The Third World and U.S. Foreign Policy: Cooperation and Conflict in the 1980s

Robert L. Rothstein

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Robert L. Rothstein

The quest for a viable policy toward the Third World will be a dominant theme in U.S. foreign policy throughout this decade. But before any judgments can be made about the range of choices for U.S. policymakers, it is necessary to understand the pressures that are likely to confront developing nations during the 1980s as well as the efforts of these nations as a group to extract greater resources and attention from the international system.

This book considers policy responses that have been and are likely to be implemented by developing nations as they face increasing pressures in the areas of food, energy, trade, and debt—the main areas of interaction within the international system. The author also presents an analysis of how the North-South Dialogue functions and why it has produced so few genuine settlements, providing an additional perspective on whether the pressures on the developing countries might be diminished by successful global negotiations. The conclusions reached by examining policy responses and the Dialogue itself provide the basis for a number of specific policy prescriptions. They also help to establish a framework within which U.S. policy initiatives toward the Third World must be formed. The two concluding chapters discuss these policy choices in detail, carefully analyzing the advantages and disadvantages of persisting in present policies, attempting a genuine global restructuring, choosing to concentrate attention on a few "new influentials" in the Third World, and trying to construct a new approach out of selected elements of the other policy approaches.

Robert L. Rothstein has taught at Columbia University and Johns Hopkins University and has served as a consultant to the Department of State and other national and international organizations. He has also published four books, including *Global Bargaining* and *The Weak in the World of the Strong*.

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Preface

In the autumn of 1979 I was invited to participate in what was described as a "high-level" State Department seminar on U.S. policy toward the Third World in the 1980s. The discussion, perhaps inevitably, was very inconclusive and unsatisfying, not least because it seemed to lack any kind of analytic focus. In a concluding comment I argued that although we were all aware of the enormous uncertainties confronting the international system and the consequent dangers of any venture into forecasting, we could certainly do better than we had in the discussion (and indeed in much of the literature attempting to cover the same topic) in providing a framework and some guidelines for the attempt to choose effective policies. We needed also to remember that the choice of present policies already implicitly forecast a particular kind of future and that there might be some virtue in becoming more aware of the potential implications of those—and other—choices. It seemed to me that we could make some start toward providing framework and guidelines if we examined the likely impact of several crucial trends in food, energy, trade, and debt on the range of choices that would confront Third World governments and if we also attempted to understand (or speculate about) whether the adverse impact of those trends might be meliorated through agreements negotiated in the North-South Dialogue. At the very least, one would hope that an understanding of the likely evolution of key trends, the probable domestic responses of developing-country governments, and the likely development of the international policymaking process in the Dialogue would provide some sense of the environment of choice for U.S. policymakers. Only then could we sensibly begin to weigh the pros and cons of particular choices. There were a variety of responses to my comments, but in the present context one was especially crucial: Would I prepare a study (with roughly a one-year deadline) attempting to do what I had argued needed to be done? I agreed to try, even though I was fully and painfully aware that a team of experts might be a more appropriate choice. But I also felt that an integrated approach by one analyst might have some advantages over a

corporate approach, and I was intrigued by the notion that I at least would learn a great deal. This book is the outcome.

A number of limitations were imperative to make my task manageable. In the first place, this is obviously meant to be a policy-oriented book, that is, a book written for a loosely defined "foreign policy community" and not primarily for a conventional academic audience or for experts in one or another of the functional areas considered. Needless to say, however, I hope that the latter groups will find something of interest in what follows, perhaps especially in terms of the interconnection between issues and the foreign policy implications that emerge. In the second place, I have provided at best a partial picture of the factors that would need to be considered in the policy process. My analysis is largely (though not exclusively) aggregative, I have concentrated primarily on interactions with the external environment and on the implications of external developments for domestic choices, and I have generally avoided discussion of the political, security, and ideological issues that would require consideration in choosing policies toward particular countries. In short, this is a study of the political economy of U.S. relations with the Third World, and not of the totality of our relationship with either individual developing countries or the Third World as a whole. This seems justified or necessary not only because of limitations on my time, knowledge, and resources, but also because the external economic environment—the international political economy—seems likely to become increasingly crucial, especially if that environment becomes more hostile and less charitable and many developing countries become desperate supplicants for very scarce external resources.

I shall discuss the limitations on forecasting in greater detail later and note here only that I hope to diminish some of the difficulties by concentrating on certain structural developments that seem likely to remain important whatever the unexpected—but inevitable—"shocks" that occur. In addition, as the numbers in many of the forecasts that I shall employ will surely be superseded by more recent estimates by the time this book appears, given the exigencies of publication schedules and the constant appearance of many new studies of the issues, I have relied on estimates that seem to reflect the best expert consensus and that have been salient in conditioning perspectives on a particular problem. In any case, newer estimates are not of great significance in this context unless they change or seem to change our understanding of the basic nature of an issue over the medium and long term. I should also emphasize that my concern is not with forecasts as such, but rather with the policy implications that have been or might be drawn from available estimates.

There are extended analyses in this book of particular issues and the

specific policy responses that seem to be entailed. Nevertheless, it became increasingly clear to me as my research proceeded that I could make the most important contribution by analyzing, not so much the details of each issue, but rather their interconnections. I mean this not only in the sense that solutions or improvements of one issue are much more likely to be effective if they are taken in conjunction with actions on other issues, but also in the sense that it was necessary constantly to keep in mind the connections between short-run responses and long-run needs and between external pressures and likely or available domestic responses. The attempt to keep these connections in focus obviously creates great complexities; the tendency to ignore them, which occurs frequently in both the policymaking process and the nonscholarly literature on U.S.-Third World relations, virtually guarantees unpleasant surprises and policy responses that are essentially simplistic. Still, the attempt "to see everything whole" (or, more accurately in the present case, to attempt a better approximation of the whole) has consequences of its own, not least that the inordinate difficulties of devising policies that successfully respond to all the interconnections tend to generate great pessimism about the prospects during this decade (and probably thereafter) and to add another layer of complexity and uncertainty to the policy process.

Pessimism about the prospects for the relationship of the United States with either the Third World or individual developing countries is, of course, very much in fashion. And recent events, such as the continued instability of the world oil market as a result of the Iran-Iraq war and growing fears of an imminent world food crisis, serve merely to reinforce prevailing attitudes. As much as I had hoped initially to discover some grounds for optimism or at least to find some set of policies that I was convinced would lead to better outcomes if accepted and implemented, the fact remains that this book is also generally pessimistic. But it is not pessimistic in the undifferentiated or apocalyptic styles that seem to have become fashionable.

In the first place, the picture that emerges is heavily shaded: Even if the limits of the possible do not extend very far, some countries can still be helped by available means, and there may also be opportunities and policies that offer some hope of gradually increasing the possibilities of doing more (see Chapters 6 and 7). In the second place, there is an obvious need to indicate precisely what the legitimate grounds for pessimism (or optimism) are, as only this understanding permits sensible thinking about policy alternatives. Thus I have throughout emphasized certain factors that seem particularly crucial to me and that have not received enough consideration in the literature. For example, I have stressed less short-run problems than the failure or the inability to make long-term investments that might eventually mitigate existing problems; I have emphasized the

costs of failing to make the North-South Dialogue work so that domestic development policies and the international policies of the Dialogue are more closely related; and I have persistently criticized the failure to treat seriously enough the need to rethink development strategies in the emerging international environment.

Moreover, I have also emphasized throughout the impact of external trends on the developing countries as well as the impact of their domestic successes and failures on the viability of different international policies. And in the discussion of U.S. policy options I have suggested some things that might be done about these failures, but I have also discussed the options open to the United States if the failures seem likely to persist (because neither side seems either able or willing to make the necessary, but difficult, changes).

As for the additional difficulties generated for the policy process, a familiar problem—incremental policies are insufficient, but proferred alternatives are infeasible—has been exacerbated by two factors: the compelling need to deal with short-run dangers (energy supply interruptions, monetary instability, domestic stagflation, etc.) and the uncertainty, especially in light of the inadequacy of prevailing theories and assumptions, that policies will produce anticipated consequences. The emphasis on the short run leads easily to the charge that, by a political Gresham's Law, the urgent is driving out the "merely" important or, put differently, that the long-run need to integrate the developing countries more effectively into the international system is being sacrificed to the short-run political and economic needs of the developed countries. Yet if the urgent is ignored, it is improbable that the important will ever be dealt with. I cannot resolve the dilemmas created by this conflict, but I have attempted to suggest policies that provide a consistent direction for incrementalism and that keep open the possibility of wider movement. In addition, in what will be a persistent theme in this book, I have tended to criticize sharply global "solutions" or radical restructuring proposals, not because they are undesirable in the abstract, but because they are too politically ambitious, they require more knowledge than we possess, and they deflect attention from lesser actions that are both necessary and feasible. In short, I have emphasized coping strategies and regional and subregional initiatives that seem immediately workable, but that are also designed to keep the system from slipping backward and that may provide building blocks for global agreements if new opportunities for movement should arise.

This book has been written in the tradition of pragmatic liberalism. What this means will, I hope, emerge from the discussion of specific policies; a more extended treatment has been precluded by limitations of space and time. In any case, points of agreement and disagreement with

radicalism and conservatism should be readily apparent, and I shall say no more at this point. But I do want to conclude with a brief comment about some of my disagreements with other liberals, if only to avoid unnecessary misunderstandings.

Articles in recent months by liberal advocates suggest that a few concessions in the North-South Dialogue (and the replacement of a few individuals in the U.S. government) will somehow resolve the extraordinary range of problems that trouble the relationship between rich and poor. Similarly, arguments have appeared suggesting that because North and South share a common interest in avoiding disorderly change or share other common or mutual interests, real progress would be possible if only Northern leaders would exhibit "political will." But such views are simplistic and perhaps deserve the conservative taunt of a former secretary of state that they reflect liberal "sentimentality." The key failure in such views is less in what they include than in what they exclude. There is, for example, insufficient concern with the need for a prior agreement to stabilize the world oil market and indifference to the crucial need to deal with the question of how to negotiate agreements with over 150 countries artificially divided into dysfunctional "groups." There is too little understanding that the kind of agreements that might be possible in the existing system will not eliminate underlying structural problems, will not provide benefits commensurate with rising needs, and will help primarily only a limited number of developing countries. There is also insufficient realization that internal changes in the developing countries are not a separate issue but are closely linked to the viability of different international policy approaches. Finally, there is not enough understanding that in the present international environment the suggested Northern trade-off of short-run sacrifices for hypothetical long-term gains is not politically feasible.

Pragmatic liberalism, by contrast, while fully desiring to provide as much help as possible to the developing countries, while recognizing the long-term U.S. interest in establishing a more stable and more just relationship, and while fully accepting the need to grant most developing countries special dispensations from the rules of the emerging system, is necessarily less normative and more empirical. We shall work "up" from problems to agreements that seem feasible and that reflect mutual interests, not "down" from a synthetic global perspective that bears little relationship to the actual play of forces in the international system. Moreover, this perspective does not automatically attribute all the responsibility for action and for the failure to reach agreement on specific issues to the developed countries; stable agreements, insofar as they are possible, will require domestic and external changes by both sides. Finally, pragmatic liberalism (or at least this advocate of the position) is much more doubtful that we

have the knowledge and wisdom to solve all of our problems, especially via one or another grand design, and is much more willing to accept the need, *faute de mieux,* to work with partial solutions and to help those we can help (rather than all who need help) until we are clearer about how to do more. Modest solutions are surely insufficient, but they are not irrelevant and they do not foreclose movement toward less modest outcomes; demanding more may only guarantee less. It is not without interest that even some of the Third World's most fervent exponents of the need for massive and immediate global restructuring have finally and belatedly begun to recognize the virtue or the necessity of moderation.

I want to thank especially Mr. Daniel Fendrick of the Office of External Research of the Department of State, which funded the original research project, for providing a sophisticated understanding of what I was trying to do as well as for helpful comments and suggestions on what I finally accomplished. The State Department, of course, bears not the slightest responsibility for any of the views expressed, nor did anyone in the department make any effort to influence or alter my views. The responsibility for what follows is entirely mine.

Robert L. Rothstein

1
The North-South Arena: Background and Context

A Statement of Intent

Tension and conflict between North and South in the decades ahead are inescapable. In the worst of circumstances, a massive crisis is far from improbable; even in the best of circumstances, persistent but smaller crises—in part caused by efforts to avoid the larger crises—seem increasingly probable. These are judgments that can and should be challenged, for if they are accurate (or, more properly stated, if they are sufficiently credible to induce new patterns of response), they have severe implications for the policies of the United States, and indeed for the policies of both North and South.

There are so many factors affecting the relationship between North and South and so many uncertainties about how or whether these factors will come into play, that any effort to forecast emerging trends and patterns is likely to seem futile or at least foolhardy. The difficulties involve more than the familiar imperfections of forecasts not based on grounded theories, which must employ data of doubtful validity, and which rest on models that necessarily oversimplify the universe of concern. Additional problems are created by the need to rely on precedents, analogies, or extrapolations from the past, all of which implicitly presume strong elements of continuity, when in fact the systemic framework itself is at issue and new goals seem increasingly imperative. Problems are especially severe in the North-South context because it is very difficult for weak and poor states, exposed to rising internal and external pressures, to respond quickly and consistently to signals for change and because a break in continuity is the primary goal of some important actors in the system.[1]

Forecasting under these circumstances obviously cannot guarantee very precise or very reliable roadmaps of the future. Still, the exercise of forecasting is not without its uses, provided the limitations are kept well in mind. At the very least, we should be able to improve over "muddling

through" or ad hoc improvisation, in that all concerned—including analysts and policymakers—may be alerted to the long-run implications of present actions or to the likely development of problems that might be averted or diminished by early responses. Above all, I should like to strongly emphasize that forecasting is not or should not be an academic exercise: The point of attempting to look ahead, particularly when the results are bound to be imperfect and in some cases invalidated by our own actions, is to help us order our current priorities and choose our policies more wisely now.[2]

Forecasts may have implications for policy merely by raising the threshold of concern about the likely outcomes of present actions or by early warning of new problems. But they will have a significant effect on policy only if they go beyond this. They must also refer to a time-period that seems relevant to the policymaker (which clearly may vary for different and differently placed policymakers), and they must suggest responses that fall within the means at the policymaker's disposal. Forecasts about the distant future may be important and interesting, but their validity is too uncertain and their connection to present patterns of concern too obscure or complex to elicit much interest from the policymaking community.[3] Conversely, some immediate forecasts may seem very relevant, but they are hardly likely to induce much response if the means of influence are not in the policymaker's hands. Consequently, in the analyses that follow I have concentrated on the next decade or even on the next five years, and I have attempted throughout to emphasize policy actions that are both practical and feasible. And where I have suggested more long-range actions, I have attempted to indicate the connection between such actions and more immediate patterns of concern.

The broad question that will concern us throughout this study is, What should the policy of the United States be toward the developing countries in the 1980s? But how to answer or even how to provide material that is useful in formulating an answer to such a general question is far from self-evident. In the abstract, with the ground shifting so rapidly that neither past experience nor present "theories" (premises, axioms, aphorisms, dogmas, etc.) seem capable of providing reliable guidance, it might seem sensible to begin by positing the goals that the United States intends to seek. Unfortunately, this is less helpful than it might appear, not only because it seeks so many goals, some of which may be in conflict—rapid growth, the direct reduction of poverty, increased equity, respect for human rights, stability, political and strategic support—but also because priorities among the goals cannot be reasonably posited without prior judgments about the nature of the international system within which they must be sought. Even the rough "rules of thumb" that are occasionally offered as guidance for the practi-

tioner (for example, in a period of vulnerability one should concentrate on avoiding dangers or diminishing risks) may be virtually meaningless, if not actively misleading, when applied to specific cases.

The difficulties of discussing U.S. policy toward a very large group of very different countries during a very unsettled period cannot be eliminated, but they can be diminished by concentrating on certain structural factors in the North-South relationship that are likely to persist and by emphasizing a number of trends that will affect (if differentially) the ability of all the developing countries to cope with their problems. I should emphasize that external factors—structures, trends, patterns, prevailing ideas—tend to exert an exceptional degree of influence or pressure on poor countries that are heavily dependent not only on trade and aid but also on the climate of the international system. This is not to argue, of course, that external factors are entirely determinative—they clearly are not—or that they cannot be resisted, parried, or diminished, but rather that such factors are very powerful, that the means available to deal with them are limited, and that there is no easy and cost-free strategy of turning inward. Concentration on such external factors has costs of its own, as it cannot by its nature provide reliable forecasts of individual decisions. Nevertheless, an analysis of the structure of the North-South Dialogue and of the external trends that are likely to influence the choices of the countries within the Dialogue has virtues of its own: It provides the framework and setting for particular decisions, it may suggest the connections and the means by which long-term goals can be linked to short-term actions, and it should at least demonstrate why certain factors need to be taken into account in choosing policies.

I shall begin in the next chapter with an analysis of how the North-South Dialogue—by which I mean the North-South bargaining relationship within most of the major international institutions—operates and why its results have been so unsatisfactory. The latter issue requires some understanding of the bargaining process itself as well as some sense of how the Dialogue is perceived by developing-country governments "at home," that is, by ministers and officials in the capital, as distinct from representatives in Geneva and New York. Because the Dialogue will surely persist and remain an important part of the North-South relationship, this analysis should provide evidence and insight about one crucial component of the framework of decision. Finally, as I am primarily concerned with U.S. policy, I shall conclude this chapter with a brief discussion of whether and why the state of the Dialogue is a matter of concern to the United States and the other developed countries.

If Chapter 2 is designed to indicate how North and South manage their relationship, Chapters 3, 4, and 5 will attempt to indicate how trends in

food, energy, and trade (and, very briefly, debt) may come to affect the choices that the developing countries, individually and jointly, have in the 1980s and the strategies that they may adopt in the Dialogue. The relationship between the material in Chapter 2 and the material in Chapters 3, 4, and 5 could be stated in another fashion: Chapter 2 concentrates on the efforts of the developing countries to establish and maintain a unified international bargaining strategy; the ensuing chapters consider some of the crucial issues that will be included in that strategy, but perhaps more critically the initial impact of trends in food, energy, and trade will fall directly on the governments themselves. Whether a solution to these pressures is sought through unilateral action (for example, special arrangements with a developed country), through unified group pressure, or through some mix of the two (as seems most likely) may determine the substance and significance of the Dialogue in the 1980s and after. At any rate, I shall examine in each chapter what the experts foresee and what they prescribe, but I shall be most concerned with two separate, but connected, policy questions. The first is whether the developing countries are implementing agreed policies and what might be done in the short run to increase the chances that they will do so. The second question, broader in intent, asks what the implications would be for U.S. policy toward the Third World if a significant number of developing countries fail to implement successful policies in food, energy, and trade and become areas of great potential instability. I shall thus move in each chapter from an analysis of the specifics of each issue to an analysis of how the issue might intersect with the more general concerns of foreign policy and international politics.

Taken by themselves, the studies of food, energy, and trade may generate a number of useful, if narrow, policy insights. Taken together, however, they are potentially even more useful for providing a more general perspective on the relationship between the developing countries and the international environment in the 1980s. Common patterns and common deficiencies that cross all of the issues and that are frequently obscured by concentration on a single issue thus help to establish the wider context within which policy choices must be made. These commonalities will be discussed in a number of places, but especially at the end of Chapter 5. As a result, what should emerge from Chapters 2, 3, 4, and 5 is some sense of the structural and intellectual dynamics of the existing Dialogue, some judgments about the stresses and strains that are likely to affect the operation of the North-South system in the 1980s, and some speculations about how effectively the South is likely to respond to these developments. These analyses will provide the essential background for the discussion of the policy choices that confront the government of the United States.

Chapters 6 and 7 will move up one level of analysis. Rather than discuss-

ing policy options, in say, food and energy, I shall deal with the broader question of what policy stance the United States should or can adopt toward a very large group of extremely diverse countries in a very difficult environment of decision. Before discussing the range of policy alternatives, Chapter 6 will consider a number of other issues that might affect the process of choice (for example, the significance of declining U.S. power and of changing U.S. goals in the Third World) and it will analyze a few scenarios that suggest possible outcomes of prevailing trends. The material in this chapter consequently will provide further comment on the factors that will affect the setting within which the policy alternatives discussed in Chapter 7 must be assessed and chosen. The analysis of the policy alternatives themselves seems to lead to a particular choice, but it should be emphasized that the discussion of each policy attempts to be even-handed. I discuss advantages and disadvantages of each choice and make a special effort to indicate, within each choice, the policies most likely to keep open the possibility of movement toward a more stable (and thus more equitable) international order.

Implementation will be a concern throughout this study. I shall be interested in what should be done as well as in what is not being done. This is a crucial issue, for while there is wide agreement in some areas on what the developing countries should be doing, there is far less knowledge about what governments are actually doing, because of gaps in the collection of data, serious time lags before the data is available, or an unwillingness to permit the data to be released.[4] The importance of these deficiencies is self-evident, for they have a significant effect on the amounts of resources needed to achieve desired ends, on judgments about the best political and economic strategies to assure effective implementation of policies and on the need to assess the implications for individual countries and the system as a whole of the failure to implement policies successfully.

In addition, there is a persistent tendency in the discussion of issues on the North-South agenda to ignore the problem of implementation. As successful implementation requires effective linkage between three separate and only partially overlapping political "games" (intragroup and intergroup bargaining and bargaining in the context of application), each with different actors, needs, and rules, explicit concern with the issue is imperative. Indeed, understanding why there is so little concern with implementation is illuminating in and of itself and is perhaps a necessary preface to establishing the means by which policies that are made within one political game will be implemented—will achieve their intended effects—in another. Unfortunately, although implementation will surely become an even more crucial issue in a period of slow growth and very scarce resources, I cannot discuss the issue in any detail here; it requires a study of its own. Still, I

hope that the comments in Chapters 3 and 4 are at least suggestive. Moreover, it can be useful merely to emphasize how important and how neglected this issue is.

Two other issues require a brief comment in this chapter. The first concerns certain dominant perceptions of the prospects for the international system in this decade. The second concerns the different conceptual frameworks that operate in the North-South arena. Both issues are important, if elusive, because they help to determine the climate of debate—what gets taken for granted or what "stands to reason," even if it should not.

Prospects for the International System: The Implications of Pessimism

Growing interdependence within the world economy, as well as the increasing role of government in the determination of national economic welfare, has generated two widely shared analytic propositions: Nations can no longer choose policies in isolation from the choices made by other nations, and all crises must henceforth be systemic.[5] These propositions seem clearly to imply the need for more central control or management of the international economy. As a result many studies propound the need for new or strengthened international institutions in trade, natural resources, monetary affairs, industrial development, food, energy, the weather, the oceans, and shipping.[6] In the abstract, the case is strong, for economic interdependence *might* well increase in the future, and the existing institutional structure is weak, if not crumbling, and was designed for a different kind of international order. From the perspective of the practitioner, however, a different interpretation of needs and possibilities seems to prevail or at least seems more realistic.

There is a corollary to the theory of the "second-best" that may illuminate the practitioner's dilemma.[7] The corollary states that when market imperfections exist, the elimination or reduction of only one or a few imperfections is not likely to improve welfare as long as the other imperfections or distortions persist; only the removal of all the imperfections guarantees the increased welfare promised by conventional trade theory. Removal of all the imperfections, however, may be too costly in time and resources, not least because the policymaker cannot control the actions of external policymakers. Choice of second-best policies, which may introduce new distortions to counter the old distortions, thus seems imperative. In this sense, the correct second-best response to interdependence is not necessarily to seek optimal solutions to the problems it engenders, which would imply some sacrifices of national control and increased efforts at multilateral cooperation, but rather to increase efforts to limit the effects and

growth of interdependence and to increase national control over economic resources and activities.

I should emphasize that second-best policies are likely to seem (relatively) more attractive to powerful and large countries that control enough of their environment to insure continued—if lesser—prosperity. The implications are considerably different for poor and small countries, for whom cooperative solutions may be a sensible choice. Second-best choices by the rich may be disastrous for the poor, unless the poor have been prudent enough to develop some protection against adverse external developments. But it should be noted that the developing countries do not really desire first-best policies (which would imply an open economy in which they might not be able to compete effectively), but second-best policies deliberately biased to protect their interests.

The issue can be restated from a more familiar perspective. Governments have acquired more responsibility for national economic welfare, but their ability to perform effectively has been weakened because of a whole range of relevant external factors they cannot control. In the short run, until the costs of national parochialism become evident to all, they can only respond by seeking control of what is within their means and insulation against external challenges. Increased dependence, implicit in rising levels of interdependence, thus tends primarily to generate insecurity, especially in a context of diminished prosperity, fear for the future, and rising levels of vulnerability. This tendency is exacerbated by the extraordinary uncertainties engendered by the failure of the conventional wisdom to produce anticipated consequences, by the difficulties of the transition to a new energy base, and by the rise and persistence of unprecedented levels of inflation. The danger is not merely the rise of the "new protectionism," a slowing of the pace of adjustment to changes in comparative advantage, or an increased emphasis on some of the more costly forms of self-reliance by both the developed and the developing countries. There is the additional danger that a renewed emphasis on economic security, even at the expense of economic welfare, may not only induce reactions in kind—the familiar perils of a "beggar thy neighbor" world—but may also appear to justify a perception of the future (more closed, more state-centered, less stable, less prosperous) that makes present sacrifices to avert future dangers seem futile or even quixotic.[8]

The obvious limit to increased fragmentation and disorder is self-interest. The dangers of an increasingly closed system are widely recognized, as is well reflected in "standstill" agreements, efforts to control non-tariff barriers, pledges (if not performances) to increase aid to the developing countries, and a nonstop parade of meetings that testifies to the desire to keep the system from premature closure and breakdown—or, more

narrowly, efforts to keep from going backwards, if going forward seems too difficult.[9] Perhaps teetering on the brink is all that one can rightfully expect, for even those who want to do more to keep the system open recognize the difficulties and even those who want to retreat into neo-isolationism or a closed system recognize the costs.

What the practitioner thus sees as the limits of the possible in current circumstances—the defense of existing gains, "safety nets" to prevent a systemic disaster, perhaps incremental movements forward—is deemed insufficient by analysts and spokesmen for the South; but what the latter perceive as necessary—global restructuring, massive increases in aid, a system biased toward the needs of the developing countries—seems utopian or unrealistic from the practitioner's perspective. Both are right, given initial premises, but the resulting stalemate helps to generate a great deal of pessimism about the likelihood of significant progress in resolving North-South problems. Pessimism about North-South issues is of course also sharply exacerbated by the more general forecasts of likely trends in this decade: slower growth rates, more inwardness, more concern with short-run questions of economic and military security, an unresolved energy crisis, and persisting problems of effective governance. Indeed, pessimism is so much in fashion that only a very long-range perspective permits a degree of optimism about prospects for the international system.[10] Much of the short-term pessimism seems amply justified, as we shall see in Chapters 3, 4, and 5, but the most interesting question in the present context concerns the impact that pervasive pessimism may have in structuring perceptions of what can or cannot be done.

The most obvious consequence is the tendency to encourage a self-fulfilling prophecy. The defensive and protective measures taken to avert a potential crisis or even to maintain existing gains might "succeed" only at the cost of engendering successive smaller crises that are cumulatively disastrous. This is true for both North and South, as each choice of a more narrow, protective set of policies not only encourages similar action elsewhere but also makes it progressively more difficult to change course. Beyond this, the foreshortening of vision implicit in pessimistic judgments may sharply diminish whatever chance there is to deal with the systemic dimensions of the present crisis. The tendency among politicians to believe, as Sir Harold Wilson once noted, that "a week is a long time in politics," may seem even more justified, thus making North-South settlements more doubtful, as only a long-range view by the North would permit genuine progress.

The solution to these problems cannot be naive optimism or wishful thinking that things cannot be as bad as they seem or that something or other will turn up to facilitate salvation.[11] Pessimism seems too well

grounded in prevailing external conditions as well as in the difficult and painful nature of the choices confronting the developing countries in food, energy, trade, and the domestic socioeconomic structure. What seems minimally necessary is a recognition by both sides that we confront a decade of limited, difficult, and uncertain choices and that prevailing conditions make it unlikely that the best way to seek mutually beneficial outcomes is by demanding radical reforms or presumably optimum solutions.[12] In addition, we need to understand that pessimism about future prospects hardly means that better or worse choices cannot be made. All choices may be limited and uncertain, but even within this context some choices seem more sensible than others—less costly, more likely to keep open the possibility of cooperative agreements—and some countries and some areas within both North and South may still do reasonably well and may still be significantly helped by the kind of measures that do seem feasible. In short, although the internal and external problems confronting North and South may provide a strong argument against the quest for the "best" solutions—the best being the enemy of the good in this case—pessimism need not and should not be grounds for immobility or desperation—yet. The next five chapters provide the grounds for these judgments.

One last comment may be appropriate. If conditions continue to deteriorate in the international system, if insecurity, increased conflict, and diminishing resource availabilities become more prevalent, the United States and the other countries in the system will be required to make explicit, but uncertain, choices about proper courses of action in the North-South arena. There will be no possibility of drifting along or "muddling through" in the hope that growth and progress will smooth out the difficulties of integrating the South into the international economic and political systems. This may raise some ideological difficulties for both liberals and conservatives, as both have been implicitly optimistic about future prospects for the South—although of course on the basis of some very different policy premises. But a more important difficulty may be that these choices, both domestic and international, must be made through the political process. The political process at both levels has obviously been significantly weakened by a variety of developments—the energy crisis, slower growth, inflation, the rise of single-issue constituencies, the rapidity and uncertainty of change, and the asymmetry between the demands of interdependence and the response capacity of existing institutions at both national and international levels. I cannot discuss the domestic dimension of these difficulties here, but I shall be very concerned with the international dimension in Chapters 2, 6, and 7. I note this matter only to emphasize from the very beginning the need to keep in mind that there is an under-

lying question in the North-South arena about how to make international policy or what can be expected from the international policy process that has been neither fully analyzed nor effectively understood.

The North-South Dialogue: Conflicts of Vision

Most of the conflicts within the North-South Dialogue seem to reflect sharp disagreements about specific proposals for change in a variety of areas—trade, commodities, debt, shipping, and so forth. There is also, however, an underlying disagreement about the responsibility for present problems and the kind of policy responses that these problems must or can entail. This additional layer of conflict, which cuts across all the issues, is worth some comment here, not only because it makes the quest for mutually satisfactory agreements more difficult but also because it is frequently obscured by the debate on specific issues. Perhaps the central point is that agreements, should they be achieved, may be intrinsically unstable when each side interprets the meaning of an agreement within a different intellectual framework. Conflicts over the proper framework of interpretation probably cannot be resolved, although they may diminish in force with the passage of time, but it is important to understand what is at issue. Understanding may generate more realism about what can be and has been achieved in specific agreements, and it might even encourage some consideration of how to proceed when there is only agreement to disagree on criteria of interpretation.

Both sides have created considerable confusion about the goals they seek within the Dialogue. The developed countries, particularly the United States, have failed to make clear what relationship they intend between advocacy of a basic human needs strategy and the more conventional trade and aid measures under discussion in the Dialogue. The potential inconsistencies between a basic needs strategy that emphasizes equity, the direct reduction of poverty, agricultural reform, and a "bicycle culture" and a rapid-growth, rapid-industrialization, export-oriented strategy that may increase inequities within developing countries, between developing countries, and between developing and developed countries are readily apparent. The inconsistencies are neither inevitable nor necessarily disabling, provided that careful distinctions are made between different countries and different priorities at various stages of development. But the failure to clarify these issues has allowed suspicions to flourish in the Third World that the basic needs approach is a means of avoiding concessions in the Dialogue and to keep the Third World from industrializing rapidly and thus competing effectively.[13] These suspicions have been exacerbated by the rise in protectionism against Third World exports (via "voluntary ex-

port restraints" and the like) and by vacillation and ineptitude in the presentation of the case for basic needs. The result has been great uncertainty about meanings and intentions, increasing mistrust, and an international development strategy that merely adds together all the confusions.

The goals of the developing countries have created both strategic and tactical problems for the developed countries. In general, the developing countries have demanded two kinds of changes in the international system: first, the reduction of various kinds of externally induced instabilities and "shocks" and, second, a number of measures to transfer increased resources quickly and automatically. These are not inherently unreasonable goals, although they raise a number of important questions that have not been adequately analyzed: for example, who will benefit from particular proposals, what should be done about inconsistencies between some goals, and how practical are some of the more extreme proposals?[14]

More serious problems are created by the issue of how (and how quickly) the goals are to be achieved. The developing countries perceive every issue in terms of their own development needs (thus sometimes ignoring short-run systemic needs), they see the international system as primarily responsible for their problems, they perceive an immediate need for massive government intervention to influence or manage (or even control, where possible) the operation of the international economic system for purposes of development, and they seek increased power to implement these purposes quickly.[15] From their perspective, pleas to understand the implications of interdependence seem fraudulent unless they are accompanied by a commitment to global restructuring—the aim of which will be, as noted, to provide protection against external "shocks" and to provide them with a greater share of existing wealth or future gains.[16] The developed countries, conversely, perceive a system that needs to pursue many goals (not only development), they reject the notion that the international system is solely responsible either for creating or removing underdevelopment, they doubt the need for or the effectiveness of global governance in many areas of concern, and they see the current crisis as at least partially cyclical or, if structural, as requiring more moderate kinds of restructuring.[17] There is no obvious meeting ground between such divergent views of the world, which implies pervasive mistrust within the negotiating process and instability for any agreements that it manages to produce.

A practical point about the goals of the developing countries should also be noted. Implementation of these goals would require the developed countries to sacrifice some present benefits, to weigh future benefits more heavily, and to accept some notion of an international community with an explicit principle of distributional justice.[18] By contrast, the developing countries assert their nationalism, their concern for sovereignty, and their

desire for increased self-reliance. The need for more independence for the developing countries—before they can begin to worry very much about the requirements of interdependence—and for more commitment to global community goals by the developed countries might be reconciled over time; but in the meantime the inconsistency appears stark and the absence of sufficient emphasis on mutual benefits and systemic stability is at least politically imprudent. And, as I shall argue in Chapter 7, the tendency of the developing countries (and many advocates of one or another "global bargain") to ask the developed countries to exchange short-run sacrifices for hypothetical long-run benefits may be particularly inappropriate or futile in an international system marked by slow growth and rising insecurity.

One might reasonably ask whether the developing countries "really" mean what they say. Perhaps their demands are essentially rhetorical or are merely negotiating tactics. Clearly, their demands are sometimes confused, frequently shifting, and obviously affected by the play of external events. In any case, poor and weak countries, desperately in need of immediate external help, can hardly be expected to follow a "pure" strategy of all or nothing: Commitment to the goals of the New International Economic Order (NIEO) has not implied and cannot imply the rejection of whatever can be gotten at the moment. But in the same sense, the acceptance of today's offer hardly means that the quest for the NIEO has been forsaken. Thus the answer to the question of whether the developing countries really want immediate gains or whether only the achievement of the NIEO (if that) will diminish continually rising demands is that they want both.

This response appears to make genuine negotiations possible, if both sides could agree to disagree about ultimate ends and to concentrate on very critical and perhaps more malleable short-run issues. This is surely unsatisfactory to both sides, but it is likely to yield more than the exchange of manifestos has yet produced, and it is far from clear that this is a necessarily inferior method, practically or intellectually, of achieving wider agreement over time.[19] But here we intersect with the structural and procedural dynamics of the negotiating system itself. What is necessary in an environment of conflict, distrust, uncertainty, and pessimism is a negotiating system that does not transform long-run goals into rigid short-run goals and that provides some resting points that permit adjustment and adaptation before new demands emerge. What we have, however, is a negotiating system that reinforces and exaggerates the immobility generated by intellectual and conceptual conflict and confusion.

I shall analyze this bargaining system in the next chapter. It would be easier to do so if existing concepts provided reliable guidance or explanation, but they do not. As I have noted elsewhere, the precepts of conventional bargaining theory, the ideas that might be extracted from the theory