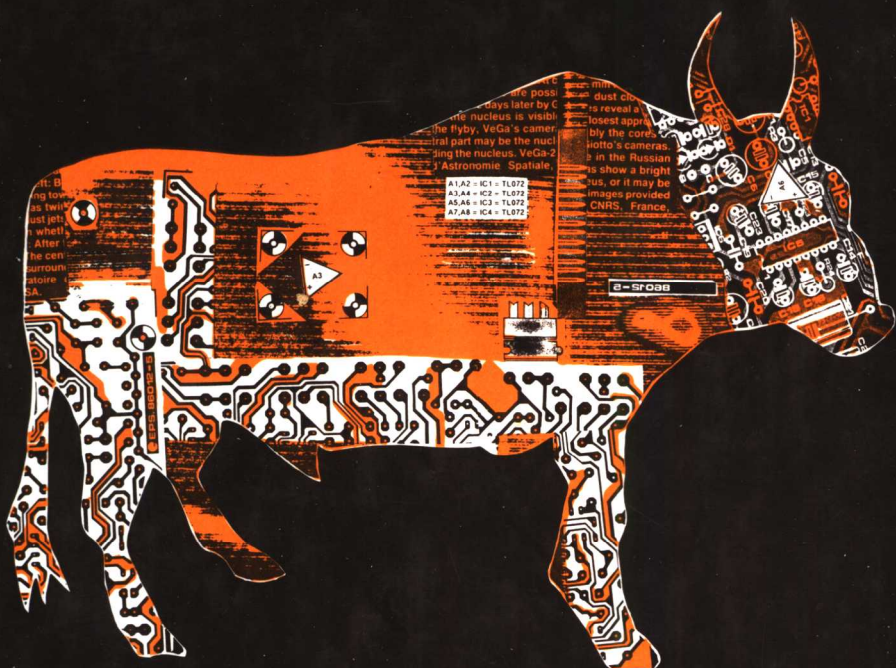


# THE END OF THE THIRD WORLD

NIGEL HARRIS



NEWLY INDUSTRIALIZING COUNTRIES  
AND THE DECLINE OF AN IDEOLOGY

Nigel Harris

# **The End of the Third World**

Newly Industrializing Countries  
and the Decline of an Ideology

**I.B.TAURIS & CO LTD**  
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# Preface

In the late 1940s and early 1950s, the idea of a Third World was beginning to emerge. At that time it did not refer merely to a group of countries, those territories for so long concealed within the European and American empires, but rather to a political idea. After the terrible deprivations and destruction of the Second World War, the globe had become divided between two apparently terrifying alternatives, Washington and Moscow, capitalism and what many people supposed was socialism, the first and second worlds. The Third World, newly created from the wreckage of the old, offered a different path for humanity, a third alternative.

The semantic history of politics is full of ideas that begin life as a radical indictment of the existing social order, but over the years pass neutered into the everyday lexicon. So it was with 'democracy', the rule of the majority, that concept that was once known to terrify comfortable citizens in their beds, but ended its life as no more than the governmental conventions prevailing in some countries. So it was with 'liberalism', with its heady promise of universal freedom, in the early nineteenth century, and 'socialism' later in the same century, both, in the fullness of time, fading into a vague kindliness (or, for socialism, the name of an official status quo). In our own times, the same thing is happening to 'women's liberation'. Thus does the established order subvert the ideas of its critics, robbing them of the conceptual means to express opposition, without conceding the substance nor permitting recourse to battle.

The same thing happened to the 'Third World'. By now, few ask where the first and second worlds are. The contrast has disappeared. The 'Third World' is no longer seen as a political alternative and merely denotes a group of countries – referred to more pompously as the less developed countries.

This book is about the idea of the Third World, the social-science theories to which the idea gave rise, and, above all, development

economics. The idea presented a picture of how the world had arrived where it was in the 1950s, where it was likely to go, and where governments in the Third World could take it. We shall attempt to identify what actually happened, and to explain the divergence between theory and practice. In the process, we shall look at the roots of the ideology of Third Worldism, at how its protagonists came to employ the new states of the Third World (which now came to include the independent states of Latin America as well as the ex-colonies of Asia and Africa) and at the social basis for this new type of society.

The book is not directly about economic development. If it were, we should have to consider many more factors. Nor does it do any kind of justice to the many preoccupations of what are known as development studies. Nor is it concerned directly with contemporary world development as a whole; that is the preoccupation of an earlier work, *Of Bread and Guns: the World Economy in Crisis* (Penguin Books, 1983). It is a work about the central ideas guiding those who tried to launch economic development in the Third World in the fifties and sixties. It is mainly about economic questions, but it is not written for economists and is in the main non-technical (even though one person's technicalities are another's everyday usage). But there is relatively little attention to politics, society, culture or colour. This is not because these things are not important, but because the underlying evolution of economies has to be identified clearly first, before we can see at what points other factors influence the process. It is a deliberate attempt to identify the economic process, since far too often the intentions of political leaders are confused with what happens economically, when, in reality, economic changes are often the *cause* of the political intentions. The approach is frustrating for those for whom politics is always in the foreground. It turns everyday assumptions on their head. Indeed, any account of the modern history of Brazil or Indonesia which omits politics appears wilfully perverse.

Nomenclature is a problem. The definitions of groups of countries (of which the Third World is one) are inevitably arbitrary, or rather, the several definitions reflect many different purposes. We deal with a group of countries known as the Third World, but also: the less developed (the main term used here), developing, underdeveloped, the non-industrialized, the poor, the backward, the South. They are contrasted with the First World, the more developed, the developed, the

industrialized, the rich, the advanced, the market economies (the industrial market economies), the North, the OECD Group (that is, the twenty-four members of the Organization for Economic Cooperation and Development, the twenty-two richest western countries with Japan, and two others, Turkey and Greece). Of the 180 or so established states of the world, the World Bank classifies the 126 largest (covering the overwhelming majority of the world's population) as including ninety-four less developed countries, five 'high-income oil exporters', eighteen 'industrial market economies' and seven 'East European non-market economies'. There are arbitrary elements throughout. For example, some 'non-market economies' – China, Vietnam, North Korea – are included with the less developed. Ireland (per capita income \$5,150) and Spain (\$5,430) are included in the 'industrial market economies' presumably because they are in Western Europe, but Trinidad and Tobago (\$6,840) and Singapore (\$5,190) are in the less developed.

Among the less developed, we occasionally employ the World Bank's subdivisions: (i) 'low-income countries' which had in 1980 an income per head below \$490 per year (covering thirty-three countries, including China and India, with 49 per cent of the world's population); and (ii) 'middle-income countries' with a 1980 income per head of between \$410 and \$4,500 (sixty-three countries, 26 per cent of the world's population). By contrast, the industrial market economies had per capita incomes over \$4,500 in 1980 (and 16 per cent of the world's population). By and large, this account does not pay attention to the 'high-income oil exporters' since they have a very small share of the world's population; and omits the 'East European non-market economies' for lack of comparable data; this inevitably distorts the global figures, but the need for simplicity takes priority over strict accuracy.

Within the less developed countries there are many other subgroups, but one in particular concerns us here: the newly industrializing countries. These are countries which are said to have experienced high growth of output in the sixties and seventies, sometimes but not invariably on the basis of expanded manufacturing exports. The members are variously identified, depending upon the author, but in most accounts they include: Hong Kong, Singapore, Taiwan, South Korea, India, Argentina, Brazil and Mexico. Also, often included are Spain (in other accounts, an 'industrialized market economy'), Portugal, Greece, Yugoslavia. Sometimes included are: Iran, Malaysia, Pakistan,

Colombia, Philippines, Thailand and others. The lack of a clearcut boundary is not vital for this account, and the countries included in the group are identified as we proceed.

The heart of the book is a test of the theses of the Third World case (presented in the first chapter). This is done in relationship to four countries of east and south-east Asia – South Korea, Taiwan, Hong Kong and Singapore (in the second chapter). The third chapter looks at a different kind of development in two Latin American countries, Brazil and Mexico. Chapter 4 then seeks to determine how far these six cases are peculiar by looking at the less developed countries as a whole, and at what is happening to the manufacturing industries of the more developed countries. The fifth chapter summarizes the implications of what has happened for Third Worldism. Chapter 6 examines the peculiar role of the state and of governments in the pattern of rapid growth, and looks at the origins of the belief that states could direct the market. If Third Worldism was an ideology, Chapter 7 seeks to suggest the social interests that might have been embodied in it. The final chapter then summarizes the argument and draws a few speculative conclusions.

As always, the errors of fact, language and judgement are exclusively my own, and not to be attributed to those who have very kindly laboured in the arduous task of trying to turn this into a readable work (not always with success). They include, pre-eminently, despite our disagreements, Alasdair McAuley; and Duncan Hallas, Rakesh Mohan, Tirril Harris, Desmond McNeil, Dilip Mukerjee, Michael Safier and John Lindsay. It is a thankless task, but nonetheless my thanks.

NH

NOTE. Dollars are always those of the United States unless otherwise specified (Singapore as S, etc.) and 'billions' means thousand millions, not million millions.

# 1 = Third Worldism

What can we do? We can do much! We can inject the voice of reason into world affairs. We can mobilize all the spiritual, all the moral, all the political strength of Asia and Africa on the side of peace. Yes, we! we, the peoples of Asia and Africa, 1,400,000,000 strong, far more than half the human population of the world, we can mobilize what I have called the 'Moral Violence of Nations' in favour of peace.

President Sukarno of Indonesia, Opening Address to the  
Asia-Africa Conference, Bandung (Indonesia), 18 April 1955.

In April 1985, the government of Indonesia celebrated the thirtieth anniversary of the holding of the Asia-Africa Conference in Bandung. In fact, few people remembered the first conference, even though it was the ancestor of many later initiatives from the non-aligned conferences to sundry United Nations activities. But in 1955 the conference marked a major change in the world order, the entry to international politics of a new group of countries that came to be known as the Third World.

The new order was not achieved without violence, both in terms of the transfer of power in many countries between the old empires and the newly independent governments, and in terms of international political alignments. It aroused great passions and new loyalties; it engaged many thousands, if not millions, of newly aware political activists. It changed the political dimensions even in the centres of the old empires, in London, Paris, Amsterdam, Brussels and Lisbon. A new perception of the world and of the role within it of the new states was created. Around that perception developed a body of theories, which we have called here Third Worldism. By now, of course, many of the proposals of this ideology have become absorbed into the political 'common sense' of the world, and it is difficult to identify them today.

The idea of the Third World was a radical critique of the order of world power that had governed international affairs until that time.



The world of empires, it was said, had produced two devastating world wars in the first half of the twentieth century, and also a string of savageries inflicted upon the subject majority of the world's peoples. Empire was part and parcel of an economic system, capitalism, which had been equally destructive in economic terms, in the swings of boom and slump, and particularly in the Great Depression between the wars. The emancipation of the world's majority, the Third World, offered the opportunity for a new political and economic order based on what Sukarno called the 'newly emergent forces'. In a world so recently released from the terrible war of 1939–45, and plunged into a new Cold War, the hopes embodied in the Bandung Conference could not help but be inspired.

At the heart of the new ideology was a series of propositions about the possibility of national economic development in the countries of the Third World. Why were those countries so poor when the Europeans and North Americans were so rich? How far could markets be shaped or superseded to force the pace of national economic growth? What should be the role of government in that process? The preoccupations of analysis, explanation and prescriptions for government action came to constitute a new branch of economics, 'development economics'. In fact, the theorization began much earlier than the 1950s and took up themes that emerged after the Great Depression following 1929. It seemed then as if capitalism had exhausted its potential, and new alternatives were needed for all countries. Economists from countries which exported in the main raw materials – Latin America and Eastern Europe – were particularly concerned to formulate methods by which their countries could escape slump. The earlier and later concerns merged, as we see in the evolution of one strand of thought in Latin America.

### **The Origins of Development Economics**

The new states recognized early that maintaining political independence required economic power; rewarding those who had thrown off foreign domination required rising incomes. Many different routes led to the problem of 'economic development'. What did it mean? In Europe and North America, countries had gone through a process,