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COLLECTIVE ECONOMIC SECURITY *

J. S. Nye

IN 1973, and again at its fifty-seventh session in Geneva in July 1974, the United Nations Economic and Social Council debated the question of 'collective economic security'. Originally inscribed on the agenda by several less developed countries as part of their pressure for the elaboration of a strategy for the Second Development Decade, the concept of collective economic security was regarded with considerable wariness and scepticism by a number of major developed countries. Too often in the past, Western governments have found themselves pressed by norms that developed out of seemingly innocuous word formulas.¹ Moreover, the concept of collective security seemed to have little to do with economics. Strictly speaking, as developed early in this century, collective security meant a political-military arrangement in which the unlawful use of military force would be deterred or repulsed by the combined force of all other states. In a world of nuclear weapons, super-powers and ideological schisms, the classical doctrine of collective security is of limited validity in its own military sphere. At first glance, it seemed to many statesmen to be an unlikely doctrine for organising global economic relations.

On further analysis, however, the concept of collective economic security is very relevant to today's world and deserves more attention. In current practice, in the political-military sphere, the idea of collective security has come to mean something far broader and less specific than the original doctrine. In its broadest sense, collective security refers to a collective concern for the security of states. It represents the moral view that mankind has a common concern and the belief that insecurity breeds conflicts which may spread. States have come to accept a general principle of collective cognisance in military security matters. This principle of cognisance involves no transfer of control over any aspect of defence or security policy, but it indicates an international interest in national security policies and

* This article is a modified version of Professor Nye's consultant's report to the United Nations on the concept of collective economic security. It is being published in German in *Europa Archiv* (Bonn).

¹ The experience of the United Nations Conference on Trade and Development provides numerous examples. See J. S. Nye, 'UNCTAD: Poor Nations' Pressure Group', in Robert Cox and Harold Jacobson, *The Anatomy of Influence* (New Haven, Conn., London: Yale University Press. 1973).

the willingness of member states to accept a dialogue over security policies as a proper subject of international study, information and concern.²

In this broad sense, the concept of collective security is applicable to the economic as well as military relations among states. There has been a change in the nature of interstate relations over the past decade. Economic issues have risen in importance on the agendas of world politics. In such a world, the composition of threats to states has become more subtle and more complex. 'Security' is more than a military matter. If collective cognisance of the security dilemmas that confront the UN member states is to be effective, it must take into account the broader aspects of security and the economic dimensions of world politics.

'Security' is a word we use every day, yet the concept is somewhat more ambiguous than we first realise.³ National security can be used to cover a wide range of goals and divergent, even contradictory, policies. In a sense, security is a negative goal—the absence of a sense of danger or threat. Narrowly defined, security means the absence of a threat to survival, but survival is only rarely at stake. Most people want to feel secure in more than just their survival. They wish to feel secure in their continued or future enjoyment of a number of other basic values. Since we can never be certain about the future, the problem of security is a question of degrees of uncertainty. How much of our current enjoyment are we willing to pay for a little more certainty about future enjoyment?

Different people have different preferences for present versus future consumption; and different beliefs about which values are basic. Individual physical survival, for example, is a widely shared basic value but many people have sacrificed it for the sake of group survival, or for non-temporal religious values. Thus the content of 'security' is often a matter of contention. It is not fixed, but varies among peoples and over time. However, at a high level of abstraction, we can identify at least three basic clusters of values which nearly all peoples in today's world rank close to physical survival and which national security policies are designed to protect. These basic clusters of values are: (1) some minimal expected level of economic welfare; (2) a certain political and social autonomy as a group; (3) a degree of political status as a group. Most national security policies in today's world are designed not merely to ensure the physical survival of the individuals within national boundaries but to ensure a certain minimal expected

² Leonard Beaton, *The Reform of Power* (London: Chatto and Windus, 1972.)

³ See Arnold Wolfers, *Discord and Collaboration* (Baltimore: Johns Hopkins, London: Oxford University Press, 1962).

enjoyment of these other basic values as well. Indeed, some national security policies may be said actually to increase the risks to physical survival in order to ensure greater certainty in the continued and future enjoyment of economic welfare, political status, and group autonomy. If this is an accurate description of what peoples are demanding from their political leaders, then it is clear that the problem of security is much more than just a military problem.

As the efficacy of force for the achievement of many states' positive goals has declined, the threats to state autonomy have also shifted, from the military area—in which the threat is defined largely in terms of territorial integrity—to the economic area. Governments' policies increasingly impinge on one another, as sensitivities increase as a result of the collapse of the natural barriers that used to insulate economies from one another. Thus the purpose of exercising power may be not so much to prevent another state taking military action as to prevent it shifting the costs of its own domestic policy actions on to one's own state—for instance, through trade restrictions, maintenance of an under-valued exchange rate, or non-tariff barriers of one kind or another. Economic sources of power, which are easier to apply gradually and increasingly than threats of force and which are less offensive to national prestige and dignity, are often the handiest means of dealing with other states' policies that impose significant costs on one's own state.⁴

These shifts in the relative importance of military and economic power are paralleled by an increasing complexity of actors and issues in world politics. Recent years have seen the rise of new actors in world politics, both transnational and intergovernmental, with a bewildering variety of characteristics.⁵ Multinational enterprises and transnational guerrilla movements both complicate the patterns of interaction among states and pose problems for security policy. Though the new actors lack the legitimacy and the ultimate recourse to the territorial police power or international exercise of military force that remain significant resources of states, and though states will generally continue to prevail over the new actors where there is an open clash, the costs to governments of such victories can be expected to rise, and the influence of the new actors will be felt as an important constraint on state policies.

One of the important effects of the new actors in world politics is

⁴ This and several following paragraphs draw heavily on Robert Keohane and J. S. Nye, 'World Politics and the International Economic System', in C. Fred Bergsten (ed.), *The Future of the International Economic Order* (Lexington, Mass.: D. C. Heath, 1973).

⁵ See Karl Kaiser, 'Transnationale Politik: zu einer Theorie der multi-nationalen Politik', *Politische Vierteljahresschrift*, 1969, pp. 80–109.

their role as transmission belts transmitting policy sensitivities across national boundaries. As the domains of corporations, banks and (to a lesser extent) trade unions transcend national boundaries, a wide range of what were once domestic policies in different countries come to impinge upon each other. These effects are reinforced by transnational communications, which occur even in the absence of organisations.

Dilemmas of interdependence

If transnational economic relations were merely a nuisance or inconvenience, states could simply curtail them by resorting to restrictive economic policies or their police powers. Transnational economic relations, however, present opportunities as well as problems. Under proper conditions, transnational economic organisations can be a significant transmission belt for the increased economic welfare which governments are pressed to provide. Access to markets in other countries may permit the achievement of economies of scale not otherwise possible. Economic efficiency is enhanced by the movement of factors of production in accord with the principle of comparative advantage. Imported technologies or management techniques may have a catalytic effect on domestic production.⁶

Rising economic interdependence can also have beneficial political effects. In so far as nations become entwined in each other's welfare, they have a positive incentive to co-operate and to avoid destructive actions. When it is clearly perceived that a rise in another nation's welfare will, through trade or investment, trigger a rise in one's own welfare, the political will to co-operate may increase. There has been no shortage of recent instances to dramatise this increased mutual economic sensitivity and the increased need for policy co-ordination. Poor harvests of grain in the Soviet Union or of fish in Peru have been rapidly transmitted into shortages of fertilisers, or higher food prices in other parts of the globe. Rapid changes in energy or raw material prices have accelerated domestic rates of inflation throughout the world and have reverberated quickly through the negotiations over reform of the international trade and monetary systems. New techniques for exploration and exploitation have led to the development of ocean resources and the formulation of the concept of the deep seabed as 'the common heritage of mankind'.

At the same time, rising economic interdependence presents governments with problems, and the international community with dilemmas as well as benefits. In so far as economic interdependence implies some

⁶ Richard Cooper, *The Economics of Interdependence* (New York, Toronto, London, Sydney: McGraw-Hill. 1968).

reduction in governmental autonomy, governments face trade-offs between their objectives of welfare and autonomy. The way that trade-offs are made in the short run can lead to diminished autonomy or greater autonomy in the long run.

Economic interdependence is a two-edged sword. It involves costs as well as benefits. Interdependence can be a source of political manipulation as well as a source of economic welfare. When states act to control transnational economic relations, they not only risk diminishing economic welfare but they also frequently create a new type of 'policy interdependence'. Often the policy measures by which one government attempts to control transnational economic relations depend for their success upon the policy measures taken by other governments. Competitive tariffs, export subsidies, or exchange rate policies, for example, can lead to beggar-my-neighbour cycles of retaliation, which leave everyone worse off. If economic policy interdependence is to have positive effects rather than reduce welfare, a certain measure of international cognisance and rules are essential. This is the basis for the international collective role in making economic welfare more secure.

In short, the political problem of security that confronts all states has an important economic aspect as well as the traditional military component. If we define security as the absence of acute threats to the minimal acceptable levels of the basic values which a people consider essential to its survival, then the economic dimension is important both as a potential instrument of threat to basic values, and as one of the basic values itself. Military security has traditionally been defined by the nature of the instruments, *i.e.*, the absence of threats based on military force. We find it more useful, however, to define economic security in terms of values rather than instruments. Economic security in this sense refers to the absence of threat of severe deprivation of economic welfare.

International threats to economic welfare can come from three major sources: (1) from the intentional or unintentional actions of other states; (2) from the intentional or unintentional actions of transnational organisations; (3) from natural causes. Threats to economic welfare arising from the intentional actions of other states or transnational organisations may be based upon the use of force, or may be based upon economic instruments of power. If we think of collective economic security as the problem of creating an international economic order which reduces threats of deprivation of economic welfare, it is clear that a mixture of regimes and institutions will be required to deal with the variety of sources of threat.

Economic welfare is, of course, not a single value but a cluster of

values. It is generally measured in terms of consumption of goods and services. But consumption has a number of dimensions, which may run at cross purposes with each other. For example, a high rate of current consumption may diminish future consumption. Similarly, future patterns of consumption may be affected by the equality of distribution of current consumption. The problem of measuring economic welfare is made more complex if one introduces a distinction between tangible and intangible goods. Prospects of stable employment or of an unpolluted environment are intangible but important aspects of welfare. These intangible aspects of economic welfare are often costly to provide, but are often not adequately reflected in national income accounts.

Among the most important dimensions of economic welfare are: (1) growth—the ability to produce an increasing amount of goods and services; (2) distribution—broadening patterns of consumption of goods and services; (3) efficiency—the ability to produce more goods with fewer inputs of factors of production; (4) price stability—some sense of predictability and protection of future consumption; (5) employment—assurance of ability to earn and participate in the economic system; (6) environmental quality—some assurance against the debasement of the everyday quality of one's surroundings.⁷

Conventional economic analysis tends to place greatest emphasis on efficiency. Concern for economic efficiency in the sense of increasing measurable output from scarce factors of production cannot be ignored. But as other dimensions of economic welfare become more important, it becomes more difficult to reach agreement on the means of measurement of economic efficiency. Growth, for example, may contribute to efficiency, but it also involves costs which are not easily measured. Income redistribution may in some cases diminish, but in other cases enhance, economic efficiency. There are also trade-offs to be made among other dimensions of economic welfare. Price stability and full employment, for example, have proved difficult to reconcile in many economies. A government's commitment to provide stability of employment has frequently led to controls on imports, despite the welfare gains that may accrue to consumers according to the efficiency criteria of comparative advantage. More recently, however, rapid inflation has threatened price stability, and some governments have relaxed controls on imports but resorted instead to controls on exports.

Different peoples put different emphases on these various dimensions of economic welfare values; and different dimensions are subject to different threats. Moreover, the achievement or protection of some

⁷ I am indebted to C. F. Bergsten for this list.

dimensions may mean some diminution of other dimensions of economic welfare. Nonetheless, there is a general concern among most people for freedom from threats of severe deprivation of economic welfare along any or all of these dimensions. One of the tasks of international institutions in promoting collective economic security must be to provide both assistance in analysis and a forum in which states can explain and clarify their preferences in the complicated trade-offs among the several aspects of welfare; and in which they can strive to agree upon joint gains.

The principle of joint gain

The basic principle underlying a strategy for the international economic order should be the creation of conditions that encourage joint gain situations, in which all parties are better off, and discourage joint loss situations (where all parties are worse off) or fixed good situations where one country's gains must result in another country's losses. One of the important aspects of economic issues is that they frequently involve a large component of joint gain. The task for institutionalising an economic order is to ensure that this co-operative joint gain aspect prevails. This basic principle represents an interpretation of economic security as a dynamic concept. Severe deprivation of welfare is most likely to be avoided under conditions of expanding joint gain.

The major obstacles to the preservation of joint gain situations may come from within the economic area or from the linkage of economic issues and other values, such as military security or political status. Inside the economic area, there may be disruptive conflicts over the distribution of gains. There are two dimensions to economic issues, joint gain and the distribution of gain. The joint gain may be reaped entirely by one party, or it may be shared among the parties. Where there is strong disagreement over distribution, the ensuing conflict can sometimes destroy the joint gain, leaving one or both parties worse off. Thus a concern for principles of distribution is an important aspect of collective economic security.

Economic welfare does not exist in isolation from other values, and economic change can affect the relative military strength and sense of military security of different countries. States may sacrifice or forgo the joint gain to be claimed from trade or economic co-operation if they fear that a possible military opponent may improve its relative power as a result of its share of the joint gain.

The provision of national military security has been a classic dilemma of politics in a world of states that do not obey a common sovereign. States have tried to provide themselves with greater

security, by increasing their strength, either by investing in military forces or by joining alliances. But often this increased strength appears as a threat to other states, which take similar measures. The increases in military strength cancel each other out. The net result is often a loss of welfare (or autonomy) without any corresponding increase in security. All too often, the struggle to achieve national security has simply resulted in joint losses.

The search for military security need not lead to joint losses. The crucial factor is the intentions of the parties involved. If all important states are pursuing balance and stability rather than preponderance, and are able to communicate this to each other, then a sense of security can be achieved which leaves everyone better off. The problem, of course, has been being sure of other states' intentions. Stability in international military balances and some relaxation of mistrust of political and military intentions are important if international economic welfare is to be made secure.

Issues of political status may also disrupt joint gain situations. Concern for political status or hierarchical rank among states is a particularly difficult political value to accommodate, because (by definition) one country cannot improve its position without another country encountering a relative loss. Where economic issues and political status become closely intertwined there is danger of conflict from which joint losses can ensue. However, it is possible that functional institutional arrangements that provide multiple hierarchies and different ways of measuring status may help to alleviate such situations. Thus the maintenance of a degree of functional autonomy of economic institutions is another useful principle for organising collective economic security.

The overall task for international institutions, however, is to develop the framework within which the principle of cognisance can be expanded in international economic affairs. Economic policies are interdependent and thus the legitimate focus of an international dialogue. As states explain their policies and submit them to international discussion, the mistrust of intentions that breeds insecurity may be diminished. Other states will be able to formulate policies with greater knowledge and less uncertainty and sense of insecurity. This will help to focus attention on areas of joint gain and thus avoid disruptive conflicts that threaten economic welfare.

There has been a gradual but significant growth in international awareness of economic interdependence, and of the interlocking responsibilities of nations. The development of international economic institutions, however, has not been seen as equally necessary or equally acceptable in all areas of international economic life. There are different degrees of interdependence, and different patterns of

awareness of the need for collective action in different areas. In trade and monetary policy, for example, the joint loss experiences of the 1930s led to awareness and institutionalisation of most of these functions after the Second World War. Now the institutional arrangements of that time are subject to further study and change. In other areas, such as ecology, multinational enterprises, and seabed resources, the development of awareness has been more recent, and institutional arrangements are in an early or incipient stage.

Four tasks for international institutions

The United Nations discussions have focused on four major tasks which institutions can perform to enhance collective economic security.⁸ In addition to (1) assessment and (2) regulation functions under normal conditions, institutions can also help (3) provide for special emergency situations; and can help to (4) promote the fundamental value of greater equity.

1. Assessment refers to the collection and provision of information about current economic trends and about possible future economic problems. It is an elementary but essential component of collective action to make international economic welfare more secure. Information and forewarning are a basic requirement for sound national policies. The joint provision, sharing and interpretation of such information also helps to dispel the ignorance and uncertainty which breed insecurity. Within the scope of the assessment function are such tasks as data gathering and analysis; circulation and exchange of information; arrangements for consultation and co-ordination by national governments; facilitation of joint planning; and provision of expert assistance to assist governments to develop indigenous capacities for economic assessment.

While it would be foolish to expect international civil servants to surpass other mortals in predicting the future exact conditions of supply and demand in particular world markets, the foregoing analysis makes clear that their efforts to encourage exchange of information and clarification of differing preferences among dimensions of welfare are an important part of the task of developing that global cognisance which is central to the concept of collective economic security.

2. Regulation refers to the development of internationally accepted rules, procedures, and codes of behaviour for economic policy interdependence. While states are generally loath to accept rules that restrict their freedom of action, when there are situations of economic policy interdependence their freedom of action, is, in fact, already restricted. If the efforts of states to deal with economic interdepen-

⁸ See United Nations documents E/5263, March 19, 1973 and E/5369, June 21, 1973.

dence is not to lead to competitive cycles involving joint loss of welfare, there must be further acceptance of basic rules and codes of behaviour. These rules may be designed to increase or to reduce economic transactions, but their development and negotiation is an important aspect of securing economic welfare. Regulations may vary in specificity from general principles to specific regulations such as the development of new rules for export controls or central bank intervention in foreign exchange markets. Regulations may be developed both for normal and for emergency conditions; and special regulations may be needed to promote the particularly important value of greater equity. Assisting states to assess properly their economic situation and to establish regulations that enhance possibilities of joint gain are two important institutional tasks in the provision of collective security. Two other tasks, however, are equally important and politically feasible at the present time.

3. The provision of equity refers to measures to ensure that joint gains in economic welfare reach all countries and all levels of society. As indicated above, the provision of equity plays an important part in securing international economic welfare. Where joint economic gain is not shared in some acceptable way among all parties, there is a greater likelihood of conflicts over the distribution of gain which can, in some cases, destroy the joint gain itself. Not all elements in society, nor all countries, are equally well placed to capture a share of joint economic gains. Technical assistance to support the self-help efforts of member countries to overcome internal structural inequalities, as well as assistance and special measures for the least developed countries, are important institutional tasks in ensuring collective economic security.

Merely assuring a balanced distribution of future joint gains, however, is unlikely to be sufficient to provide a sense of equity. Measures for redistribution will also be necessary. Rightly or wrongly, many people feel that past distributions of economic gains have been inequitable, and some measures of redress are important to their sense of equity. Equality is a prime political value of modern society, and this had led some people to express the goal of redistribution in terms of closing the income gap between rich and poor countries. As Rosenstein-Rodan has shown, even under optimistic assumptions, this goal is virtually impossible by the year 2000, and is likely to generate frustrations that could disrupt joint gains. On the other hand, it is possible to gear redistribution to a more positive goal such as constructing a floor under world poverty.⁹ As Helmut Schmidt recently

⁹ Paul Rosenstein-Rodan in Jagdish Bhagwati (ed.), *Economics and World Order: from the 1970s to the 1990s* (New York: Collier-Macmillan, 1972); see also Miriam Camps, *The Management of Interdependence* (New York: Council on Foreign Relations, 1974.)

put the point, 'there must be a level on which a convergence of preferences would stabilise the international political situation at a higher level of prosperity for both the wealthier and the currently poorer countries.'¹⁰ Although it is often difficult to convince voters in rich countries of the point, a measure of redistribution is essential for ensuring future joint gains and for collective economic security.

4. The emergency task refers to the collective capacity and will to respond to a severe deprivation of welfare that might befall a particular country or group of countries. The assurance of international emergency assistance can allow countries to develop economic policies which enhance the joint gains possible in economic interdependence without running as high risks as would otherwise be the case. An emergency function is also implicit in the acceptance of a general moral concern which underlies the broad notion of collective security. Emergency situations can be natural or man-made. Since the natural conditions which create economic emergencies rarely extend over the whole globe at the same time, there is an easy complementarity involved in this aspect of the provision of collective economic security. A man-made emergency, however, is more likely to reflect political conflict between states or groups. To some extent, economic conflict can be avoided or minimised by agreed regulations, but where this is not possible, institutional arrangements for consultation and conciliation can help to reduce the impact and spread of man-made economic emergencies.

Examples of current problems

These different institutional tasks involved in the collective assurance of economic security can be illustrated in relation to the current economic problems of raw materials, food scarcity and multinational firms.

The problem of *raw materials* has recently attracted considerable attention because of the selective embargo, and quadrupling in the posted price, of oil in 1973, and because of more general concerns that have been raised about reaching the finite limits of various raw materials. Temporary shortages, rapid increase in energy costs, and uncertainty of future supply have contributed to a reduction in economic welfare in both rich and poor oil-consuming nations. While a case can be made that rising prices for raw materials can have a beneficial effect in encouraging greater efficiency in the use of materials in the long term, rapid short-term shifts can have detrimental effects

¹⁰ Helmut Schmidt, 'The Struggle for the World Product,' *Foreign Affairs*, (April 1974), p. 451.

on economic welfare in the the short term and may encourage more autarky in the longer term.

Because of recent events, discussion of economic security in the area of raw materials has focused lately on the question of security of supply. Equally important from the point of view of the producing nations, however, is the question of security of demand. Much of producers' concern for the establishment of commodity agreements and the supplementary financing of shortfalls in commodity earnings in the 1960s was a question of stability of demand. It is important that international institutions focus on both supply and demand aspects of the effect of raw materials on economic security. In terms of assessment, international institutions could collect, interpret and share production information, plans, and the projection of future supply and demand (and price elasticities) for a number of the most important commodities. In terms of regulations, efforts might be made to reach agreement on isolating economic issues in the supply and demand for materials from political complications. Even if this is not fully possible, specific regulations might be developed for situations when economic considerations are paramount. The General Agreement on Tariffs and Trade, for example, has much to say on import restrictions but relatively little on export restrictions.¹¹ Yet competitive cycles of export restriction can also lead to a reduction of world economic welfare.

In terms of equity, international institutions might help on the demand side by arranging compensation financing for unexpected short falls of earnings. On the supply side, international institutions might act as intermediaries in arranging special assistance to help the least developed countries to finance increased costs of essential raw materials. Both these measures also relate to the emergency function. In addition, international institutions could offer procedures and assistance in conciliation where raw material emergencies are of a man-made type. At present, there are only rudimentary regulations and inadequate assessment and equity provisions in the area of raw materials. This is clearly an area where there is considerable room for institutional development to implement collective economic security.

Scarcity of food supply is another critical aspect of economic security. For much of the postwar period the food problem in the richer parts of the globe has been one of surplus, not deficit, as governments of industrial nations have tried to maintain incomes in their agricultural sectors by subsidies and restrictions of import competition. Much of the institutional problem of the 1950s and 1960s was finding means, in the light of such policies, to enhance trade and transfer

¹¹ Roger Hansen, 'The Politics of Scarcity,' in James Howe (ed.), *The United States and the Developing World* (New York: Praeger. 1974).

food from surplus to deficit countries. More recently, increasing demand and rising food prices have transferred the concern of many governments from control of imports to restriction of exports. Such restriction of exports in order to prevent price rises at home can wreak harm on other economies dependent upon the same food supplies. The result can be loss of economic welfare in the short run and reversions to greater autarky in the longer run.

A potentially important aspect of the problem of food scarcity is the growing role of a particular geographical area, North America, as the source of world reserve capacity. The United States and Canada today control a larger share of the world's exportable supplies of grains than the Middle East does of oil. Exports from Australia, the only other significant exporter, are less than ten per cent of North American exports. The danger in this situation comes primarily from natural causes. The recurrence of drought years in North America (such as occurred in the 1930s) would leave the world in a very vulnerable position in terms of reserve food supplies.¹²

There are several roles for international institutions in improving the collective economic security of food supply. In terms of assessment, more could be done by way of collecting and sharing information on crops planned, harvests, and national reserves. In terms of regulation, there is a need, analogous to the situation in raw materials, to develop rules relating to export controls. In terms of equity, there is a need for technical assistance and the transfer of technology to assist the development of agriculture in the least developed countries. In terms of the emergency function, better assessment and forecasting could be supplemented by establishing a world food bank, or the FAO plan of co-ordination of national reserve policies. Thus food supply is another area where collective economic security could be greatly improved.

There are at present some 200 large *multinational enterprises* or clusters of corporations which operate simultaneously in twenty or more different nations and which are tied together by common ownerships and management strategy. The annual value added by each of the top ten multinational corporations is over 3 billion dollars or greater than the gross national product of some eighty member states of the United Nations. Such concentrations of economic power cutting across national boundaries create uncertainty and concern among political leaders who are elected to preserve political autonomy and enhance economic welfare within these boundaries. On the positive side, the multinational corporations can be a major engine for trans-

¹² Lester Brown, 'The Next Crisis? Food,' *Foreign Policy* 13 (Winter 1973-74).

ferring technology and relocating industrial production from the richer to the poorer parts of the globe. Unlike portfolio investment, multinational corporations can organise capital, management, technology, and access to external markets into an economic package which is greater than the sum of its parts.¹³

On the other hand, the costs of this packaging are often high, and political leaders frequently suspect that the corporation is reaping most of the joint economic gain from the direct investment. Moreover, even though most corporations forswear illegitimate meddling in the local political process, they often have an unsettling effect on the local sense of political autonomy, whether they try to or not. In these circumstances, the danger to collective economic security comes less frequently from the occasional blatant cases of corporate political interference, than from policies based on insecurity, uncertainty, and lack of information which may disrupt the creation of joint economic gain.

The assessment function is of major importance in institutionalising collective economic security in regard to multinational corporations. Privileged access to information, ability to shift identity, and mobility of resources are key assets of multinational corporations in their bargaining with states. Information that improves governments' knowledge, improves their perception of their self-interest and reduces uncertainty can help to ensure that bargains are struck which involve broader sharing of joint gain. This equity function can be further enhanced by the provision of experts to help the least developed countries to make better use of the information available to them in bargaining with large corporations. The regulation function is now in an incipient condition, and it may be impossible to make much progress until contradictory national controls have resulted in joint losses for countries and corporations. More optimistically, however, it may be possible to get agreement on a general corporate code of behaviour and more specific intergovernmental agreements in limited areas of taxation and anti-trust arrangements. The emergency function could be filled by provision of a forum for complaints, and procedures for conciliation in cases where conflicts between corporations and countries threaten to spread in a fashion destructive of joint economic gains. The regulation of multinational corporations is an area where the institutionalisation of collective security is at a very preliminary stage.¹⁴

¹³ UN, *Multinational Corporations in World Development*, ST/ECA/190, (New York, 1973).

¹⁴ UN, 'The Impact of Multinational Corporations on the Development Process and on International Relations,' E/5500/Add.1 (June 1974).

Conclusion

The development of the concept of collective economic security is likely to be a gradual process. As Joan Robinson has pointed out, despite its ostensibly universalistic doctrines, 'the very nature of economics is rooted in nationalism'.¹⁵ Awareness of economic policy interdependence and willingness to undertake the necessary institutional tasks develop slowly and unevenly as different problems become prominent in public attention. What is essential, however, is the development of the general principle of cognisance and international concern for preserving the structure of joint economic gain and preventing severe deprivations of economic welfare, either for individual states or for the global community of states.

Our analysis indicates that there is no single institutional solution. A broad range of institutions will be necessary. Nonetheless, the principle of general cognisance and concern for the structure of collective economic security could be advanced by the development of a central focal point. The UN Economic and Social Council, which has never lived up to its potential, could become a natural focal point for such a general focus on collective economic security. To be effective, however, EcoSoc would have to develop better procedures, such as meeting on a year-round basis to conduct major systematic reviews of areas of international economic concern.¹⁶ Only then could it really review the programmes of organisations within the United Nations system with a view to evaluating their contribution towards the institutionalisation of collective economic security. In addition, EcoSoc should develop procedures to encourage states to share information openly and tolerate criticism of the ways their policies are affecting specific problems important to collective economic security. Finally, the members of the UN should establish procedures under Article 99 of the Charter to enable the Secretary General to bring to the attention of the Economic and Social Council matters which he considers to have an immediate bearing upon the development of the international economic order and the enhancement of collective economic security. In a world of conflict and a world of change, opportunities to enhance and preserve co-operative structures are too precious and too important to be lightly cast aside.

¹⁵ Joan Robinson, *Economic Philosophy* (Harmondsworth, Middlesex: Penguin, 1962) p. 117.

¹⁶ United Nations Association of the USA, *The United Nations in the 1970s* ('Katzenbach Report'), New York, 1971