AN AUSTRALIAN PERSPECTIVE ON THE NEW INTERNATIONAL ECONOMIC ORDER

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Introduction

After 1945 there was a global restructuring of capital investment and production. It was designed to rebuild the ex-enemy powers of the USA in order to contain communism and to defend US hegemony over the world capitalist system until such time as inter-imperialist rivalry no longer made this tenable.

The underpinnings of the strategy were hundreds of US military bases, massive US economic aid to Europe, Taiwan and South Korea and a series of international agreements regulating the international flow of trade and payments. Foremost among these were the Bretton Woods Agreement, the General Agreement on Tariffs and Trade (GATT) and the establishment of the World Bank and the International Monetary Fund (IMF). (1)

While Australia and New Zealand hesitated for a while, they soon found that to stay outside these arrangements and international capitalist institutions meant that the doors of European and US banks were closed to them and approval of loans denied. They joined.

During the post-war period, 1945-71, the Australian economy experienced its second long boom, the first having occurred during the four decades which followed gold rushes in the 1850s. The precondition for the post-war boom was rapid growth in the international capitalist economy. But it also required that the Australian state apparatuses inaugurate policies to take advantage of the favourable external circumstances. This they carried out with some success. The post-war social democratic government joined the American-dominated international order — the World Bank and IMF, inaugurated the immigration program to provide labour for the inflowing industrial capital from the UK and increasingly the USA, and tailored state policies — tariffs, subsidies, infrastructure, education — to the task of producing a full employment regime of all-round industrialization.
Despite his laissez-faire, Anglophile rhetoric, Menzies (Prime Minister 1950-63) used the interventionist state for the same purposes after achieving office, and moved Australia out of the British into the American orbit. By the late 1960s Australia was a viable industrialized appendage of the American-dominated order. During the 1970s these conditions collapsed: unemployment, de-industrialization and stagnation are the order of the day. The origins of this crisis, like the boom which preceded it, are to be found in the profound changes which are occurring in the international economy. These may be described as a global reorganization of capital, production and trading patterns. Hence while some sectors of the world capitalist system (South Korea) boom, others (Australia) suffer sustained depression. This is, of course, a classical feature of the capitalist mode of production: a clean-out and reorganization of capital coexists with a depression, for they are two sides of the same coin. What makes the 1970s unusual is that the "clean-out" is taking place on a global scale. The bourgeoisie call it the "New International Economic Order".

As the country was transferred from the British to the American empire(2) so the repressive apparatuses of state shifted their allegiance. The military became integrated with American strategic designs and fought with the US in its major military offensives in Asia — Korea, Indo-China — and Australia became the site of some of America's most important military installations, Pine Gap and North West Cape in particular. And the secret police, ASIO, established under the Labor government at British promptings developed under American auspices. Yet it is true that the strategy brought an extended economic boom (1945-71) which standB alongside that of the nineteenth century (1850s-1880s) in significance for the development of Australian capitalism.

As elsewhere, in Australia the boom seemed to be permanent, bringing with it rising living standards, a full employment regime and a rolling-back of socialist politics. The era of the Keynesian economist had arrived; social democrats swung sharply against public ownership of productive capital, a policy of which they had never been enthusiastic proponents; and the Marxist system of social analysis received fewer adherents. An account of "American imperialism" (1969) centred on its global dominance of economic activity and continued expansion. Yet by 1971 the visible signs of an empire in decline were already there for all to see. What had occurred?

In their seminal work, The Limits of Power, the Kolkos have argued that the post-war strategic objectives of the United States were beyond its capacity to achieve. They conclude by referring to America's constant, increasingly violent effort to control and redirect a world moving ever further beyond any nation's mastery. In that monumental undertaking to contain and reconstruct the world according to its own needs, the United States was prepared to destroy itself — morally, socially and economically — in a deepening trauma whose effects began to weaken American capitalism far more than the attainment of its expansive, unattainable goals might ever have strengthened it. (4)

The post-war order began to come apart in the late 1960s, but it was from the abandoning of the gold standard in August 1971 that the decline of American hegemony may be dated. It occurred because the social forces temporarily contained within American strategic objectives in the early 1950s presented simultaneous challenges to its power.

One of these social forces and a key source of dissatisfaction was the Asian bourgeoisie. Their import substitution industrialization programs had never got off the ground without Soviet assistance and rarely with it. Their economies continued to be dominated by foreign capital. And the foreign aid programs had for the most part merely served to lock them more securely into this structure by being tied to policy packages which ensured it. These complaints were voiced in various international forums, particularly after UNCTAD in 1964, and grew in strength following the formation of the Group of 77 at the United Nations. In the 1970s they became articulated as the demand for a New International Economic Order.

In addition, raw material exporters, conscious of their vulnerability to
international price fluctuations and long-term downward movement, began the formation of commodity cartels. In 1971 the oil cartel, OPEC, won a significant price rise by collective action giving a spur to others.

New Planning for Global Restructuring in the 1970s

Faced with growing threats to the international order which it had established in the post-war period, American ruling circles in the 1970s undertook a reconsideration of their global posture. This was made more urgent by what was widely termed a crisis of credibility concerning its political institutions among the American public itself. The Nixon-Kissinger administration in its dying years moved in three direction. First, under Kissinger's intellectual guidance it sought to evolve a classical balance of power situation involving the US, Soviet Union, West Europe, Japan and China with scant regard to their domestic regimes. Interests not ideology would be determinant as the new Metternich secretively spun his new Realpolitik. Trade war with the EEC and Japan, and trade deals with the Soviets and China resulted. Secondly, an administration without ideals would use national interest, media manipulation and political repression to maintain political stability without an adequate mask of ideology — since abroad all were potential allies. Thirdly, Third World states could be policed by time-honoured techniques — a torturers' coup in Chile, carpet bombing in Hanoi and perhaps an occupation of the Persian Gulf to secure oil supplies, all directed personally by Nobel Peace laureate, Kissinger. But such techniques and strategies were already under question within American ruling circles.

We may now refer to the Shoup and Minter study of the Council on Foreign Relations. (5) They have used the publications of this influential American institution, whose members included politicians, academics, military men and corporate capitalists, to illustrate the debate about post-war strategy in American ruling circles. In the 1970s a new institution emerged to supplement if not replace the Council — the Trilateral Commission. We do not suggest its three hundred members drawn from West Europe, Japan and North America merely constitute a conspiracy. What is clear is that its extensive list of publications represents an opportunity to witness some of the discussions undertaken by the American foreign policy elite as it reconsidered its strategy in the 1970s. Since its membership has included a few Rockefellers, Carter, Vance, Schlesinger, Mondale and Brezzeinksi — apart from numerous but not quite so influential Europeans and Japanese — we must credit it also with considerable influence.

We do not wish to undertake a detailed review of the Trilateral Commission or of its practical influence and refer the interested reader to the research findings of an Australian, (6) David Marcus. In four areas, however, its debates are of interest to this study. First, its organizational basis represents an effort on the part of the American elite to reconstitute the world order under the joint direction of the EEC, Japan and the US. It is an attempt, buttressed by the annual heads of government economic summit conferences, to paper over the inter-imperialist cracks. Secondly, with respect to the Third World it advocates integrating the most powerful of its elites into the global management structure by acceding to some of the demands contained in the New International Economic Order. Thirdly, it reaffirms the objectives of detente but with other tactics. On the one hand, communist regimes should be carefully distinguished from those of the capitalist world and suitably discredited by selective use of human rights propaganda. And on the other, the more "moderate" elements in the political elites of those countries should be offered material incentives to increase their economic ties with the capitalist world markets. In the Soviet case, the incentive would be access to food supplies; in the Chinese case — where opportunity followed hard on the heels of intention — the lure would be the transfer of capital and technology. Finally, the Commission had considered the political crisis of the 1970s within many of the advanced capitalist countries themselves and advocated none too implicitly an all-round reduction in those democratic liberties which it argued had been extended sufficiently to threaten the authority of the capitalist state itself. The transition from Nixon/Kissinger to
Carter/Brzezinski heralded the adoption of this Trilateral strategy by Washington. Before turning to the Pacific Rim Strategy, we must consider policy changes in the OECD member states.

The fear involved in these reports is that national efforts to offset recession by protectionism could spread, collapse world trade and deepen depression, as in the 1930s. To some degree, its recommendations were taken on board by OECD member states, and to that extent represent a consensus among capitalist states on appropriate public policy.

The Lome convention is an example of a partnership between EEC states and fifty-six African, Caribbean and Pacific states. Signed in February 1975, its preamble called for "a new model for relations between developed and developing states compatible with a more just and balanced international economic order". All products were to have duty-free access to the EEC, although 75 per cent of these exports had already achieved a "no duties" status under GATT arrangements. Special regulations, however, protected EEC Common Agricultural Policy (e.g., sugar and beef). The post-Lome period, 1975-78, does not show any evidence of a change in export flows, but the reverse flow from the EEC to the underdeveloped signatories rose steadily. The total amount of aid that has gone out from the EEC is small and its real value has been reduced by inflation during 1975-78. By March 1978 only 38 per cent of the target for aid had been committed and only 10 per cent disbursed. Any improvement for non-European signatories, however, seems unlikely, because of the EEC insistence that they must keep a balance between its relationship with Lome signatories and the Third World as a whole.

Asian states are now tailoring their policies to attract the favourable attention of those corporate planners who are creating the New International Economic Order. In such circumstances, in order to fully understand the effect of the 1970s crisis on Australia, it is necessary to extend beyond an analysis of the decline of US imperialism and the generalized depression throughout the OECD area, and investigate the effects of the restructuring on the peripheral areas of the world imperialist system. Particularly important here is the Asia-Pacific region.
reduction and the expansion of capital investment, trade and aid with the region — policies he had himself pursued when in office.

The Pacific Rim Strategy springs from the conjuncture of circumstances which we have earlier described. The decline of American imperialism has forced on US capital a policy of accommodation with forces it could earlier ignore. The deliberations of the Trilateral Commission make this clear. The reorganization of production in the Asia-Pacific region reflects this fact. On the one hand, Japan has emerged as a rival and cohort with large reserves of capital and foreign exchange which it has been investing throughout the region in energy, resource and industrial undertakings. This has dovetailed neatly with the emerging demands of the peripheral bourgeoisie in the semi-colonial countries of east and Southeast Asia for industrial capital to reorganize their status on the world market. Technological advances in transportation such as super-ships and containerization — which have massively reduced the unit cost of transport — and in communication and travel — jumbos, satellites — have enabled multinational corporations to reorganize their industrial production on a multinational scale with less regard to proximity to markets. The coincidence of these developments is changing the Pacific Basin's production pattern.

We have already referred to the Trilateral Commission’s projections. It has also established a 1980s Project to determine the contours of the new international division of labour. (12) Other agencies have been similarly concerned to determine the shape of the new world order which international capital is creating. The International Labor Organization has produced a study, The Optimal International Division of Labour, (13) in which, among other things, it lists which industries it estimates will be allocated to which country. The Club of Rome, similarly, has published a report in which it not only calls for global reorganization but also urges that “a conscious attempt must be made to organise intellectual and political lobbies to re-educate international public and political opinion”. (14) Similarly, within each state “think-tanks” are busily making projections of the role that they will be called on to play in the NIEO and politicians are gearing up for the task of making the transition acceptable to their population. And finally, in 1975, the second conference of UNIDO in Lima called for the transformation of the capitalist world by the expansion of Third World industrial production from its 1975 share of 7 per cent to 25 per cent by the year 2000. Since on Club of Rome estimates (which are conservative) by 1988 transnational corporations will control 41 per cent of the capitalist world’s output, it is quite clear who is designing the NIEO. (15) What will be its shape in the Western Pacific?

Basically we may say that the Pacific Rim Strategy involves reorganizing the international economy of the Western Pacific on four tiers. The first three Peter Wiley identified ten years ago and we have made extended reference to them ourselves (16): the US and Japan acting in condominium as providers of capital, technology and planning; Canada, Australia and New Zealand delivering foodstuffs, raw materials, energy and deindustrializing; and the former colonial areas of the area maintaining their role as neo-colonial providers of raw commodities and cheap labour, supplemented by new infusions of industrial capital. To these three must be added in the 1970s a fourth: the socialist countries of east Asia which are being invited and cajoled to join the system. Let us look at each tier in turn.

We have already referred to the development of US policy in the 1970s. But some additional observations need to be made. The 1971 devaluation of the dollar was accompanied by certain trade restrictions on Japanese imports and the later announcement of Nixon’s visit to China. These were indeed “shokkus” for Tokyo. To them were added the inflation, recession and oil price rises of 1973-4. Since the US then tended to (wrongly) blame Japan for its deficit problems, relations were extremely strained. With the inauguration of Carter and a flexible exchange rate regime this tension has eased and present US deficits are chiefly attributable to its energy import bill which will be resolved only by tough internal policies. But the trade surpluses built up by Japan and its revalued currency placed it in a strengthened position as a capital exporter and therefore imperial power. “Significant
developments in the United States-Japan relationship over these years marked decisively the end of the post-war patron-client relationship between the two countries and signalled the assumption of leadership responsibilities for Japan, side by side with the United States, in the Pacific area." (17) In 1978 the new yen-dollar rate was jointly determined. This inter-governmental cooperation was strengthened by joint corporate penetration of the region, for example, in the area of autos where each US corporation has interlocking ownership or distribution systems with a Japanese producer. They have also combined their China-Viet Nam policies.

The second tier involves the former colonial areas which we may consider in two groups. First, Taiwan and South Korea. In socialist literature the so-called Baran-Frank thesis assumed dominance in accounts of the capitalist periphery in the 1960s. (18) On this thesis the epoch of colonialism had seen the underdevelopment of the Third World. It has been reorganized under the dominance of metropolitan capital with the result that even after independence, post-colonial societies were essentially producers of raw materials exported to the metropolitan countries in exchange for industrial products. This "unequal exchange" maintained their underdevelopment and dependency which was occasionally augmented by military power. A few settler colonies — Australia, Argentina — provided exceptions to this picture, but when Baran wrote his Political Economy of Growth, 1957, the model was a reasonable representation of reality. Indeed, Third World governments took the same perspective in their growing demands for a NIEO. But by the early 1970s this picture had changed.

In 1973 the late Bill Warren wrote his much discussed article in the New Left Review claiming that independent industrial capitalist development was taking place in many areas of the Third World. (19) The figures he presented crystallized the problem and confirmed the lurking suspicions that manufactured goods with "Made in China or Korea" stamped on them had stirred up at the local supermarket. In fact, as a quick response argued (20), the process was certainly not widespread and probably rarely independent, but the possibility of Third World industrialization had to be conceded, since it existed in, if limited form. And the two pacesetters in this respect were Taiwan and South Korea.

These countries shared two important legacies. They had both been colonies of Japan, whose imperial policies included a widespread education policy and did not exclude industrialization in the colonies — both almost unique features. In addition, after 1950 both states were front-line areas in the US strategic policy of imperial defence. As a result the aid programs provided by the US were not exclusively designed to maintain their economic integration into the imperial system. They were among the highest per capita recipients of economic assistance designed to produce showcase states in the strategic battle with Asian communism. (21) They were both also military dictatorships, Taiwan from its inception and Korea from 1960. Further, they were, for reasons of strategy, military presence and geography, early recipients of US and Japanese industrial capital. By the mid-1960s both states had utilized this combination of circumstances to produce an export-led industrialization program, which during that boom period did not encounter significant protectionist resistance.

The success of these strategies has led to these states being widely touted (along with Hong Kong whose unique features are well known) as models, so some indication of their character should be given. Their almost unique legacy and location gave them advantages as did their early development as export/production platforms for multinational capital. Domestically the policy has required savage repression, no internal democracy, no trade unions, female labour working a 58-hour week for 20 cents an hour in Korea, and unmatched secret police powers. Also when the American aid program stopped providing free infrastructure construction, the state was forced to borrow abroad to provide subsidies for capital, and Korea's external public debt stands at over $30 billion.

Under the impact of the apparent success of the Korea-Taiwan package, and at the prompting of the World Bank (22) and multinational corporations, each of the states of ASEAN determined on a new strategy. Although the timing varied, we
may briefly describe its essential elements. The key step in each state was the removal of even the semblances of parliamentary democracy which had been adopted by all during the 1950s and 1960s. This process took place in different ways ranging from a bloody military coup in Indonesia to creeping authoritarianism in Malaysia and Singapore. The repressive state apparatuses then set about dismantling the restrictions on foreign capital and trade which had been erected either by state planners or even at the behest of an embryonic local bourgeoisie. This policy was accompanied by the destruction of any organized labour movement or patriotic opposition — and, of course, savage repression of socialist politics. By the early 1970s, this process was completed and the ASEAN states undertook strategies designed to attract the capital of multinational corporations — chiefly but not exclusively Japanese and US — in pursuit of an export-led development strategy. Two sectors became important in this process: industrial capital for the export of manufactured goods, and agribusiness for the further development of export-oriented agriculture and primary production. Alongside this, as Malcolm Caldwell so perceptively documented, the region also became a new potential source of oil and other energy supplies developed by multinational capital. (23)

In order to achieve this strategy, quite marked changes have occurred within the ASEAN states. Not only must labour be quiescent, it must also be cheap, and since these states compete with one another for corporate capital they have each driven down wage rates to attract it. In addition, they have competed to provide the most generous state subsidies, taxation holidays and infrastructure. And in the rural areas they have used the repressive state apparatuses to break up traditional social patterns, where these provided an obstacle to the development of agribusiness or the “Green Revolution”, thereby further destroying traditional agriculture, increasing unemployment and worsening per capita calorie intake. Alongside this repressive process has been built the most modern enclaves to cater for tourism and the needs of expatriate corporate executives. These developments represent the domestic face of the much vaunted New International Economic Order.

The enthusiastic supporters of the NIEO in the advanced capitalist countries see it as
breaking up the exploitative trading patterns which had been established in the colonial period. Clearly there is some truth in this proposition — but old patterns of exploitation are being replaced by new ones. While aggregate statistics enabled Warren to point the finger to industrial capital accumulation in peripheral states, he missed the dramatic effect this is having on social relations in those areas. In many cases slave labour is not uncommon:

When she was brought to Bangkok at the age of 12, Maem thought she was going on a family outing. Instead, her father, a dirt farmer, sold her to an employment agency for $80. Maem ... was then sold to a factory where she and 58 other girls worked 15 hours a day wrapping candy. They were supposed to be paid 50 cents a day, but no one received any money because the owner said they had to pay for bed and board ...

5,000 of the 17,000 factories and cottage industries in Bangkok are sweatshops; they employ mostly children and habitually violate laws regulating working hours, sanitation and safety. The children are usually sold to the factories for $50 to $100 to supplement their parents’ 75 cents a day income from the fields. (24)

Export Processing Zones

The essence of this process is perhaps best seen by looking at the industrial estates inaccurately known as Free Trade Zones. This is an area set aside for industrial production for export, usually ringed by barbed wire or concrete walls. It is reserved for corporations prepared to export a high percentage of production and, in official terms, “an enclave in terms of customs-territorial aspect and possibly other aspects such as total or partial exemption from laws and decrees of the country concerned”. (25) The zone has its own authority and its workers are subject to special repressive ordinances and anti-combination practices. It is usually located near an airport or seaport. The state provides the roads, power, labour and factory shell. For metropolitan capital the investment credit or “free trade” zones are like beachheads, ensuring operations which will eventually integrate much of the economy of the host country. Moreover, these zones reproduce the wage-labour/capital situation of classical capitalism in its pure form. As they spread their impulses they will widen and deepen those relations. In Sri Lanka it is hoped that about one-half of the present size of the industrial labour force (250,000) will be recruited to one zone during the next five years. Such zones are projected for or exist in all the ASEAN states. They represent the subservience of the post-colonial state to its master, multinational capital. And in order to achieve this status it must not only repress and cheapen its local labour power more thoroughly, but also expand its public debt via loans from the World Bank or financial corporations in order to provide the necessary bribes. Hence the growing and massive indebtedness of the Third World as a whole.

In order to illustrate more concretely the process underway, let us take the cases of the Philippines and Sri Lanka. In the Philippines transition to independence, a stunted but lively caricature of capitalist democracy was constructed, partly to assist in the crushing of the powerful socialist rebellion (the “Huks”) of the post-war period. By the early 1960s some internal nationalist development was taking place and controls were established on foreign capital (by currency regulations). Under the Presidency of Marcos this was wound back in the late 1960s. Following the coup of 1972 and the imposition of martial law, the technocratic-military regime under the personal dominance of the Marcos family and coterie of associates unfolded a familiar package. The entire array of democratic rights, however stunted, was abolished; about 60,000 political prisoners were jailed in six years; American military assistance more than doubled; the World Bank made lavish loans available; Japanese and American capital flooded in; per capita calorie intake plummeted to below India’s level; unemployment, despite official figures, is around 30 per cent on ILO estimates; and the foreign public debt has leaped from $1 billion in 1972 with a service debt of 10 per cent of export earnings to over $8 billion in 1978, the service on which is over 25 per cent of export earnings.

Why did this happen? Despite its ideological rhetoric about the “New Society”, the Marcos regime is the agent of multinational capital and propagates the “trickle down” theory of foreign investment-led development (which it is unlikely to
believe). With that in mind, its strategy leads inexorably to the results described above. Its foreign public loans are designed to provide an infrastructure for foreign capital investment. Here, its projects include the provision of power through the Chico Dam, the Lake Cebu hydroelectric power scheme and the nuclear power station — destroying local society. US military aid and the expansion of the armed forces are to ensure its ability to cheapen labour power which is now touted in its development brochures as the cheapest and most efficient in the region. In the rural areas export-oriented cash crops have been further developed with a consequential decline in the availability of food and a rise in its price. (The cost structure in Manila is approximately the same as Sydney with average wage rates 5 per cent of Australia’s.) This rural decline takes place despite a “land reform” program, the chief purpose of which is to transfer rural political power away from the old “oligarchs” to Marcos’ supporters.

The centrepiece of the program is the Manila Bay land reclamation project complex, the most expensive single item in the foreign debt ledger. It involves reclaiming 6,000 hectares of land in the bay at central Manila. On it already exists the massive Philippines Cultural Centre which rivals the Sydney Opera House, a conference centre, some luxury hotels, a hydrafoil port, a yacht club and a floating casino. To them will be added a marina, sports complex, a mini-forest, a luxury corporate executives’ housing estate, the technocratic faculties of the University of the Philippines, a banking headquarters and a new Presidential palace. The whole area will be enclosed with a moat and finally the international airport added. Alongside this enclave development runs Roxas Boulevard with its luxury hotels and Playboy Club, and ITT and Asian Development Bank offices. Behind them lie three streets of brothels. It is flanked to the north by the US embassy and the south by Sangley Point US military base.

Across the bay, on an isolated peninsula, lies the Bataan Export Processing Zone at Mariveles linked by hydrafoil. In it work, at a dollar a day, nearly 25,000 Filipinos, mostly women, for foreign companies who have had the infrastructure, including an executive hotel, golf course and swimming pool provided. Their products are exported. To its north stands the unfinished nuclear power plant. Around it live the 10,000 workers on the government’s reserve list which it guarantees to provide to capital as and when required. The entire complex is not the product of a megalomaniac latter-day Asiatic despot. It is the lure to attract three sources of capital: regional MNC headquarters to the downtown banking centre; industrial, to the export processing zone for export and Manila for domestic markets; and tourism cum conferences, to the Manila Bay complex. No doubt some egos (and other things) will also be flattered by visiting UN Security Council meetings, ADB and UNCTAD conferences and American dance and film companies. Again, this is the domestic face of the New International Economic Order.

The government brochures which seek to attract foreign capital make it quite clear that the basis of the strategy is labour exploitation. Certainly extensive reference is made to other facilities but:

*The workers at the EPZA outnumber their capitalists and managers by thousands to one; they overwhelmingly comprise the people at the export zone...they are the lifeblood of the Zone, the hub and wheel that turn the industry at the EPZA — the mainsprings in fact that make the cash registers ring... They are the prime attraction that induces most companies to converge upon Bataan. (26)*

It is on this commodity — thoroughly exploited labour power — that the Philippines entry into the New International Economic Order is riding.

Similarly, in Sri Lanka, an export “free zone” managed by the Greater Colombo Economic Commission will employ 100,000 workers producing manufactured exports — and the total industrial labour force in Sri Lanka is less than 250,000.

The first feasibility study for the free trade zone, to extend over a geographical area of 180 square miles north of Colombo City, was done in 1974. The second and major stage will be completed by 1982. Foreign investors, except in textiles, are permitted to hold 100 per cent ownership of their enterprises; there is to be no planned transfer of assets to Sri Lankan ownership. Bilateral investment
guarantees were negotiated with governments of the main foreign investing countries. Investing firms will set their own guidelines on wages policy; offshore banking arrangements have been made.

The key aspect is that the “zone” is being treated administratively as if it were a separate country despite the fact that if it is successful in terms of attracting investors, it will have crucial economic and social implications for all of Sri Lanka. It will, under present circumstances, dominate industrial strategy instead of promoting industrialization as one amongst a number of industrial projects and employment-generating policies.

New International Economic Order and Australia

The New International Economic Order is being widely portrayed as a progressive development, even in some socialist circles. In fact it represents a strategy, already touted by the Trilateral Commission, of coopting restive peripheral ruling classes into the new international division of labour which the multinational corporations were in any case, for their own reasons, undertaking. The first demand by the Third World states, for industrial capital, will be met by raising the Third World share of capitalist world industrial output from its 1970s level of 7 per cent to 25 per cent at the end of the century. This was declared at the 1975 Lima conference. Much of this will remain under the control of metropolitan capital and serve to improve profit rates. “Progressive” peripheral ruling classes will deliver the labour input. The second demand, for a stabilization of commodity prices via a Common Fund, will again serve the need of metropolitan capital, still conscious of the 1972-3 commodity and energy price explosion. The third, for larger foreign aid programs, will be met by public capital transfers (mostly loans) to provide the infrastructure for corporate investment to ensure the further integration into the world market on the lines described in the Philippines. The New International Economic Order is a shorthand for the plans for further expansion of capitalism into the peripheral areas on terms still dictated by metropolitan capital's needs and with social and political effects in many cases that may well be as disruptive as the impact of nineteenth century colonialism, and which has already produced violent reaction in Iran and elsewhere. As a progressive project it is a fraud. And it was entirely appropriate that the fifth UNCTAD conference in June 1979, which made very plain that the advanced capitalist countries would structure the New International Economic Order, should have been held in the $150 million convention centre on reclaimed land in Manila.

A common theme since 1967 in US foreign policy, and later in the Trilateral Commission and in the OECD, has been to re-integrate the socialist states, particularly of Asia, into the international capitalist economy. At a time of the decline of the American empire, this was seen as a way of helping to prolong American hegemony by use of offsetting boosts such as expanding markets, investment outlets and cheap-labour based manufacturing export platforms and tourism.

The “four modernizations” program of the Teng Tsiao-Ping section of the Chinese leadership was particularly welcomed as a way of enabling this program to be implemented: joint ventures, foreign investment in two free-trade zones and military/security co-operation. Despite recent political opposition to the speed of the new Chinese program (and consequent scaling down of targets and massive foreign borrowing), the new economic policy in China was widely welcomed as a harbinger of future re-integration of China's economic system with the international law of value. Some Asian Development Bank officials, Manila planners and Canberra economists note the dangers also posed by this development for other tiers (such as Australia) in that China provides even cheaper labour and subsidies for manufacturer's exports — a development which makes China competitive not only with Australia but with South Korea and Hong Kong.

Viet Nam's refusal to join the trend to re-integration, its tough foreign investment laws, its initial refusal to disavow a revolutionary foreign policy was one of the first obstacles, and helped to sponsor Washington's attempt to make Viet Nam an international pariah by using the boat-people fraud. The aim, especially since the
Brzezinski visit to Peking in May 1978, has been to destroy Viet Nam's post-war reconstruction policies and remove any "force of example" (socialist revolution in agricultural property relations, nationalization of private trade) for people in Thailand and Malaysia.

Australia's Future in the Pacific Basin Economy

Australia stands, with Canada and New Zealand, as a distinct tier in the emerging, reconstituted Pacific Basin economy. As sparsely populated, high-productivity economies with abundant natural resources, their role in the new international division of labour will be different from that of the metropoles, the Third World or the socialist states. It is the repercussions of that transition which provide the key to understanding the processes of political and social change experienced by Australia in the 1970s. We will conclude with a broad brush review of the major features of this development.

The first involves the development of new mining and energy industries under the control of multinational capital. This process began in the late 1960s with coal and iron providing the lead sectors for export to the rapidly growing Japanese economy. These industries are chiefly located in the states of West Australia and Queensland where they rapidly developed strong influence on the state apparatus and political parties to articulate their political objectives. Being capital-intensive they provided limited employment opportunities (the mining workforce declined in 1978) and being export-oriented had less interest in the condition of Australian aggregate demand levels than in its currency level and inflation rates. They demanded and got an extensive system of government financial support which continued to grow, despite some brief opposition by the Labor Party, during the 1970s. It is from their states that the lead sectors of Australian reaction emerged in the 1970s.

The other side of this coin has been the growing de-industrialization of the Australian economy. This process also started in the late 1960s. It first surfaced as a slow-down in investment rates and than from 1969 on was compounded as imports progressively seized a larger share of the domestic market. At first, the principal source of these employment-displacing imports was Japan which reflected not only its growing trade surpluses but also the decline of American and British manufacturing industries in Australia, for the lead sectors of manufacturing capital in the country were owned by those declining imperial powers. Later, the export-oriented industrialization programs of the poor Asian states had their effect. For the one year, 1976-7, it has been estimated that 20,000 persons were unemployed by ASEAN imports alone, contributing to the 80,000 jobs "shed" each year in the manufacturing industry since 1974. This corresponds broadly to other estimates of a decline in manufacturing employment by more than 200,000 during 1970-8; or, to put it another way, a drop of the percentage of the workforce employed in manufacturing from 27 per cent to 20 per cent. The problem was worsened by the geographic concentration of the industry in exactly the opposite part of the country, to the new mining ventures. (27) Facilitating this shake-out of capital and labour and despite the Fraser government's reputation as a high protection one, the nominal rate of assistance (tariffs, import restrictions and subsidies) has declined quite dramatically in the 1970s. This is bringing Australia, with an historically very successful protectionist policy, into sharp conflict with the interests of the Asian bourgeoisie, the economic program of which is the "New International Economic Order".

The openness of the Australian economy has also ensured that within this structural remoulding, it has shared the short-term oscillations of the world economy. In the late 1960s, it shared the growth; in 1971, recession; in 1972-3, the short boom which capital inflow and rise in commodity prices ensured would both inflate domestic prices and push the currency value up; since 1974 it has shared the depression. This has been intensified as a result of the pronounced decline in new foreign capital inflow in 1973-4, which has ensured that a major objective of state policy would be to create an investment climate favourable to multinational capital.

The Australian capitalist class has similarly accommodated to this process — a
strategy consistent with its history and one which gives little credence to the term "national bourgeoisie". Across the board the leading firms in each sector of the economy are now multinational, and where this is not so evident, as in banking, the interlock of directorships and share holdings is strong.

Not only is the Australian economy unusually monopolistic but also only four of the top ten corporations are Australian, and the two largest of those are deeply involved in joint ventures with multinational corporations. All are transferring their capital into energy and mining operations to take advantage of the new international division of labour. And, finally, they are joining the rush to invest their industrial capital in ASEAN states. (28)

Notes


5. Shoup and Minter, Imperial Brains Trust.


12. Shoup and Minter, Imperial Brains Trust, Ch. 7.


15. Reshaping the International Order, pp. 274ff.


17. Drysdale and Rix, op. cit.


24. Newsweek, 23 July 1979, p. 34.

25. Free Trade Zones and the Industrialisation of Asia, AMPO (Tokyo, 1977).

