# Capitalist Recession and Industrialisation in the Third World: Reflections on the Warren Thesis

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Bill Warren's writings on the character of development in Third World countries since 1945 have been the focus of much controversy. The first piece, 'Imperialism and Capitalist Industrialisation' (*New Left Review*, No. 81, Sept.-Oct. 1973, referred to as *NLR* 81) made far-reaching claims about the ability of imperialism to introduce industry into the Third World, a process which would succeed in undermining imperialism itself. Both this thesis and Warren's more general arguments about the nature and levels of development since the gaining of political independence were challenged in two, contrasting replies. McMichael, Petras and Rhodes, in their piece, 'Imperialism and the Contradictions of Development' (*New Left Review*, No. 85, May-June 1974), were concerned to show both the weaknesses of Warren's conceptualisation and the extent to which Warren overemphasised the extent of industrialisation. Emmanuel's reply, 'Myths of Development versus Myths of Underdevelopment' (*NLR* 85), concentrated more on the weaknesses in Warren's interpretation, but made its most telling comments on the inadequate ways in which Warren had used various statistics to illustrate his claims.

At a later date, Warren restated his position in a piece called 'The Post-war Economic Experience of the Third World' (*Journal of Australian Political Economy*, No. 3, September 1978, referred to as *JAPE* 3). This time the major qualifications in the argument had been replaced by praise for an almost universal flowering of capitalist industrialisation that had rendered debates about underdevelopment and dependency irrelevant.

Since Bill Warren wrote and published his first piece, there have been a number of important changes in Third World countries and all these require careful analysis. Perhaps the most dramatic change has been the operation of the oil cartel OPEC and the creation of large oil revenues that are available for development in oil exporting nations. There has also been a degree of industrialisation in some Third World countries — the extent and character of that industrialisation will form part of the subsequent examination. The frequent calls for 'interdependency' and for a New International Economic Order, also testify to the fact that some things have altered for some Third World countries. Given the nature of these changes, Bill Warren's propositions might seem to provide the most appropriate framework of analysis. This could seem to be so since, in Warren's various accounts, he did emphasise those features which now have assumed some degree of prominence. In this article we have argued that Warren's account is inadequate both to describe the nature of recent developments and to explain their origins and significance. Our purpose is to criticise Warren's analysis and to provide an alternative interpretation of what has happened to the Third World since World War II. In constructing an account of the various changes, we have been concerned to reject both dependency arguments and Bill Warren's critique of them. To make our position clear on the substantive issues, the material has been divided into four parts; one dealing with the adequacy of Warren's views on imperialism and general questions of development; then sections on the two main pillars of his argument about the role of the Third World in the world economy, trade and industrialisation; then a conclusion that brings together the various parts of the argument and which explains why the changes have the character that they do and why they occurred when they did.

## IMPERIALISM AND DEVELOPMENT

Warren's first article argues that imperialism has been associated with a temporary phase of capitalist expansion, its 'historical mission' being to 'spread the capitalist system and advance the productive forces throughout the world'. In the contemporary era, he claims, it has spawned its own gravediggers — the 'national capitalisms' of the Third World. The regional unevenness of capital accumulation has declined as a new epoch of universal capitalist expansion emerges in which fragmented national capitalisms, independently undertake 'successful capitalist development'. The logic is deceptively straightforward — if the historical mission of imperialism is identified as the internationalisation of capitalism, particularly its productive forces, then the establishment of these in the Third World signals the demise of imperialism.

McMichael, Petras and Rhodes have rightly addressed the inadequacy of Warren's conception of imperialism arguing that it ignores the 'origins or mechanisms of this system'. Without an explanation of the process of capital accumulation which generates 'imperialism as a specific form of this process at the level of international socio-economic relations', Warren can explain neither its appearance nor disappearance. Thus Warren confuses particular historical expressions of imperialism with the very existence of imperialism. Noting the decline of specific forms of 'inequality, domination and exploitation', Warren concludes that the decline of imperialism is an observable phenomenon. If, however, imperialism is the 'international expression of *capitalism's* historical mission to develop the forces of production, in accordance with the logic of capital accumulation, a process that is by its nature uneven and contradictory', then imperialism is inherent within the very nature of capitalism or at least of its monopoly phase and can 'disappear' only with the disappearance of that phase of capitalism.

The essential point being made — though it might have been made with greater clarity — is that imperialism is not something over and above capitalism, a process which may or may not be associated with capitalism, but rather it is capitalism viewed in terms of the international consequences of the inherently uneven and contradictory accumulation of capital which capitalism involves.

By viewing imperialism in this way, its existence or demise clearly does not depend on whether the Third World is 'developing', stagnating or declining, whether parts of the Third World are industrialising, whether the international division of labour is changing — or even whether the export of capital from the earliest centres of capitalist development assumes a significant statistical status in contemporary empirical profiles of international political economy. What is constantly at issue, and what is of critical strategic importance, is the contemporary form which imperialism takes. A range of developments in the productive forces, the pace and pattern of the accumulation process, all serve to modify the particular characteristics which imperialism manifests in any one era. While Warren's perception of imperialism does not allow him to establish the origins or specific causes of contemporary imperialist practice, he does direct attention to the strategically important — and in recent Marxist writing on the subject, much neglected — questions of realignment within the structure of global production capabilities and investment patterns. Even though his focus of attention is to be welcomed it will be argued below that his interpretation of current developments within Third World economies, their relationship to the developed capitalist states and the implications of these for the possibility of autonomous capitalist development in the Third World is, quite simply, mistaken.

As stated earlier, Warren asserts that imperialism is in a period of decline as capitalism becomes less 'uneven' — having largely fulfilled its historical mission of globally distributing the productive forces capitalism has shown itself uniquely capable of generating. Insofar as there is a concerted imperialist strategy at the moment it is, for Warren, directed at 'industrialising' (and for him this means 'developing') the Third World. In making this assertion, Warren is led to ignore some of the major trends in international political economy — the concentrated flows of industrial capital to quite specific Third World countries, whether for strategic reasons, the existence of raw material supplies, compliant and low-paid labour forces, local foreign investment guidelines and the like and the almost complete neglect of other Third World countries as well as the relation of all of these factors to the crisis in capital accumulation in the developed capitalist states. Because the relationship between capitalism and imperialism is distorted in the ways specified above, the logic of this imperialist response is not apparent in Warren's account. His account, therefore, tends to distract attention from the specific character both of the current recession and of contemporary imperialism while announcing the latter's decay. It will be argued below, contrary to Warren, that the recession in the West has prompted an expanded export of capital to a small number of Third World states, that even in those which have benefitted most, the prospects for viable autonomous capitalism are not thereby enhanced. Further, that in terms both of their role in international trade and their development prospects, capitalist states in the Third World show no increased potential for sustained economic growth or material well-being as a result of these recession-induced policies.

It should be added that Warren's second article makes almost no mention of imperialism — or indeed of the criticisms made by Emmanuel, McMichael *et al.* — so that the force of McMichael's comment that 'the absence of a theoretical and conceptual foundation clears the way for complete empiricism' is reinforced.

In order to demonstrate the dominant patterns of contemporary imperialist policy it is necessary to present the relevant empirical data showing the position currently occupied by different groups of Third World countries within international capitalism.

At the most general level Warren's assertion that the Third World has 'developed' in the post-war era is incontrovertable in the sense that most — though not all — Third World states have exhibited positive growth rates in their G.N.P. per capita, if this is to be taken as a measure of their development. If, however, their growth rates are examined in relation to those of OECD countries during the same period, their performance inspires less complacency. It would be surprising indeed if the absolute gap between the G.N.P. per capita of Third World countries and that of developed countries had narrowed given their disparate base levels. An examination of the available data reveals that no surprises on this score are warranted. In fact only one of all the countries of Asia, Africa and Latin America (Libya) decreased the gap between its G.N.P. per capita and the average G.N.P. per capita of OECD countries. When the most relevant figure is examined, the change in the relative gap between the G.N.P. per capita of Third World countries and those of the developed countries it is found that very few countries indeed have improved their G.N.P. per capita as a percentage of that of the developed countries. Of African countries, except South Africa and Rhodesia, only 8 of 43 improved their G.N.P. per capita relative to that of OECD countries between 1950 and 1975; none of the 7 South Asian countries improved; of East and Southeast Asian countries 5 out of 14 improved and of Latin American countries only 4 out of 26 improved. Of those countries that did improve their relative standing (17 out of 90) the almost universally distinguishing factors were oil exports, expanded manufacturing exports or the fact that the states concerned were urban entrepots (Hong Kong and Singapore). The degree of relatively involved does not warrant the conclusion drawn by Warren that developed and Third World countries may be arranged along a spectrum without a marked discontinuity being evident. Between 1950 and 1975, the G.N.P. per capita of African countries as a whole decreased from 7.1% to a mere 5.9% of the average G.N.P. per capita of OECD countries. In Latin America, the decline was from 20.8% to 18.0%, while in Southeast and East Asia there was a rise from 5.5% to 6.5%, largely as a result of advances made by Hong Kong, Singapore and South Korea. In only 7 of the 90 countries did the G.N.P. per capita constitute as much as 30% of the average OECD level in 1975, while 60 out of the 90 had levels less than 10% of that of OECD countries. At this level of description the conclusions would seem to be obvious: for the vast majority of Third World countries not only is the absolute 'gap' between their standard of living and that of the developed countries widening but even if they had similar base levels they have failed to keep pace with the per capita growth of the developed countries. All these figures have been taken from the World Bank report, *Twenty-five Years of Economic Development 1950 to 1975*, which concludes that 'the gap between rich and poor nations, which had been increasing for 100 to 150 years continued to widen' (p. 26). The report projects recent growth rates to calculate the time necessary to close the absolute gap between individual Third World countries and the average OECD figure. As is clear from the figures above, 'for the large majority of developing countries, containing most of the developing world's population, the gap would never be closed, for their measured rate of growth of per capita G.N.P. has been historically slower than that of OECD countries' (p. 28), but among the fastest growing Third World countries only 16 would close the gap within 1,000 years. The optimistic scenario for the Third World as a whole, explicit in Warren's two articles, would thus seem ill-founded.

For some 60% of the non-communist Third World population, per capita income increased at an annual rate between 1950 and 1975 of less than 2%, or no more than one or two dollars a year (calculated from tables, *ibid.*, pp. 13-15).

THE THIRD WORLD IN INTERNATIONAL TRADE

In recent years there has been considerable attention paid to the articulation of relevant concepts and categories for a more precise understanding of the role of imperialism within contemporary capitalism. Unfortunately there has been a tendency to do so in the absence of an appreciation of current imperialist practice. Warren's account, contrary to this prevailing trend, attempts to provide empirical verification for a sketchy and inadequate theoretical account of imperialism. The data which is available, it is argued below, supports a quite different picture of contemporary imperialist practice and orientation than that given by Warren.

The OECD's *Development Co-operation: 1978 Review* identifies a critical factor in the relative development performance of Third World countries in recent years when it states,

> Expansion of export earnings has been a leading factor in the success of most of the developing countries which have made rapid economic progress in recent years (p. 45).

The 'export-led development' particularly that associated with the export of manufactured goods has been of major significance in the economic growth of Third World countries. But, as the report goes on to show, this has been severely limited to a few OPEC and middle income groups of countries while there has been little change in the export earnings of other Third World countries. The point is of special significance in discussing Warren's views, since he is anxious to downplay the specificity of the OPEC countries' performance and also to assert the commonality of recent Third World development experience.

The limited nature of the process can be demonstrated if changes in the global structure of world trade are examined. As Table 2 shows, in the 25 years between 1950 and 1975 the share of world exports of all kinds produced in the Third World declined from 30.5% in 1950 to 22.7% in 1975. But for the major increase in fuel exports, from 57.4% of world fuel exports to 68.2% between 1955 and 1973, this trend would have been much more pronounced, since significant declines were registered in food, agricultural raw materials and ores and metals. Against this trend, the Third World's share of manufacturing exports increased marginally between 1955 and 1973 from 4.7% to 6.9%, all of the increase being registered after 1965. While this increase is not insignificant, particularly in its timing, it should be borne in mind that it involves a gain in the share of world exports of only 0.3% per annum in the period of eight years in which an increase was registered. Moreover, it was not at the expense of the 'Developed Market Economies' which also increased slightly their percentage of world exports, that Third World countries improved, but of the 'Socialist Countries of Eastern Europe' whose share declined from 11.1% to 8.6%, which share still remained significantly higher than that of all Third World countries. The concentration of these exports among Third World countries illustrates the limitations on using even these figures as an indication of growing industrial capacity. In 1975, for instance, more than one-third of all manufacturing exports came from just two countries, Hong Kong and the Republic of Korea. Within the category of manufacturing exports, these two countries' exports of clothing made up more than three-fifths of all Third World clothing exports (World Bank, *Development Report*, 1978, p. 18).

TABLE 1. STRUCTURE OF IMPORTS: WORLD PERCENTAGE SHARES BY ORIGIN 1955, 1965, 1973

| | Year | World | Developed market economy countries | Developing countries and territories | Socialist countries of Eastern Europe | Socialist countries of Asia |
|---|---|---|---|---|---|---|
| All products | 1955 | 100.0 | 64.7 | 25.4 | 8.5 | 1.5 |
| | 1965 | 100.0 | 68.8 | 19.6 | 10.6 | 1.1 |
| | 1973 | 100.0 | 71.0 | 19.0 | 9.1 | 0.9 |
| All food items | 1955 | 100.0 | 48.7 | 42.6 | 5.4 | 3.3 |
| | 1965 | 100.0 | 56.7 | 34.0 | 7.1 | 2.1 |
| | 1973 | 100.0 | 65.1 | 27.0 | 6.2 | 1.7 |
| Agricultural raw materials | 1955 | 100.0 | 49.4 | 40.4 | 7.9 | 2.4 |
| | 1965 | 100.0 | 56.2 | 31.4 | 10.1 | 2.3 |
| | 1973 | 100.0 | 59.7 | 29.4 | 8.8 | 1.9 |
| Ores and metals | 1955 | 100.0 | 67.7 | 21.0 | 9.1 | 2.1 |
| | 1965 | 100.0 | 68.3 | 18.8 | 12.0 | 1.0 |
| | 1973 | 100.0 | 73.2 | 15.9 | 10.3 | 0.8 |
| Fuels | 1955 | 100.0 | 31.7 | 57.4 | 10.7 | 0.1 |
| | 1965 | 100.0 | 24.1 | 63.1 | 12.6 | 0.1 |
| | 1973 | 100.0 | 22.8 | 68.2 | 8.9 | 0.1 |
| Manufactured goods | 1955 | 100.0 | 85.1 | 4.7 | 9.6 | 0.5 |
| | 1965 | 100.0 | 83.5 | 4.6 | 11.1 | 0.7 |
| | 1973 | 100.0 | 83.8 | 6.9 | 8.6 | 0.7 |

*Source: UNCTAD Handbook*, 1976, p. 80, Table 3.2.

TABLE 2. SHARE OF TOTAL WORLD EXPORTS

| Regions, countries and territories | 1950 | 1955 | 1960 | 1965 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Developed market economy countries | 61.3 | 64.7 | 66.8 | 68.8 | 70.3 | 71.0 | 71.9 | 72.3 | 72.5 | 71.6 | 65.5 | 66.8 |
| Developing countries and territories | 30.5 | 25.2 | 21.4 | 19.3 | 18.0 | 17.6 | 16.9 | 16.7 | 16.3 | 17.4 | 25.2 | 22.7 |
| Socialist countries: Eastern Europe | 6.8 | 8.5 | 10.1 | 10.6 | 10.5 | 10.2 | 9.9 | 9.7 | 9.7 | 9.3 | 7.9 | 9.2 |
| Socialist countries: Asia | 1.3 | 1.5 | 1.6 | 1.1 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.7 | 0.8 |
| Major petroleum exporters | 6.2 | 7.0 | 6.6 | 6.3 | 6.2 | 5.9 | 5.5 | 6.3 | 6.0 | 6.7 | 14.7 | 13.0 |
| Other developing countries and territories | 24.3 | 18.1 | 14.7 | 13.0 | 11.8 | 11.7 | 11.4 | 10.4 | 10.3 | 10.7 | 10.3 | 9.7 |

*Source:* *UNCTAD Handbook*, 1976, p. 37, Table 1.9.

TABLE 3. THE PERCENTAGE CONTRIBUTION OF INDIVIDUAL DEVELOPING COUNTRIES TO THE INCREMENT IN DEVELOPING COUNTRIES' EXPORTS OF MANUFACTURES (EXCLUDING UNWROUGHT NON-FERROUS METALS AND PETROLEUM PRODUCTS (TOTAL A) TO DEVELOPED MARKET-ECONOMY COUNTRIES BETWEEN 1970 AND 1976 (Percentages based on trade data of 21 DMEC in current dollars)

| Exporting country or territory | Clothing | Engineering (excl. motor vehicles | Textiles | Misc. light industry products | Wood and furniture | Processed food | Leather and footwear | All other product groups | Total A |
|---|---|---|---|---|---|---|---|---|---|
| Republic of Korea | 28.6 | 19.6 | 22.1 | 33.5 | 19.5 | 7.5 | 32.4 | 18.9 | 23.2 |
| Hong Kong | 38.5 | 18.3 | 13.5 | 32.5 | 2.5 | 1.7 | 1.3 | 1.0 | 18.9 |
| Mexico | 2.9 | 17.1 | 4.4 | 6.0 | 2.5 | 4.7 | 2.7 | 12.8 | 8.0 |
| Brazil | 1.3 | 3.9 | 8.6 | 2.8 | 5.5 | 33.3 | 19.2 | 13.6 | 7.8 |
| Singapore | 2.6 | 16.2 | 1.9 | 3.3 | 8.2 | 0.7 | 0.1 | 2.8 | 6.0 |
| Yugoslavia | 6.0 | 5.0 | 1.0 | 1.9 | 10.8 | 4.4 | 6.2 | 8.9 | 5.5 |
| Malaysia | 0.9 | 7.9 | 2.6 | 1.1 | 24.1 | 2.9 | 1.3 | 1.1 | 4.6 |
| India | 5.2 | 1.8 | 10.2 | 2.0 | 0.5 | 0.4 | 13.6 | 1.8 | 4.1 |
| Total of 8 major DC | 86.2 | 89.8 | 64.2 | 83.1 | 73.5 | 55.5 | 76.7 | 60.9 | 78.1 |
| All other DC | 13.8 | 10.2 | 35.8 | 11.9 | 26.5 | 44.5 | 23.3 | 39.1 | 21.9 |
| Total DC | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source:* Special tabulations by the UNCTAD secretariat in *Recent Trends and Developments in Trade in Manufactures and Semi-manufactures of Developing Countries and Territories: 1977 Review*, TD/B/C.2/190, p. 11.

TABLE 4. STRUCTURE OF EXPORTS: WORLD PERCENTAGE SHARE BY DESTINATION 1955, 1965, 1973

| | Year | World | Developed market economy countries | Developing countries and territories | Socialist countries of Eastern Europe | Socialist countries of Asia |
|---|---|---|---|---|---|---|
| All products | 1955 | 100.0 | 65.2 | 24.8 | 7.8 | 1.6 |
| | 1965 | 100.0 | 67.9 | 20.3 | 10.2 | 1.1 |
| | 1973 | 100.0 | 71.3 | 18.2 | 8.7 | 1.0 |
| All food items | 1955 | 100.0 | 72.6 | 18.9 | 7.8 | 0.4 |
| | 1965 | 100.0 | 69.6 | 18.8 | 9.9 | 1.6 |
| | 1973 | 100.0 | 71.6 | 17.8 | 8.0 | 1.3 |
| Agricultural raw materials | 1955 | 100.0 | 76.6 | 12.0 | 10.0 | 1.3 |
| | 1965 | 100.0 | 74.3 | 11.2 | 12.3 | 2.3 |
| | 1973 | 100.0 | 74.0 | 13.8 | 8.6 | 2.1 |
| Ores and metals | 1955 | 100.0 | 74.1 | 14.4 | 9.9 | 1.2 |
| | 1965 | 100.0 | 74.8 | 12.7 | 11.1 | 1.0 |
| | 1973 | 100.0 | 72.5 | 14.2 | 10.6 | 2.1 |
| Fuels | 1955 | 100.0 | 60.6 | 26.5 | 6.7 | 1.0 |
| | 1965 | 100.0 | 70.9 | 18.1 | 7.4 | 0.3 |
| | 1973 | 100.0 | 79.7 | 13.8 | 4.6 | 0.2 |
| Manufactured goods | 1955 | 100.0 | 53.4 | 32.3 | 7.2 | 2.6 |
| | 1965 | 100.0 | 64.1 | 23.8 | 10.5 | 1.0 |
| | 1973 | 100.0 | 70.1 | 19.5 | 9.2 | 0.7 |

As the second part of Table 2 shows, the oil price rises in 1973 accounted for the upturn in the Third World's share of total exports after the low of 1972. These benefits accrued of course only to oil exporting countries. All other Third World countries, even including the newly industrialising countries, continued their steady decline in the share of total world exports, from 24.3% in 1950 to less than half that figure, 9.7% in 1975. The extremely high concentration of the improvements in developing countries' exports in the years 1970-1976 is illustrated in Table 3. When the exports of manufactures to Third World countries — assumed to be of crucial importance to their industrialising potential — are examined, it is found that they declined markedly from 32.3% of world manufacturing exports in 1955 to 19.5% in 1973. As was the case in relation to Third World exports, their share of total world imports also declined significantly during the period, from 26.8% in 1950 to a low of 16.0% in 1972. Thereafter an increase was registered, up to 19.8% in 1975 reflecting the increased price of oil imports. The world share of food, agricultural raw materials and ores and metal imports by the Third World remained almost constant during the period, as did that of Developed Market Economies. All the decline in total imports was thus accounted for by drastic declines in the imports of fuels and manufactures, which are, of course, closely related. As the figures clearly show, the decline was at the expense of a larger share going to Developed Market Economies. The impact of the figures is heightened when the major petroleum exporting countries of the Third World are considered separately. Contrary to the trend evident in Third World countries generally, their share of world imports rose from 4.1% to 6.0% between 1950 and 1975, while the share of other Third World countries (including both the newly industrialising countries and others) fell from 22.7% to a low of 12.5% in 1972, rising to 13.8% in 1975.

Despite Warren's attempt to portray the recent experience of OPEC countries as a vision of future possibilities for all Third World countries, it must be borne in mind that their exports are unique in important respects and constitute *almost 60% of all Third World exports* as Table 6 indicates. During the period from 1960 to 1974 when petroleum exports from OPEC countries increased rapidly the non-petroleum exporting Third World countries' share of world trade declined from 14% to less than 12%. While expansion of trade is not an end in itself but desirable only insofar as it facilitates the achievement of domestic income and growth objectives, exports are by far the most important source of foreign exchange earnings available to Third World countries. And since these earnings are, for Warren at least, the source of funds for the productive forces necessary for growth their relative decline fits uneasily with his general thesis. As Part 2 of Table 6 indicates, export earnings constitute more than five times the total of all other capital inflows to Third World countries. If the OPEC countries are excluded from these figures exports from the remaining Third World countries still constitute more than double all other capital inflows. In the light of these figures it is difficult to take seriously one of the major conclusions of Warren that it is the export of capital that has led and continues to lead to the global equalization of developmental levels.

## INDUSTRIALISATION IN THE THIRD WORLD

Bill Warren's view on the development process in Third World countries is strongly conditioned by his rejection of de-development and dependency arguments. Nowhere is this more evident than in his discussion of the role of industry in post-1945 Third World development. Warren's position exists as a refutation of an argument made by Bob Sutcliffe in an essay titled 'Imperialism and Industrialisation in the Third World' (in Owen, R., and B. Sutcliffe [eds.], *Studies in the Theory of Imperialism*, London, 1972). In this piece Sutcliffe expresses a typical 'dependency position when he lists the characteristics of 'independent industrialisation' — that is, industrialisation that breaks the chain of dependency and dependent development — and concludes that, on the whole, the prospects of such independent industrialisation is slight, so long as Third World countries are subject to capitalist relations of production and are inserted into a world capitalist framework. Warren, with good reason, ridicules the notion of independent industrialisation: he argues that capitalist industrialisation is what should be expected, that there may be a substantial social cost but that it would contribute to development. Indeed, he maintains that since the political independence of the colonies, a rapidly expanding industrial sector has appeared and formed the basis of just such development. In his later work, this position is transformed into a song of praise to capitalist industrialisation and the social good it has brought in its wake.

Warren's position on the facts of Third World industrialisation can be simply summarised. Industrialisation has occurred in the Third World: manufacturing has become more important in the domestic economy, the Third World's share of total manufacturing output has steadily increased and manufactured products are of growing importance in Third World trade. These factors combine to reveal the extent of significant change in Third World countries. It is necessary to consider both Warren's argument and the figures he uses to assess the adequacy of his interpretation.

Warren uses a general comparison of growth rates of Gross Domestic Product (G.D.P.) and of manufacturing industry in developed and developing countries to establish his argument. Using figures for the 1960s, Warren shows that the growth of manufacturing in Third World countries was 7% per annum and for developed

TABLE 5. SHARE OF TOTAL WORLD IMPORTS

| Regions, countries and territories | 1950 | 1955 | 1960 | 1965 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Developed market economy countries | 65.2 | 66.3 | 65.9 | 69.3 | 70.9 | 71.8 | 72.2 | 72.3 | 72.6 | 72.6 | 71.9 | 68.7 |
| Developing countries and territories | 26.8 | 24.1 | 22.0 | 18.8 | 17.8 | 17.2 | 16.8 | 17.0 | 16.0 | 16.1 | 17.8 | 19.8 |
| Socialist countries: Eastern Europe | 6.3 | 7.7 | 10.3 | 10.5 | 9.9 | 9.7 | 9.6 | 9.4 | 9.8 | 9.5 | 8.3 | 9.7 |
| Socialist countries: Asia | 1.6 | 1.6 | 1.6 | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 1.1 | 1.1 | 1.2 |
| Major petroleum exporters | 4.1 | 4.3 | 4.5 | 3.6 | 3.4 | 3.4 | 3.3 | 3.5 | 3.6 | 3.7 | 4.2 | 6.0 |
| Other developing countries and territories | 22.7 | 19.8 | 17.5 | 15.2 | 14.3 | 13.8 | 13.5 | 13.5 | 12.5 | 12.4 | 13.6 | 13.8 |

*Source: UNCTAD Handbook*, 1976, p. 39, Table 1.10.

TABLE 6. DEVELOPING COUNTRIES' EXPORTS AND CAPITAL IMPORTS BY SOURCE, 1974

*Part 1*

| Exports | To industrial market economies | To socialist economies | To developing countries | World total |
|---|---|---|---|---|
| Total | 172* | 8 | 47 | 223 |
| Petroleum exporters | 110 | 2 | 21 | 135 |
| Non-petroleum exporters | 63 | 6 | 26 | 97 |

*Part 2*

| Capital imports | From industrialized market economies | From socialist economies | From OPEC | Total |
|---|---|---|---|---|
| Capital flows net | | | | |
| Official development assistance | 11.3 | 1.3 | 3.4 | |
| Other official | 2.1 | | 3.6 | 21.7 |
| Private voluntary agencies | 1.2 | | | 1.2 |
| Direct investment | 7.2 | | | 7.2 |
| Portfolio | 2.4 | | | 2.4 |
| Export credits | 2.5 | | | 2.5 |
| Eurodollar loans | 5.0 | | | 5.0 |
| | 31.7 | 1.3 | 7.0 | 40.0 |
| *All figures in $US billions. | | | | |

*Source:* I.L.O., *Employment, Growth and Basic Needs*, 1975, p. 120.

countries was only 6% per annum (*NLR* 81, p. 5). The 1% difference is of very limited significance. (Stronger figures to illustrate this position can now be found; some of these will be cited later in this section.) Warren then refers to the internal structure of the economy and uses manufacturing's increased share in G.D.P. as an indication of significant industrialisation (*NLR* 81, p. 7). For example, he observes:

> The figures are rather impressive. For the underdeveloped countries as a whole the proportion of gross domestic product accounted for by manufacturing rose from 14.5 per cent in 1950-4 to 17.9 per cent in 1960-4, while in developed countries during 1960-4 manufacturing contributed 31.3 per cent to GDP. *The proportion in underdeveloped countries is already over half that of developed ones* (emphasis in original).

Despite the dubious basis for statistical comparisons of this kind, and their limited value for establishing the wider argument, Warren's use of these figures is generally misconceived (Emmanuel, *NLR* 85, p. 63). As revealing as the figures for manufacturing are those for agriculture which Warren, though he does not give them, admits alters the assessment of the importance of manufacturing. In 1973, agriculture contributed only 3.2% of the G.D.P. in developed countries but 22.6% in developing ones (IBRD, *World Tables*, 1976, Table 4). Warren similarly fails to discuss the important difference between the productivity of industry in industrialised and developing countries. The *UNCTAD Handbook* of 1976, a source used by Warren, provides comparative figures on production growth rates, value added per person and labour productivity (*UNCTAD Handbook*, 1976, Table 6.8). The figures for value added (6,142/906) and rates of labour productivity (4.1/2.3) are quite sobering as they reveal a stark difference between the two kinds of economies. There may have been a growth of manufacturing industry but it has not lessened the gap between developed and developing countries, as the difference in productivity overwhelmingly favours the developed world. As a sector, manufacturing is increasing in importance within the Third World and is able to hold the Third World's share of manufacturing output at around 7% of the world total. The figures cited by Warren on this point are unclear and are not supported by other important sources such as UNCTAD, the OECD or the World Bank.

Warren bases much of his argument on figures which document various countries' rates of manufacturing growth. These show that Third World countries' manufacturing sectors have expanded far more rapidly than those of already industrialised countries. Warren presents these figures without discussing the interesting features in these higher growth rates. Using World Bank figures for the period 1965-1973, it is possible to identify those countries whose manufacturing annual growth rate was greater than 10%. Of the eighteen countries in this category, only one is an established industrialised country, Japan with a rate of 13%. Two are east European (Bulgaria, Rumania), some are either west European or exceptional (Greece, 10.1%; Spain, 10.6%; Israel, 12.2%). Of the rest, six can be classified as Third World and rapidly industrialising. These are Iran, 12.9%; Taiwan, 20.3%; Republic of Korea, 22.4%; Singapore, 13.7%; Brazil, 11.4%; and Hong Kong, 12.9%. The remainder are the ones which are interesting and require explanation. These are Ethiopia, 13.2%; Cameroon, 10.8%; Ghana, 11.0%; Libya, 10.1%; Nigeria, 10.1%; and Ecuador, 10.3%. Though explanations can be found for why each of these countries should show a high growth rate, none of these factors are consistent with an argument about the depth or success of industrialisation in the Third World. For the figures to have proved this point, Bill Warren needed to argue more about the significance of such variations, and what they revealed, than he did. Certainly, the evidence which he provides is not enough to sustain the claim that during 'the post-war period...industrialisation in the Third World has been sustained, rapid and widespread'.

To dispute Warren's use of the statistics is not to end the argument. It is now necessary to consider the actual extent of industrialisation in Third World countries and its significance for general social and economic development. It must be recognised that there has been a change in Third World countries and that increased role of industry has been at the centre of these changes. This increased significance can be seen in a few simple but revealing indicators. As Bill Warren did, the increased significance of manufacturing in forming the G.D.P. of Third World countries can be emphasised. As argued in the preceding section, it can be shown that manufacturing has been of increased importance in the trade of Third World countries. The increased importance of manufacturing is reflected in the high rates of growth of manufacturing in Third World countries. Again, World Bank figures show that for 1965-73, average annual growth of manufacturing in Third World countries has been at 7.3%, while for industrialised economies it has been at 4.7% (World Bank, *World Tables*, 1976, Table 1). The same figures can be used to show, as Bill Warren did, that certain Third World countries have had quite spectacular rates of manufacturing growth. As the OECD has been eager to point out, the association between a high rate of growth in manufacturing and an overall improvement

TABLE 6. DEVELOPING COUNTRIES' EXPORTS AND CAPITAL IMPORTS BY SOURCE, 1974

*Part 1*

| Exports | To industrial market economies | To socialist economies | To developing countries | World total |
|---|---|---|---|---|
| Total | 172* | 8 | 47 | 223 |
| Petroleum exporters | 110 | 2 | 21 | 135 |
| Non-petroleum exporters | 63 | 6 | 26 | 97 |

*Part 2*

| Capital imports | From industrialized market economies | From socialist economies | From OPEC | Total |
|---|---|---|---|---|
| Capital flows net | | | | |
| Official development assistance | 11.3 | 1.3 | 3.4 | |
| Other official | 2.1 | | 3.6 | 21.7 |
| Private voluntary agencies | 1.2 | | | 1.2 |
| Direct investment | 7.2 | | | 7.2 |
| Portfolio | 2.4 | | | 2.4 |
| Export credits | 2.5 | | | 2.5 |
| Eurodollar loans | 5.0 | | | 5.0 |
| | 31.7 | 1.3 | 7.0 | 40.0 |
| *All figures in $US billions. | | | | |

*Source:* I.L.O., *Employment, Growth and Basic Needs*, 1975, p. 120.

countries was only 6% per annum (*NLR* 81, p. 5). The 1% difference is of very limited significance. (Stronger figures to illustrate this position can now be found; some of these will be cited later in this section.) Warren then refers to the internal structure of the economy and uses manufacturing's increased share in G.D.P. as an indication of significant industrialisation (*NLR* 81, p. 7). For example, he observes:

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To dispute Warren's use of the statistics is not to end the argument. It is now necessary to consider the actual extent of industrialisation in Third World countries and its significance for general social and economic development. It must be recognised that there has been a change in Third World countries and that increased role of industry has been at the centre of these changes. This increased significance can be seen in a few simple but revealing indicators. As Bill Warren did, the increased significance of manufacturing in forming the G.D.P. of Third World countries can be emphasised. As argued in the preceding section, it can be shown that manufacturing has been of increased importance in the trade of Third World countries. The increased importance of manufacturing is reflected in the high rates of growth of manufacturing in Third World countries. Again, World Bank figures show that for 1965-73, average annual growth of manufacturing in Third World countries has been at 7.3%, while for industrialised economies it has been at 4.7% (World Bank, *World Tables*, 1976, Table 1). The same figures can be used to show, as Bill Warren did, that certain Third World countries have had quite spectacular rates of manufacturing growth. As the OECD has been eager to point out, the association between a high rate of growth in manufacturing and an overall improvement in the rate of G.N.P./G.D.P. growth, has been very strong (OECD, *Development and Cooperation, 1977 Review*, p. 39, afterwards cited as OECD, *1977 Review*).

Though these figures suggest a growing significance of manufacturing in Third World countries, they need to be qualified in several important ways. These changes need to be considered in the context of movements in the world economy as a whole. While the share of manufacturing in Third World exports has increased, so has the share of these goods in the exports of industrialised countries. In 1960, manufactures made up 59.4% of industrialised countries' exports but by 1973, this share had grown to 70.8% (IBRD, *op. cit.*, Table 8). Further, the share of developing countries' manufactures in total world manufactures has remained constant at around 8% (OECD, *1976 Review*, p. 25). The roughly constant share of Third World manufacturing production in total world production has already been mentioned.

These figures alone would be enough to suggest caution in the analysis of growth of Third World manufacturing. Nevertheless, the extreme concentration of this industrialisation in a small number of developing countries makes that caution even more necessary. Though they provide no real analysis, the OECD has provided useful information on what they describe as the emergence of 'newly industrialising countries'. In the 1978 *Development and Cooperation Report*, the OECD identifies as newly industrialising the following countries: Greece, Portugal, Spain, Turkey, Yugoslavia, Brazil, Mexico, Republic of China, Republic of Korea, Hong Kong and Singapore. For our purposes, those in southern Europe can be omitted, as whatever their levels of development, they form no part of the Third World and are not relevant to this discussion. That leaves just six countries in the category of newly industrialising. A variety of figures can be collected to show that the fortunes of these countries diverge quite sharply from those of other Third World countries. For example:

> Among non-oil developing countries, the higher middle-income group (i.e. the ones listed above) maintained their share in world trade over the period. The export share of the lower middle-income countries fell marginally, from 3.0% in 1965 to 2.6% in 1973; the share of the low income group dropped from 2.7% in 1965 to 1.5% in 1973 (OECD, *1977 Report*, p. 41).

Alternatively, imports from all the newly industrialising countries make up three-quarters of OECD imports of manufactures from developing countries (OECD, *1978 Report*, p. 45). This improvement in trade has not just benefitted the newly industrialising countries. As the 1978 *Development Cooperation Report* comments:

> It is interesting and important to note that OECD exports of manufactures to the developing countries generally, and to the NIC's (new industrialising countries) in particular, have also grown particularly rapidly. Between 1963 and 1967, exports of manufactures to the newly industrialising countries rose from \$5.4 billion to \$46.9 billion and those to other developing countries rose from \$9.9 billion to \$39 billion. Even though the NIC's were rapidly increasing their exports of manufactures to OECD countries, the OECD export surplus with them in trade of manufactures rose by over \$14 billion (OECD, *1978 Report*, p. 46).

If total book value of foreign investment in developing countries is considered, then the following countries hold two-thirds of total investment stocks: Spain, Greece, Nigeria, Liberia, Mexico, Bermuda, Panama, Brazil, Venezuela, Argentina, Indonesia, Malaysia, India, Hong Kong, Singapore, Philippines. When the 'wild cards' are removed, that is, southern European, tax havens or oil producers, then only South Korea and Taiwan are missing — which has more to do with the historical pattern of their development than with anything else. Malaysia and the Philippines appear since they are the sites of more recent investment and stand, with Thailand

and Colombia in a second group of countries which show signs of industrialising but are not quite significant in world terms (OECD, *1978 Report*, p. 45).

The implication of figures like these is very stark. If so much of the progress has been concentrated in so few Third World countries, what has been the fate of the rest, including as it does most of Latin America, Asia and black Africa?

The official figures also give some clues as to why this industrialisation should have occurred when it did. The recent dramatic expansion of industry in both the newly industrialising countries and those in the second group, appears to be related to the recession of the 1970s. (Indeed, it is possible to argue that this growth really started with the initial end of the long boom in the years 1966-1968.) Figures provided by the OECD on the movement of private capital to developing countries reveals something of this basic pattern:

Private Flows

Total in millions of U.S. dollars, 1957-1975

| | |
|---|---|
| 1957 | 3,779.2 |
| 1958 | 2,916.8 |
| 1959 | 2,828.9 |
| 1960 | 3,150.1 |
| 1961 | 3,160.3 |
| 1962 | 2,452.6 |
| 1963 | 2,556.7 |
| 1964 | 3,200.1 |
| 1965 | 4,174.0 |
| 1966 | 3,841.2 |
| 1967 | 4,240.8 |
| 1968 | 5,867.1 |
| 1969 | 7,312.6 |
| 1970 | 8,002.9 |
| 1971 | 9,102.3 |
| 1972 | 10,076.4 |
| 1973 | 14,581.3 |
| 1974 | 17,367.4 |
| 1975 | 25,182.4 |

*Source:* 1957-1958 figures from OECD, *Resources for the Developing World, 1962-68*, Pt. Two, Statistical Tables, Table 4. 1969-1975 calculated from OECD, *Geographical Distribution of Financial Flows to Developing Countries*, 1969-75, Section A.

It can be seen that from 1957 until the end of the long boom, capital outflow showed no dramatic changes. From 1967 onwards, the outflow of capital to developing countries has increased year by year, with the sharpest increase in 1972-73, the onset of the recession of the 1970s. These figures have not been adjusted for inflation. Nevertheless, the OECD *Development Cooperation Report* of 1976 argues that even when inflation has been taken into account, there has still been a clear and substantial increase, in real terms (OECD, *1976 Report*, pp. 55-57).

As the recession developed in the West, investment opportunities declined in advanced capitalist countries and there was an outflow of capital (in the form of private investment and bank loans) to Third World countries. This outflow largely went to the new industrialising countries and those in the second group. The increase in investment closely followed the course of the recession. The rate of increase in private investment has been reduced as the recession has slowly come to an end. The basic figures to illustrate this process can be indicated as follows:

(1) Average annual growth rate of private direct investment for 1970-1976 was 13% (OECD, *1978 Report*, p. 117).

(2) D.A.C. (Development Assistance Committee of the OECD) direct private investment was up by 50% in 1973 on 1972, with a total of $6.7 billion (OECD, *1974 Report*, p. 142).

(3) Portfolio investment up 17% in 1973 on 1972 at $1.2 billion (*ibid.*).

(4) Export credits up by 8% to $2.3 billion in 1973 (*ibid.*, p. 146).

(5) Largest amount of outflow came from the United States, West Germany and Japan; most of it went into manufacturing.

(6) In 1975, more than half came from the U.S. and was made up in the following way:

| | |
|---|---|
| Total | $11.6 billion |
| Direct investment | $7 billion |
| Portfolio investment | $4.3 billion |
| Export credits | $200 million |

(OECD, *1976 Report*, p. 66)

(7) As the recession started to end, the pattern of outflows altered. Direct investment started to fall off, export credits increased, portfolio investment was up — but most important was the increase in 'commercial' loans from private banks (OECD, *1978 Report*, p. 23).

(8) The largest amount of these various flows were concentrated in that small group of countries already identified as newly industrialising; for example

  (a) Export credits in 1977 were $10.3 billion (up 40% on 1976). Two-thirds of the total came from the United States, France, West Germany, Japan and Italy. Indonesia, Philippines, Korea, Brazil, Mexico, Taiwan, Yugoslavia and Greece received more than half the total.

  (b) Private direct investment went largely to Brazil, Indonesia, Bermuda, Bahamas, Zaire, Argentina, Netherland Antilles, Peru and the Philippines. These countries received 56% of the total going to developing countries.

  (c) Total investment stock shows a similar concentration. Mexico, Brazil, Argentina, Indonesia, Malaysia, India, Singapore, Hong Kong, Philippines, Spain, Greece, Nigeria, Liberia, Bermuda, Panama. (The absence of Taiwan and South Korea should be noticed as their relationship with the industrial economies exists in another form.)

(OECD, *1978 Report*, pp. 117ff.)

As the OECD has observed, this pattern of development played an important part in limiting the extent and severity of the recession.

> It has also contributed to the health of the global economy. The ability and willingness of these countries to borrow and invest has sustained demand during a period where more defensive policies would have intensified tendencies towards stagnation (*ibid.*, p. 103),

or

> These net capital outflows represent a substantial productive outlet for savings and liquid resources which might otherwise be idle or less productively used (*ibid.*, p. 48).

We have already cited the figures on the improved trade balance for OECD countries during the recession.

That then sets the framework of what is known and which needs to be explained. In summary, there has been an increase in industrial production in Third World countries *but* it has been concentrated in a very narrow range of countries. Those countries that have expanded their production and trade in manufactures are those that have received the greatest quantity of official and private capital resources. The most significant phase of that growth has come in the period of the recession and that the form of industrialisation in these countries fitted the process (and problems) of capital accumulation in the industrialised world quite neatly, offsetting and mitigating some of the consequences of that recession.

The conclusion to be drawn from this phenomenon is scarcely that of Warren — that imperialism has entered a phase the result of which will be a global evening of productive forces and its own self-destruction. On the contrary, it would appear that the unevenness and contradictions involved in the process of capital accumulation are yet again expressing themselves in an international manner. Falling domestic profit rates in the developed capitalist states have compelled a transfer of investible funds to areas where profit rates can be maintained and they have been drawn to those few areas where for a variety of military/strategic reasons infrastructural requirements exist for the realization of such profits. This process has generated its own contradictions as recent pressures from the Third World governments to reduce the level of protection in developed states testifies. These pressures are related to a more fundamental contradiction in the current phase of imperialist strategy. The largest increases in both the manufactured exports and the production levels of these 'industrialising' countries of the Third World were registered in 1973 and 1976, years in which the market share of Third World exports as a percentage of world exports actually increased. These were years when, within the general recession of the 1970s, there were upturns in the economics of the developed capitalist states. There were no corresponding parallel movements in the 1960s. During the 1975 downturn in Western economies, however, the market share of Third World exports declined except in leather and footwear and clothing where smaller increases were registered. As a recent UNCTAD review of trade developments in manufactures observes,

> In a certain sense, the developing countries have therefore been a marginal supplier of manufactures to the developed countries: their exports have increased particularly fast in years when there was a high capacity utilization in the developed countries. This bears witness to the existence of spare capacities in the developed countries which can be put to use at short notice in response to excess demand in the developed countries.

To the extent, therefore, that the recession in the West continues, a sustained growth of industrial capacity — even in these Third World countries where it has taken place — is jeopardized. As the report concludes,

> Clearly, if future economic growth in the developed countries settles down at a lower average level — and if that level remains steady as in the 1960s, rather than perturbed as in the early 1970s — the prospects for a continuation of the increase in the developing countries' market shares will become worse (p. 7).

The above data supports the following conclusions:

(1) The Third World, with the exception of the major oil exporters and the 'export-led developing countries' has steadily been marginalized in relation to global capitalist development in the post-war era.

(2) The overwhelming proportion of the world's population which lives in the Third World produces some 7% of the world's industrial products and this production, like the Third World's share of world trade, is highly concentrated. It is not possible to argue, therefore, that the Third World is 'industrialising' in any meaningful aggregate sense if comparisons with Western industrialisation patterns and levels are intended.

(3) Where industrialisation has taken place at a rapid rate, 'export-led development' has generally been the motor of growth such that metropolitan-centred decision-making has retained its pre-eminence in the location, timing, character and control of Third World industrialisation.

(4) The above conclusion, together with the fact that most world trade is intra-firm trade suggests that the conclusion that 'autonomous' capitalism is advancing rapidly in the Third World is untenable.

(5) This conclusion is strengthened by the ability of transnational corporations to mobilise local capital resources at the expense of the domestic bourgeoisie in the Third World, thereby weakening the latter's autonomy.

(6) The fluctuations which have occurred within this pattern have been instigated not primarily by developments in the Third World but by changes in the prospects for capital accumulation in the metropolitan centres. While the oil price rises and the commodity boom are to some extent exceptions to this generalisation, the unique character of oil and its location (as well as the control of its marketing and distribution by transnational corporations) and the spatial and temporal limitations of the boom in commodities (of which the marketing and distribution, if not always the production is also controlled predominantly by transnationals) lead to the conclusion that these two developments cannot be taken to indicate an increased initiative available to Third World countries generally.

(7) Finally, insofar as improvements have taken place in specific Third World countries, they have been in response to an impasse in the process of capital accumulation felt most keenly in the developed capitalist states. These improvements have been in response to changed investment patterns and a rather limited restructuring of the global division of labour — both of which were decided upon and implemented from the developed states. Such developments point to an increasing incorporation of the Third World into a global system of capital accumulation (consciously expressed in the statements of such groups as the Trilateral Commission) rather than increasing autonomy on the part of Third World governments or national bourgeoisies. As a recent study of export-oriented industrialisation shows, these developments have been made possible by technological advances in transport, communications and organisational processes which have resulted in the geographical location of industrial production far less decisive than at any time in the past.

## CONCLUSION

On the basis of the preceding discussion of the most significant changes in the patterns of trade, manufacturing and investment, it is possible to construct a schematic overview of world development since 1945. Such an overview needs to relate changes in advanced industrialised countries to the pattern of development evident in the colonies and ex-colonies. The advanced industrialised countries experienced growth, in the post-war period, of a kind which was far more sustained than at any time since the initial period of capitalist development. In this period, commonly known as the long boom, the rate of growth in the West exceeded that in the colonies and the ex-colonies. These countries went through a period of relatively slow growth and limited economic progress. It was, however, in these years that many countries became politically independent, in which their relations with industrialised economies became more diversified and in which the logic of capital accumulation was more strongly internalised than at any previous stage. This can be seen in the moves towards 'import substitution', though more normally, the programmes implemented either concentrated on, or included, the creation of needed industrial, social and financial infrastructure. It would be inaccurate to see this process as being simply the result of political independence and a commitment to development embraced by the governments of these newly independent states. To a very important extent, political independence was based on the consequence of colonial policy which paved the way for such changes by establishing capitalist relations in these countries. The extension and deepening of these relations brought into question the continued domination of one power. The successful struggle of the United States to supplant the old European colonial powers also played a part in the process that led to the granting/gaining of independence of many of the major colonies.

The long boom started to weaken and by the middle to late 1960s (that is, between 1966 and 1969) the rate of growth had slowed and most Western countries had experienced quite significant recessions, though subsequent events have made them appear quite mild. With this slow-down in the West, the rate of growth in Third World countries was either maintained or increased. As a whole, the colonies and ex-colonies were growing faster than the industrialised economies, though this in no way implies that the gap between them was being reduced. As the conditions of recession became more clearly established, there was an increased outflow of capital from the West, responding to the restricted economic circumstances. This capital outflow, largely from private sources, went to a limited number of countries. Initially the investment went into commodity production though later its flow was consolidated in manufacturing in a group of countries that had, prior to World War II, seen the construction of a significant degree of industrial infrastructure. The move to these countries cannot be explained by the availability of cheap labour; all Third World countries could offer that. Rather, capitalist relations of production had already been established and there was a pool of urbanised and semi-skilled (non-peasant) labour that could be utilised in industrial production. Clearly a client relationship with the United States was no disadvantage as Korea, Taiwan, Brazil, and to a lesser extent, Mexico reveal. Further, the state in these countries was particularly active in shaping the economic and industrial environment to suit an influx of foreign investment or firms. The form of industrialisation initiated in these countries complemented both the patterns of production in the advanced industrialised countries and the problems faced by them in the recession of the 1970s. These economic activities, along with the increased price of oil, boosted the aggregate figures for Third World growth and participation in the world economy. Nonetheless, such figures conceal both the increased distance between the newly industrialising countries and the rest of the Third World, and the significant advantages that have accrued to the west as a result of these developments. It is difficult to make predictions, however, the basis for the emerging industrialisation has been of a special kind (mostly relating to the end of the long boom) that the possibility of it being generalised among Third World countries is remote. Indeed, the scope for future dramatic development in even the Third World, newly industrialising countries seems constrained by any improvement in the economic performance of the advanced industrial economies. Contradictions remain that can neither be wished away nor resolved by a further recession in the West.

If this account is correct in its essential details, then it is possible to show what is wrong with the accounts of these who use some kind of dependency paradigm or with Bill Warren's criticism of that approach.

The account of the pattern of world trade and investment does not assist those that try to explain the conditions of Third World countries on the basis of their participation in the world economy. Indeed, since 1945, the largest number of Third World countries have become increasingly irrelevant to the world economy, existing on its fringes and exerting no significant influence upon it. The moves by UNCTAD for a reform of the world economy so that the Third World would play a greater role in it, reflects this situation. All the same, the way in which the moves are framed would, if implemented, mean that the greatest advantage would go to those very few countries that have already experienced a degree of industrialisation and economic growth. If there was a period in which dependency theory was useful, it was in that prior to the mid-1960s, when aggregate growth rates favoured the industrialised world. Since that time, increased dependency, closer links with industrialised countries, and a greater involvement in the world economy have been the concomitants of capitalist growth. Socialism in one country may be difficult, but for Third World countries, capitalism in one country is a disaster. The links with flows of capital from the West (not because of the amount involved but because of its crucial mobilising and initiating role) seems to be important.

The problems with Warren's argument are of a different order. Warren shows a surprising insensitivity to the complexities of the processes which he sought to analyse. It is quite sobering to compare the subtlety of the OECD's account of the same basic data and to notice how often the OECD picks up pertinent distinctions or qualifications that are ignored by Bill Warren. Warren's attempts to settle scores with dependency theory; to prove that capitalist growth has been dramatic over almost the whole globe, prevents him from being able to give a useful account of the process. Though Warren's pieces have initiated an important debate on the role of industry in the Third World, his account was flawed by an optimistic commitment to proving the all-pervasive nature of growth and social progress in the post-war world. Whatever else may be useful in Warren's account, the figures that he provides need to be broken down and more extensively interpreted before it is possible to assess the significance, contradictory character and the limitations of industrialisation as it has appeared in Third World countries.