

# Bargaining on a Global Scale

## —The context within which effective bargaining occurs

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I hope to sensitise here some of the issues involved in the concept of co-operation between Third World countries in the bargaining situation that is emerging. I will deliberately take a historical perspective as this will highlight the past failures and the reasons for some successes. Thereafter, I will highlight what I believe are the significant points for possible future strategies in the bargaining situation specially from the Sri Lanka case.

Historically our economies have been structured by a particular centre-periphery relationship arising from the colonial past and its continuation in the economic sphere. This basically has an important conditioning factor in the co-operation situation. Firstly our economies—that is the Third World ones—are not basically complementary, they had been historically structured with the primary centre-periphery economic relationship as the fundamental one. Therefore there is in comparison little we can exchange between our economies although within this limitation there may be considerable exceptions.

*As the background UNCTAD document puts it:*

*"One consequence of dependence has been that the structure of the economies of developing countries has tended to be oriented more to satisfy the needs of economic growth of developed countries, rather than the elementary needs of the mass of their own populations. In recent years an increasingly important role in this process has been played by transnational corporations of developed countries, which exercise a dominant influence over production and trade in a variety of primary commodities and in many branches of manufacturing industry in a large number of developing countries."*

The background document identifies some of the areas of co-operation based on a policy of collective self reliance emerging as a result of the increased bargaining of developing countries as sources of supply of

essential raw materials and of the existence of new sources of finance. The document recognises the fact that because of differential development between the developing countries themselves there would be increasing possibilities for exchanges to occur across the periphery, so that some of the more advanced developing countries can export their products in exchange for some of the raw materials of the less developed ones. It suggests new links among the developing countries for a wide array of goods and services including scientific and technical co-operation.

It also recognises the fact that a high proportion of present trade flows among developing countries consist of intra-firm transactions of trans-national corporations, which reflect the market and production sharing arrangements and for which related transfer prices frequently do not approximate normal market prices. It envisages a setting up of several preferential arrangements between Third World countries including the Services Sector like Shipping and Insurance. In addition, it calls for joint bargaining action vis-a-vis developing countries and for joint technological and scientific co-operation.

### Must Complementarity Remain Utopian

I will not deal with the mechanics or contents of some of these co-operation deals. It is basically an arithmetical exercise where given the exports and imports of the developing countries, we could conceptually find areas of some complementarity, even in the case of exchanges of traditional raw materials. For instance using the apt image evoked recently by a Third World writer, tea was grown in Sri Lanka, sugar in the Carribean, bananas in Central Americas and Cocoa in Africa so that the British and the European housewife could have her 4 o'clock tea. It is easy to conceive that through arrangements of complementarity,

again to use the same metaphor, Third World housewives could have their 4 o'clock teas paying the respective producers a just share. However, such conditions of complementarity must remain Utopian when viewed in the context of what the background document refers to as control of these economies by the multinationals. This control, as the document points out, exists also in the case of the new manufacturers that have opened up in these countries. The same vertical integration extending from the producer at the periphery to the consumer at the centre exists with the corresponding disfunctions of the misuse of transfer prices, withholding of information etc.

It is here that we must look at the present evolution of the world system in context. Pious hopes of getting a fair deal existed from the beginning of UNCTAD or even before. In fact various regional systems of integration had been thought of in the Third World and I believe in the mid 60s, there was one actively discussed at an international seminar in Nuwara Eliya. The same efforts at regional co-operation and bargaining with the metropolitan centre also was behind the minds of all those who suggested producer cartels. These included products as varied as coffee, cocoa, tea, rubber and oil. The speakers, on the second day of this conference, who dealt with the problem of joint action with other countries as far as our primary products were concerned, namely tea, rubber and coconut emphasized the difficulties involved in the process. For instance, how does one come to an agreement limiting tea production when East African countries are reluctant to join it specially when the tea industry in those countries are operated by multinationals who have political influence within those countries and who would naturally resent any limitation of the oligopolistic control they had on the industry which a bargaining situation would tend to erode.

### The Case of Bananas

I think to illustrate limitations of the pure Utopian concepts of co-operation more clearly, let me give the example of a commodity namely bananas which were mentioned in the first session of this conference.

It is this product, bananas, which gave rise to the non-derogatory term 'Banana Republic' in the same way as Ceylon became 'Lipton's Tea Garden'. Today the market for bananas is handled by the trans-national companies United Fruit, Castle and Cooke and Del Monte. Between them, they control something like 90% of the marketing and distribution system.

Within the last 20 years, there have been cost reducing innovations, introduction of varieties resistance to Panama disease, increased inputs of fertilisers and the introduction of larger and quicker cargo ships. However, during the last two decades, the price received by producers has remained static whilst imported manufactures have risen dramatically in price, a parallel to the Ceylon traditional export produce. The purchasing power from earnings of banana exports declined 60%.

It was under these circumstances that General Torrijo, the Panama President started a banana producers OPEC, a Union of Central America Banana Producing States. It met in March last year and Panama, Costa Rica, Honduras, Columbia and Guatemala, all agreed to levy a one dollar tax on every case of fruit exported.

This decision brought a strong counter attack by the banana multinationals. Castle and Cooke refused to pay the tax and with the existence of alternative supplies from countries like Ecuador, and the producers' Union was soon threatened. United Fruit followed the example of Castle and Cooke. In Costa Rica, the company went back on a wage settlement that had already been made and provoked a strike by the plantation workers. In Panama, banana cutting operations were suspended "because of re-negotiations" and in Honduras, company officials simply stopped the shipments, leaving more than 145,000 crates of fruit to literally rot in the port.

As a result of this concerted action, the countries concerned gave in under the stubborn stand of the companies. Recent revelations in the Wall Street Journal have pointed out in addition, the more covert ways in which the producers' stand was broken. The Honduras President was given 1½ million dollars to cut the

proposed \$1 tax to 30 cts. a box. As soon as this bribe was revealed, (hearings are in progress in the current sessions of the US Senate into such activities) the President of United Fruit committed suicide by jumping from his 44-storey office.

I have taken out this example of co-operation between producer countries to highlight the problems that automatically arise in such situations. I have drawn this example to show that co-operation for wringing out concessions from developed countries should not be based on false Utopianism but on the fact of what the 1975 Dag Hammarskjöld Report calls "the will and power of the Third World". It is in this context and to illustrate the central dynamic involved that I would like to draw attention to the excellent summary of the history of UNCTAD which Lal Jayawardena has made.

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### **Wringing out concessions depends on the will and power of the Third World.**

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He mentioned that UNCTAD I was started with an appeal to the charitable instincts of the developed countries which failed. UNCTAD II was also a failure and Prebisch quit. UNCTAD III however, changed its tactics and began emphasizing the study of decision-making organs in the international system, organs in which the real power lay. UNCTAD IV, however, begins with a changed climate in the international scene where the Third World now has (again to quote the Dag Hammarskjöld Report) "the will, capacity and power for negotiations on inter-dependence from a position of strength". Recent responses from Wilson, Kissinger, Giscard d'Estaing etc. indicate the changing mood of the developed countries in response to the new Third World militancy. The point, I wish to make is that our need at the moment is to recognise that the changed possibilities arose not from any change of plans in the proposals for commodity changes but in bargaining from a position of strength,

specially after OPEC, Paris 1973, UNIDO, the Seventh Special Session, Stockholm 1972, Rome 1973, Bucharest 1974, etc.

Therefore, my further remarks are going to rest largely on how to increase our bargaining posture, because it is only within the framework of bargaining from strength that concessions have been given and will also in the future be given. So therefore, I would like to spell out some areas in which further work will tend to increase our bargaining posture.

First would be to take a leaf from UNCTAD III and study decision-making organs that structure our dependent situations. Whereas UNCTAD III strategy in effect began the study of large scale international organisations, our strategy should be to study those international organisations in the developed countries that have a bearing on our dependent situations. In the case of tea, one such early study was by A. S. Jayawardena and Jayapalan, to be followed by the Government Commission on Agency Houses. The study of the tea industry institutions were taken a step further by the Marga—IDS Study on the marketing of tea done by Paul Caspersz. In short, with this study, we are now beginning to study those institutions at the opposite end of the bargaining table from within their countries themselves, an advantage we did not have before.

### **Third World Expertise**

One of the background papers for this conference emphasizes the need to explore the possibilities of joint work with institutions sympathetic to the Third World in the Western countries. This is a problem that has been raised in the Western world itself specially rising from the fact that in almost all Third World countries today there is a higher degree of expertise than available in the development studies field in the West. In this respect I believe we should utilize such Third World oriented institutions to study these structures in the *developed countries* that deprive us of our fair share of resources. This is a reversal of the usual development studies and which also recognises that most of our problems are due to external restraints. May I also add that all

studies should preferably be under the guidance of the Third World academics themselves who are actually engaged in this.

### Confrontation and Supplication

Mention was made by Godfrey Gunatilleke of the UNCTAD as an institution where we confront with the West and the IMF as one where we supplicate. Reference was also made to "The Debt Trap" that interesting book by Cheryl Payer on the IMF. For a country which deals with the IMF as a supplicant, a study of the IMF should be very essential for any strategy of self reliance. I believe we should exchange information with other Third World countries about their experiences with the IMF, the depth of information which is collected by IMF teams, the various options that are open etc. I am sure the IMF in its operations, say in Rumania or Yugoslavia or for that matter in Italy would be acting very differently from the case of a country like Sri Lanka. And, a comparative study of these experiences would be a very instructive effort for us specially in the context of an IMF which is changing because of a changing world context specially with the growth of Arab power.

This type of study should also include UN and other organs operating on the development front in our countries. The Dag Hammarskjöld Report has a section for the re-organisation of various UN organisations (I believe Lal Jayawardena had much to do with drafting that particular section) and it envisages interesting changes. For our part we should carry out critical studies on the local organisations, their ability to service us, and specially the quality of personnel they have. It is well known that often these organs act as a kind of employment club and any material assistance they give is tied with an opening of jobs for the boys. Our enquiries should go into how we can utilise that type of UN (ILO, FAO etc.) aid so that we who have enough human expertise in this country get the material aid without the burden of often irrelevant experts.

### Strategic Possibilities

Our strategic position should not only be the study of those institutions at the opposite end of the bargaining table but should also extend to the

future movements of the world's resource positions. With the publication of various studies of "Limits to Growth" type, the developed countries are increasingly making projections on raw material positions and thereby also making plans for assurance of such supplies or their alternatives. It is here that we have to make similar studies from our own perspective about also our future requirements of resources as well as markets for raw materials. Such studies should not take a purely technocratic form but as in developed countries, they should explore the entire gamut of the geo-political spectrum including the military eventualities which such studies in the developed countries often assume.

We should not only study the position of resources, that we possess but also resources that may be used against us by the developed countries. The Dag Hammarskjöld Report refers to a study done by a developed country on the use of food as a strategic weapon against the Third World. We should be now doing the homework on counter scenarios for such eventualities, at least such studies should spur us to similar studies from our perspective.

### Respectability of Futurology

Godfrey Gunatilleke mentioned in a previous paper about two-year 2000 models being constructed by Leontief and Tinbergen from a Third World viewpoint. I personally have serious academic reservations about the respectability of futurology. However, I accept its use as a sensitising device. In this respect, it is necessary to mention the earlier 2000 models developed in the West and the Third World positions in them. Kishan Kumar two years ago analysed some of these models as to their content, specially the year 2000 models adduced respectively to Caltung and Jungk and also to Kahn and Wiener. His work reveals that all such futurological studies indicate a diminishing share of the Third World in the world's cake. Further developing countries would under these futurological scenarios take time periods measured in centuries to reach present Western standards of living. These year 2000 models have been widely quoted and have entered the consciousness, of the developed countries.

### Counter Scenarios

It is therefore, recognising the consciousness imprinting nature of futurology, for us to develop scenarios counter to these. The proposed Tinbergen approach for example would not necessarily satisfy the criteria of a Third World viewpoint in spite of the latter's avowed pro-Third World sympathies. Therefore, it is of paramount importance for us to develop our own models. In this respect, may I add that we have sufficient expertise in our midst if only the will and imagination were there to develop them. Let me just give one example of a recent Ceylonese systems analyst who using basically the same type of Forrester-Meadows world dynamics approach incorporated in the study *Limits to Growth* has analysed Sri Lankan development scenarios.

This need to develop our own scenarios is not purely an intellectual luxury but also arises from the fact that some of the scenarios put forward by developed country strategies envisage confrontation with the Third World over raw materials involving conventional and nuclear warfare. I refer specifically to the well known suggestions made in a certain developed country strategic circles in the wake of OPEC success to secure by military force a corridor of oil bearing Saudi Arabian land. I also refer to Herman Kahn's well known nuclear scenarios which include Third World situations. Peter Worsely for instance from a Third World perspective has envisaged a warfare with the Third World with the escalation of bargaining processes. May I also add that there is a study by a few London based strategists on a Third World nuclear strategy which in effect puts Herman Kahn on his head.

I will now attempt to come to the last item which I wish to deal with and which has been throughout the seminar repeatedly, referred to by various speakers, namely the need for widespread dissemination of information on a non-elitist basis.

Apart from pure information I think what is of paramount importance also is dissemination of the new theories and analyses being made to explain this phenomena. Most of these explanations lie counter to the

conventional economics taught in the Western countries (at least those taught in the fifties and sixties) and a new science of economics from its own perspective and problematic has emerged. Let me add that the growth of this new thought paralleled the growth of UNCTAD and in fact provided the background for many of its positions.

### Conventional Economics

These approaches began as an active confrontation with the hitherto Western economic thought. In fact 1964, the year of UNCTAD I, also saw the well known declaration of Latin American Economists which declared the emptiness of conventional economics in explaining Third World phenomena and called for in effect a new Third World Science. These calls have echoed in the case of Africa in 1968 where a fresh look of the teaching of economics was taken, as well as in Santiago in 1973 when a call was made on similar lines. To illustrate the tenor of these calls I will quote from the call in Santiago 1973 titled "The Third World Forum Charter".

*".....in the field of ideas, the Third World has frequently lived with concepts of development, with performance criteria, with issues of economic strategies and value systems which were often externally induced and largely inappropriate. Much of the research conducted in the developing countries has been done by academics and students from the industrialized countries and designed to fit their own needs and interests rather than those of the Third World. Furthermore, an imbalance has developed between the Third World and the industrialized countries in terms of the flow of information and research findings. The result is that the industrialized countries know, or have more information, about the Third World than the Third World has about the developed economies or even about themselves. This form of 'academic imperialism' has not contributed nor will it contribute to the development of the Third World countries".*

*"Basically what is required then is nothing short of an intellectual revolution which must be carried to every institute of learning and every thinking forum in the Third World".*

*".....in the field of research in the social sciences the Third World has tended to be exploited by the needs and interests of the developed economies. The predominant imbalance influences on research strategy and methodology from the industrialized world have led to a position of extreme imbalance in the realm of power and decision-making in such a way that priority problems of the Third World countries have tended to be ignored or "researched" in favour of established vested interests".*

## We should on our part make our own creative contributions.

In this connection I would like to mention the manner in which our view of reality is pre-structured so that we in effect are often left out of discussion of the central issues. Yesterday a colleague was mentioning in a private discussion the name of Chenery, the World Bank Economist.

Recently Chenery has co-authored a book *Redistribution with Growth* which is now being seriously pushed in all the Third World countries as the latest gospel. I believe there is much to recommend in the book but let me illustrate the manner in which the book was actually written in the developed country context. The book was co-authored by members drawn from the Institute of Development Studies at Sussex and the World Bank and was the result of discussion on drafts prepared by various members. The process of writing, let me assure, was not purely academic but also "political" and involved a high degree of bargaining with very different drafts and many significant portions of the chapters, were left cut in the final draft. I was at the IDS and sat in for some of these discussions and I know that some of the IDS authors were for instance unhappy about the final drafts they had to adopt on account of World Bank pressure. Now the book was published last year and in the organs of the IDS the book was reviewed critically and an interesting discussion has emerged. What I am trying to point out is that this document which will be pushed as a policy guideline for us in the future and which many of us will begin to quote as authoritative is a product of intense discussion in the developed country context. I believe that if we must depend for intellectual sustenance from abroad we should at least enter that spirit of critical and aware discussion too in much the same way as say some other Third World countries do.

I am sure by now Gamani Corea must be somewhat concerned with only Latin American thought

underpinning UNCTAD positions and must be yearning for Sri Lankan effects too. Well at least I hope he is.

There is in the Western world much more information about our problems than we ourselves possess. At an undergraduate level some of the ideas that we are discussing here are decimated in the West.

There are in the Western world several new journals apart from the academic ones, that cater specially for a Third World perspective. I refer to monthlies like the *New Internationalist* of England which provides a Third World perspective coverage as the *Economist* does for a British city-oriented clientele. I believe as a first step we should at least take to those journals that deal with economic problems from our perspective.

### A Dynamic Body of Thought

Within the last decade a new dynamic body of thought has emerged providing sufficient explanation from the Third World perspective. These originated with the structuralist views of some Latin Americans leading to the dependency theories as well as other more recent formulations. In this tradition of the new thought are those like Frank, Furtado, Stavenhagen, Sunkel and Santos associated with the Latin American scene, Emmanuel Wallerstein from Canada, Arghiri Emmanuel from France and Samir Amin from Africa. Some of these writers have also been the co-authors of recent UN and other declarations of Third World positions.

It is however, regrettable that the works of these writers are hardly known in Sri Lanka (I believe Lal Jayawardena and Godfrey Gunatilleke referred to them in their discussion). It is of absolute importance that the works of these writers who are forging a new Third World Social Science should be made available.

So let me conclude by stating that our highest priority should be in co-operation in the information and analytical sphere. We must exchange our experiences with other Third World countries and learn from each other and we should on our part make our own creative contributions.