

# OUR FOREIGN ECONOMIC POLICY

*This article is based on an interview with Dr. Gamini Corea*

Although the UN adopted a strategy for development for the 90's there's no guarantee that the 90's would be a decade of development at all. The projections suggest that it will be a replay of the 80's – which was a decade of stagnation throughout the Third World – “the lost decade”. The West doesn't understand the social dynamics of what's happening in the Third World. There's tremendous ferment going on in the Third World. The governments are finding it increasingly difficult to cope with the groundswell from below. The developing countries are becoming increasingly ungovernable. If there's major tremor and turbulence in the Third World, it's going to spill over and affect the peace and stability of the whole world. Therefore 90's are not going to be a good decade unless governments react to the dangers ahead and change course.

We need conscious motivation to grasp the opportunities afforded to us by the international changes and to avoid the dangers. Unfortunately such conscious motivation is not in existence today. Whether it will emerge during the course of the decade remains to be seen.

Our international economic policy is an important part of our foreign policy. Our international economic policy in the above mentioned context should be aimed at getting as many positive impulses as possible from the world economy. Because we are a trading nation open to most of the world, the foreign policy aspect of our economic interest is multi faceted. Some of our problems cannot be solved through bilateral agreements with individual countries. You can't, for example, improve the price of tea and rubber through bilateral negotiations. For that we will have to engage in multilateral negotiations with other countries. Therefore Sri Lanka has a stake in all the multilateral negotiations. She doesn't have the strength to play a dominant role in these forums but she can join with other developing countries to bring about results which will be beneficial to our development process.

**Dr. Gamini Corea**  
was former Secretary General  
of UNCTAD and is currently  
Chairman of the Institute of  
Policy Studies.

*Our international economic policy is an important part of our foreign policy.*

Another important area is our relationship with the Aid Group and the World Bank and the IMF. Like other developing countries caught in the squeeze of the world economy we have become dependent on external resource flows. This has two aspects. One is that in order to mobilize resources and get the support we need we have to create an image of progress and orderliness. The other aspect is that we have to ensure that we have the capacity to adapt some of the conditions imposed on us by the IMF and the World Bank to suit the local realities. Some of these conditions might be based on blanket ideologies which might be unapplicable to our own reality.

South – South co-operation is another crucial area in our foreign economic policy. Our economic links with the South has increased considerably. This has to be enhanced. We also should pay special attention to the regional possibilities for South South Co-operation – within SAARC and with ASEAN.

*A new chapter in the history of the world is about to begin.*

Then you have the trading relationships with major markets Europe 1992, Japan and the Pacific Rim and the USA. Our relationships with Eastern Europe are also important.

It's also important to decide what kind of

foreign policy we are going to have – whether it's an activist foreign policy or a passive foreign policy. We can have a passive foreign policy of just being represented at every event, but playing no significant part, just reacting to other peoples initiatives and allowing others to be the major actors. Or we can pursue a very activist policy. But this requires a clear policy approach and a capable foreign service. A small country if it wants to pursue an activist dynamic foreign policy also needs a certain visibility. If you are seen as a backwater, nobody will take much interest in you and you will be left to your own devices – no matter what happens to you. Therefore we have to use all the connections we have with the UN, the NAM, the Commonwealth, the SAARC to express the existence and identity of Sri

Lanka as a country which is progressive and forward looking.

### The Need for Cohesive Action

There has been a progressive dilution of the strength of the developing countries as a single cohesive force particularly in the 80's. This was brought about largely by the impact of the recession in the 80's, the debt problem, the collapsing commodity markets, and the vulnerability and dependence of individual developing countries. In this situation the developing countries had to look inward; the governments were engaged in crisis management on a day to day basis. But this has to change. The developing countries should work towards recapturing their cohesiveness. This is specially difficult now because the developed countries have got into the practice of giving special attention to groups of developing countries and bringing these countries under their areas of influence. For example the US in Central America and Europe in

Eastern Europe and possibly parts of Africa etc. But developing countries should not allow such processes stand in the way of their acting cohesively on issues of multilateral nature when their united voice is vital to success. The best ex-

ample for the need for such cohesive action is the Uruguay round. The Uruguay round has been going on for 4 years. The developing countries there do not form a single bloc. There's no group of 77, in the GATT. As a result of this disunity the developing countries couldn't

tains that trading links have perpetuated colonial relations due to unequal terms of trade. There's some truth in this but you cannot conclude from that that the answer is to have no trade. If there is no trade you are thrown upon your own resources which vary from country to

Today the real determinant of economic progress of countries is not abundant labour or raw materials but knowledge. Lenin once said that electrification plus Soviets equals socialism. I feel very very tempted to say that skills plus infrastructure equals development in Sri Lanka. If we have a skilled population and good infrastructure I don't think we can be bypassed.

*Even when there is little space in the world economy, through our own ability and efficiency we should be able to capture a little bit of that space.*

**Multinationals**

We have to recognize that international financial institutions and MNCs today are big actors in the world scene. MNCs are today the source not only of capital but also technology, knowhow and markets. I don't think we can have a kind of policy that distances ourselves from the MNCs. Even Socialist countries like China today have begun to realize this. The real question is not whether to enter into relations with those institutions but how to. We should do it in a way that would not undermine our sovereignty and will bring us maximum benefits.

adopt a common position with regard to the Uruguay Round. Therefore they have been passive reactors more or less and these priorities have not been taken into account in deciding on the agenda.

country. Big continental countries like USSR, China, US, India can be less dependent on trade. But small countries cannot. That's why Europe is trying to integrate. And if you looked at all the countries that are quoted today as success stories, their successes have been based on trade - starting with Japan. If Japan said that trade in unequalizing and stayed out of it she wouldn't be where she is today. The growth and development of South Korea, Taiwan, Singapore, Hong Kong is due to the dynamic part they played in World Trade.

The developing countries must learn a lesson from this. There's a lot of talk about the Third World, about the South. But the fact is that there are no organizations of the south, representing the South. In the past UN bodies like UNCTAD used to articulate proposals and make analyses which brought out the problem and the needs of the developing countries. But increasingly today the UN bodies are not playing that role and the resultant vacuum remain unfilled.

More than ever in the world of today, one cannot cut oneself off because you are not only cutting your self off from exchange but also from science, technology and knowledge. It's through trade that a lot of this is transferred to developing countries. What the developing countries should do is not to reject the notion of trade but to ensure that trade is oriented towards their development efforts. If you are serious about development you need to trade. The dichotomy between export promotion and import substitution is a somewhat false one. If one has a diversified pattern of development then one has the capacity both to satisfy one's own market and to export.

Foreign investment can play a positive role provided there is a learning process. By our relationship with foreign investors we should be able to acquire the knowledge and the management and technological skills of which they are the channels of transmission. This is a very difficult thing for a small country to do. If we have a negativist attitude MNCs can ignore us and by pass us. If we are too accomodating we might get into a very dependent relationship and gain very little knowledge or knowhow. This happened in Iran - at the time of the Anglo Iranian Company there were hardly any Iranian Oil technicians. Therefore we must participate in the activities of the MNCs and ensure that they leave behind a residue of knowledge and skills and access to

Some of the big Non Aligned developing countries have grouped together into a group of 15 - India, Malaysia, Indonesia, Algeria, Zimbabwe, Senegal, Egypt, Yugoslavia, Mexico, Venezuela, Jamaica and Peru are some of them. This group has decided to at least play the pioneering role in working out what might be the platform of the developing countries. They have just begun to establish a nucleus of an office in Geneva. But it's still too early to say how this will develop.

We should also learn to take advantage

The South today has a lot of complaints. They mourn and lament a lot. But they are not organized to do anything. Yet the South can be strong if they get together. The North however powerful it may be can never ignore the combined voice of Asia, Africa and Latin America. Unfortunately today the south is very very far from having such a united voice. It is not enough just to go on repeating old slogans. A new chapter in the history of the world is about to begin. The developing countries will have to understand this and get their act together.

*More than ever in the world of today, one cannot cut oneself off because you are not only cutting your self off from exchange but also from science, technology and knowledge.*

**The Role of Trade**

There's a school of thought which main-

of the relative smallness of our size in the world context - as a source of supply. Because when we are asking for the opening up of markets for our products it does not create as much disruption on the buying scale like a big country. Even when there is little space in the world economy, through our own ability and efficiency we should be able to capture a little bit of that space.

markets. That alone will justify this relationship. Since these companies are very powerful small countries will have to be very circumspect. On the other hand if our attitude is hostile that will be extremely counter productive. This is a crucial aspect of our foreign economic policy - to find an approach to the question of MNCs which will enable us to achieve all our aims. ■