonial people, now that political power was in our own hands. 'Seek ye first the political kingdom and all things shall be added unto you,' succinctly if unaptly captured the prevailing mood of the time.

Secondly, even the United Nations General Assembly enthusiastically designated the 1960s as the Development Decade, expressing the 'desire of the world com-

J. F. Rweyemamu is Senior Lecturer in Economics and Dean of the Faculty of Arts and Social Sciences at The University College, Dar es Salaam, Tanzania. An earlier version of this article was read to the Tanzania Economic Society in July 1968.

munity to accelerate the development process in the less fortunate areas of the world.' In fact, the General Assembly also expressed its conviction that the expansion of trade and the resulting increase in foreign exchange earnings offered the most rapid method of aiding the development of new nations.[2]

But, as the so-called development decade gradually wore on, it became increasingly evident that these political 'winds of change' and the promised international efforts were not being accompanied by commensurate economic prosperity and well-being in the developing countries. On the contrary, as the 'Group of 77' representatives meeting in Algeria observed, 'the lot of more than a billion people of the developing world continues to deteriorate as a result of the trends in international economic relations.'[3] This tendency is borne out by a good deal of statistical data. Accurate figures are difficult to ascertain and their absolute values may be debatable. But both their relative magnitude and their significance point in the same direction, and reveal several clear trends.

First, the share of the developing countries in total world exports declined from 30.4 per cent in 1938 to only 19.1 per cent in 1966, as shown in Table 1. In the first half of the 1960s, total world exports grew at an average annual rate of 7.8 per cent and exports of developing countries, excluding oil exports, grew at an average rate of only 4 per cent. Furthermore, whereas the average prices for primary products exported from developing countries have decreased by 7 per cent since 1958, those for primary products exported from developed countries have increased by 10 per cent in the same period.[4] Indeed, the purchasing power of exports from developing countries has been steadily declining. In the mid-1960s the developing countries were able to buy, for a given value of their *traditional* exports, one-tenth less imports than at the beginning of the period. The loss in purchasing power amounted to approximately U.S. $2,500 million annually, which represents nearly half the flow of external public financial resources to the periphery.

TABLE I
Percentage Share in World Exports of Major Economic Areas[5]

Area	*1938*	*1955*	*1960*	*1966*
Developed market economies	62.3	64.6	66.8	69.6
Under-developed countries	30.4	25.3	21.4	19.1
Centrally planned economies	7.3	8.5	10.2	10.3

Secondly, during the same period, the developed countries have, through rapid technological progress and continued exploitation of the periphery, increased their capacity for economic development. At the same time the developing countries have become—politically, economically, and technologically—more dependent on the centres.[6] This is indicated not only by the fantastic rise in the developed countries' incomes, but also by the rise in the value of their trade among themselves. Indeed, the fact that the economically developed countries are each other's best customers is now more than ever a central feature of world trade. It is chiefly within a small circle of countries that international trade is now expanding. Thus, in 1966, these countries exported to each other as much as U.S. $105,600 million, or approximately 75 per cent of their total exports, valued at U.S. $141,400 million. In 1960 the proportion was only

70 per cent. The developing countries, on the other hand, increased their trade among themselves by only 0.3 per cent in the same period, and it made up only 16 per cent of their total exports.

Thirdly, while less than one-fifth of the world's people, who live in industrialised lands, enjoy three-fifths of the world's wealth, three-fifths of the world's people, in China, Africa, and India, share little more than one-tenth of its wealth.[7] And the most alarming phenomenon is the fact that the differences are becoming sharper, as the wealth and incomes of the rich countries increase very rapidly while those of the poor countries stagnate.

The most obvious question that comes to mind is, Why is it that, despite the vigilant efforts of the countries of the periphery to step up their levels of living after attaining political independence, they have not been able to better the lot of their peoples? What can and should be done, nationally, regionally, and internationally, to put this right? These are some of the issues I shall try to explore in this article. I shall argue that the observed symptoms of under-development—namely, the increasing degree of structural dependence of the developing economies on those that are developed, and their consequent poor performance in international trade, widening the gap of power, wealth, and income between the industrial centres and the periphery—are to be largely traced to the historical relationships between the metropolitan powers and the former colonial countries. I shall also argue that the prevailing international division of labour not only tends to accentuate the misallocation of resources and the inequality of income—a natural tendency for an economic structure dominated by mature capitalism—but also creates economic classes on an international scale, as the contradictions between the relations of production and property become manifest. Finally, I shall attempt to outline some policies which might rectify these trends.

THE "CLASSICAL" EXPLANATION

The classical explanation of the above pattern of international trade is, of course, the international division of labour. On this hypothesis, it is argued that basically countries trade with each other because they possess different comparative advantages in the cost of production of goods and services. These cost differences are largely attributable to differences in relative resource endowments, as reflected in their price structures. In other words, the *raison d'être* for the international division of labour is greater specialisation of production, which—under conditions of free trade, perfect competition, zero transport costs, and so on—can be shown to be distributed in the most advantageous fashion in the given circumstances. It also follows that international trade—given the above special conditions—tends to equalise the prices of commodities in different countries, permits countries to specialise in the production of those goods for which they have comparative advantages, and tends to equalise the prices of factors of production as between countries.[8]

But the record of the widening gap set out earlier certainly does not conform to the above picture. In the first place, it has been observed by Professor Chenery that, while the share of certain industries in the domestic product of the industrial countries declines, there is never any actual contraction in absolute terms;[9] this means that, as less capital-intensive industries are gradually set up in the capital-scarce countries, there is no

likelihood that such industries will disappear from the capital-abundant countries. Secondly, as Prebisch has argued, the faster technological progress in the industrial countries has not resulted in the falling of industrial prices relative to those of primary products;[10] yet one would expect this to happen, given the above assumptions. Thirdly, the enormous differentials between the developed and the developing countries, noted above, indicate that the price of labour (and other factors of production) is far from tending towards equality among the various regions of the world.

What then is wrong with the international division of labour? Or, at any rate, what is wrong with the classical explanation given above?

I think it is worth exploring the underlying obstacles to the theory of comparative advantage if we are to understand the reasons why some economists, as well as the U.N. General Assembly resolution quoted earlier, are mistaken in their belief in foreign trade as an 'engine of growth.'[11] For, in the first place, it is wrong to regard so-called 'natural endowments' as an absolute and unchangeable criterion on which to base the international division of labour, especially under conditions of changing demand patterns and technology, since what is a comparative advantage today may cease to be so tomorrow.[12] Secondly, comparative advantages cannot be realistically calculated on the basis of market prices, for, as is now well known, capitalist prices are influenced by a number of non-competitive forces such as monopolistic profits, bargaining power, and so on. Thirdly, and most important, the theory of comparative advantage assumes unlimited and responsive demand; that is to say, elastic markets and prices. If both the prices and the markets for certain commodities which are the speciality of a given region are inelastic, then the very notion of comparative advantage becomes not only suspect but meaningless. I will show presently that in fact the demand for the traditional exports of the periphery is today typically inelastic.

Finally, the continued emphasis on the assumption of 'perfect competition' in international trade theory would seem to be grossly misplaced. In fact, the growth and development of what Professor M. Bye calls the 'multi-territorial unit' has rendered the assumption of vertical capital immobility untenable.[13] The growth of oligopoly in the advanced countries seems to be related to the problem of under-development.[14] Let me examine some of these points in greater detail.

In the first place, it should be recognised that the pattern of demand in the industrialised countries has changed in such a way as to result in a smaller growth in demand for primary than for manufactured products. This arises from a conglomeration of various factors, enumerated below.

1. *Engel's Law*. Ever since the days of Adam Smith, economists have confirmed his observation that 'the desire of food is limited by the narrow capacity of the human stomach; but the desire of the conveniences and ornaments of building, dress, equipage and household furniture, seems to have no limit or certain boundary';[15] and therefore the demand for food tends to become a smaller proportion of spending as income rises, while spending on industrial goods takes up a higher proportion of the budget. The effect of this so-called 'law' is that there have been relatively small increases in the consumption by industrial countries of the tropical beverages and food exported by the developing countries. For example, coffee consumption in the U.S., the major coffee importer, has remained static at 2.97 cups per person per winter day in the 1960s.[16] In general, one can say that the relative shift in the demand for beverages, food, and tobacco accounts for a significant proportion of the fall in developing countries' total exports. This problem has been compounded by the increasing inequalities of income in the developed market-economy countries, in so far as the high-income group in the population has shifted its tastes to the more expensive qualities and varieties which are often produced within the devloped countries themselves, such as butter instead of margarine.[17]

2. *Changes in the structure of production and the use of synthetics.* There has been, *pari passu* with the above developments, a tendency towards autarchic production in the industrial countries, through the substitution of home production for imports. For example, the fall in demand for vegetable oils in the industrial countries can be attributed partly to a shift in consumer demand from soap to synthetic detergents and partly to the substitution of animal for vegetable oil in soap-making. The expansion of soya beans in the U.S. and of beet sugar in Western Europe has led to a decline in oil-seed and cane-sugar exports respectively from the developing countries.[18] In industrial production the developed countries have increasingly substituted raw materials which they themselves have processed for those formerly imported. The main substitutes have been aluminium for copper, and to a lesser extent for steel and other materials; man-made fibres for cotton, silk, and wool; synthetic for natural rubber, sisal, jute, and hemp, and plastic materials for a wide range of traditional textiles, paper, wood, and other materials.[19]

At the same time there have been significant structural shifts in production in the industrial centres. The most important changes have been sharp increases in production in engineering and chemicals and small increases in textiles. It is obvious that such an irreversible shift in the industrial countries' structure of production has had a substantial adverse effect on the exports of the primary-producing countries, because the import content of engineering and chemical production is small, while that of textiles is large.[20]

3. *Commerical policies of the industrial countires*. Despite their 'excessively rigorous verbal devotion to lopsided liberal trade principles'[21]—as exemplified in the rules of G.A.T.T.,*for instance—the developed countries have intensified their protectionist attitudes, to the detriment of developing countries' trade. As Dr Onitiri has pointed out, this is the more unfortunate since the developing countries as a whole are the least able to carry out structural adjustments in their economies.[22] The escalation of tariffs with higher degrees of processing of tropical products by the developed countries is to be greatly deplored. It is of course no accident that at the Second U.N. Conference on Trade and Development the O.E.C.D.** members were willing to grant preferences to manufactured products *other than* the processed and semi-processed agricultural products. Furthermore, the industrial countries have placed quantitative restrictions on the import of cereals, dairy produce, textiles, toys, sports goods, and leather products and have supported, through subsidies or minimum price guarantees, the production of beet sugar, oils, soya beans, and oilseeds. Moreover, as if the above restrictions were not enough, it has become part of the fiscal system of most industrial countries to subject certain tropical commodities, such as coffee, tea, tobacco, tropical fruits, and cane sugar, to heavy taxation.

* General Agreement on Tariffs and Trade.
** Organization of Economic Cooperation and Development.

In sum, one can say that the necessary conditions assumed by the theory of comparative advantage, which alone make it possible to advocate international trade as an engine of growth for the developing countries, are largely absent. Numerous factors—the technological revolution in the industrial countries which has altered their pattern of demand and structure of production, their enviable sustained rate of economic growth, the diversity of demand that accompanies high income, the reduction of trade barriers within Europe and America, and the intensification of communications—have all contributed to the spectacular rise in trade between the developed countries, especially in manufactured products. Developing countries, on the other hand, have, by the unhappy concatenation of a series of more or less special circumstances, which I will describe very shortly, been unable to restructure their economies so as to reap similar benefits of development.

From what has been said so far, I think it is clear that the under-developed countries cannot rely on economic growth being induced from outside through an expansion of world demand for their traditional exports of primary commodities. Nor can the necessary foreign exchange gap be narrowed considerably by the inflow of foreign capital from developed countries, both private and public. On the one hand, the amount of development assistance has levelled off in absolute terms and has declined as a proportion of the gross national product of developed countries. This has been explained as due to the current balance-of-payments problems of the major donors. However, these problems are a result partly of the monetary crisis (which reflects the impending overproduction crisis), partly of their failure to restructure their economies away from processing towards industries at higher levels of technical advancement, and partly of imperially initiated wars. In such circumstances, the prospects of increasing the level of aid to developing countries are very bleak indeed.[23]

But aid, quite apart from its meagre scale, has a detrimental effect on the developing economies in so far as it reinforces the centre-peripheral relationship. The *quid pro quo* for the aid given by the developed countries is the safeguarding of the principal economic positions which they either occupied before decolonisation or have established after independence. Thus it is no accident that over 90 per cent of French aid goes to francophone countries. In other words, the industrial countries want to keep control (either directly or through the subterfuge of joint-owned companies) of all the principal sources of raw materials, including minerals and oil, as well as the major industrial constellations.

The methods of ownership and control have obviously changed since (or even before) the period of decolonisation, but the effects are basically the same. Thus one may quote the former chairman of the World Bank; although he was addressing U.S. businessmen so as to induce them to understand and accept foreign aid on their terms, he underscored the major economic motives of the aid programme by stating the benefits of foreign aid programmes from the point of view of the U.S., as follows: (i) to provide a substantial and immediate market for U.S. goods and services; (ii) to stimulate the development of new overseas markets for U.S. companies; and (iii) to orientate national economies towards a free enterprise system, in which the U.S. could prosper.[24]

Two significant conclusions follow from the above discussion. First, I think that the U.N. General Assembly emphasis on trade *under the existing international*

division of labour is not only misplaced but may be regarded as a calculated strategy by the capitalist countries to mislead the developing countries. For it must be quite evident that the new nations of the twentieth century cannot follow the nineteenth-century pattern of development of the so-called regions of recent settlement, such as Canada, Australia, and New Zealand, where the export sector was the leading sector, or of those areas that received large doses of investment from their mother countries designed to produce raw materials and food for the latter in return.[25] This is because, as shown above, economic development is diffused through trade only when the pattern of advance in the industrial countries happens to be such as to cause a rapidly rising demand for imported foodstuffs and raw materials.

Furthermore, the continuation of the imperially initiated specialisation in traditional exports is detrimental to both our long-term economic growth and our autonomy as independent countries, since the traditional export sector—lacking sufficient backward and forward linkages[26]—fails to provide a focus around which an integrated economy can develop; and the export-led economies which were originally imperially dominated have tended to develop patterns of income distribution and economic/political power bases which thwart modern industrial and agricultural growth.[27] For both these reasons it is meaningful to reaffirm the late Professor Nurkse's words that the emphasis on trade under existing patterns of international division of labour is indeed 'out of place and could be interpreted as a hangover from by-gone days.'[28]

If it is in the case, as I have argued above, that the emphasis on trade is misplaced, because it is unlikely to be the engine of growth, a second conclusion follows: that one must examine the fundamental cause for this state of affairs, in order to discover the growth options now available to the periphery. My view is that the misery of the developing countries is to be traced to their *historical* relationship with the metropolitan powers, which has led to their being firmly integrated with the world capitalist system as 'satellites.'[29] It is the speed with which and the process by which this situation is overcome that will determine their economic prosperity and their social and political well-being. These assertions are supported in the section that follows.

THE FUNDAMENTAL CAUSE OF UNDER-DEVELOPMENT

It is generally recognised that the developing countries have been, for the most part, the former colonial or semi-colonial regions—in other words, the agricultural plantations and raw-material hinterlands of the big capitalist powers, which have exploited these areas as sources of cheap raw materials, labour, and foodstuffs. But the implications of all this for the potential growth of the periphery have largely gone unnoticed. Yet it should be obvious that a historical relationship of the metropolitan-colonial type tended to breed at least two major obstacles to the development of the dependent countries: (a) their integration in the world capitalist market as satellites, involving foreign ownership and control of the periphery's resources and commercial institutions; and (b) their domestic structure, with an export enclave intimately interlinked with the network of world capitalism, which allied the most powerful interest groups of the periphery with those of imperialism. It is perhaps because these historical and institutional

conditions have been ignored that the Japanese model of development is often recommended for adoption by the periphery.

To the extent that these relationships did not change at the dawn of independence—indeed, they may have deepened or new ones may have been established—it is likely that the nature and direction of existing trade flows reflect both this pattern and also the persistence of certain precolonial divisions of labour and patterns of trade. In other words, international trade perpetuates the *artificial* international division of labour between the developing countries and the metropolitan centres, a division established by imperial power and maintained by lop-sided trade. For the kind of trade relations imposed by the colonial powers did not usually displace the existing social and economic structure of the colonies. While those relations, in the earlier stages, were confined to plundering and establishing a network of trading posts without affecting production itself, the next stage of colonial expansion included the introduction of primary production for the market, both agricultural and extractive. The specialisation of a colony was determined by the colonial power—either according to its own needs or because of its likely profits as an intermediary between the colony and other countries—and had little to do with the optimal allocation of world resources. In this way different modes of production were set up.[30]

This integration of the less-developed capitalist countries into the world capitalist market, as reliable and continuous suppliers of natural resources, results in a continuous dependence on the centres of monopoly capital, further cemented by the market institutions (export-import houses, banking, insurance facilities, commercial and government purchasing facilities, shipping, and so on) which evolve from this dependency.

This tendency is reinforced quite naturally by the pattern of colonial and neo-colonial investment (in the choice of both sectors and techniques). Such investment was concentrated in the primary-export industries together with their associated infrastructure. Consequently, not only is the industrial output of the periphery meagre, as shown in Table 2: but, even where it is substantial, it does not reflect a significant and consistent integration with the rest of the economy.

TABLE 2[31]

Product of Manufacturing Industries of Non-Socialist Countries (as a % of total value added, 1958)

Region	*All industry*	*Light industry*	*Heavy industry*
Africa and Middle East	1.5	1.7	1.2
Latin America	3.7	5.3	2.7
Asia (excluding Japan and socialist countries	2.1	3.5	1.1
Sub-total (periphery)	7.3	10.5	5.0
U.S. and Canada	49.9	47.5	51.5
Europe (excluding socialist countries)	37.6	36.6	38.2
Japan	3.5	3.5	3.7
Australasia	1.7	1.9	1.6
Sub-total (industrial centres)	92.7	89.5	95.0
Total	100.0	100.0	100.0

The concentration of finance capital has deepened with the greater economic integration of the periphery with the metropolitan centres, whose international oligopolies have tended to establish their subsidaries in the periphery.[32] Furthermore, realising the deteriorating terms of trade for unprocessed primary products, the plantation interests have now established processing plants, leaving production to the smallholders. There is thus a beginning of consumer-goods industries and export-oriented processing industries. But the result remains the same as in the colonial period, in so far as most of the subsidiaries use the same techniques of production as in the centres, import most of their machinery, enjoy a monopoly position (sometimes protected!), and repatriate most of their profits.

Not only is the value added very small, and the drain of foreign exchange large: they also have the disadvantages of perpetuating the periphery-metropolitan dependence. The result of such a pattern of development, so well described by Baran a dozen years ago, has hardly changed:

Their exploitation was multiplied; yet its fruits were not to increase their productive wealth; these went abroad or served to support a parasitic bourgeoisie at home. They lived in abysmal misery, yet they had no prospect of a better tomorrow. They existed under capitalism, yet there was no accumulation of capital. They lost their time-honoured means of livelihood, their arts and crafts, yet there was no modern industry to provide new ones in their place.[33]

SOME POLICY IMPLICATIONS

The most important aspect of all these problems confronting the developing countries is the fact that their economies are intertwined with the international capitalist system, their resources, economies, and societies being geared to the needs of the imperialist powers. Among the many implications of this fact, particularly for our purposes, are the following:

1. their extreme reliance on exports of primary produce, especially agricultural and mineral output for a significant proportion of national income, although export prospects for these commodities are not very promising;

2. the existence of lop-sided investment, favouring a sector that is scarcely related to the economic structure of the country concerned, at the expense of the diversification of the internal market;

3. the orientation of transport networks, commercial and government purchasing policies, banking, insurance, shipping, and other commercial institutions to the metropolitan power rather than domestic (including regional) needs;

4. the continued lip-service paid by political leaders and economic bureaucrats to regional (horizontal) integration among developing countries, while they encourage vertical integration with the centres, thus perpetuating the dependence of the developing countries on them;

5. excessive faith in the likelihood of economic advancement through a gradual, reformist strategy, including the quinquennial exercise of drawing up caricatures of 'development plans'—mostly by expatriates—plans which do not take into consideration the historical relationships of the periphery and the industrial centres; and

6. the political effects of economic weakness in tying them to the chariot-wheels of the very imperialism from which they strove for political independence.[34]

In so far as the fundamental cause of the underdevelopment of the periphery has been traced to its structural dependence on the metropolitan centres—a relationship forged during the colonial era and continued in the post-independence era—it would seem that

the periphery has at least three significant options: (a) to eliminate its status of 'satellite' *vis-à-vis* the centre; (b) to transform itself into a metropolitan member of the system; and (c) to opt out of the system.[35] These alternatives are not mutually exclusive, nor do they lead to the same development process. They all involve, however, a much more *radical* transformation of the periphery-metropolitan relationship than has often been recognised by the architects of the so-called 'development plans'.

Furthermore, regardless of the choice they make, the countries concerned will have to determine a number of distinct though connected issues, such as the relative importance to be assigned to foreign trade and to mobilising internal resources, the order of priority to be assigned to different industries or sectors, and the choice of techniques in the economy at large and in particular industries. Such decisions must take account of the structural changes required in the economies of the developing countries, if they are to achieve meaningful economic growth. Two important requisites for change may be emphasised here: the need for industrialisation, and for internal reorganisation (economic and political).

A well-defined industrialisation strategy

This in effect implies making industry a leading sector in the development plans. The primary and essential role of industry in the development process is now fully demonstrated from the lessons of history. Maizels, in his definitive statistical study, summarises the evidence conclusively and exhaustively. In particular, he shows that industrialisation has been the key to economic progress in most countries and that the main reasons are that it

(i) tends to *raise physical output per head*, and (ii) *changes the pattern of output* in response to changes in the structure of demand. But, having arrived at such useful results, Maizels goes on to say, unperturbed, that 'this well-established picture implies *no* precise rules about the stages of development of at present under-developed countries,' and that the availability of aid and technical know-how, as well as other special features, 'makes possible changes in the pattern and thus acceleration of industrial growth and economic development!'[36]

However, there are at least two major economic justifications for industrialisation on the periphery. The first is the balance-of-payments situation, the elements of which have already been described in Part I, above. For the inherited export enclaves of the developing countries make them dependent on the export earnings of their primary products, the prospects for which are very bleak indeed. Imports, on the other hand, have been growing faster than exports, while the terms of trade have deteriorated considerably. This has considerably curtailed their ability to sustain high rates of capital investment, in spite of the capital available from the developed countries. In the absence of integrated basic industries at home, they have to keep on importing capital goods; and yet their ability to do so is determined by the level of exports and the prevailing terms of trade.

Secondly, there is the justification for expanding the capital-goods sector. In so far as investment should be concentrated upon methods and lines of production which will increase the investment potential still further, and to the extent that one of the most important limiting factors is the output capacity of the industries which produce capital goods, the growth rate in the future will be higher, the larger the proportion of current investment that is directed towards expanding this sector. Such a view runs contrary to the conventional wisdom which advocates gradualism and 'consumer goods first.' But it is based on the belief that a bigger share of a total which is growing more slowly will be greater in the long run than a smaller share of a total that is growing faster.[37]

However, I must point out that carrying out an industrialisation strategy is not easy in the face of strong imperialist pressure to reduce its importance in development, aided by planners with old habits of thought. It is often argued that the industrialisation of the capitalist countries in the nineteenth century was made possible by a particularly propitious constellation of events which no longer exist in the twentieth century (except of course, for the successfully industrialised socialist countries!). Thence it is concluded that to follow the example of the present-day industrialised countries will be to miss the target, and that the production of raw materials corresponds much more to the conditions of under-developed countries! At the same time, certain relative, practical difficulties of industrialisation have been given an *absolute* character: for example, the lack of capital and of a skilled labour force, the uneven distribution of raw materials, or the danger of dislocating the balance of payments. These difficulties are, however, used to substantiate not only the necessity for an inflow of capital from the developed capitalist countries but also for giving preference to the development of agriculture.[38]

Yet similar justifications of a very narrow specialisation on agricultural raw materials once led Marx to declare: 'You believe perhaps, gentlemen, that the production of coffee and sugar is the natural destiny of the West Indies. Two centuries ago, nature, which does not trouble herself about commerce, had planted neither sugar-cane nor coffee trees there.'[39] It is therefore necessary to lay stress on the following policies:

1. The available capital resources must be invested, not in the conglomeration of industries recommended after a static consideration of 'import-substitution' and 'export-promotion' needs, but rather in basic industries that will meaningfully integrate the economy, create internal demand, and reduce the periphery—centre dependence. For the past pattern of demand for imported consumer goods is only a very limited guide for altering the consumption-investment mix for the future, and it is least useful when considering the future demand for capital and intermediate goods. So it can hardly be overemphasised that import substitution and export promotion are not relevant as basic selection techniques.[40] Instead, greater weight should be placed on forward and backward linkages with the rest of the economy, and on the amount of value added.

2. To give priority to industry, as I have advocated, does not imply neglecting agriculture. Indeed, agricultural production has to increase, to meet not only the growing needs of the agricultural sector itself but also the increased demand in the industrial sector for food and raw materials, as industrial output and income rise. Indeed, it is the very development of an integrated industrial sector that will speed up agricultural development, by the production of more efficient agricultural implements and intermediate goods such as fertilisers and pesticides.[41]

3. Regional integration among the developing countries must also be pursued, vigorously and untiringly, especially by harmonising their industrial programmes. The intermediate- and capital-goods industries I have advocated are those in which the economies of scale and

external economies are the greatest, requiring, in the non-industrialised countries, regionally-integrated markets.[42] However, the periphery must be careful lest their integrated regions become the sphere of influence of the imperialists.

Internal reorganisation of the economic base and the political superstructure

It must be pointed out that the international capitalist system is not the only constraint on the productive potential of the periphery, although it has been given prominence in this article. Equally important, but derived from the periphery-centre relationship, is the reactionary power base of the periphery. Tanzania is one of the few countries that have tried to tackle the institution of a progressive power base, and some of the problems arising, by launching the Arusha Declaration; but even here much remains to be done. It is true that the social ownership of the means of production implies new *opportunities* for economic development, such as proper planning, using the means of production in the interest of society as a whole, and so on; but it should be realised that these are *only* opportunities, which do not automatically guarantee the attainment of these objectives. But beyond the problem of control, which is partially solved by nationalisation, is that of the very nature of socialist planning. How can a plan drawn up by 'experts' who consider mainly the internal consistency of the programmes, far removed from the needs and conditions of the people, be said to be directed by the will of organised society? It would seem that, if economic development is to be directed by organised society, then planning must be what the late Professor Lange called 'active economic planning'.[43]

The analysis of this article has shown that the sun of imperialism, far from being eclipsed at the dawn of independence, still glares down on the most impoverished half of the planet, rather more fiercely than before. This is revealed by the growing inequality of development, the constantly widening gap between the level of development of the advanced capitalist countries and that of the economically and politically dependent—the so-called 'developing'—countries. The recognition of this fact is the first necessary step towards our economic reconstruction. For only then can we examine meaningfully our development options and the corresponding strategies required to attain them.

NOTES

1. In this article the term 'periphery' will be used to refer to the 'under-developed' or 'developing' capitalist countries in the world. It originates from R. Prebisch, 'The Role of Commercial Policies in Underdeveloped Countries,' in *American Economic Review Papers and Proceedings* (Menasha, Wisconsin), May 1959.
2. U.N. General Assembly Resolutions 1710 and 1707 (xvi), passed on 19 December 1961.
3. Group of 77, 'Charter of Algiers' (Algiers, 1967, mimeo).
4. U.N.C.T.A.D., 'Review of International Trade and Development, 1967' (Geneva, 1967, mimeo.), TD/15, part 1.
5. Sources: ibid. and G.A.T.T., *Trends in International Trade* (Geneva, 1958).
6. The word 'centres' will be used to denote developed market economy countries. Cf. A. G. Frank, *Capitalism and Underdevelopment in Latin America* (New York, 1967).

7. M. B. Brown, *After Imperialism* (London, 1963), p. 4.
8. H. G. Johnson, *Money, Trade and Economic Growth* (London, 1964), p. 29.
9. H. Chenery, 'Patterns of Industrial Growth,' in *American Economic Review* (Menasha, Wisconsin), September 1958.
10. R. Prebisch, 'Commercial Policy in Underdeveloped Countries,' ibid. September 1960.
11. This term, now accepted in economic literature, was introduced by D. H. Robertson in 'The Future of International Trade,' in H. S. Ellis and L. S. Metzler (eds.), *Readings in the Theory of International Trade* (London, 1957), pp. 497–513.
12. Cf. I. Sachs, *Foreign Trade and Economic Development of Underdeveloped Countries* (Bombay, 1965), pp. 25–6; and H. Myint, 'The Classical Theory of International Trade and the Underdeveloped Countries,' in *The Economic Journal* (London), June 1958, pp. 317–37.
13. M. Bye, 'Self-financed Multi-territorial Units and Their Time Horizon,' in *International Economic Papers* (London), viii, 1957, pp. 147–78.
14. See G. Arrighi, 'International Corporations, Labour Aristocracies and Economic Development in Tropical Africa,' in D. Horowitz (ed.), *The Corporations and the Cold War* (London, 1968). For a contrary view see H. Myint, 'International Trade and the Developing Countries,' a paper read at the International Congress on the Future of International Economic Relations, Montreal, Canada, 2–7 September 1968.
15. Adam Smith, *The Wealth of Nations* (New York, 1937 edition), p. 164; see also H. Houthakker, 'An International Comparison of Household Expenditure Patterns: commemorating the centenary of Engel's Law,' in *Econometrica* (Amsterdam), xxv, 1957.
16. Pan-American Coffee Bureau, *Annual Coffee Statistics, 1964* (New York, 1964).
17. However, even in these cases, developing countries' exports are limited greatly by the developed countries' import restrictions. For example, Kenya's butter and Ghee is of good quality but is not exported to any developed country.

18. U.N.C.T.A.D., 'Commodity Survey, 1967' (Geneva, 1967, mimeo.), TD/C.1/46/add.f; F.A.O., *Commodity Review, 1967* (Rome, 1967).
19. The extent of substitution may be grasped from one example: whereas in 1950 synthetic rubber was only 24 per cent of total world rubber consumption, by 1968 it had risen to 65 per cent. F.A.O., *Commodity Review, 1967*; and *Rubber Statistical Bulletins* (London), 1960–8.
20. A. Maizels, 'Recent Trends in World Trade,' in R. Harrod (ed.), *International Trade Theory in a Developing World* (London, 1963).
21. Statement by A. M. Maalim, Minister of Commerce and Industry, leader of the Tanzania delegation to U.N.C.T.A.D. II, New Delhi, 13 February 1968.
22. H. M. A. Onitiri, 'Capital Movements, the Volume of Trade and the Terms of Trade,' in J. H. Adler and P. W. Kuznets (eds.), *Capital Movements and Economic Development* (London, 1967).
23. At U.N.C.T.A.D. II, only the small donor countries expressed their desire to reach the aid target of 1 per cent of national income.
24. Reported by Harry Magdoff, *Economic Aspects of U.S. Imperialism*, Monthly Review Pamphlet no. 24 (New York, 1966), p. 5.
25. Cf. R. Nurkse, 'International Trade Theory and Development Policy,' in H. S. Ellis (ed.), *Economic Development of Latin America* (London, 1962), especially p. 23G.
26. This latter-day newcomer to the dismal scientists' lexicon has been generously given to us by Professor A. O. Hirschman, *The Strategy of Economic Development* (New Haven, 1958), especially ch. 6.
27. Arrighi, loc. cit., and Frank, op. cit. See also R. H. Green and A. W. Seidman, *Unity or Poverty? the economics of pan-Africanism* (London, 1968); I. Sachs, *Patterns of Public Sector in Underdeveloped Economies* (Bombay, 1964).
28. R. Nurske, *Patterns of Trade and Development* (London, 1961), p. 50.
29. The metropolitan-satellite relationship is explored fully by A. G. Frank, op. cit.

30. Sachs, *Foreign Trade and Economic Development*, pp. 28–9.
31. P. Jalee, *The Pillage of the Third World* (New York, 1968), table v.
32. Ibid. p. 78.
33. Paul Baran, *Political Economy of Growth* (New York, 1957), p. 144.
34. Cf. M. Dobb, *Economic Growth and Underdeveloped Countries* (London, 1963).
35. A fourth option—to follow the traditional capitalist road as a satellite, which normally implies relying on foreign capital and subordinating development to the sectoral interests of monopoly capital—is excluded here because it conflicts with the aims of the periphery.
36. A. Maizels, *Industrial Growth and World Trade* (Cambridge, 1963), p. 10, my italics. See also Chenery, loc. cit.
37. For a clear elaboration of this point, see Dobb, op. cit. ch. 5.
38. Cf. Jerzy Rutkowski, 'Some Problems of Socialist Industrialisation,' in O. Lange (ed.), *Problems of Political Economy of Socialism* (Warsaw, 1962), p. 58.
39. Karl Marx, *The Poverty of Philosophy* (New York, 1955 edn.), p. 207.
40. Contrary to the views of E. J. Stoutjesdijk, *Uganda's Manufacturing Sector* (Nairobi, 1967), p. 6, among others.
41. See A. F. Ewing, *Industry in Africa* (Oxford, 1968), and René Dumont, *False Start in Africa* (London, 1966), esp. p. 104, for further elucidation of this point.
42. In this connection, the implications of the balkanisation of Africa, so well described by Kwame Nkrumah in his *Neo-colonialism: the Last Stage of Imperialism* (London, 1965), should be taken very seriously.
43. O. Lange (ed.), *Problems of Political Economy of Socialism*. See also E. Boorstein, *Economic Transformation of Cuba* (New York, 1968).