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Stephen D. Krasner

GLOBAL DIPLOMACY AND THIRD WORLD STATE STRUCTURES

Introduction

Third World states have frequently vigorously attacked the liberal rules and principles that have influenced the development of the world economy since the conclusion of the second world war. These attacks reached their apogee during the mid 1970s when the Third World's proposals for change, embodied in the call for a New International Economic Order (NIEO), set the agendas for the sixth and seventh special sessions of the United Nations General Assembly. While LDC criticism has abated somewhat in the 1980s, it has hardly disappeared, as evidenced by the contention surrounding UNESCO and the United Nations Convention for the Law of the Sea, as well as other international negotiations.

The views articulated by spokesmen for the Third World are not merely a hodge podge created by finding the lowest common denominator upon which developing states could agree. Rather, they have been informed by a desire to make the global allocation of resources more subject to the direct or indirect control of sovereign states and, conversely, to circumscribe the discretion of private firms almost all of which are from the North. The Third World has wanted international regimes to be based on the authoritative decisions of states rather than private markets. For instance, developing countries have pressed for international commodity agreements, Generalized Systems of Preference (applied to their manufactured exports), radio band allocation based on sovereign claims rather than current needs, a presumptive right to a share of international shipping, taxation of the revenues derived from deep seabed modules, treating the Antarctic and Outer Space as part of the common heritage of mankind, national licensing of news reporters, and even global taxation.

The most common explanation for the program articulated by the developing world is economic poverty. Observers in both the North and the South have argued that Third World demands are prompted by the failure of the postwar liberal order to provide adequate rewards for developing areas. But this is too simple and hardly supported by the experience of most developing states since 1950. As a whole the developing world has grown more quickly than the industrialized market economy countries, per capita growth has only been marginally lower. Developing countries have grown more quickly than they did before the second world war, and more quickly than industrialized countries when they were at similar stages of development in the 19th century. Moreover, this growth has been fairly widespread, not simply limited to a few newly industrializing countries (NICs). This information cannot definitively disprove an interpretation of Third World behavior based on economic conditions. Indeed, developing countries on the whole remain much poorer than their counterparts in the North, and it is not difficult to suggest counterfactual scenarios that would have led to higher Third World growth. Nevertheless, the economic experience of many developing countries does suggest that it is appropriate to examine some alternative explanations for Third World behavior.

This paper argues that the root cause of Third World disaffection with the existing market oriented world economic system is not economic but rather political. Third World proposals for a more authoritative system of allocation reflects the extreme vulnerability confronting many developing countries because of their exceptional weakness. This weakness has two components. First, because they lack power resources they cannot influence the international environment. Second, because the state apparatus in many developing countries cannot penetrate its own society, and because market structures are undeveloped, it is difficult for Third World states to adjust to shocks emanating from the international environment. Thus, developing countries are locked into an international market economy which provides them with many material benefits but which subjects them to external shocks which can easily be politically destabilizing. Certain kinds of authoritative as opposed to market allocation offer the promise of both higher material rewards and greater control.

International Structures

There have always been small states in the modern state system. Before the industrial revolution, however, there was little variation in levels of economic development. In terms of per capita income the richest country was only about twice as well off as the poorest at the beginning of the 19th century. Now the richest countries are eighty to one hundred times better off than the poorest. The combination of small size and underdevelopment has left many Third World states in an unprecedentedly weak position.

Measuring relative power resources as a perennial problem for students of international relations. There is no simple statistic that adequately summarizes all aspects of national power capabilities. Resources, and conversely vulnerabilities, vary from one issue area to another (1). The best single indicator is a measure of aggregate economic output. Aggregate national account statistics incorporate a wide range of activities that can be tapped by the state to one extent or another. They reflect both wealth and population size.

Before the Napoleonic Wars there was a general tendency for the number of independent political actors in the international system to decline. However, since the beginning of the 19th century the number, particularly of small state, has expanded (2). This trend increased dramatically with decolonization after World War II.

In 1830 the ratio of the GNP of the largest European state, Russia, to the smallest state for which figures are available, Denmark, was 41 : 1. Four countries out of twenty-six,or 15 percent, had GNPs equal to at least one-fifth of Russia's. In 1970 the ratio of national income of the largest state, the United States, to the smallest, the Maldives, was 97,627 : 1. (In 1983 the figure was 110,018 : 1 for the ratio of the GNP's of the United States and Kiribati.) In 1970 34 percent of the states in the international system had national incomes that were less than 1/1000 that of the United States and 72 percent had national incomes less than 1/100. Only one other country, the Soviet Union had a national income equal to at least one-fifth that of the United States. These are stagging disparities. In 1970 the Third World as a whole accounted for only 11 percent of world GNP (3).

There is not an absolute discontinuity between the aggregate power capabilities of individual Northern and Southern states. The largest Third World countries have GNP's that are greater than those of the smallest industrialized states. However, the degree of overlap is strikingly small. If the two smallest industrialized nations - Iceland and Luxembourg - are excluded, 67 percent of all developing states had GNP's smaller than those of any industrialized country. In 1977 the gross national product of Luxembourg was greater than that of more than fifty LDCs. China, with aggregate economic power about equal to that of France, was the largest non-industrialized country. The GNPs of Brazil and India (the two largest in the Third World after China) were about the same as those of Spain and Poland; Iran's (before Khomeini) rivalled Belgium's; Saudi Arabia and Nigeria had GNPs about equal to those of Denmark and Finland. These figures suggest that, while there are substantial differences among the aggregate power capabilities of developing states, very few can hope to

exercise wide ranging influence over the international environment (4).

Such influence would be difficult even for the very largest of the non-industrialized states. Their great structural advantage is not so much that they can change the international rules of the game as that they can withdraw. During the 1970s the ratio of exports plus imports to GNP for China was around 5 percent; for India it was 12 percent, both extremely low figures. Other relatively large developing countries are more heavily involved in the world trading system: Brazil's trade ratio was 17 percent; Argentina's 18; Mexico's 20; Indonesia's 42; Korea's 43; Nigeria's 57; Venezuela's 59; and Saudi Arabia's 103. Figures for smaller LDCs are generally in the 30 to 50 percent range (5). The smaller countries do not have the national power capabilities to influence the international environment, nor can they extricate themselves from the system without incurring very large material costs. In this sense of being small and involved non-industrialized states, with the clear exception of China and India, and the possible exception of one or two other LDCs, are analytically similar.

LDCs are takers rather than potential breakers or makers in the international system. They must rely on global markets which they cannot influence through either the exercise of meta-power or relational power. They cannot change principles, rules, norms, and decision-making procedures, and the level of material well-being that they secure from particular transactions depends upon market forces that are beyond their control. The cost of capital has more to do with policies adopted by the U.S. Federal Reserve, the price of copper more to do with auto and housing sales in the North, than anything that Third World borrowers or copper exporters can do on their own.

However, it is necessary to distinguish between overall power capabilities and resources appropriate for a defined issue area. Limited general capability does not preclude influence in specific issue areas. The oil exporting states created a new international regime after bargaining power shifted radically in their favor in the early 1970s as a result of the depletion of excess capacity in the United Sates, and the existence of surplus revenues in Libya and the Arab Gulf states. This effort, however, collapsed in the mid-1980s because of OPEC's declining share of the world energy market, internecine struggles, and the pressing revenue needs of some oil exporters. Occasionally, LDCs have intervened in other raw materials areas, but their success has been much more limited. Countries with large foreign debts do have some hold over their creditors. To paraphrase a comment made by a Brazilian official: If you owe the bank a million dollars it is your problem, but if you owe 90 billion dollars it is the bank's problem. But these examples are exceptions, not the rule. Even in specific issue areas developing countries rarely have the national power capabilities to bargain effectively with more industrialized states much less change international regimes. The relative opportunity costs of change are almost always significantly greater for the developing country than for the industrialized one. Developing states usually have less information and technical expertise.

Thus, if attention is focused on the cross national GNP gap between the North and the South, as opposed to changes over time in social and economic indicators, the situation of Third World countries is problematic. Few can hope to challenge even medium to small size industrialized countries with regard to aggregate economic activity. Even with rapid rates of economic growth, the absolute gap is now so large that it cannot be closed in the foreseeable future (6). The relative GNP gap is likely to close but even with rapid growth less than one-third of all LDCs would have a GNP greater than 5 percent that of the United States. In sum, by any conventional measure of international power capabilities, almost all Third World states are very weak.

Domestic Structures

The second condition that has led Third World states to support international regimes based on authoritative rather than market allocation is the weakness of their domestic societies and political systems. The ability to cope with environmental disturbances is a function of the mobility, flexibility, and diversity of a country's resources. A country with highly mobile, flexible, and diverse factors can absorb external shocks. It can reallocate its factors of production when environmental conditions change. Such adjustments might be achieved by coordinated political action or signalled by private markets. Small states, like perfectly competitive firms, cannot change international market conditions, but they can adjust to changes in opportunities with differing degrees of success.

Social, political, and economic analyses of developing areas indicate that most LDCs can not absorb and adjust to external shocks. Advanced societies are less vulnerable to external changes because their factors of production are more mobile. Better trained workers are able to perform a

wider variety of tasks. Developed capital markets can transfer resources more efficiently. Dense information nets disseminate technological innovations more quickly. In his seminal study of the power aspects of international trade Albert Hischman argues that "the inherent advantage with respect to all these aspects of the mobility of resources lies overwhelmingly with the great manufacturing and trade countries as opposed to countries in which agriculture or mining predominates" (7). While adjustment can often be very painful for Northern actors, it is even more difficult for most Southern ones.

The rigidity of the social and economic structure in developing countries is reflected in the political system. The state is often treated as but one more compartmentalized unit. Its ability to extract resources from the society is limited. Efforts to combine diverse social and material units are likely to be frustrated by the rigid nature of the society. Economic activity that takes place outside the market cannot be effectively tapped by the state (8). Administrative capacity is limited. Relative to industrialized countries, LDCs have few policy instruments making it more difficult to adjust to cyclical swings generated by either external or internal factors (9).

Developing states are subject to demands generated not only by internal social mobilization but also by global values. Most Third World states are not a product of autochthonous political, economic, and social forces. Not only were specific boundaries in many areas of the world set by foreign powers, but the basic form of political organization, the sovereign state, was externally imposed as well. The agenda of the contemporary state is strongly influenced by transnational factors. Having entered the world system at a late date, states in the Third World have adopted a whole panoply of tasks which states in industrialized areas had the luxury of handling sequentially. Third World regimes endemically promise more than they can deliver not only because they are beleaguered by the consequences of rapid domestic social mobilization but also because their images of desirable behavior are influenced by the values of the global system (which primarily reflect the values of the most developed areas). Thomas and Meyer have argued that the "gap is not only a social psychological creation of the modern system (a revolution of rising expectations, relative deprivation, or discontent created by high aspirations), but is also a structural fact that the peripheral state - with the same world-culturally defined obligations as an advanced one, but with fewer social and organizational resources - legitimates social claims that cannot be met, makes national plans that cannot be implemented, and defines forms of national and international justice that cannot be sustained. The gap is not only between expectations and reality but also between the state organization and its legitimating environment" (10).

Social mobilization and unrealizable externally generated demands, coupled with limited institutional capacity, produce political decay rather than political development (11). Authority and legitimacy are limited. The leader's need to rely on direct subventions results in perverse economic policies that constrain national productivity (12). Political unrest is high. Coups are frequent (13). Thus, leaders in most developing countries live close to the edge. Externally generated shocks are more threatening because they cannot be absorbed given limited domestic resources or adjusted to given the rigidities of traditional society (14).

The preceding arguments presume that Third World states and their political leaders are autonomous if constrained actors. This approach is fundamentally incompatible with those dependency orientations that deny substantial autonomy to the central political institutions of Third World countries. The position taken here also raises empirical questions about any theory that views Third World states as mere puppets of advanced capitalist actors, whether public or private. The Third World has vigorously, and with some success, challenged the postwar international economic order. This challenge has involved the denial of basic capitalist principles, such as nondiscriminatory treatment of international trade and investment. Even where the challenge has failed with regard to specific issues, it has undermined the liberal ethos that enhanced the legitimacy of the postwar order. Dependency arguments have been oriented exclusively to domestic political and economic developments in Third World countries. They have not addressed the international policies of these states, especially those activities designed to alter international regimes.

The demands for regime change made by the Third World cannot be easily incorporated within dependency arguments. Dependency is seen as a pervasive set of transactions that condition all aspects of a society's character and behavior. It must be distinguished from dependence which refers to the state's bargaining power with regard to external actors. Dependence reflects only a state position in the international system. Dependence does not necessarily mean dependency: that is, all small states suffer from dependence but only those whose societies and political institutions are penetrated by external actors would be in a situation of

dependency (15). The dependency perspective, sees the dependency relationship as self-reinforcing. The country may develop, but its development will be perverted by the forces of world capitalism which penetrate and shape its social, political, and economic institutions.

How can a dependency orientation deal with the meta-political demands of Third World states? There are two possibilities, neither of which is analytically comforting. The first is to accord a high degree of autonomy to the state. Peter Evans' notion of a triple alliance between the domestic bourgeoisie, the transnational corporation, and the Third World state does, for instance, accept a high level of state autonomy (16). However, this position obscures lines of causation. How independent can the Third World state become? How much can it play various forces off against each other? Why is the state attacking at the international level those same forces that it allies with at the domestic one? The answers to these questions are not obvious.

A second tack would be for dependency theory to argue that international behavior is designed as a substitute for domestic social and economic reform. International radicalism is coupled with domestic repression. Third Worldism may enhance the domestic political legitimacy of weak exploitative regimes. These are fair arguments providing that the actual impact of Third World activity on the international system is not ignored. The Third World has altered international regimes. The one case of effective Third World use of national power, OPEC, damaged the world capitalist system. It may be possible to claim a dialectic process in which Third World political elites ally themselves with private and public Northern elites; this alliance undermines the legitimacy of Southern elites; they try to recover through radical international activities; however, these radical international activities undermine the capitalist system on which their position depends. This is neat enough, but it conflicts with the self-reinforcing, positive feedback orientation of most dependency literature. It is much closer in spirit to the arguments of Lenin and Hobson which see world capitalism leading to social and economic transformation, and dialectic progress, in backward areas. Analytically, it is difficult to fit the international radicalism of the Third World into a dependency framework.

However, to return to the main theme of this section - the domestic weakness of Third World states - the situation of most Third World states can be illuminated by contrasting it with that of small industrialized countries. The small developed countries have not rejected the existing international economic order. While they have generally accepted international norms more readily than larger industrialized countries, and placed more emphasis on international organizations, they have not made international regime transformation a major aspect of their foreign policy.

Peter Katzenstein has conducted a study of foreign economic policymaking in seven small European states - Belgium, Switzerland, the Netherlands, Austria, Norway, Denmark, and Sweden. All of these states are heavily committed to a liberal and open international economic system. Their tariffs have been lower than those of large states. They have been more reluctant to protect declining industries. They have welcomed foreign capital. Yet, they are all subject to external perturbations because of their heavy involvement in the world economy. The small European states have been able to cope with this dilemma through effective domestic stabilization policies. Switzerland, the Netherlands, and Belgium have been more aggressive following an "offensive strategy" based on extremely low tariffs, high export intensities, specialization in industries and services with inelastic demand, and high rates of investment. Austria, Norway, and Denmark have pursued a more "defensive strategy" oriented toward innovations in traditional industries, somewhat higher tariffs, and lower research and development expenditures. Sweden's strategy has been mixed. Despite these variations the political systems of all seven small European states are characterized by dense policy networks that fuse the public and the private sectors. These networks integrate all groups within the society; they facilitate communication and prevent stalement. The political organization of the small industrialized states has made it possible for them to enjoy the economic benefits of full participation in the international economy, while insulating their domestic social structures from the disruptive consequences that would ensue from uncontrolled external perturbations (17).

One variable that illustrates differences between the political capabilities of industrialized and developing countries is tax structure. Tax collection is generally a good indicator of the ability of the state to extract resources from its own society (18). Developing countries collect a smaller proportion of their GNPs than do industrialized states; their methods of collection are more heavily based upon trade taxes; the level of state revenue is, therefore, more subject to international economic vicissitudes.

Third World countries are poor and their governments cannot tax much

of what there is. In 1973 total government revenue was equal to 25.2 percent of GDP for industrialized countries and 18.5 percent for developing countries. In 1983 the figures were 29.3 percent for industrialized countries and 21.0 percent for LDCs. The Bolivian government collected revenue equal to 4.1 percent of GDP, the lowest of any developing country. Canada, with 18.8 percent, had the lowest government revenue share among the advanced countries (19). There is a strong curvilinear relationship between per capita GNP, and government revenue as a percentage of GNP, with revenue rising sharply up to per capita income in the neighborhood of $ 2000 and then levelling off (20).

There is also a strong relationship between economic development and the nature of the tax structure. In particular, developing countries are far more dependent on trade taxes than are industrialized countries. Trade taxes are relatively easy to collect because imports and exports are channelled through centralized port facilities. Even with smuggling and corruption (often very serious problems) tariffs and export taxes are easier to obtain than direct taxes which require high levels of bureaucratic skill and voluntary compliance (21). The pattern is again curvilinear. A cross national comparision for the mid-1970s indicates that trade revenue as a proportion of total revenue declines sharply for countries with per capita incomes up to $ 2000 and levels off for countries with higher per capita incomes. Some of the poorest developing countries derive up to 60 percent of their revenue from taxes on trade, while the range for industrialized countries is .01 to 8.3 percent (22).

Government revenues are but one indicator of the impact of the world economy on particular states. The dependence of many developing countries on trade taxes does, however, suggest a reason for their concern about trade vacillations. One of the persistent complaints of Third World countries has been that they suffer from substantial trade fluctuations. The Third World has argued that these vacillations inhibit their economic growth. However, no empirical substantiation has been found for this claim. One study even reveals a positive relationship between export instability and economic growth. It explains this relationship by arguing that higher levels of instability lead to greater savings (to smooth out fluctuations in disposable resources) which leads to higher levels of growth (23).

While vacillations in trade may not be related to economic growth they are related to the state's ability to extract revenue. Political leaders can be more sensitive to threats to their command over resources that can be used for immediate political purposes, than threats to the long-term economic growth prospects of their countries. Third world disaffection with the trading regime reflects the weak domestic political structures of LDCs which necessitate reliance on trade taxes.

Ideology and personalistic leadership are two other domestic attributes of many LDCs that make an international strategy oriented toward fundamentally changing regimes attractive. Most Third World states have adopted an ideological orientation that attributes their underdevelopment to the working of the international system. Leaving aside questions about the correctness of this approach (although much in this volume suggests that the dependency explanation for the economic situation of the Third World is not correct), this ideological formation can serve important domestic legitimation functions. In many LDCs sources of legitimacy are limited. Democratic institutions rarely exist. Bureaucratic legal modes of behavior are not widely practiced. Legitimacy then often inheres in the individual ruler. However, charismatic legitimacy based on individual leaders is contingent on the appearance, if not the reality, of success. Given the severe limitations on effective domestic action, the NIEO program was an attractive alternative especially for states advocating non-liberal principles at home as well as abroad. More left leaning regimes were more active supporters of the NIEO during the mid-1970s (24). Prominence in universal coalitions can enhance a leader's domestic position. Castigating the North can rally bureaucratic, military, and popular support. The structure of international organizations affords Third World statesmen an opportunity to play on the world stage, a platform which they could not mount if they had to rely solely on the domestic power capabilities of their countries. Even if their role is perceived as a minor walk-on by more powerful countries, an effective leader may transform it into a major part for domestic political consumption (25).

Third World leaders who follow such a course must find ideological arguments that resonate with their domestic populations. The most accessible themes for most LDCs reject existing international regimes. For most countries in Asia and Africa, if not Latin America, the central historical event is decolonization. Anti-colonialism and nationalism are widely accepted values endorsed by virtually all groups in the Third World (26). Dependency arguments are widely diffused. A Third World leader who opts for enhancing domestic legitimacy through international behavior will reject existing principles norms, rules, and decision-making procedures (27).

In sum, domestic structural weakness, a manifestation of traditional social norms and political underdevelopment, is a second factor that makes international regime transformation attractive for almost all Third World countries. These countries cannot easily adjust to external changes because their domestic social structures are rigid and immobile and their political institutions do not have the capability to alter these conditions. The external environment is inherently threatening even in the absence of any direct effort by more powerful states to exercise leverage. International regimes controlled by developing countries could lessen exposure to systemically generated shocks. They could offer some stability in a situation where the lack of domestic adjustment capacity precludes effective domestic cushioning.

The NIC's and OPEC

There is one major exception that must be made to these generalizations about weak political and rigid social structures in Third World countries. The Asian newly industrializing countries, or NICs, have been able to adjust effectively to the international environment. Singapore, Hong Kong, Taiwan, and South Korea, have adopted aggressive export-oriented strategies. Explicit state decisions were taken to move toward export-oriented growth and away from protectionism based upon quantitative restrictions which insulated domestic industries from the world market. Resources secured from world capital markets were used to bolster the role of national entrepreneurs.

For instance, in the early 1960s Korea adopted a set of policies that led to very rapid economic growth. The exchange rate was devalued. Tariffs replaced quantitative limits on imports. Specific industries were encouraged. These measures required a strong state that could resist domestic pressures. South Korea was able to develop such a state in part because the Korean War had shattered existing relations in the agrarian sector and because the military coup of 1961 concentrated power in the office of the president. Taiwan and Singapore also have strong states. Hong Kong has relied more on the flexibility and responsiveness of the private market: its industrial structure, characterized by many small firms, has been able to adjust rapidly to changing international demand (28).

During the 1970s the NICs were able to cope with restrictions imposed by INs by moving into new product lines and diversifying their exports. For the period 1970 - 1981 Korea's exports grew at an annual average rate of 20.5 percent, Hong Kong's at 10.3, and Singarpoe's at 11.9. The average rate of export growth for low income countries for the same period was 3.5 percent, for all middle income LDCs (the category into which the NICs fall) 6.6 percent, and for industrialized countries 6.1 percent. During the same period the GDP growth rate of these three countries averaged 9.5 percent compared with an average of 3.4 percent for low income LDCs, 5.5 percent for middle income LDCs, and 3.0 percent for industrialized countries (29).

The NICs are one of the two groups of dramatic success stories with regard to economic growth, or at least resource transfers, in the postwar period. The other is oil exporting states. During the early 1970s most of the oil exporting states enjoyed quite spectacular levels of economic growth. For the period 1970 - 1981 the GDP of Saudi Arabia rose at an average annual rate of 10.3 percent, of U.A.E. at 11.8 percent, of Nigeria at 4.5 percent, of Iraq at 7.2 percent, of Algeria at 6.9 percent, of Iran at 11.3 percent, of Ecuador at 8.6 percent, of Indonesia at 7.8 percent, of Venezuela at 4.5 percent, and of Libya (which had experienced growth rates of 17.1 percent from 1965 - 70) at 2.5 percent (30).

However, the foreign policy orientations of many oil exporting states and the NICs have been very different. A number of oil exporting countries have been leaders of the Third World's call for a New International Economic Order. During the early 1970s Algeria and Venezuela were particularly active. Under Echevarria's presidency (1970 - 76) Mexico (an oil exporting state although not a member of OPEC) played the major role in formulating the general principles of the NIEO. Libya rejected existing regime arrangements as sinful not merely exploitative, a position adopted by Iran after Khomeini came to power. Iraq has also taken a generally radical posture. The OPEC countries insisted on bringing other Third World states into the Conference on International Economic Cooperation (CIEC) which met during 1976 and 1977, making CIEC a forum for discussing North-South issues rather than one that would focus on cooperation in the energy area. While the NICs have not explicitly broken with the Third World, they have never taken a leading role in presenting any of its demands, and Singapore recently quit UNESCO joining the United States and Britain.

This variation cannot be explained by economic performance: both the NICs and the oil exporting states did well in the 1970s. However, it can be explained by variations in vulnerability to external shocks. The NICs have moved toward flexible economic structures and strong domestic political regimes which have facilitated adjustment. They did well during the 1970s

even though higher oil prices, slower growth in the North, and more protectionism created a less hospitable international environment. While the NICs are hardly immune to shocks from the global system, they have demonstrated that they can reallocate their factors of production in response to changing opportunities.

The oil exporting countries cannot be characterized in the same way. While some of the oil exporting states have moved to more diversified economic activity based upon a more skilled labor force, most are still highly dependent on one product. They do not have the economic or political capacity to adjust. The global system showered them with riches in the 1970s but they still remained hostage to external events over which they had little control. When increasing production from non-OPEC sources, and conservation measures led to a decline in oil prices in the mid-1980s, some oil exporting states experienced severe economic difficulties.

With regard to vulnerability the OPEC countries remain a part of the Third World. The contemporary NICs, and other developing countries that become more capable of adjustment, may eventually find it more attractive to throw in their lot with the North. They may come to resemble the smaller industrialized states in their structural characteristics (externally weak but internally strong) and their positive attitudes toward liberal international regimes. OPEC countries, regardless of their level of wealth, will continue to identify themselves with the Third World.

Conclusion

In summary, the international and domestic weakness of Third World states makes them vulnerable to systemic shocks which they cannot control. The extent of this vulnerability does vary across states. There are a small number of non-industrialized countries, notably China and India, which are so large that they can pursue relatively isolationist foreign economic policies without prohibitive economic costs. There are a larger number of developing states that are moving towards or have already developed flexible and adaptive domestic political economic structures. Such structures facilitate adjustment to external pressures and make it easier to take advantage of opportunities in the world market. Factor mobility enhances the gains from purely relational power behavior. A country that can take advantage of economic opportunities and absorb shocks without political disruption within the existing rules of the game has fewer incentives to pursue meta-power activity designed to promote authoritatively based regimes. The higher the level of factor mobility, the more attractive market oriented regimes become.

The East Asian NICs offer the clearest example of Third World political economies characterized by flexible domestic structures. While these states have not rejected Third World proposals, they have not taken an active role in formulating or defending them in international forums. In contrast, some oil exporting states which have done extremely well economically but remain vulnerable to external shocks because their factor endowments are concentrated and their mobility is limited, have taken leadership roles in demanding a New International Economic Order.

The vast majority of developing states are weak internationally and domestically. Market oriented regimes can provide them with economic benefits but fluctuations in global economic conditions threaten their domestic political tranquility. Trade related taxes are a major source of state revenue. Leaders use public expenditures to bolster their political support. In the absence of more enduring sources of legitimacy, fluctuations in external economic performance can have devastating internal political consequences. It is much easier for a Third World state to manage a stable global environment than a vacillating and unpredictable one.

Notes

This is an abridged and revised version of material which originally appeared in Stephen D. Krasner, Structural Conflict: The Third World Against Global Liberalism (Berkeley, Cal.: Univ. of California Press, 1985).

(1) R. Keohane and J. Nye, Power and Interdependence (Boston: Little-Brown 1977), pp. 49-54 and D. Baldwin, "Power Analysis and World Politics", World Politics 31 (January 1979).

(2) A. Stein and B. Russett, "Evaluating War", in T. Gurr ed., Handbook of Conflict Theory and Research (New York: Free Press 1980), pp. 31-32.

(3) Comparisons derived from information in P. Bairoch, "Europe's Gross National Product, 1800 - 1975", Journal of Economic History 52 (Fall 1976), Table 4: W. Woytinsky and E. Woytinsky, World Population and Production (New York: Twentieth Century Fund, 1953), Table 185; U. N., Statistical Yearbook 1975, pp. 694-696; W. Leontief et al., The Future of the World Economy (New York: Oxford 1977), p. 8.

(4) Figures from World Bank, World Bank Atlas 1979.

(5) Figures from World Bank, World Tables, Second Edition (1980), country pages.

(6) The condition for beginning to close the absolute gap is that the ratio of the growth rate of the smaller country to the larger exceeds the ratio of the GNP of the larger country to the GNP of the smaller. In the mid-1970s even the fastest growing LDCs, such as Korea and Brazil (which were growing four times as fast as most industrialized countries), did not meet this condition for the United States, although they did for most European countries.

(7) A. Hirschman, National Power and the Structure of Foreign Trade (Berkeley: University of California Press 1946), p. 28.

(8) G. Ardant, "Financial Policy and Economic Infrastructure of Modern States and Nations;, in C. Tilly ed., The Formation of National States in Western Europe (Princeton: Princeton University Press, 1975).

(9) W. A. Lewis, The Evolution of the International Economic Order (Princeton: Princeton University Press, 1978), pp. 47-55.

(10) G. Thomas and J. Meyer, "Regime Changes and State Power in an Intensifying World-State System", in A. Bergesen ed., Studies of the Modern World System (New York: Academic Press, 1980), p. 145. See also R. Gilpin, War and Change in World Politics (New York: Cambridge University Press, 1981).

(11) S. Huntington, Political Order in Changing Societies (New Haven: Yale University Press, 1986).

(12) For an illuminating discussion of the political motivations for policies with such perverse economic consequences see R. Bates, Markets and States in Tropical Africa (Berkeley: University of California Press, 1981).

(13) Between 1958 and the summer of 1981 there were 41 successful coups in the 23 black African states. See R. Jackson and C. Rosberg, "Why Africa's Weak States Persist", World Politics 35 (October 1982), pp. 7-12.

(14) This is a sweeping set of generalizations. There are important exceptions. The South-East Asian NICs - South Korea, Taiwan, Hong Kong, and Singapore - have effective state or market systems that have guided their economic development. China, India, and to a lesser extent, Brazil are so large that they can insulate themselves to some extent from the international economic system, although Brazil's debt burden indicates how difficult this is even for very large Third World states.

(15) J. Caporaso, "Dependence, Dependency, and Power in the Global System", International Organization 32 (Winter 1978).

(16) P. Evans, Dependent Development (Princeton: Princeton University Press, 1979).

(17) P. Kathenstein, Small States in the World Economy (Ithaca: Cornell University Press, 1985).

D. Cameron, in an analysis of increases in government expenditures for 18 industrialized countries comes to a similar, if somewhat narrower, conclusion. See his "The Expansion of the Public Economy", American Political Science Review 72 (December 1978).

(18) The most glaring exceptions to this generalization are levies imposed by oil exporting and some other resource producing countries on multinational corporations. The centralized structure of resource extraction industries makes them obvious targets even for weak states.

(19) The figures are from the IMF, Government Financial Statistics Yearbook, Vol. IX, 1985 (Washington, D.C. 1985), pp. 66-67.

(20) H. Hinrichs, A. General Theory of Tax Structure Change During Economic Development (Cambridge: Harvard Law School, 1966), pp. 15-16. Hinrichs' Figures were updated for 56 countries for 1974 and 1975 and show the same pattern. The sharp decline in the slope at $ 2000/capita is based on the mid-1970s figures.

(21) J. Conybeare, "International Organization and the Theory of Property Rights", International Organization 34 (Summer 1980), pp. 36-40.

(22) Iceland is an outlier. It collected 17 percent of its revenue from taxes on international trade. It was followed by Switzerland with 8 percent and Canada with 5 percent. Figures from IMF, Government Financial Statistics Yearbook, Vol IX, 1985, pp. 26-27.

(23) O. Knudsen and A. Parnes, Trade Instability and Economic Development: An Empirical Study (Lexington, Mass.: Lexington Books 1975), pp. 7-15.

(24) J. Hart, The New International Economic Order (New York: Macmillan 1983), p. 100.

(25) W. Wriggins, "Third World Strategies for Change: The Political Context of North-South Interdependence", in W. Wriggins and G. Adler-Karlsson, Reducing Global Inequities (New York: MacMillan 1978), p. 40; B. Korany, Social Change, Charisma, and International Behavior: Toward a Theory of Foreign Policymaking in the Third World (Leiden: A. W. Sijthoff, 1976), p. 86; R. Good, "State Building as a Determinant of Foreign Policy in New States", in L. Martin, ed., Neutralism and Nonalignment (New York: Praeger 1962), p. 7. See J. Rosenau, "Pre-Theories and Theories of Foreign Policy, in R. Farrell, ed., Approaches to Comparative and International Politics (Evanston, Ill.: Northwestern University Press, 1976) for a discussion of idiosyncratic factors.

(26) R. Packenham, Liberal America and the Third World (Princeton: Princeton University Press, 1973), p. 41; R. Good, Op. cit., p. 5; R. Rothstein, The Weak in the World of the Strong (New York: Columbia University Press, 1977), pp. 75-76, 110.

(27) This pattern of behavior does not occur in all Third World countries at all times. Many LDC leaders have shied away from a vocal defense of the NIEO, but none have strongly allied themselves with the North in defending the extant order. For the argument presented here it is only necessary to note that personalistic leadership and the widespread acceptance of dependency formulations are structural incentives that encourage attacks on the liberal international order.

(28) For a discussion of Korea's implementation of more liberal international economic policies see A. Krueger, Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences (Cambridge, Mass.: Ballinger, 1978), Chapter 2. For the underlying characteristics of the Korean political economy, especially the leading role played by the state, see S. Haggard and C. Moon, "The South Korean State in the International Economy", in J. Ruggie, ed., The Antinomies of Interdependence (New York: Columbia University Press, 1983). B. Cumings, "The Origins of the Northeast Asia Political Economy", International Organization 38 (Winter 1984) offers an illuminating discussion of Taiwan, South Korea, and Japan. For a description of Hong Kong see World Business Weekly (London), August 25, 1980, pp. 29-37.

(29) Figures from the World Bank, World Tables, Third Edition, Vol. 1 (Washington, D.C.: 1983), pp. 486, 488, 495, and 497.

(30) Ibid., pp. 486-491.

Stephen D. Krasner
Department of Polit. Science
Stanford University
Stanford, Cal. 94305

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Hartmut Elsenhans

RENTE, STRUKTURELLE HETEROGENITÄT UND STAAT: ENTWICKLUNGSPERSPEKTIVEN DER STAATSKLASSEN IN DER DRITTEN WELT

Die Entwicklungspolitik war lange Zeit durch die Vorstellung bestimmt, mit politischen Mitteln unter Einsatz von Entwicklungsverwaltungen die Strukturdefekte unterentwickelter Länder beseitigen zu können. Dieser Ansatz ist Ausdruck keynesianischer Überlegungen zur Wachstumstheorie und Folge der Erschütterung des Vertrauens in die Selbstheilungskräfte des Marktes seit den 30er Jahren dieses Jahrhunderts. Entwicklungspolitik ist also eng verknüpft mit dem Versagen liberaler Vorstellungen in der Weltwirtschaftskrise der 30er Jahre. Nicht zufällig sind deshalb die ersten bahnbrechenden Arbeiten zur aufholenden Industrialisierung rückständiger Länder keineswegs im Zusammenhang mit dem heutigen Süden entstanden. Hirschmans (1) Analyse des Zusammenhangs zwischen Handel und Macht in Mitteleuropa hatte zum Thema, wie das nationalsozialistische Deutschland durch relativ gute Absatzmöglichkeiten für Rohstoffe und die Verminderung von Anreizen zur Industrialisierung die ostmitteleuropäischen Länder von sich abhängig machte und sich dadurch die wirtschaftliche und geostrategische Basis für die Anfangserfolge im Zweiten Weltkrieg schuf. Rodenstein-Rodans (2) Grundlegung der Theorie wirtschaftlicher Modernisierung, gegenüber der die Kontroversen über gleichgewichtiges und ungleichgewichtiges Wachstum nur als Konflikte über Methoden nachholender Industrialisierung anzusehen sind, fragte nach den Möglichkeiten zur Industrialisierung Ostmitteleuropas. Entwicklungspolitik ist also zunächst entstanden aus der Überzeugung, daß wirtschaftliche Rückständigkeit friedensgefährdend sei und mit staatlichen Mitteln überwunden werden könne. Ähnlichen Motiven folgt ihre Übertragung auf die Länder des Südens. Der Verfall der Rohstoffpreise schon vor, aber vor allem während der Weltwirtschaftskrise der 30er Jahre und der Rückgang der Kapitalexporte in die Länder des Südens während der Zwischenkriegszeit zeigten, daß es keine Automatik des wirtschaftlichen Wachstums in den kolonialabhängigen Ländern gab. In den "teilmodernisierten" Gesellschaften des Südens waren durch marktorientierte Bauern und (in nach westlichem Muster aufgebauten Schulen) ausgebildeten "Mittelklassen" in Verbindung