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PERSPECTIVES FOR DEVELOPMENT THROUGH INDUSTRIALIZATION IN THE 1980s: AN INDEPENDENT VIEWPOINT ON DEPENDENCY

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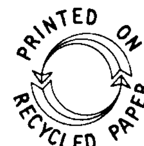

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Geneva, March 1980

Johan Galtung

It is being circulated in a pre-publication form to elicit comments from readers and generate dialogue on the subject at this stage of the research.

I

The 1960s and 1970s saw a rapid industrial development in the developing countries, and this was reflected especially in the growth rates of manufacturing industry. Between 1960 and 1970, according to figures from UNCTAD, manufacturing industry in the developing countries grew at an annual average rate of 6.4 per cent; between 1970 and 1976 this figure was as high as 7.5 per cent. In contrast, the rates of growth in the western industrialized nations stood at 5.8 per cent and 3.4 per cent respectively for the same periods.[1] Employment in manufacturing industry in the developing countries increased at an annual average rate of 3.8 per cent between 1960 and 1970, and 6.2 per cent in the period 1970-1976, whereas employment in manufacturing in the industrial nations stagnated in the 1960s and actually fell in the first half of the 1970s.[2]

Growth in the developing countries in the 1950s and early 1960s was characterized primarily by "import substitution." In the latter half of the 1960s and the 1970s, industrial production for foreign markets — so-called "export production" — became increasingly important. Production for import substitution and production for export have now, in practice, become considerably interwoven.[3]

The rapid industrial development in the developing countries was by no means confined to only a few countries but could be observed in most of the countries of Asia and Latin America, and in a growing number of African countries. In addition, development was not restricted to light industry but could also be found in heavy industry; in fact, heavy industry grew at an above-average pace in the developing countries, at a rate of 9 per cent per annum between 1960 and 1976.[4] A

significant share of the world output of the traditional light industries, in particular textiles and garments and parts of the electrical engineering industry, and a by-no-means negligible share of the products of heavy industry, in particular steel and ships, are now accounted for by sites in the Third World. In addition, examples of very modern industrial production can now be found in the Third World: drilling rigs for offshore work are constructed in Singapore, ground stations for satellite communications are put together in Indonesia, and modern aircraft, such as helicopters, are manufactured in Brazil.

Modern industrial sites were established in almost all developing countries in the 1960s and 1970s and equipped with the facilities and modern infrastructure to allow industrial production to take place. The rapid growth of industry was, however, by no means confined to manufacturing. Other new and old sectors, such as agro-industry and the extractive industries, also exhibited high rates of growth. Moreover, the tendency for rapid industrial development was scarcely interrupted by the massive economic crises of this period, such as the recession of 1974-1975.

Of course this overall portrayal of the growth of industry in the Third World hides a number of regional differences. Nevertheless, this does not detract from the general validity of the claim that there is a strong tendency towards the industrialization of the Third World *in toto*, and by implication a tendency towards a new international division of labour. Countries that formerly supplied only agricultural products and raw materials now supply agricultural products, raw materials, *and* industrial goods.[5]

One of the axiomatic beliefs of conventional development policy is that through industrialization the developing countries will attain one of the basic preconditions for overcoming underdevelopment. However, almost all of the reports on the social situation in the developing world which were published by a number of international organizations at the end of the 1970s reveal that rapid industrial development in the developing countries is not linked with even the first indications

of a general improvement in the social condition of the majority of the population of these countries. In fact, statistics on the development of employment, incomes, nutrition, housing, etc., show that in many regions the social condition of a large part of the population has worsened, not merely relatively but in absolute terms. This applies even to the most advanced newly industrializing countries, i.e., Brazil, Mexico, India, South Africa, South Korea, Tunisia.

On the occasion of the World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour held in 1976, the International Labour Office (ILO) published the following figures in a report entitled "Employment, Growth and Basic Needs."

> More than 700 million people live in acute poverty and are destitute. At least 460 million persons were estimated to suffer from a severe degree of protein-energy malnutrition even before the recent food crisis. Scores of millions live constantly under a threat of starvation. Countless millions suffer from debilitating diseases of various sorts and lack access to the most basic medical services. The squalor of urban slums is too well known to need further emphasis. The number of illiterate adults has been estimated to have grown from 700 million in 1962 to 760 million towards 1970. The tragic waste of human resources in the Third World is symbolised by nearly 300 million persons unemployed or under-employed in the mid-1970s.[6]

Less than two years after this report the ILO revised the figures and arrived at the new result that, "according to latest estimates there are 1 to 1½ billion people unable to fulfil even the minimum of their basic needs."[7]

In the first "World Development Report" prepared by the World Bank in 1978, the president, Robert McNamara, concluded in his Foreword:

> The last quarter of a century was a period of unparalleled change and progress in the developing world; yet there are still around 800 million people entrapped in a state which I have designated as absolute poverty, a condition in which malnutrition, illiteracy, disease, squalid environment, high infant mortality and low life-expectancy are so overwhelming that it is beyond any acceptable definition of human dignity.[8]

The same picture can be found in the numerous analyses and reports of social development in the developing countries recently published by a number of other organizations, such as FAO, UNCTAD, the regional organizations of the United Nations, and the regional development banks.

II

We are faced with two questions. Why have industrial development and social development diverged so greatly in the countries of the Third World? Will these opposing tendencies continue in the 1980s?

An analysis of the conditions, structure, and results of industrialization in the developing countries allows a provisional answer to these questions.

The industrialization of the developing countries is taking place under the conditions of a transnationally integrated economic system which remains a dominantly <u>capitalist</u> one.[9] In particular, the industrialization of the developing countries is taking place under the conditions of an existing world market for labour forces and production sites, as well as world markets for capital, raw materials, technology, and semi- and fully-manufactured products which have existed for decades, in some cases centuries.

Industrialization under the conditions of a transnationally integrated economic system is, as a consequence, basically the outcome of the opportunities and necessity to undertake the transnational organization of production. One of the leading international business consultancy organizations, Business International Corporation, some years ago coined the concept of "worldwide sourcing" to illustrate the necessity for the transnational organization of production.

> . . . the entire world (has become) a single uninterrupted continuum not only from a sales standpoint but also from a sourcing one. . . . companies look worldwide not only for men, materials and the money to run their businesses, but also for manufacturing resources. In the short run this means

sourcing decisions from existing manufacturing capabilities; in the long run it means locating the company's assets in the best possible location for profit worldwide — one of the most important types of major decisions that a company must make.

"Sourcing" can mean:

1. the movement of components or semifinished goods from one part of the company's operations to another, e.g. for final assembly;
2. the movement of finished goods from a plant to a sales point;
3. the purchasing of products or services from non-company sources;
4. the selection of the appropriate plant of a major supplier;
5. the purchasing (or borrowing) of manpower and services; and
6. the locating of production facilities in the best places to serve regional or global marketing needs.[10]

The industrialization of the developing countries in the 1960s and 1970s is to a great extent the result of investment decisions made with these considerations in mind. This applies not only to "export production" but also to a large part of that portion of production characterized as "import substitution," in the overall context of which tariff and non-tariff barriers to trade, often singled out as the main reason for import substitution, feature as merely one factor among the hundreds assessed in the decision-making process.[11]

It was Frederick Clairemonte who said of the production of bananas that it was not _countries_ which produced bananas but rather _enterprises_ within those countries; the same applies to industrial production. It is not the _countries_ of the Third World that produce cars, electronic components, and steel but rather _enterprises_ within their borders. It is not developing countries that are increasing their output of cars, but firms such as General Motors, Volkswagen, and Mitsubishi in Brazil, Nigeria, and South Korea. It is not developing countries that assemble electronic components, but firms such as General Electric, Siemens, and Sony in Mexico, South Korea, and Taiwan. It is not developing countries that make steel, but firms such as United Steel, Mannesmann, and Kawasaki in Brazil, the Philippines, and South Korea. Even where domestic firms manufacture goods for the domestic market, or even for foreign markets, production — often carried out under

licence or commission — is always that of a firm in a developing country and not of the country itself.

The objectives of the production carried out by private enterprises are as much a given factor as the conditions under which the production takes place. Goods are produced for markets and must be produced for markets which are likely to offer adequate, effective demand — regardless of whether these markets are at home or abroad. Furthermore, production takes place at sites which allow it to yield a profit. Many such sites are now found in the developing countries. However, markets are still predominantly located in the industrial countries, with only a small fraction in the developing countries. Despite their massive needs, the populations in the developing countries — for the most part without any money-income worthy of note — do not constitute such an effective demand and, as a result, do not represent a market for which goods can be produced, now or in the foreseeable future.[12]

As with any other private economic activity, the industrial production carried out by firms in the developing countries cannot and will not be directed towards solving the problems of these societies, on pain of commercial extinction. By the same token, firms cannot and may not base their calculations of financing, production, technology, purchasing, sales, and, in particular, the places where they will declare, distribute, and re-invest their profits, on the conditions and needs of individual societies. As a result a form of industry has developed that only incidentally accords with the needs and possibilities of the host country, and then often only to a limited extent and for a limited time span. Such an industry can be integrated with the rest of the local regional economy only to an incidental and limited extent. It is more often the case that the industry which has developed, or is developing, represents merely a non-complex, unintegrated partial process of production, or a mono-industry. Such an industry has developed or is being established because firms have found that favourable conditions for certain processes exist at sites in developing countries. At present the most important of these conditions are a cheap labour force and accessible raw materials,

energy, and industrial estates. Tax, credit, and customs benefits are also significant factors.

The buildup of industrial sub-manufacture in the developing countries within the context of the transnational organization of production is one of the most visible manifestations of the process of the industrialization of the Third World. It can be found in both light and heavy industry. In an often-cited article in the Wall Street Journal, Peter Drucker characterized this form of the transnational organization of production as "production sharing,"[13] an expression which, however, serves to emphasize that this form of the division of labour does not embrace "decision sharing" or "consumption sharing."

It does not require a lengthy argument to show that non-complex, unintegrated sub-manufacturing processes and mono-industrialization represent an inadequate basis for overcoming underdevelopment and hence for solving the social problems of the Third World. This is all the more so if, as is the case in most developing countries, these processes remain outside national control. It is not the countries but the firms in these countries which control production, technology, management, and marketing — and, as a result, the application and distribution of the company's output and earnings. While the phase of import substitution made it clear that production under licence cannot lead to the development of independent national industrial production, export production has removed the element of national control even more. Whereas firms producing for local markets are forced to submit to national control to at least some extent — for inasmuch as local restrictions apply to all firms they do not affect competition — in production for foreign markets firms are often able to avoid national controls, since production for the world market frequently allows them to locate export manufacturing at sites where national control is weak or non-existent.

Because industrial production in the developing countries is controlled by foreign enterprises, be this directly through equity holding or indirectly by management agreements, production under licence, or

production on contract, the technology, management, and marketing — and hence the use and distribution of earnings — are almost exclusively under the control of foreign enterprises. And, in fact, foreign firms do account for a high share of economic activity in many developing countries. With a few exceptions, industrial production by foreign firms has not opened the door to either modern technology or markets. Even in situations where the transfer of technology to developing countries is unavoidable for certain specific operations, firms make sure that their technical lead remains secure. C. Lester Hogan, vice-chairman of the Fairchild Camera and Instrument Corporation, has discussed with commendable candour just how firms maintain their technical superiority and perpetuate the technological dependency of the developing countries.

> We must keep in mind that in high technology areas the technology changes so rapidly there is always a strategic time to sell. When newer processing techniques are beginning to blossom in the laboratory, the sale of present technology can do little to hurt us in this country.[14]

A typical instance of continuing technical dependency, even with advanced industrial production in a branch, can be seen in the example of the South Korean electronics industry, as outlined in the following analysis by the Korea Exchange Bank.

> At the end of last year (1976) 118 firms used foreign, mainly American and Japanese technology, principally in the production of parts and components. . . . In spite of relatively low requirements of fixed capital, why does the Korean electronics industry rely so heavily on foreign capital? The answer lies in the fact that foreign corporations always tie capital participation to transfers of technology. Furthermore, the small size of domestic firms leaves little room for independent technological development. This further encourages the inflow of technology and leads to the neglect of domestic research. This vicious circle has left the Korean electronics industry with a low level of technology. . . . The technical dependence on both Japan and the USA poses a threat to the continued growth of the industry. These countries' technical control over the Korean electronics industry could deal a crippling blow unless the industry devotes sufficient resources to the research and development of its own technology. Especially to lessen the reliance on Japanese technology which soon becomes outmoded, the industry is encouraged to go directly to the sources of new technology, if necessary through joint-ventures.[15]

Access to foreign-controlled markets and to sources of raw materials and energy remains effectively barred to the developing countries, even with advanced forms of import substitution and export production. What is crucial, however, is that the earnings of foreign-controlled production in the developing countries, regardless of whether this production is directed at local or foreign markets, can be protected from local control, and hence local taxation or redistribution. Legal instruments, such as the use of tax havens, transfer pricing, and the imposition of licence fees, are the usual favoured mechanisms. In the last twenty-five years this has created a situation in which the growth of industrial production in the developing countries has been accompanied by a continuously rising outflow of economic surplus in the form of open, or hidden, transfers of profit from these countries. Such outflows are increasingly placing these countries' capacities for extended economic reproduction in doubt. Inadequate domestic rates of saving, mounting indebtedness, and corresponding balance-of-payments deficits are the visible expression of this development.

The case of Mexico — one of the most advanced industrialized countries of the Third World — clearly shows that despite a high share of industrial production in the generation of GDP and the development of industrial production in most if not all of the traditional industrial fields, industry has failed to develop complex local structures, remains horizontally unintegrated, and is instead vertically integrated into the world market, and hence highly dependent. Such a form of industrial development is hardly in a position to contribute to the improvement of the social situation of the bulk of the population of this country or of any other country. In 1976 the economic supplement to the German newspaper Frankfurter Allgemeine Zeitung, one of the world's leading business papers, commented on the level of Mexican industrial development.

> For two decades manufacturing industry was built up through the importation of entire factories and assembly facilities, but these plants remain dependent on component parts from abroad. In the case of finished goods the Republic has not fulfilled export expectations, as its products do not measure up to the quality of products from the recognized industrial

> countries. Industry, in the real sense of the word, does not yet exist. As in the case of other developing countries, this development has placed Mexico in a dilemma: to grasp that the mere setting up of assembly lines does not mean that a true industry can be created where there was none before.[16]

The 1979 OECD report Interfutures had the following to say on Mexico's industrial development.

> Industrialisation is relatively advanced, Mexico being the third largest industrial producer in the Third World (11.2% of Third World production in 1973 — excluding China — and 0.8% of world production). However, the characteristics of the mode of industrialisation are comparable with those of Brazil: a domestic market confined to the highest income brackets, excessive protection leading to inefficiency, control over growth exerted by the multinationals and, above all, investment which generates few jobs.[17]

A report in the International Herald Tribune, March 1978, entitled "Malnutrition, Food Shortages Are Growing Mexican Issues," gave the following picture of the social situation in Mexico.

> Unemployment and underemployment have expanded to include more than half the workforce and prices have rushed ahead of wages. For millions it has meant less to eat. . . . More than 100,000 children die here each year because of the relationship between malnutrition and transmittable diseases. . . . And, of the 2 million or so who are born each year, at least 1.5 million will not adequately develop their mental, physical and social functions.[18]

The concerns of capital valorization and the satisfaction of social needs are not one and the same thing. Despite its simplicity and correctness, this long-standing truth is intentionally kept hidden in the interest of the expansion of capital. Comparing the two statements below, we can see that the conclusions presented by the president of Tanzania, Mwalimu Julius K. Nyerere, in their way are the result of the financial principles advocated by the chairman of a US transnational corporation.

> The motive of private investment is the making of profit. Anyone proposing to build a factory demands four things: assured, adequate, and cheap power and water supplies; a labour supply which is disciplined and with an adequate skill

component; the existence of an effective market, and easy access to it; and fourthly, economic and political stability, with especial reference to low taxation, profit repatriation, and the availability of adequate consumer goods and services to provide incentives for senior management. . . .

By its very nature, therefore, foreign capital will only find poor countries attractive in those areas where returns are immediate and very high. These are not usually the most useful investments. Any other kind of foreign investment has to be induced by promises of tax exemptions, and of priority over even the most essential provision of services to our people.

Some poor countries have nevertheless decided to pin their faith in private enterprise as the basis of their development strategy. They have given the tax-holidays demanded, guaranteed the export of profit, endeavoured to prevent the growth of trade unions which would demand dignity and decent conditions for the employees in such firms. But they remain poor nations. Even if a small group of their citizens become wealthy, the people as a whole remain undeveloped. To their other problems is added that of gross internal inequality, with — sooner or later — its consequent political instability. . . .

But private enterprise will not make the quantity of investment required to overcome our poverty; it will not do the priority jobs in our nations; and, to the extent that we attract it by promising to leave it uncontrolled and untrammelled, it will add to our social and cultural problems.[19]

In looking at society and its needs for goods and services, it is clear that the private sector does not and cannot fill the entire bill. To be really efficient, the private sector has to operate with a return on investment and in its own self-interest. By doing so, the private sector certainly provides benefits to the rest of society. But it cannot equitably distribute the proceeds to that society nor can it guarantee the security and welfare of the total community. That has to be done by some other body.[20]

III

After it had become clear for all to see that the strategy of industrialization through import substitution did not allow a complex, integrated industrial system to develop in the developing countries, and after it also became clear for all to see that the strategy of development through import substitution had finally come to grief,[21] a new strategy was proclaimed for the developing countries: industrialization through the growth of exports, and development through export industries.

It is no accident that the World Bank has now placed itself in the forefront of the criticism of the policy of import substitution and made itself one of the chief advocates of production for export. The World Bank promises that an improvement in the situation of the balance of payments and employment in the developing countries will come about if the handicaps placed in the way of production for export are reduced relative to production for the domestic market. Donald B. Keesing, "leading industrial economist" in the Development Economics Department of the World Bank, has the following advice.

> Production sharing is very important for developing countries, but the big impact comes on their overall industrial development, by increasing their ability to pay for imports, by overcoming bottlenecks, by giving them greater flexibility in terms of output mix and scale in face of the constraints imposed by their domestic demand, allowing them to make better uses of their labor and other resources, and by improving what they learn and how fast they learn it. This helps to accelerate their overall growth and development, which in turn helps to provide jobs as well as opportunities for productivity growth.[22]

Instead of explaining the changed conditions on the world market which

made industrial production for export both possible and necessary at sites in the developing countries, the political and academic advocates of the strategy of development via export-led growth dedicated themselves to legitimizing the actual process of export industrialization as it took place, declaring that the Age of Development had now at last come to the Third World and that the welfare effects of industrial development would now be inevitable. The countries of the Third World are promised that export production and export-led growth will extend the narrow limits of their internal markets, that they will attain high domestic rates of savings and investment, that they will have access to modern technology which will in turn facilitate rapid strides forward in productivity, and that, finally, the associated economic and social infrastructure will develop in such a way as to lay down the foundations for a comprehensive development.[23]

The actual process of export-led growth is now confirming what was already theoretically apparent: the promises of development through export industrialization cannot be fulfilled and have not been fulfilled. To reiterate, export industrialization even more than import substitution means that it is not the countries but the companies that determine rates and sites of saving and accumulation, access to markets and technology, and productivity. The countries do not experience the promised benefits. Instead of higher rates of saving and capital accumulation, they experience a higher drain of capital and, consequently, falling rates of domestic savings and capital accumulation. Instead of access to new markets, they discover that they have no control over their own markets. Instead of access to modern technology, they experience the destruction of domestic initiatives towards the development of an autonomous technology. Instead of building a broad social and economic infrastructure, the developing countries are obliged to finance an industrial infrastructure that does not serve the requirements of a developing economy and may often actively impede the development process.

IV

In attempting to give an indication of the perspectives for industrial and, beyond that, social development in the developing countries in the 1980s, two further considerations are of key importance: first, the far-reaching structural changes which are taking place throughout the world in agriculture, set in motion in particular by capital-intensive production techniques; and second, the wave of rationalization affecting nearly all branches of industrial production, which have received their particular impetus from both the new possibilities offered by electronics and the resulting global increase in capacity.

One consequence of an increase in the capital-intensity of production, including agricultural production, in the developing countries is an accelerated release of labour. This has reinforced, and will continue to reinforce, the battalions of the reserve army of industrial workers on the world market for labour; and this will intensify the competition among the developing countries for labour-intensive export industries. The efforts of such countries as Bangladesh, Sri Lanka, and Egypt to become new sites for export industries are one expression of this development. Moreover, this form of competition among the developing countries is increasingly spreading to the socialist countries, including China, which also offer their labour forces on the capitalist world market for export production, either in industries within the socialist countries or in the form of exported workers.

Despite a further extension of industrial production, especially export production, at sites in the Third World, its growing dispersion and unequal distribution mean that industrial production will remain relatively slight in most developing countries, and may even decline.

At the same time, a few countries can be expected to experience a considerable growth in their industrial production. The supply of cheap labour will only, however, induce a settlement of new industries if it can be attractively linked to the provision of raw materials and energy.

While there are indications that certain traditional industries will increasingly produce for the world market from sites in the developing countries — principally, the steel, automotive, shipbuilding, and some sections of the chemical and mechanical engineering industries — there are also indications that in other industries which moved to sites in the Third World in the 1960s and 1970s — such as textiles and garments, precision engineering and optics, and electrical engineering — production may decline. The ability and necessity to automate, through the introduction of robots, will in many cases lead to a shifting of what were labour-intensive processes back to the traditional industrial sites. Many companies have long had plans, at least on the drawing board, for manufacturing equipment which is intended to make even unskilled, cheap labour superfluous in the 1980s. For example, specialists in the garment industry claim, contrary to common belief, that rationalization has scarcely begun and that the next step will be at least the introduction of semi-automatic production processes. The electrical engineering industry also hints that the previously manually accomplished operations of soldering and assembly in the manufacture of integrated circuits can be profitably elminated through the introduction of automation. It is therefore reasonable to expect that in countries such as Malaysia, Mexico, and South Korea hundreds of thousands of unskilled workers, at present carrying out these tasks manually, will become superfluous — that is, unemployed.

Since the wave of rationalization is associated with a considerable extension of capacity in many branches, industry is expecting to be faced with the emergence of substantial overcapacity. However, there are no indications that the production facilities in the Third World will not be the first to be declared obsolete by corporate strategies.

The outcome will be that the process of industrialization in the Third World will continue to develop unevenly, both regionally and sectorally, despite the probable higher overall growth rates of industrial production in the Third World. The possibility of a small number of developing countries acquiring at least a partially integrated and semi-complex industry capable of some degree of autonomous development cannot be excluded; this stage might conceivably be reached in South Korea and Taiwan. However, such an outcome is not a systematic product of the tendencies towards industrialization in the Third World. In view of the given conditions on the world market, it is much more certain that a complex, integrated industry capable of autonomous reproduction will not come about in most developing countries.

The dependency of the process of industrialization in the developing countries on corporate calculations and corporate decisions will persist, regardless of the good intentions of development policy and strategies. Corporate calculations and decisions are, in turn, dependent on the changing conditions of the capitalist world market. Firms are compelled to respond flexibly to changing conditions, new opportunities, and exigencies. Social considerations, or in other words the hopes of development policies, cannot feature as an element in these calculations and do not do so. It is therefore not surprising that the predictions of international organizations such as OECD state that despite the advancement of industrial development in the Third World, the problems of poverty and misery will endure for large sections of the population, not only up to the end of the 1980s, but beyond to the year 2000. What is more astonishing is that the mode of production which makes such developments inevitable is not once questioned by the authors of such prognoses — not even at the intellectual level, let alone in the practical, political sense of the democratic process. Despite their predictions that underdevelopment will unavoidably mean civil wars, wars between countries, revolutions and counter-revolutions, their silence on the given mode or production remains unbroken.

What then is the overall picture of the Third World at the end of the century revealed by an analytical approach? How far does it add to, and confirm, the picture given by the world-wide scenarios?

An analysis by country and by region reminds us, firstly — if this were necessary — of the possibility of more or less fundamental socio-political unheavals affecting one Third World country or another, and occasionally upsetting the economic and political equilibrium of a whole region. Such upheavals can take many forms: civil wars between different ethnic groups; border conflicts between countries; revolutions and counter-revolutions.[24]

NOTES

1. UNCTAD, Handbook of International Trade and Development Statistics 1979 (New York, 1979), p. 534.
2. UNCTAD, ibid., p. 536.
3. As a consequence it is often virtually impossible to differentiate industrial development by whether it is for local or foreign markets. Besides, production for both the local market (import substitution) and for foreign markets (export production) is production for the world market, which, regardless of the site from which it is observed, constitutes a unity of foreign and local markets.
4. UNCTAD, ibid., p. 534.
5. Cf. Folker Fröbel, Jürgen Heinrichs, and Otto Kreye, The New International Division of Labour (Cambridge, 1980).
6. International Labour Office, Employment, Growth and Basic Needs: A One World Problem (Geneva, 1976), p. 3.
7. Quoted from Süddeutsche Zeitung, 9-10 December 1979.
8. World Bank, World Development Report 1978 (Washington, 1978).
9. The capitalist economic system has been a global one from its inception. The international integration of economic activities, latent at the outset, had long become a reality by the middle of this century. The fact that the internationally integrated economic system does not have a correspondingly internationally integrated political system often obscures the real situation.
10. Business International Corporation, Solving Worldwide Sourcing Problems, Management Monographs no. 53 (New York, 1971), pp. 3-5.
11. Cf. Business International Corporation, Decision Making in International Operations. 151 Checklists.
12. This applies also to domestic private or public enterprises. Although governments of some countries tried to protect or to direct domestic industrial activities, an industry capable of competing on the world market did not develop, or international organizations, as for instance the International Monetary Fund, became active in order to ensure that national protectionist policies did not do too much "damage" to international integration and did not last for too long.

13. Peter F. Drucker, "Production Sharing," Wall Street Journal, 15 March 1977.

14. C. Lester Hogan, "Production Sharing and the Multinational Corporation," Journal of the Flagstaff Institute 1 (1979), p. 15.

15. Korea Exchange Bank, "Electronics Industry in Korea," Monthly Review 9 (1977), pp. 11-12.

16. FAZ, "Blick durch die Wirtschaft," 4 October 1976.

17. OECD, Interfutures: Final Report, "Facing the Future: Mastering the Probable And Managing the Unpredictable" (Paris, 1979), p. 229.

18. International Herald Tribune, 9 March 1978.

19. Mwalimu Julius K. Nyerere, "The Third World and the International Economic Structure," Internationales Afrika-Forum 2 (1976), pp. 159-160.

20. William F. May (Chairman, American Can Co.), "Executive Viewpoint," Business International, 12 January 1979, p. 12.

21. See, for example, the special issue of World Development (1 & 2) 1977: "Latin America in the Post-Import-Substitution Era."

22. Donald B. Keesing, "Production Sharing: Implications for Trade Between Developing Nations and Developed Nations," Journal of The Flagstaff Institute 1 (1979), p. 25.

23. See, for example, Gerald M. Meier, Employment, Trade and Development: A Problem in International Policy Analysis (Leiden, 1977).

24. OECD, Interfutures: Final Report, "Facing the Future: Mastering the Probable and Managing the Unpredictable" (Paris, 1979), p. 229.