

*Chapter 9*

**INTERPRETING OECD POLICIES TOWARD THE NEW  
INTERNATIONAL ECONOMIC ORDER**

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**INTRODUCTION**

After the draft declaration for a new international economic order (NIEO) was presented at the Sixth Special Session of the U.N. General Assembly, the industrialized countries responded in a uniformly negative manner. By the end of the North-South dialogue in Paris in mid-1977, a wide split had developed between the Netherlands, Norway, and Sweden on one side and the Federal Republic of Germany, Japan, Britain, and the United States on the other. The former supported a number of specific proposals for reforming the international economic system put forth by the developing countries; the latter opposed them. Despite the fact that the United States, Japan, and West Germany were all major economic powers, they eventually shifted some of their positions to bring them more into line with those of the weaker pro-NIEO countries. Why did such great differences in the policies of the industrialized, capitalist countries arise? Why did the positions change?

**METHODS**

Qualitative content analysis of statements before plenary sessions of major negotiating forums was used to estimate the policy positions of the industrial (henceforth, OECD) countries. This allowed potentially *reliable*

**EDITORS' NOTE:** The paper upon which this chapter is based was first submitted for review in August, 1979. The version published here was received June 11, 1980. The author reports that the data used in this study can be obtained from him on request.

estimates to be obtained in the sense that others using the same method could obtain the same results. The *validity* of the results of applying this method was verified by correlating the content analytic scores of favorableness toward the NIEO with subjective rankings made by authors having some claim to be experts in this field. There were good reasons, discussed below, for believing that one could estimate OECD positions in this way, despite the fact that the same method probably would have produced invalid results if used to estimate the positions of developing countries.

Most OECD countries have the resources to develop and propagate elaborate rationales for their foreign policies, unlike many developing countries. The U.S. position is articulated in periodicals such as the *Department of State Bulletin*; the United Kingdom issues "white papers"; France and Germany have information agencies to circulate transcripts of speeches by the head of state and heads of ministries. These and less public channels for communicating with delegations ensure that representatives of the government do not deviate from a centrally established "line." Delegates from some developing countries are not so closely supervised.

The relative openness of OECD politics means that policies enunciated in public forums like the United Nations will be reported and criticized at home. Even when the issues are not salient to mass publics, interest groups and legislatures may pay close attention to governmental actions. The punishments for pursuing privately a policy differing substantially from the public one can be severe.

Finally, unlike the developing countries, the OECD countries do not have institutionalized means for arriving at a common bargaining position. There is no analogue to the Group of 77; even though the European Community has a number of channels for coordinating policies, the member countries do not appear to be strongly constrained by them.

Thus, qualitative content analysis can estimate policy positions, since public and private positions are not likely to differ substantially. This produces results similar to, but potentially more reliable and feasible than, those obtained more subjectively.<sup>1</sup> The estimates of positions will become the dependent variables to be explained.

### THE POLICIES

There were a sufficient number of shifts in policy during the most formative period (i.e., 1974 to 1977) to make it useful to examine the array of

**AUTHOR'S NOTES:** This is a revised version of a paper delivered at the annual meeting of the American Political Science Association in Washington, D.C., August 31, 1979. Statistical analysis was performed at the Princeton University Computer Center and typing assistance was provided by the Center of International Studies of that institution. I would like to thank Peter Katzenstein, Gerd Junne, and Wilfrid Kohl for their comments on the earlier draft.

policies at four separate forums: (1) the Sixth Special Session of the United Nations in 1974; (2) the Seventh Special Session in 1975; (3) the Fourth UN Conference on Trade and Development (UNCTAD IV) in 1976; and (4) the Conference on International Economic Cooperation (CIEC) that ended in June of 1977.

### The Sixth Special Session

At the Sixth Special Session, symbolic issues dominated. As a result, most OECD countries opposed the majority of proposals made by developing countries, because they feared the radical thrust of those proposals. They rejected the idea that there was a need for a totally "new" international economic order. On more specific proposals, however, some support was forthcoming.

TABLE 9.1 Positions Taken by OECD Delegations at the Sixth Special Session of the UN General Assembly  
ISSUES

COUNTRY	Access to Markets <sup>a</sup>	Commodity Trade <sup>b</sup>	Regulatin. of MNCs <sup>c</sup>	Permanent Sovereignty <sup>d</sup>	Processing of Raw Materials <sup>e</sup>
Australia	2	2	1	—	—
Austria	2	2	—	—	—
Belgium	—	2	—	—	—
Canada	2	2	1	—	1
Denmark	2	2	—	—	—
France	2	2	—	—	—
Germany	—	2	—	1	1
Ireland	—	2	1	—	—
Italy	—	—	—	—	—
Japan	1	—	1	1	1
Netherlands	3	2	—	—	1
New Zealand	—	2	—	—	—
Norway	—	2	—	1	1
Portugal	—	—	—	—	—
Spain	—	2	—	—	1
Sweden	—	2	1	1	—
Switzerland	—	—	—	—	—
United Kingdom	—	—	—	—	—
United States	2	2	—	—	—

<sup>a</sup>3 = favors restructuring domestic economies of developed countries to accommodate increased imports from the developing countries.

2 = favors extension or expansion of the generalized system of preferences.

1 = favors maintenance of existing measures.

<sup>b</sup>2 = favors commodity price or revenue stabilization.

1 = favors only limited nonmarket mechanisms for dealing with price fluctuations.

<sup>c</sup>1 = approves of this in principle.

SOURCE: United Nations (1976a)

The evidence is only partial on the Sixth Special Session, but some revealing observations can be made. The Netherlands alone favored restructuring the economies of industrial countries to accommodate increased imports from the developing countries (see Table 9.1). Others cautiously favored proposals to improve access of developing countries to the commercial markets of developed countries (i.e., extending the generalized system of preferences). Japan was more cautious than the others, however. Five OECD countries approved placing greater constraints on the domestic operations of foreign multinational corporations (see Table 9.1). Four endorsed permanent sovereignty over natural resources. Some countries approved the idea that developing countries should process more of their raw materials and commodities before they are exported. There are major gaps in the data, however, so that an overall assessment of positions is not possible. These positions took on a more measurable form in the next major forum, the Seventh Special Session.

### The Seventh Special Session

At the Seventh Special Session important differences emerged (see Table 9.2). The Netherlands, Norway, and Sweden strongly favored certain NIEO proposals. France, Britain, and the United States competed in offering alternate programs, giving the appearance, if not the substance, of willingness to reform the system. Only Germany said no to almost all of the proposals.

The Netherlands, Norway, and Sweden called for restructuring the domestic economies of industrial countries to lower trade barriers with the Third World. Other countries preferred more moderate proposals for extending tariff preferences. Germany asserted that existing arrangements were satisfactory. The Netherlands, Norway, and Sweden were joined by Australia, France, and New Zealand in supporting an "integrated program for commodities" proposed on behalf of the developing countries by the UNCTAD secretariat. All the OECD countries except Germany favored limited price or revenue stabilization arrangements on a commodity-by-commodity basis. Germany was opposed to any intervention in international commodity markets.

On the issue of debt relief, while others were willing to acknowledge the importance of the problem, only the Dutch and Swedish delegations supported debt cancellations or moratoria, along with a conference on debt involving the participation of both lenders and borrowers.

The pattern therefore shows clearly that the Netherlands, Norway, and Sweden were consistently more pro-NIEO than other OECD countries, while Germany was less so.

TABLE 9.2 Positions Taken by OECD Delegations at the Seventh Special Session of the UN General Assembly  
ISSUES

COUNTRY	Access to Markets <sup>a</sup>	Commodity Trade <sup>b</sup>	Debt Relief <sup>c</sup>	Technology Transfer <sup>d</sup>	Index of Favorability <sup>e</sup>
Australia	2	3	—	—	2.5
Austria	2	2	1	1	1.5
Belgium	—	2	1	—	1.5
Canada	2	2	1	—	1.7
Denmark	2	2	—	—	2.0
France	2	3	1	1	1.8
Germany	1	1	1	1	1.0
Ireland	2	—	—	—	2.0
Italy <sup>f</sup>	2	2	1	1	1.5
Japan	2	2	1	1	1.5
Netherlands	3	3	2	—	2.7
New Zealand	2	3	1	—	2.0
Norway	3	3	—	—	3.0
Portugal	2	2	—	2	2.0
Spain	2	2	1	2	1.8
Sweden	3	3	2	3	2.8
Switzerland	—	—	—	—	—
United Kingdom	2	2	1	1	1.5
United States	2	2	1	1	1.5

<sup>a</sup>See key to TABLE 1.

<sup>b</sup>3 = favors the integrated program for commodities or the Common Fund; see the key to TABLE 1.

<sup>c</sup>2 = favors some form of debt moratorium of an international conference;

<sup>d</sup>1 = favors case-by-case approach to debt rescheduling.

<sup>e</sup>3 = favors regional institutions for propagating new technologies;

2 = favors code of conduct for technology transfer;

1 = favors voluntary code of conduct or reliance on direct foreign investment.

<sup>f</sup>Index is the average of scores on all issues excluding missing data

<sup>g</sup>Italy spoke for the European Communities at this session.

SOURCE: United Nations (1976b)

### UNCTAD IV

By the time UNCTAD IV was convened, Germany had been joined by Japan in opposing NIEO proposals, while France, Sweden, Britain, and the United States retreated somewhat from their earlier, more accommodationist stances (see Table 9.3). The Netherlands and Norway maintained their positions as strong NIEO advocates.

TABLE 9.3 Positions Taken by OECD Delegations at UNCTAD IV, 1976  
ISSUE

Country	Access to Markets	Commodity Trade	Debt Relief	Technology Transfer	Index of Favorability
Australia	2	2	—	1	1.7
Austria	2	2	1	2	1.8
Belgium	2	2	1	1	1.5
Canada	2	3	1	2	2.0
Denmark	1	3	—	1	1.7
France	2	3	1	2	2.0
Germany	2	1	1	1	1.2
Ireland	2	2	1	2	1.8
Italy	2	1	1	2	1.5
Japan	1	2	1	1	1.2
Netherlands	3	3	2	3	2.8
New Zealand	2	3	—	2	2.3
Norway	3	3	—	—	3.0
Portugal	2	3	2	2	2.2
Spain	1	2	—	2	1.7
Sweden	2	2	2	2	2.0
Switzerland	2	2	1	2	1.8
United Kingdom	2	2	1	1	1.5
United States	2	2	1	2	1.8

NOTE: For keys see TABLES 9.1 and 9.2.  
SOURCE: UNCTAD (1977)

## CIEC

At the final session of CIEC in June 1977, the OECD governments became polarized once again with the Dutch, the Norwegians, and the Swedes at one extreme and the Germans and Japanese at the other. But there was convergence on a few issues. The United States and Germany shifted to a qualified endorsement of the "common fund" (Rothstein, 1979: 142; Morgan, 1978: 69) and the European community agreed on a number of issues where there had previously been little agreement (Wessels, 1978: 3; Taylor, 1977: 433-443). The debts of the more impoverished developing countries were cancelled, and the OECD countries began to show greater awareness of the debt problems of developing countries (Boeck, 1978: 57). But on issues such as the need to restructure domestic economies to accommodate a higher volume of imports from the Third World, important differences still remained.

## Validity of the Measures

How valid are the scores purporting to measure favorability or opposition to the NIEO proposals? In their article on the Seventh Special Session of the UN General Assembly, Ruggie and Gosovic (1976: 320) claim that the least sympathetic countries in the OECD were Germany and Japan, the most sympathetic were the Netherlands, Norway, and Sweden, with France, Britain, and the United States in between. This subjective ranking agrees with the ranking based on scores in the last column of Table 9.2.

In describing the positions of OECD countries toward the integrated program for commodities at UNCTAD IV, Rothstein (1979: 123-4) asserted that Germany, Japan, Britain, and the United States were the least favorable toward Third World demands, while the Netherlands, Norway, and Sweden were the most favorable. These subjective estimates again correspond closely to the scores based on the qualitative content analysis as shown in the last column of Table 9.3.

## EXPLAINING THE VARIANCE IN POLICIES

To understand how the differences among OECD countries arose, we need to examine the explicit rationales for the policies and to consider some possible causes operating at the societal level. First, some general patterns in a simple bivariate correlational analysis will be examined. Then some of the more interesting typical and deviating cases will be scrutinized more closely for the patterns—and exceptions to the patterns—they reveal.

## Bivariate Analysis

Table 9.4 displays the rank order (Spearman's rho) correlation coefficients between pairs of dependent and explanatory variables. There are

TABLE 9.4 Bivariate Correlations (Spearman's Rho) Between NIPO Policies and Other Variables (coefficients multiplied by 100)

	Seventh Special Session				UNCTAD IV			
	Access	Commod	Debt	Tech	Access	Commod	Debt	Tech
Growth <sup>a</sup>	35	59*	11	11	01	05	-02	-21
Exports/ GDP <sup>b</sup>	46	24	51	00	45	06	11	-04
ODA/GNP <sup>c</sup>	64*	71**	65*	58	29	45	55	-06
GDP <sup>d</sup>	-35	-36	-28	-63	-21	-50	-32	-09
GDPCAP <sup>e</sup>	-50	-37	-28	-54	-11	-37	-37	-16
Unemp <sup>f</sup>	-20	-43	-06	-33	-11	-07	-28	-08
Manuf/GDP <sup>g</sup>	-23	-42	-03	03	02	-47	13	-01
Exports to LDCs <sup>h</sup>	-24	-02	-34	-43	-36	-48	-32	-16

NOTES: All underlined correlations are significant at the p less than .05 level using a one-tailed test. Correlations with one asterisk are significant at the level of p less than .01; with two at the p less than .001 level. See Tables 9.2 and 9.3 for the source of the column variables.

<sup>a</sup>Growth in GDP at constant prices of 1970 from Organization of Economic Cooperation and Development, *Principle Economic Indicators* (Paris: OECD, 1977), p. 156; 1975 figures used for Seventh Special Session; 1976 for UNCTAD IV.

<sup>b</sup>OECD, *Economic Survey of the United States* (Paris: July 1978), International Comparisons section, 1976 figures used throughout.

<sup>c</sup>OECD, *Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee* (Paris: November 1978), p. 191. 1975; figures used for Seventh Special Session; 1976 for UNCTAD IV.

<sup>d</sup>See note a.

<sup>e</sup>See note a.

<sup>f</sup>OECD, *Main Economic Indicators* (August 1978); International Labour Organization, *Yearbook of Labour Statistics* (Geneva: 1977), p. 463; 1975 figures used for Seventh Special Session; 1976 for UNCTAD IV.

<sup>g</sup>UNCTAD, *Handbook of International Trade and Development Statistics* (New York, 1978), pp. 235-236; 1975 figures used throughout.

<sup>h</sup>Calculated from the International Monetary Fund, *Direction of Trade* (June 1978).

positive relations between favoring specific issues in the NIEO and three explanatory variables: (1) the growth rate of gross domestic product [GDP]; (2) the ratio of exports to GDP; and (3) the ratio of Official Development Assistance (ODA) to gross national product (GNP). There are negative relations between favorability and the following variables: (1) GDP; (2) per capita GDP; (3) unemployment; (4) the proportion of GDP accounted for by manufacturing; and (5) the proportion of total exports accounted for by exports to developing countries.

The GDP size indicates the economic size of a country. In this group of countries, size and per capita income are highly correlated. Countries with large economies appear to be less favorably inclined to the NIEO than countries with small economies. There are notable exceptions, of course. Canada, France, and (to a lesser extent) the United States favored the NIEO, especially at the Seventh Special Session. Belgium, a small country, took

consistently unfavorable positions. Nevertheless, there was a tendency for smaller countries to favor the NIEO and larger ones to oppose it.

Larger countries may feel more vulnerable to changes in the rules of the international economic system, ironically, because of their relatively greater insulation from the effects of change. Small countries tend to be more strongly tied to the international economy (e.g., in the ratio of trade to national product) [see Addo, in Chapter 10 of this volume]. With this greater dependence on the world economy goes a greater sensitivity to its vicissitudes (see Richardson's discussion in Chapter 4 above). Some small countries, such as the Netherlands and Sweden, have adopted fairly radical systems for redeploying labor and capital from uncompetitive economic sectors (e.g., shipbuilding in Sweden or textiles in the Netherlands) to more competitive ones. This sort of program is more likely to be found in countries with "social democratic" tendencies, and the geographic proximity of countries of this sort make one question the centrality of size in explaining favorability to the NIEO.<sup>2</sup> Let us consider, however, some other reasons why small countries might be pro-NIEO.

Smaller countries may want to avoid the appearance of opposing the NIEO, hoping that the larger countries will bear the costs of opposition while they reap the diplomatic benefits of apparent conciliation. There is a rather cynical interpretation following the theory of collective goods (Olson, 1965). That this interpretation explains the regularities reported above, however, is to be questioned. The strong positive correlation between favorability toward the NIEO and the proportion of GNP allocated to official development assistance suggests that there are relatively stable differences between small and large countries' positions toward the Third World. It also suggests that the smaller countries have been more forthcoming in aid, even though a collective goods analysis might indicate the opposite.

To reduce their dependence on larger countries, smaller countries may want to foster ties to developing countries. Despite the fact that smaller countries have higher export/GDP ratios than larger countries, the percentages of their exports to developing countries is consistently lower. Support for the NIEO and greater levels of development assistance may be their way of edging into markets dominated by larger countries. Countries favoring the NIEO have, since 1973, directed more aid and foreign investment to the Third World (OECD, 1978: 191-195).

Further evidence for an "opportunism" theory of NIEO support is provided by the relations between economic performance variables and the NIEO issue variables. Countries that grew faster and had lower unemployment tended to be more likely to favor the NIEO. The five fastest growing economies in the OECD from 1973 to 1976 were, in order of rapidity, Norway, Canada, France, Japan, and Sweden. Japan's average annual

growth rate of 2.3% was a tremendous drop from the 10.5% average of the period 1960–1970 (UNCTAD, 1978: 235–6). Norway's economy remained buoyant during this period because of its newly discovered oil reserves. Germany, Britain, and the United States all experienced average growth rates of under 1%. Still, one could argue that Germany emerged from the period with an extremely strong economic position. The ability of the economy to absorb the shocks of inflation and higher oil prices did not, therefore, contribute to a pro-NIEO policy.

### Some Political Factors

It is not as easy to document the effects of short-term political changes on NIEO policies as it is to examine the effects of the size of the economy and other macroeconomic variables. Nevertheless, it is possible to see how changes in the governments of OECD countries affected changes in governmental policy.<sup>3</sup> Consider the changes in the governments of the following countries: (1) Australia in 1975; (2) the Netherlands in 1977; (3) Portugal in 1976; (4) Spain in 1976; (5) Sweden in 1976; and (6) the United States in 1976–1977.

In Australia, the Netherlands, and Sweden, leftist-leaning governments were replaced by more conservative ones. For the two changes between the Seventh Special Session and UNCTAD IV, in Australia and Sweden, there was a marked negative effect on favorability toward the NIEO. The Netherlands did not alter its basic policies about development assistance, but the new Dutch government was much less enthusiastic about the NIEO and the Common Fund.

The rhetoric of the Spanish and Portuguese governments shifted sharply after the changes in 1976, but in specific policy positions there was little substantive change. The shift from Ford to Carter produced a slight change in the direction of U.S. policy. The Carter Administration agreed to negotiate a common fund and increased aid to developing countries, but otherwise the policy did not change markedly. Thus, more conservative governments seemed to dampen enthusiasm toward the NIEO; but shifts toward more liberal regimes did not have the opposite effect.

The effects of domestic politics on NIEO policies were not limited to changes in governments, however. To explain why Germany led the OECD opposition to the NIEO, why the Netherlands led the pro-NIEO faction, or why France was more conciliatory than other large countries, other domestic political factors need to be examined. The explicit rationales for NIEO policy in these three countries then can be profitably explored.<sup>4</sup>

### The German Case

In almost every statement about the NIEO, German delegates have expressed their belief in free-market systems. State Secretary Peter Hermes of

the Foreign Office, for example, said the following after the conclusion of UNCTAD IV:

Inherently in the new international economic order are undoubtedly some elements of a controlled planned economy. . . . It is a mistake to assume that the free market system unilaterally favors the industrialized nations. Correctly understood, it benefits all states. . . . On the other hand, we know a sufficient number of other examples where economic controls, including international economic controls, led to misdirected developments, frictional losses, and a misallocation of resources which ultimately harmed all participants [German Information Center, 1976].

This view seems to have two origins: (1) Germany's experience with other international arrangements that in their view are analogous to the NIEO proposed arrangements; and (2) a bias in German politics penalizing political actors not adhering to a liberal economic credo.

The most comprehensive statement on the German government's position on the NIEO proposals is to be found in the report of the Academic Advisory Council to the Federal Ministry of the Economy (or the "Beirat"), written in November of 1976. The Beirat acknowledges that many of the criticisms made by developing countries of the existing order are valid and need to be addressed through radical reform. The Beirat takes issue, however, with almost all of the concrete proposals put forward by the Group of 77. On a general level, the proposals are criticized because they can be realized only if the international economic order is provided with "wide-reaching and effective steering machinery" (Beirat, 1976: 10). This is impossible, says the Beirat, given the attachment of contemporary nation states to the idea of national sovereignty. They also complain that the NIEO proposals do not guarantee access to raw materials, nor do they adequately deal with the possible negative effects of commodity arrangements and debt moratoria on the poorer developing countries. The Beirat, in sum, rejects the need to establish a totally new international economic order, especially as envisioned by the developing nations, while not ruling out reforms of the existing order.

German opposition to the integrated program for commodities (IPC) stems from the belief that the developing countries must diversify their domestic economies to escape the evil effects of their integration into the world economy. Since the primary aim of the integrated program is to stabilize or increase the prices of raw material and commodity exports, developing countries will have no incentive to diversify if the IPC succeeds in its aims. But the German government remains skeptical about international arrangements to stabilize prices, mainly because of their recent experiences with the Common Agricultural Policy of the EEC. Here the German government has made major financial contributions to maintain large stocks of agricultural commodities. The image of the "mountains" of powdered milk that resulted from EEC price supports sticks in their minds.

The German government has led the fight within the EEC against the establishment of regional North-South trading blocs and has always pushed for the maximum degree of liberalized world trade. In this fight, they have often found themselves allied with the Dutch government against France and Belgium. The conclusion of the Lomé Convention in 1975 signalled the victory of Germany over France in this respect (Lankowski, 1977). The German economy and political system are strongly oriented toward preserving a liberal economic order. Why is this so?

German manufacturing accounts for a larger share of total GDP than the manufacturing of any other OECD country, Japan included. German exports are dominated by heavy capital goods. She has been very successful in penetrating new markets, especially in the developing world. Thus, because of her strong competitive position, Germany has a large stake in maintaining a relatively open trading system.

But the sources of German opposition to the NIEO proposals go deeper.

From its beginning in 1949, the West German state has subscribed to an ideology of economic liberalism (*Soziale Marktwirtschaft*) which has been more strongly adhered to in defining international objectives than in domestic economic policy [Katzenstein, 1977: 900].

The ideology of economic liberalism arose from the uneasy and persisting truce made necessary by the need for cooperation among major governmental, business, and labor elites in the period of recovery. A political coalition deviating too much from the liberal credo still risks intense criticism and possible electoral defeat, even if that coalition is nominally "social democratic."

The conflict between the large export industries in Germany and the smaller, traditional industries produces a persisting tension resolved by a tacit social bargain: Interventionist domestic policies are accepted by the dynamic, export-oriented industrialists in exchange for a steadfast, governmental defense of a liberal world economy. This domestic political and social bargain, unique to Germany, helps to explain why Germany takes the lead within the OECD in opposing the NIEO.

### The Dutch Case

The chief spokesman for the Dutch government between 1973 and 1977 was Jan Pronk, the Minister for Development Cooperation. His ministry, established originally to administrate aid programs, was a small agency operating within the Ministry of Foreign Affairs. Under Pronk, the ministry formed policy toward the Third World, albeit with occasional clashes with the Ministry of Economics and the Ministry of Foreign Affairs. Pronk was

probably more favorable toward the NIEO than other representatives of the Netherlands (and even of his own party), but had political backing from left-wing and church groups for his views. Dutch policy changed substantially with the change in government in 1978. Nevertheless, the government commitment to development assistance, debt relief, negotiating a common fund, and domestic restructuring of developed countries to permit greater liberalization of world trade persisted. Let us, therefore, examine some of the views of Jan Pronk (1976a; 1976b; 1978) to see how these policies were rationalized in his personal belief system.

Pronk, like the Beirat, started from the premise that the international economic order had major deficiencies. He also stressed its injustice and inefficiency. He was particularly alarmed by the increased capability of certain developing countries to disrupt the world economy. He thought that three major elements of a new order would have to occur: (1) measures to reduce the debt burden of developing countries; (2) industrial restructuring; and (3) raw materials arrangements.

Pronk saw the debt problem as more than simply a problem of recycling petrocurrencies; he was concerned that it would be difficult for a number of very poor countries to pay their increased energy import bills. The inability to pay back loans made to finance balance of payments deficits produced by higher oil prices might lead to austerity measures resulting in great suffering for impoverished masses in a number of Third World regions. It was for this reason that Pronk (along with the delegates of the Scandinavian countries) favored some radical forms of debt relief.

Industrial restructuring required redeploying workers and investment capital in the developed and developing countries so that the developed countries could diversify certain industries (e.g., footwear, apparel, and consumer electronics), while developing countries reaped the benefit of expanded domestic and export markets for these goods. The need for governmental intervention was self-evident for Pronk, who was in general quite skeptical about the benign operation of market systems. He stressed the idea that the developed countries shared some important interests with developing countries, and that some of these were addressed by the NIEO proposals.

Finally, Pronk was influenced by the Club of Rome in his belief that the future would bring increases in the demand for raw materials. The resulting higher prices would tempt developing countries to organize into producer associations. Unless the developed countries began seriously to negotiate international commodity arrangements, they might be faced by supply bottlenecks and economic blackmail.

It is no coincidence that the Netherlands, besides being strongly oriented toward international trade, had recently adopted policies for restructuring her domestic economy. Weaknesses in the textile and shipbuilding industries

made this a necessity, but the genuinely social democratic nature of the Dutch system, along with elaborate mechanisms for hammering out agreements between government, business, and labor groups, made it possible.

Some of the difficulties connected with domestic industrial restructuring, e.g., higher levels of anomie associated with greater geographic and occupational mobility, were felt in the late 1970s and might have contributed to the defeat of the social democratic coalition in 1978. Nevertheless, Netherlands' experience with former colonies (e.g., Indonesia), the egalitarian values of her population, and her relatively vulnerable position in the world economy all pushed her toward conciliation rather than confrontation with the Third World. In the period 1973-1977 these combined with a particular interpretation of Dutch economic interests to make the Netherlands a leader of the pro-NIEO faction within the OECD.

### The French Case

The French case is interesting because it does not fit very well into a size-oriented explanation of OECD policies. Despite its large size France first took a leading position in favor of the NIEO. A simple explanation of this early advocacy starts by considering Franco-Algerian relations. The Algerian delegation was chosen to represent the view of the Group of 77 at the Sixth Special Session because the Algerians had helped to formulate a coherent position for the Third World at the meeting of the nonaligned nations in Algiers in March of 1974. France still received a large proportion of its total petroleum imports from Algeria at this time. By 1975, however, Algeria had encountered serious economic difficulties arising from military encounters with Morocco and overly ambitious economic planning. By then, France had diversified its sources of petroleum imports so that it no longer depended so extensively on Algeria. According to this interpretation, France became more like the other large OECD countries after 1975 in opposing the NIEO, because it now depended less on Algeria.

But there are other reasons why France did not behave like Germany prior to and after 1975. The Gaullist vision of French destiny, inherited by the Pompidou regime from de Gaulle himself (and continued in modified form under Giscard d'Estaing), included a notion of a France independent of the superpowers and a third force for peace and justice in the international system. Along with a nuclear *force de frappe*, France would maintain a greater Mediterranean sphere of influence along with its traditional ties to Africa. This vision helped to justify the continuation of faintly disguised neocolonialism and precipitated conflict with Germany over the relations between the EEC and its Third World trading partners.

It is this same notion that pushed Pompidou to reject Nixon's initiative in 1974 for a united bloc of energy-consuming countries and that helps to

explain France's later attempts to champion the cause of the North-South dialogue. But the French never deviated too far from the economic interests of France. The French economy, unlike the German, produced goods more vulnerable to competition from countries with low labor costs. Its export sector was comparatively much weaker. French entrepreneurs who owned export firms in former colonies were likely to benefit from commodity arrangements. So there were some good reasons for France to be more receptive to planning and to greater central direction in the world economy, but the French did not go out of their way to support the Group of 77 on specific issues.

Here, again, a collective goods analysis provides some partial answers that can refine hypothesis even further. The French may have been hiding behind German resistance to the NIEO, but there are important domestic political reasons why the Germans and not the French led the opposition. The centralized nature of the French state and its Gaullist ideology played a central role.

### CONCLUSIONS

The puzzles posed here are: (1) how did the differences among OECD policies toward the NIEO arise; and (2) why did these differences persist in some issues but not in others? The results indicate that the differences emerged from a combination of real and perceived variance in political and economic interests. Differences in economic size, which seem to go along with differences in perceived vulnerability to the vicissitudes of the international economy as well as differences in domestic social structure, account for a substantial share of the variance in favorability in foreign policies toward the NIEO. Domestic politics emerge in explanations for change in policies over time as well as in policies across nations. Changes in international circumstances figure as well (e.g., in the case of French policy), but on the whole, OECD policies remained fairly stable and predictable.

The OECD countries converged in their positions on a number of NIEO issues: (1) debt relief for the poorest countries; (2) increasing commitments to development assistance; and (3) willingness to negotiate a common fund with individual commodity agreements. There still remained a broad gulf between the views of OECD countries on large questions such as the need for domestic industrial restructuring and the desirability of further integrating developing countries into a liberal international economic order. The sources of convergence were primarily two: (1) the growing perception on the part of opposing states that the NIEO proposals suggested only moderate reforms of the economic system; and (2) growing awareness of the inability of certain pre-existing conceptualizations of world development problems to



explain persistent problems of world economy. The first was surely the most important.

Very important differences among the OECD countries are likely to persist, however. These differences revolve around two different visions of the future of the world economy: the *liberal* and the *managerial*. Liberals envision a future order with lower barriers to trade, investment, and exchanges of all varieties (excluding migration from poor to rich countries). They see the need for restructuring domestic economies to make this possible. Managers see an order where all of these things may be necessary eventually, but where the short-term costs are too high unless there is some form of central direction of domestic and international economic systems.

Liberals see no contradiction between development in the Third World and continued rapid growth in the industrialized countries. Influxes of foreign capital and intelligent pricing policies will allow the market (domestic and international) to do the job. Diversification of the economies of developing countries can be accomplished quickly and will remedy many of the ills of underdevelopment.

Managers are more skeptical about the ability of any country to diversify rapidly. The problem for developing countries, in particular, will be to expand without encountering protectionism in the industrialized countries. Managers see severe poverty as a problem needing more than market solutions. Emphasizing the provision of basic needs through radical redistributive state policies may be preferable. Increased aid and stronger international institutions may be required.

If one were to place countries in one or the other of these two camps, given relatively stable domestic political regimes, the larger countries would tend to fall in the liberal camp, the smaller in the managerial. The differences between them should not be exaggerated, but the tendency is suggestive.

What is the problem, then, if large countries continue to hold the key to international economic reform? It may be that the liberal vision of the future does not fit the realities. If not, we can expect to see more dialogue and more confrontations. As long as there is dialogue, there will be disagreement among the industrialized.

#### NOTES

1. The qualitative content analysis was performed on the statements of delegations before plenaries of the various forums. Key words and phrases specified in the keys to Tables 9.1 and 9.2 were the basis for the numerical scores. The author would be glad to provide interested scholars with detailed coding rules.
2. This is a classical problem of causal inference, sometimes called the problem of multicollinearity. When possible alternate explanatory variables are highly correlated with one another, it is difficult to separate their effects from the dependent variable. The theoretical basis for singling out "size" as the key variable is somewhat stronger than that for geographic

location or social democracy, but it may be wise to maintain some skepticism on the generality of the findings presented here because of the small sample of countries and their geographic proximity.

3. See East et al. (1978) for a number of theoretical rationales for using this kind of analysis.
4. Inspecting the peculiarities of specific cases can provide clues for improving the interpretation of results of macro-comparative, cross-sectional analyses.

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