World Trade by Richard Schulman

A Third World illusion

At the direction of UN agencies, developing countries are withdrawing from a "North-South" in favor of a "South-South" approach. Another word that applies is suicide...

In response to a sharp reduction in lending to the Third World and an expected leap in those countries' deficits due to the increased price of oil, the Group of 77 developing nations have agreed to focus discussion during their January and February meetings on a proposal for increased inter-Third World trade, to the exclusion of the "oppressive" advanced industrialized sector.

The germ proposal for this Third World "new solidarity" was voiced during a series of talks conducted in Geneva under the aegis of the Group of 77, the Nonaligned Nations of the Third World. In December talks, at the prompting of self-styled "radical" leaders, these nations took under consideration recommendations for trade reform on an exclusively South-South basis. This includes tariff reductions, lowering of nontariff import quotas and favoritism for Third World countries in trade among themselves. This will include ways of pushing advanced capitalist nation trading companies out of the developing sector, or at least greatly reducing their influence.

To help formulate the plan's presentation to the West, the United Nations Institute for Training and Research (UNITAR), a promoter of economic redistributionism, as well as representatives from the General Agreement on Trade and Tariffs (GATT) will participate in those upcoming talks. Yet, while the Third World is being advised by United Nations agencies to prepare for "anti-Imperialist" economic and trade solidarity, these countries will soon find themselves solidly isolated from advanced technology from the West and further removed from life sustaining industrial development. Without goods from the West, Third World economic survival is non-existent.

The current state of Brazil exemplifies this point. Brazil needs $15 billion in new foreign loans in 1980, according to a December interview with Sr. Karlos Rischbeiter, the Brazilian Finance Minister. This indeed may be a low estimate. Brazil's oil import bill is conservatively expected to hit between $10 and $12 billion in 1980. On top of that, according to Brazil's Getulio Vargas Foundation, the country's largest economic think-tank, Brazil will have to pay $11 billion for other types of imports. The total Brazilian import bill for 1980 is projected to be $21—$23 billion.

Against this Brazil's exports can be expected to be $18 billion and with a 35 percent export growth, the export ledger will read $20 billion. Thus Brazil's net balance of payments deficit will be between an improbable low of $1 billion, based on a minimum of imports and maximum of exports, to a much more likely high of $5 billion. Beyond this, however, Brazil must make approximately $3 billion in payments for such services as freight charges and insurance and then a further $15 billion in interest and principal on its $50 billion debt. This brings the total balance-of-payment and debt financing deficit of Brazil to a staggering $23 billion in 1980.

Brazil's financing troubles can be expected to be generalized throughout the Third World, especially as the price of a barrel of oil hits $30 and beyond. Third World deficits are expected to rise an additional $15 to $25 billion in 1980. Moreover, at the same time that the Third World needs greater funds to finance deficits, so will the advanced sector.

Under such conditions of competition for funds, and with the advanced sector private banks unable to meet all these needs, the World Bank "brains" who also run the bureaucracy of the Group of 77 have slipped the Third World leaders an "anti-imperialist" placebo: intra-Third World trade.

The problem with this view is twofold: first, Third World goods are no substitute for the technology and high productivity embodied in advanced sector goods. Second, such a demand to significantly decouple from the West, at the moment that the world dips into a worsening depression will guarantee disintegration of Third World economies. In that context, self-sufficiency in trade among the Third World should not be dismissed as a bad joke: it will prove to be a nightmare.