

TRANSFORMATIONS IN THE GLOBAL POLITICAL ECONOMY

EDITED BY
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Transformations in the Global Political Economy

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MACMILLAN

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DENNIS C. PIRAGES
CHRISTINE SYLVESTER

List of Abbreviations

ACP	African, Caribbean and Pacific Group
ADB	African Development Bank
AIC	Advanced Industrialized Countries
BETs	Basic Export Tonnages
BHN	Basic Human Needs
CFA	Central African Franc
CIEC	Conference on International Economic Cooperation
CSA	Commonwealth Sugar Agreement
EC	European Community
ECA	Economic Commission on Africa
ECLA	Economic Commission on Latin America
ECSC	European Coal and Steel Community
FTC	Federal Trade Commission
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IBM	International Business Machines
IBRD	International Bank for Reconstruction and Development (World Bank)
ICA	International Commodity Agreement
IEA	International Energy Agency
IMF	International Monetary Fund
ISA	International Sugar Agreement
ISACs	Industrial Sector Advisory Committees
ISI	Import Substitution Industrialisation
ITO	International Trade Organization
LDCs	Less Developed Countries
LIBOR	London Interbank Offered Rate
LIEO	Liberal International Economic Order
LLDCs	Least Developed Countries
MFA	Multi Fibre Agreement
MITI	Ministry of International Trade and Industry (Japan)
MNC	Multinational Corporation
MTN	Multilateral Trade Negotiations
NBER	National Bureau of Economic Research
NECs	Newly Exporting Countries
NEDO	National Economic Development Office (Britain)

NICs	Newly Industrializing Countries
NIEO	New International Economic Order
NTT	Nippon Telegraph and Telephone
OAPEC	Organization of Arab Petroleum Exporting Countries
OAU	Organization of African Unity
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
QRs	Quantity Restrictions
RAMs	Random Access Memories
REAs	Reference Export Availabilities
SADCC	Southern African Development Coordination Conference
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
USDA	United States Department of Agriculture
VER	Voluntary Export Restraint
VHSIC	Very High Speed Integrated Circuits
WTI	West Texas Intermediate
ZPG	Zero Population Growth

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1 Technology, Ecology and Transformations in the Global Political Economy

Dennis C. Pirages

Entering the 1990s, the global political economy is radically different from what it was only two decades ago. Two of the major differences are reflected in the terminology itself. In the innocent sixties an explicit analytic division existed between international economics and politics and to speak of an international political economy was to make a radical statement. And, although the term global was certainly in use, there was little realisation of the extent to which a truly global system was soon to emerge. The acceleration of events in the 1970s erased much of this innocence and the shocks and upheavals that have since worked their way through the international system give testimony to a series of major transformations. Beginning with the first energy crisis cycle, a series of events has shaken many of the comfortable assumptions about international politics and economics that were commonly shared in the optimistic years preceding the 'oil decade'. Although continuities certainly can be found linking the system of the 1960s with its contemporary relative, an era of turmoil and discontinuity in international relations seems to be more characteristic of the decades leading to the next century.¹

The quarter-century of steady growth and relative economic stability that followed the Second World War has given way to two decades of economic, social and political challenges within a rapidly changing international political economy. This period has been punctuated by two cycles of energy crisis and related economic instability, an explosion of food prices brought on by perceptions of scarcity, a run-up in basic commodity prices followed by a price collapse, two major periods of economic recession, an international debt crisis and a stock market crash that reverberated around the world. The rules of conduct governing interactions in the battle-scarred global political economy that has emerged from this cauldron of instability are very different from those of its predecessor, which had been governed

largely by simplistic US free trade prescriptions.

Faith in the near inevitability of significant industrial economic growth has been badly shaken by the two severe economic downturns, the first of which bottomed out in 1975 and the second in 1983. A world that was once depicted as divided economically into three categories – the industrial open market economies, the developing countries and the centrally planned economies – is now officially composed of four groupings with the recognition of the plight of the least developed economically troubled countries which are often uncharitably referred to as 'the never to be developed world'. A simple and straightforward international political hierarchy that was once clearly under United States hegemony has been replaced by a more complex one in which many countries exert different kinds of power and influence. And naive assumptions about the separation of international markets from politics have been replaced by the realisation that under more intense competition countries are loath to play by old free market rules.

These new realities are reflected in data that indicate a major slow-down in growth on a world-wide scale. The industrial market economies experienced a real growth rate of about 5 per cent in the thirteen years preceding 1973. Since then it has been about 2 per cent. The less developed countries saw their vigorous 6 per cent growth rate of the earlier period plummet to less than 2 per cent in the first half of the 1980s and, with the exception of the newly industrialising countries, they have grown very slowly since.² Many of the least fortunate less developed countries have actually lost ground economically over the last two decades on a per capita basis.³ While the oil exporting countries experienced a boom in the 1970s, by the mid-1980s most of them were spending more than they were collecting in export revenues and some had moved deeply into debt, courtesy of a major decline in oil demand and prices.

Political and social challenges to the rules supporting the established political hierarchy have accompanied these changes in economic fortunes. A growing number of newly independent nations has set about changing the global agenda and the political and economic map of the world. There is now concern about future growth opportunities for poorer nations in a global economy that is no longer expanding at expected historical rates. These countries, mainly exporters of primary commodities, see no way that they can gain a toe-hold in the existing global division of labour. It is not clear to

them that a slowly rising tide will lift all ships. In fact, there is well-founded fear that the tide may be ebbing and leaving them behind as litter on the beach. It has become more generally accepted among them that collectively valued economic and social goals will not be met in the less developed world by relying on an invisible hand (or mind) that holds equal promises of prosperity for all actors in the world economy.

The austere economic times and system instability characteristic of the last twenty years have focussed renewed attention on the close link that exists between domestic politics and international economic policies. The free trade regime that developed in the postwar economic euphoria stressed a rigid separation between politics and economics. But contemporary realities brought on by slow growth, more intense economic competition among industrial countries, persistent poverty in the 'fourth world', new protectionism against exports from 'third world' countries and various non-tariff barriers to trade have focussed attention on the political aspects of what previously have been perceived as purely market problems. There has thus been a renaissance of political economy as an accepted academic discipline and the global political-economic system as an entity worthy of study.⁴

These dislocations of the last two decades and changing definitions of appropriate conduct have been driven by unprecedented technological and ecological change. In the ecological realm, the global ecosystem has been under sustained attack from rapidly growing human populations and the resource demands of the world-wide spread of industrialisation. Although there are differences of opinion on the severity of these threats, there are growing indications of perturbations in the resource systems that are essential for human well-being. Pressure on conventional resources such as energy, food and other raw materials has been manifest in the two energy crisis cycles, a food crisis and 'boom and bust' cycles in other raw material markets. But there are also growing problems resulting from human impacts on the Earth's non-conventional resources such as the atmosphere, hydrosphere and the protective ozone layer.⁵ In brief, the relationship between human beings, world-wide resource-intensive industrial growth and the integrity of the global ecosystem has been dramatically transformed over the last twenty years and, along with it, perceptions of global problems in need of solutions.

An acceleration of the world-wide diffusion of science and tech-

nology is also fundamentally changing the expectations, possibilities, opportunities and rules of conduct that determine interactions among nations. Innovations in transportation and telecommunications have made the world a much more highly integrated and a smaller place, characterised by the deepening of four types of interdependence, relating to ecology, structure, policy and value. Deeper ecological interdependence results from the fact that five billion human beings step on each other's toes much more frequently than half that number. The rise of pressing global ecological issues such as the build-up of carbon dioxide and the associated greenhouse effect, the loss of part of the ozone layer that protects human beings from ultra-violet radiation and the pollution of the atmosphere, oceans, lakes and streams highlight the growth of common dependence on the Earth's sustaining resource base. Increased structural interdependence results from the continuing development of a world economy characterised by growing communication, the spread of multinational corporations, development of world capital markets and the increasingly rapid diffusion of technology and engineering. This is associated with greater policy interdependence, a need for increasing co-ordination of policies among the major industrial powers so that policies of one country do not serve accidentally to sabotage those of close allies. And, finally, in the developing 'global village' a consensus on basic human rights, a sort of global value interdependence, is emerging as a code of conduct for the just treatment of human beings.

In summary, this ecological and technological momentum has shaped and continues to drive upheavals and transformations within the global political economy, creating new configurations of power, arenas of competition, prospects for various groups of nations, forms of conflict and rules of conduct in relations among nations. The following chapters address some of the consequences of the transformations that are now under way for various groups of countries. The first three chapters focus on the impacts of crisis cycles and related perturbations in basic commodity markets on producer and consumer countries. The chapters that follow look more closely at the changing impact of technology-based competition on prospects for various groups of countries. And the book concludes with an essay (Chapter 9) that argues for a basic transformation in the gender-biased way that international politics is both carried out and analysed.