Transforming
International Regimes

What the Third World Wants and Why

STEPHEN D. KRASNER
Department of Political Science
University of California, Los Angeles

The domestic and international weakness of Third World states has made them exceptionally vulnerable to pressures emanating from the international system. They have attempted to ameliorate these pressures by transforming international regimes. This quest has been facilitated by their ability to capture the structure of international organizations created by the United States at the conclusion of World War II. The specific content of Third World demands and the exceptional unity maintained by the South have been conditioned by the widespread acceptance of a belief system embodying some of the precepts of dependency perspectives.

Introduction

Developing countries have pursued many objectives in the international system. Some objectives have been purely pragmatic, designed to enhance immediate economic well-being. However, the most publicized aspects of North-South relations, global bargaining over the restructuring of international regimes, cannot be understood in strictly economic or instrumental terms. By basically changing principles, norms, rules, and procedures that affect the movement of goods and factors in the world economy, the Third World can enhance not only its economic well-being but also its political control. The emphasis the South has

AUTHOR'S NOTE: I would like to thank Richard Baum, Peter Gourevitch, Robert Jervis, Peter Katzenstein, Peter Kenen, Robert Keohane, John Ruggie, Arthur Stein, and the editors of the International Studies Quarterly. Without their help the arguments presented here would have been far less satisfactory. John Kroll provided very able assistance in analyzing the data on tax structures.
given to fundamental regime change is a manifestation of four basic factors: the international weakness of virtually all developing countries; the domestic weakness of virtually all developing countries; the systemic opportunities offered by the international institutions which were created by a hegemonic power now in decline; and the pervasive acceptance of a belief system embodying a dependency orientation.

At the international level all states are accorded formal equality as sovereigns: The underlying power capabilities of states establish no presumptive differentiation with regard to certain basic rights, especially sole legitimate authority within a given geographic area. At the same time, the present international system is characterized by an unprecedented differentiation in underlying power capabilities between large and small states. Never have states with such wildly variant national power resources coexisted as formal equals. Very weak states can rarely hope to influence international behavior solely through the utilization of their national power capabilities. For them, regime restructuring is an attractive foreign policy strategy, because it offers a level of control over states with much larger resources that could never be accomplished through normal statecraft grounded in dyadic interactions.

The rigidity and weakness of domestic economic and political structures in developing countries is a second factor that has made basic regime change important for the Third World. With the exception of a small number of countries, the economies of the Third World are dominated by agricultural and primary sectors with low levels of factor mobility. Vulnerability is high because it is difficult to adjust to external changes. Political systems are also weak; the state cannot manipulate those resources that might lessen the impact of pressures emanating from the international environment. International regimes can limit external vacillations or automatically provide resources to compensate for deleterious systemic changes.

The third element accounting for the prominence of a basic regime change strategy is the set of opportunities offered by the character of post-World War II international organizations. These organizations have offered opportunities that made Third World programs more feasible and effective. The Third World has been able to turn institutions against their creators. Such developments are likely to afflict any set of regimes created by a hegemonic power. This power establishes institutions to legitimate its preferred norms and principles, but legitimation can only be effective if the institutions are given independence and autonomy. This autonomy can then be used by weak states to turn
the institutions to purposes and principles disdained by the hegemonic power.

Affecting both domestic incentives and international opportunities in the Third World's quest for a new international economic order has been a belief system associated with theories of dependency. This intellectual orientation has been a critical factor, accounting not only for some of the Third World's success, but also for its extraordinary unity on questions associated with regime transformation. Even economically successful developing countries with flexible domestic structures and conservative political regimes have not broken with the Group of 77. In an atmosphere pervaded by *dependencia* perspectives, such a break could undermine a regime's position with domestic elements. No Third World state openly endorses the norms and principles of international liberalism, even if some of them adopt its rules and procedures. The ideological hegemony enjoyed by the United States at the conclusion of World War II has totally collapsed, and the alternative world view presented by dependency analyses has forged the South into a unified bloc on questions related to fundamental regime change.

**The Variety of Third World Goals**

The emphasis in this essay on weakness, vulnerability, and the quest for control is not meant to imply that LDCs are uninterested in purely economic objectives. Third World states have pursued a wide variety of goals. These include economic growth, international political equality, influence in international decision-making arenas, autonomy and independence, the preservation of territorial integrity from external invasion or internal fragmentation, the dissemination of new world views at the global level, and the maintenance of regime stability (Wriggens, 1978: 37-39; Rothstein, 1979: 3). They have used a wide variety of tactics to promote these objectives, including commodity organizations, regional coalitions, universal coalitions, alliances with major powers, local wars to manipulate major powers, irregular violence, bilateral economic arrangements, regulation of multinational corporations, nationalization of foreign holdings, foreign exchange manipulation, and international loans.

This essay does not review all aspects of Third World behavior. It concentrates on an area where political objectives associated with control have been highly salient—Third World efforts to enhance power
through the transformation and construction of international regimes. By building or altering international institutions, rules, principles, and norms, weaker countries can both ameliorate the vulnerability imposed by their lack of national material-power capabilities and their weak domestic political structures, and increase resource flows.

Third World political behavior, like all political behavior, can be divided into two categories: relational power behavior which accepts existing regimes, and meta-power behavior which attempts to alter regimes. Relational power refers to the ability to change outcomes or affect the behavior of others in the course of explicit political decision-making processes. Meta-power is the capacity to structure the environment within which decisions are made. This structuring can involve the manipulation of institutional arrangements, norms, and values (Baumgartner and Burns, 1975). Relational power behavior accepts the existing rules of the game; meta-power behavior attempts to alter those rules.

Outcomes can be changed both by altering the resources available to individual actors and by changing the regimes that condition action. Changing the outcome of struggles fought with relational power requires changing actor capability. However, such changes do not necessarily imply an alteration in meta-power. An individual may win more money by learning to become a better poker player without changing the rules of poker. A political party may win more offices by attracting more voters without altering the laws governing elections. A state may prevail more frequently in disputes with other international actors by enhancing its national power capabilities without altering the institutional structures, norms, and rules that condition such disputes.

Outcomes can also be changed by changing regimes. Meta-power behavior is designed to do this. Successfully implemented, it implies a change in relational power as well. Individuals who win at poker may lose at bridge; political parties that secure seats under a proportional representation system might be excluded by single-seat districts; states that secure greater revenue from cartelized exports might be poorer if the price of their product was dictated by those with the greatest military capability. An actor capable of changing the game from poker to bridge, from proportional representation to single-seat, from economic to military capability, has exercised meta-power. Actors may seek to enhance their relational power by enhancing their own national capabilities, or they may attempt to secure more favorable outcomes by pursuing a meta-power strategy designed to change regimes.
Most studies of international politics have implicitly emphasized relational power because they deal with war and the use of force. In this arena, meta-power considerations are of limited import because institutional restraints, norms, and rules are weak. Discussions of just war doctrines are prescriptive, not descriptive. Especially with regard to the reasons for which wars are begun, as opposed to the way in which they are conducted, regimes have had little effect. Rules related to tacit mutual restraints have developed during some wars, but they have been inchoate and weak. War outcomes are determined by the relative national material capabilities for the actors involved: what resources are nominally under the jurisdiction of the state, and how well the state is able to mobilize and efficiently deploy these resources.

In issue areas other than the use of force, however, regimes have been more salient. Agreement on norms and rules can prevent suboptimal outcomes that would otherwise occur when individual rationality does not maximize collective utility. These situations are associated, for instance, with free riders or, to cite a second example, with prisoners' dilemma (Stein, 1980; Keohane, 1980b). High levels of economic activity are impossible without predictable patterns of behavior. Such patterns will evolve into habits, usage, and conventions with some normative connotations (Young, 1980). Wars involve relational power strategies based on national power capabilities; nonbelligerent issue areas are susceptible to meta-power strategies designed to alter regimes.

Third World states are interested in employing both relational power and meta-power. Proposals for regime change, voiced by the less developed countries, reflect an effort to exercise meta-power. The objective of these proposals, of which the program associated with the New International Economic Orders (NIEO) is the most recent and salient, is to transform the basic institutional structures, norms, principles, and rules that condition the international movement of goods, services, capital, labor, and technology. Such transformation is particularly attractive because the ability of Third World states to accomplish their objective solely through the exercise of relational power is limited by the exiguity of their national material-power capabilities. These alone could not resolve the vulnerability problems of poorer states.

Most Third World proposals for regime change have been made in international organizations. Debates within these organizations have been concerned with institutional structures, norms, and rules, not just the transfer of resources. However, the NIEO and other proposals for regime change have been but one of many kinds of interaction between
the North and the South. With regard to actual resource movements, the most important settings have been national and bilateral, not universal. In such settings, developing states have usually sought to use relational power to enhance specific economic interests. They have not tried to alter regimes. (Oil and some other raw materials, as well as some national regulation of multinational corporations, are the major exceptions to this generalization.)

When, for instance, a developing country borrows on the Euro-dollar market, it attempts to get the best possible terms. It does not, however, challenge the ability of private financial institutions to base their decisions on maximizing private economic returns. When a state negotiates a stand-by agreement with the International Monetary Fund (IMF), it attempts to use relational power to adjust the terms and conditions of the arrangement. It does not, however, challenge the authority of the IMF to sign an accord that specifies targets for economic policies. The modal form of interaction between industrialized and developing areas has involved the transfer of resources and the exercise of relational power, and has taken place in bilateral arenas.

Some examples of relational power and meta-power policies in national and bilateral (as opposed to multilateral) settings are shown in the following table. Multilateral settings are further broken down into North-South arrangements and South-South arrangements. The entries in this table are examples. However, their frequency is meant to be in proportion to actual conditions. The upper left and lower right cells are the ones in which most activity takes place.

Behavior that falls within one of the cells is not incompatible with behavior that falls within another. In recent years the Group of 77 has pressed for generalized debt relief (at least for the least-developed states) at universal international forums such as UNCTAD and the United Nations General Assembly, while down-playing this issue at multilateral financial institutions such as the World Bank and the IMF, where weighted voting prevails (Wall Street Journal Oct. 4, 1976: 8, 3; Rothstein, 1979: 161). Algeria pursued "pragmatic" policies with respect to liquefied natural gas exports while Boumedienne acted as the leader of the Non-Aligned Movement. The pursuit of different goals in different forums is not inconsistent or incoherent (Gosovic and Ruggie, 1976: 312, for a similar conclusions). It does not reflect disagreement between politically oriented foreign affairs officials who do not understand economics and finance ministry officials who recognize the "realities" of global interdependence. Rather, the variety of Third World strategies manifests a variety of objectives.
<table>
<thead>
<tr>
<th>Negotiating Forum</th>
<th>Relational Power Behavior</th>
<th>Meta-Power Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and Bilateral</td>
<td>IMF stand-by, Euro-dollar loans, Tax treaties, Bilateral aid, Orderly marketing agreements</td>
<td>Some regulation of MNCs, Control of oil production</td>
</tr>
<tr>
<td>South-South</td>
<td>OPEC, Andean Pact, Collective self-reliance</td>
<td></td>
</tr>
<tr>
<td>Multilateral</td>
<td></td>
<td>New Articles of Agreement for GATT, Generalized systems of preferences, Commodity agreements, Aspects of Lome convention, Integrated program for commodities, 0.7% aid target</td>
</tr>
<tr>
<td>North-South</td>
<td>Multi-fibre agreement</td>
<td></td>
</tr>
</tbody>
</table>
This essay is concerned with only one aspect of Third World behavior—the lower right-hand cell of Table 1. Developing countries have sought to alter regimes in a variety of issue areas. They have attempted to create new institutional structures or to change patterns of influence, particularly voting allocations, in existing structures. They have sought to establish new international norms. And they have tried to change rules. Many of these quests have been successful.

**Third World Motivations**

Third World demands for regime restructuring cannot be seen in any simple way as a reflection of economic failure. During the postwar period the overall rate of growth of developing areas has been faster than that of industrialized countries. Trade patterns have become more diverse with regard to partners and commodities. Indicators of social well-being, including life expectancy, infant mortality, and literacy, have dramatically increased in many areas. The economic performance of the South during the postwar period has been better than that of the industrialized countries during the nineteenth century.

However, the South continues to suffer from an enormous gap in power capabilities at the international level and from social rigidity and political weakness at the domestic level. Creating new regimes that reflect Southern preferences is one way to deal with these structural weaknesses.

**INTERNATIONAL STRUCTURES**

There have always been small states in the modern international system. Before the industrial revolution, however, there was little variation in levels of economic development. With regard to per capita income, the richest country was only about twice as well off as the poorest at the beginning of the nineteenth century. Now, the richest countries are 80 to 100 times better off than the poorest. The combination of small size and underdevelopment has left many Third World states in an unprecedentedly weak position.

Measuring relative power resources is a perennial problem for students of international relations. There is no simple statistic that adequately summarizes all aspects of national power capabilities. Resources, and conversely vulnerabilities, vary from one issue area to another (Baldwin, 1979). The best single indicator is a measure of
aggregate economic output. Aggregate national account statistics incorporate a wide range of activities that can be tapped by the state to one extent or another for a variety of purposes.

Since the beginning of the nineteenth century the number of states, particularly small states, has expanded. This trend increased dramatically with decolonization after World War II. The following table shows the distribution of the ratios of GNP of the largest state in the system to other states for the years 1830, 1938, and 1970. For instance, the entry 4 in the first column for 1830 indicates that there were four countries in the system whose gross national products were equal to between 20% and 100% of the gross national product of Russia, the largest state in the system.

In 1830, the ratio of the GNPs of the largest state, Russia, to the smallest state for which figures are available, Denmark, was 41:1. In 1970, the ratio of the national incomes of the largest state, the United States, and the smallest, the Maldives, was 97,627:1. By 1970, 34% of the states in the international system had national incomes that were less than one thousandth that of the United States and 72% had national incomes less than one hundredth of the U.S. figure. These are staggering disparities. In 1970, the Third World as a whole accounted for only 11% of world GNP (Leontief, 1977: 8).

With the exception of China, there is no Third World country that can lay claim to great power status. However, the GNP of the United States is 5.64 times larger than China's. Countries proffered as regional hegemonic powers do not have impressive national power capabilities. In the mid-1970s, the GNPs of India and Brazil (the two largest in the Third World after China) were about the same as those of Spain and Poland; Iran's (and this before the Khomeini regime) rivalled Belgium's; Saudi Arabia and Nigeria had GNPs about equal to those of Denmark and Finland.

There is little prospect for fundamental change in the foreseeable future. In a study for the United Nations, Leontief has estimated aggregate and per capita income in the year 2000 for different areas of the world, under different assumptions. To meet his optimistic target for LDCs growth, Leontief (1977: 11) argues that "two general conditions are necessary: first, far-reaching internal changes of social, political and institutional character in the developing countries, and second, significant changes in the world economic order. Accelerated development leading to a substantial reduction of the income gap between the developing and the developed countries can only be achieved through a combination of both these conditions." Even if these conditions were met, the gap in power capabilities as indicated by GNP between the
<table>
<thead>
<tr>
<th>Year</th>
<th>Country with Largest GNP</th>
<th>Number of Ratios</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Missing Values²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Less than 5</td>
<td>Between 5 and 25</td>
<td>Between 25 and 100</td>
<td>Between 100 and 1000</td>
<td>Greater than 1000</td>
<td></td>
</tr>
<tr>
<td>1830</td>
<td>Russia</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td></td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>1938</td>
<td>United States</td>
<td>4</td>
<td>9</td>
<td>18</td>
<td>10</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>1970</td>
<td>United States</td>
<td>1</td>
<td>10</td>
<td>23</td>
<td>51</td>
<td>47</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Figures for 1970 based on national income.
2. Missing values equal the difference between the number of states for which figures were available and Singer and Small’s listing (1972: Table 2.2) of states in the international system. For 1830 missing states are primarily German and Italian principalities.
North and the South would still be enormous. Leontief (1977: 8) estimates that the share of global aggregate output accounted for by the less developed countries would rise to only 22% in the year 2000.

Thus, if attention is focused on the GNP gap between the North and South, the situation of Third World countries is bleak. Few can hope to challenge even medium to small size industrialized countries in the area of aggregate economic activity. Even with rapid rates of economic growth, the absolute gap is now so large that it cannot be closed in the foreseeable future.¹

Using GNP figures as a measure of power capability has the advantages of easy comparability and accessibility; however, it also has the disadvantage of obscuring potential variations in power capabilities across different issue areas. Yet, even at a disaggregated level, there is little evidence that Third World countries can act effectively by utilizing only their national material resources. In the area of raw materials cartelization efforts have failed—with the exception of oil—although coffee exporting states have had sporadic success in pushing up prices by buying in London and New York, and copper producers in withholding stock from the market. The fundamental problem for the exporters of primary commodities is that there is a high temptation to cheat on any cartel scheme, because the marginal rewards of additional revenues for Third World governments strapped for resources are very high (Krasner, 1974). With regard to trade in manufactures, Third World exporters depend far more on Northern markets than industrialized countries do on manufactured goods from the South. Northern countries have import competing industries capable of producing the same products, while the South does not have alternative markets. With regard to bank lending, large Third World debtors, especially Mexico and Brazil, have secured some leverage through the consequences of default. While this has given them continued access to credit markets, it has not enabled them to alter the basic nature of credit relations or to keep interest rates down.² Smaller debtors carrying heavy burdens are rolling over their old debt but having difficulty securing new loans.

There are two major exceptions to these comments about Third World national power capabilities in specific-issue areas. The first is

¹. The condition for beginning to close the absolute gap is that the ratio of the growth rate of the smaller country to the growth rate of the larger exceed the ratio of the GNP of the larger country to the GNP of the smaller. In the mid-1970s even the fastest growing LDCs, such as Korea and Brazil (which were growing four times faster than most industrialized countries), did not meet this condition for the United States, although they did for most European countries.

². Brazil has recently been paying spreads of up to 1.5% above LIBOR while industrialized countries have been securing spreads of 0.5% or less even though the Euro-dollar market is flush with new deposits from oil-exporting states.
OPEC, where the combination of excess financial resources and inelastic demand has enabled Third World countries to raise prices eightfold in nominal terms over the last seven years. The second is national control of multinational corporations. Many developing countries have excluded MNCs from certain sectors, nationalized or unilaterally altered the concessions of petroleum and hard mineral corporations, and limited the ownership share of foreign nationals either generally or in specific industries (UN, 1978: 19-24). Control over access to their territory has been an important source of leverage for LDCs. Host-country nationals have also learned about market access and technology, which has given them more bargaining power (Huntington, 1973; Vernon, 1971: 2; Moran, 1974). However, the pressure than can be exercised by host countries is limited by the ability of firms to relocate in more hospitable countries.3

Aside from oil and domestic regulation of MNCs, few Third World states have any ability to alter their international environment solely through the use of national material-power capabilities. Their small size and limited resources, even in specific-issue areas, is the first condition that has led them to attempt the fundamental alteration of international regimes. Conventional statecraft based upon national material attributes is unlikely to reduce vulnerabilities. A meta-political strategy designed to alter rules, norms, and institutions offers an attractive alternative, if only by default.

DOMESTIC STRUCTURES

The second condition that has driven Third World states to attempt a transformation of international regimes is the weakness of their own domestic societies and political systems. The international weakness of most developing states, as indicated by their small aggregate output in comparison with that of industrialized states, suggests that they cannot directly influence the international system. It also suggests that they will be subject to external forces that they cannot change. Small states are usually more heavily involved in the world economy. In 1973, trade (exports plus imports) was equal to 37% of GNP for developing countries, 29% for industrialized countries. In the same year, 48 out of 87 LDCs had trade proportions greater than 50% (International Bank for Reconstruction and Development, 1976: Table 3).

Although small states, as a rule, are more heavily involved in the world economy, state size does not determine internal capacity to modulate the pressures emanating from an uncertain international

3. For an excellent review of Third World power capabilities with conclusions similar to these see Smith (1977).
environment. A small, adaptable state could adjust to many regime structures. Such a state could accept its lack of influence at the international level but remain confident of its ability to deal with environmental disturbances over a wide range of international rules, norms, and institutions.

The ability to cope with environmental disturbances is a function of the mobility, flexibility, and diversity of a country's resources. A country with highly mobile, flexible, and diverse factors can absorb external shocks. It can adjust its pattern of production, imports, and exports to maximize its economic returns under different environmental conditions. Adjustments might be directed by the state or the private sector. The first alternative requires a strong political system, one in which the state is capable of resisting pressures from domestic groups, formulating a coherent strategy, and changing social and economic structures (Krasner, 1978: ch. 3). The second alternative requires a well-developed private market with high levels of communication and information.

_Social Rigidity._ At early stages of development, countries lack the capability to absorb and adjust to external shocks. This incapacity is produced by rigidities inherent in traditional structures. In an elegant analysis concerned with problems of national dependence, Jowitt (1978) elaborates five characteristics of a traditional or status society. First, a status society is based upon exclusive corporate groups, which lock individuals within a rigid structure. Second, social action is determined by personal rather than impersonal norms. Different individuals are treated in different ways because of ascriptive characteristics. Third, the division of labor in the society is based on assignment to specific ascriptive groups. An individual's economic activity is permanently established by his group membership. Fourth, the ontology of the society stresses the concrete and discrete. General principles that can be applied to a wide range of situations are eschewed. Fifth, the world is seen composed of "concrete and discrete elements—that is, indivisible units—economic, social, cultural, and political resources are seen as being finite and immobile rather than expanding and flexible." By contrast, modern societies are market rather than status-based. Interactions are governed by impersonal norms of action. The individual and the nuclear family, rather than the corporate group, are the building blocks of the society (Jowitt, 1978: 7-10).

Modern societies are less vulnerable to external changes because their factors are more mobile. Better-trained workers can perform a wider variety of tasks. More-developed capital markets can more readily reallocate investment resources. It is easier for an industrial worker to move from one factory to another than for a peasant to shift from one
crop to another, much less move from agrarian to industrial employment. In his seminal study of the power aspects of international trade, Hirschman (1945: 28) argues that "the inherent advantage with respect to all these aspects of the mobility of resources lies overwhelmingly with the great manufacturing and trading countries as opposed to countries in which agriculture or mining predominates."

The transition from traditional to modern society is taking place in the Third World, but it is a slow and difficult process. It is not unidirectional or irreversible, as events in Iran and Cambodia demonstrate. Most developing countries are still in what Chenery (1979: 18, 29) has called the early phase of the transition from a traditional to a modern economy which occurs at per capita income levels from $200 to $600 (in 1976 dollars). In this phase, societies are vulnerable to external shock. Most employment is still in agriculture. Cross-national data indicate that, on average, industrial output does not exceed agricultural output until per capita incomes of $800 are reached, and that industrial employment does not exceed agricultural employment until per capita income is $1600.

The following table shows the distribution of the ratios of agricultural labor to industrial labor for all countries for which data is available from the World Bank. Higher ratios suggest greater vulnerability since agricultural labor is relatively immobile. Only 16 LDCs have moved to a pattern of production in which employment in industry exceeds that in agriculture. Almost 50% of the developing countries for which figures are available have at least four times as many workers in agriculture as in industry. Most Third World countries have not moved very far along the path from tradition to modernity. While there is considerable variation among the countries of the Third World, a very sharp cleavage still exists between industrialized and developing countries.

**Political Weakness:** The rigidity of the social and economic structure in developing countries is reflected in the political system. Most central political institutions in the Third World are weak. The state is often treated as but one more compartmentalized unit. Its ability to extract resources from the society is limited. Efforts to combine diverse social and material units are likely to be frustrated by the compartmentalized nature of the society. Economic activity that takes place outside the market cannot be effectively tapped by the government. 4 Often the state is unable to resist pressure from powerful society groups. Low levels of skill and education make it difficult to formulate effective economic policies. Under conditions of social mobilization and low levels of

4. See Ardant (1975) for a discussion of the importance of the market for European fiscal development.
political institutionalization, the likely outcome is political decay rather than political development (Huntington, 1968). The state is rarely able to adjust domestic structures in ways that would lessen the deleterious consequences of external changes.

The situation of most Third World states can be illuminated by contrasting it with that of small industrialized countries. The small developed countries have little control over the international environment. Although they have generally placed more emphasis on international organizations and international norms than larger states, they have not made regime transformation a major aspect of their foreign policies. At least in part, this is because small industrialized countries are much better able to adjust to external shocks.

Katzenstein (1980: 113-119) has conducted a study of foreign economic policymaking in seven small European states—Belgium, Switzerland, the Netherlands, Austria, Norway, Denmark, and Sweden. All of these states are heavily committed to a liberal and open international economic system. Their tariffs have been lower than those of large states. They have been more reluctant to protect declining industries. They have welcomed foreign capital. They are all subject to external perturbations because of their heavy involvement in the world economy.

The small European states have been able to cope with this situation through effective domestic-stabilization policies. Switzerland, the Netherlands, and Belgium have been more aggressive, following an “offensive strategy” based on extremely low tariffs, high export intensities, specialization in industries and services with inelastic demand, and high rates of investment. Austria, Norway, and Denmark have pursued a more “defensive strategy” oriented toward innovations in traditional industries, somewhat higher tariffs, and lower research and development expenditures. Sweden’s strategy has been mixed. Despite these variations, the political systems of all seven small European states are
characterized by dense policy networks which fuse the public and the private sectors. These networks integrate all groups within the society. They facilitate communication and prevent stalemate. The political organization of the small states has allowed them to enjoy the economic benefits of full participation in the international economy, while insulating their domestic social structures from the disruptive consequences that would ensue from uncontrolled external perturbation.

**Tax Structures.** Tax structures offer the opportunity to illustrate differences between the political capabilities of industrialized and developing countries. Tax collection is generally a good indicator of the ability of the state to extract resources from its own society. Developing countries collect a smaller proportion of their GNPs than industrialized states and rely more heavily upon trade taxes; the level of state revenue is, therefore, more subject to international economic vicissitudes.

Third World countries are poor and their governments cannot tax much of what there is. In 1973 total government revenue was equal to 33.5% of GDP for industrialized countries and 19.9% for developing countries. Mali was able to collect only 1.5% of its GDP, Nepal only 5.6%. The lowest figure for industrialized countries was 21.6% for Japan; the highest 51.7% for Sweden (International Bank for Reconstruction and Development, 1976: Table 7). There is a strong curvilinear relationship between per capita GNP, and government revenue as a percentage of GNP, with revenue rising sharply up to per capita income in the neighborhood of $2,000 and then levelling off.

There is also a strong relationship between economic development and the nature of the tax structure. Trade taxes are relatively easy to collect because imports and exports are channeled through centralized port facilities. Even with smuggling and corruption (often very serious problems) tariffs and export taxes are easier to obtain than direct taxes.

5. The most glaring exceptions to this generalization are levies imposed by oil-exporting and some other resource-producing countries on multinational corporations. The centralized structure of resource extraction industries makes them easy targets even for weak states.


6. Hinrich's (1966: 15-16) figures were updated for 56 countries for 1974 and 1975 and show the same pattern. The sharp decline in the slope at $2,000 capita is based on mid-1970s figures.
which require high levels of bureaucratic skill and voluntary compliance.

The pattern is again curvilinear. A cross-national comparison indicates that trade revenue as a proportion of total revenue declines sharply for countries with per capita incomes up to $2,000 and levels off for countries with higher per capita incomes. Some of the poorest developing countries derive up to 60% of their revenue from taxes on trade, while the range for industrialized countries is 2% to 10%. The following equation, based on figures for those 48 countries for which 1974 data were available, illustrates the nature of the overall relationship between GNP per capita and trade revenue:

\[
\frac{\text{Trade Revenue}}{\text{Total Revenue}} = 71.6 - 17.3 \log \text{GNP per capita}
\]

\[r^2 = .35^*\]
(*significant at .01 level)

It is not surprising that developing-country revenues are more seriously affected by perturbations in the international economic system than the revenues of industrialized countries. The relationship between changes in total trade and changes in government revenue was examined for the period 1974-1975, the only recent period in which world trade declined from one year to the next. Based upon constant dollar figures, separate analyses were performed for developing and industrialized countries. For the 61 developing countries:

\[
(\% \text{ Change in Revenue 1974-1975}) = 6.25 + .61 (\% \text{ Change in Trade 1974-1975})
\]

\[r^2 = .29^*\]
(*significant at the .01 level)

(Note that if one outlier, Indonesia, is dropped from the calculation, the slope changes to .64 and the \(r^2\) increases to .36.) However, for the 24 more developed countries, there was no significant relationship between changes in revenue and trade \((r^2 = .008)\).

Government revenues are but one indicator of the impact of the world economy on particular states. The experience of the developing countries in the 1974-1975 recession does, however, suggest a source for their concern about trade vacillations that has been largely ignored. One of the persistent complaints of Third World countries has been that they suffer from substantial trade fluctuation. While the vacillations in trade
experienced by developing countries have declined, they are still much larger than those affecting industrialized countries. The Third World has argued that these vacillations inhibit their economic growth. However, no empirical substantiation has been found for this claim. One study even reveals a positive relationship between export instability and economic growth (Knudsen and Parnes, 1975: 7-15).

While vacillations in trade may not be related to economic growth, they are related to the state's ability to extract revenue. Political leaders can be more sensitive to threats to their command over resources that can be used for immediate political purposes than they are to threats to the long-term economic growth prospects of their countries. Third World disaffection with the trading regime may be rooted in the weak domestic political structures of LDCs which necessitate reliance on trade taxes.

**THE NICS vs OPEC**

There is one major exception to these generalizations about weak political and rigid social structures in Third World countries. The newly industrializing countries, or NICs, have been able to adjust effectively to the international environment. Singapore, Hong Kong, Taiwan, South Korea, and Brazil have adopted aggressive export-oriented strategies. In Hong Kong the private market has acted effectively in a laissez-faire situation. In the other NICs the government has been more active. In Korea and Brazil for instance, the state explicitly decided to promote export-oriented growth and move away from protectionism in the early 1960s. Despite domestic pressure, both were able to maintain lower effective exchange rates, a precondition for international export competitiveness. Through the 1970s, the NICs were able to adjust to restrictions imposed by industrialized nations by developing new product lines and diversifying their exports (Krueger, 1978: ch. 2; Yoffie, 1980). For the period 1970-1976, Korea's exports grew at an annual average rate of 31.7%, Taiwan's at 16.2%, Brazil's at 10.3%, Hong Kong's at 8.6% and Singapore's at 14.1%. The average rate of export growth for low-income countries for the same period was -0.4%, for all middle-income LDCs (the category into which the NICs fall) 3.8%, and for industrialized countries 7.8% (International Bank for Reconstruction and Development, 1978: Tables 2 and 6).

The NICs are one of the two groups of dramatic success stories with regard to economic growth, or at least transfers, in the postwar period. The other is oil-exporting states. If purely economic considerations are used to explain the behavior of developing countries, the difference in
foreign policy orientations of countries in these two groups is difficult to understand. Both the NICs and the OPEC countries have dramatically benefited from the present system. While none of the NICs have taken a leading role in the South's efforts to restructure international regime, a number of OPEC countries have been at the forefront of the Third World movement. Algeria and Venezuela have taken leading roles in the Group of 77. Iraq, Libya, and now Iran are hardly devotees of the existing global order.

While the NICs and OPEC countries are comparable with regard to income growth and export earnings, their vulnerabilities to changes in the international economy are dramatically different. The NICs are moving toward flexible economic structures and strong political systems capable of adjusting to shifts in the external environment. The OPEC countries now enjoy enormous bargaining power as a result of the inelastic demand for petroleum and the low opportunity costs of controlling supplies for the surplus OPEC states. However, few OPEC countries would be able to adjust to alterations in bargaining power. Their domestic factors are immobile. Their political structures are weak. The international radicalism of some OPEC countries is not compatible with a conventional orientation which explains the disaffection of developing countries as a manifestation of their lack of economic success.

Domestic structural weakness, a manifestation of traditional social norms, and political underdevelopment, together become a second factor that makes international regime transformation attractive for almost all Third World countries. The external environment is inherently threatening even in the absence of any direct effort by more powerful states to exercise leverage. International regimes controlled by developing countries can mitigate the exposure of developing areas to systemically generated changes. They offer some control in a situation where the lack of domestic adjustment capacity precludes effective cushioning against external shocks.

Systemic Opportunities

Demands for regime restructuring have occupied a dominant place in North-South relations, not simply because this approach could compensate for the international and domestic weakness of Third World states, but because the postwar system offered developing countries a setting in which to pursue this strategy: The prominence given to meta-
political goals has been a function of opportunities as well as needs. The postwar liberal regime, especially the importance that it accorded to international organizations, provided the Third World with forums in which to press their demands.

The relationship between regimes and the underlying power capabilities of states can be assessed with regard to two issues. First, does the regime reflect the preferences of states weighted by their power capabilities? The characteristics of the regime may be identical with or diverge from the preferences of the most powerful states. Second, what effect does the regime have on relative underlying power capabilities? There are three possibilities: the regime may have no impact; it may reinforce the existing distribution; or, it may undermine the existing distribution. These possibilities are summarized in the following table.

The four most likely alternatives are labelled in Table 4. First, the power structure and regime may be congruent: The characteristics of the regime reflect the preferences of individual states (weighted by their national power capabilities) and do not affect capabilities. Second, there may be incongruence: The characteristics of the regime do not correspond with the preferences of individual states weighted by their national power capabilities, but the regime does not alter relative capabilities. Third, there may by dynamic stability between the power structure and the regime: The characteristics of the regime conform to the preferences of the strong and reinforce the existing power distribution. Fourth, there may be dynamic instability between the regime and the international structure: The characteristics of the regime do not correspond with the preferences of the strong and tend to undermine the position of more powerful states.

Developments in the postwar system suggest that during periods of hegemonic decline, there is a propensity to move from congruence toward incongruence or even dynamic instability. For hegemonic powers there is a paradox, perhaps an inevitable dialectic, involved in the creation of international regimes—including international organizations. Regimes that the hegemonic power initially creates to serve its own interests can be seized and restructured by other actors in the system.

Fully hegemonic powers are likely to establish a regime that is congruent rather than dynamically stable. Their national material dominance is so complete that they can ignore the impact of regimes on their relative power capabilities. They are likely to seek broad milieu goals. In contrast, a normal power is likely to attempt to create a dynamically stable regime. Since it lacks the slack resources possessed by hegemonic
<table>
<thead>
<tr>
<th>State Preferences Weighted by National Power Capabilities and Regime Characteristics</th>
<th>Impact of Regime on Underlying National Power Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
</tr>
<tr>
<td>Identical</td>
<td>Congruence</td>
</tr>
<tr>
<td>Divergent</td>
<td>Incongruence</td>
</tr>
</tbody>
</table>
state, the normal power must be primarily concerned with enhancing its national power capabilities.

However, a situation of congruence resulting from regime creation by a hegemonic state is likely to be transformed over time into one of incongruence or even dynamic instability. This pattern of change can be traced to several factors. First, from the outset the hegemonic power is compelled to provide institutional structures with autonomy. The regime's purpose is to legitimate hegemonic preferences. Legitimacy cannot be promoted if the regime is perceived as merely an appendage of the hegemonic state. In the present international system, the primary source of legitimacy for rules and norms is their voluntary acceptance by individual states. This practice ultimately rests upon the concept of sovereignty, the dominant political principle of the modern era. The sovereign territorial state is the only actor whose authority is fully accepted in the international community. Sovereignty is indivisible, and in principle, all sovereign states are equal. There is, then, a prima facie case for distributing votes equally in international organizations. When this norm is violated, as in the case of international financial institutions, the legitimating capacity of these organizations is weakened. Thus, there is a strong propensity for a modern hegemonic state to accept international organizations where voting power is equally distributed among all members. However, an equal division of votes opens the opportunity for weaker states to enhance their influence and control within these institutions.

A second endogenous factor that prompts change in the relationship between regimes and power structure is the independent inertia that can develop within international organizations. An exceptionally rigorous analysis of the behavior of international organizations concludes that "once established, organizations take on a life of their own and develop their own inner dynamics" (Cox and Jacobsen, 1973: 7). This process of independent growth is again facilitated by the behavior of a hegemonic power during periods of regime creation. For institutions to legitimate a new set of rules and norms, they must be given autonomy from the dominant power. Objective criteria must be established for the selection of staff. Goals must be stated in general terms. Once this is done, the organization can fend for itself. It may generate its own ethos. It can respond to different opportunity structures. It can welcome new clients. As with individuals, organizational maturation is influenced by both genetic characteristics and environmental pressures. Over time the preferences of the organization and those of the declining hegemonic power may drift apart.
A third factor in the evolution of regimes from congruence to incongruence is the specific consequences for international organizations of a hegemonic power's decline. This is an exogenous consideration, which is generally independent of regime considerations. At the pinnacle of its power, the hegemonic state is prone to supply a disproportionate share of collective goods for the system, including international organization budgets (Olsen and Zeckhauser, 1966). However, as it drifts toward the status of a normal power it will become more reluctant to do this, providing an incentive for international organizations to search for new sources of support. The hegemonic power's influence on other states will also decline; they will be less likely to support its initiatives—within organizations as well as elsewhere. One recent study of UN voting and various economic measures of dependence on the United States concludes that "great U.S. economic advantage can no longer be used to generate voting support in the General Assembly" (Richardson, 1978: 177). Thus, international organizations can be seized by states whose national power capabilities are limited.

In the postwar period, the Third World has made international organizations a centerpiece of its demands for regime change. The South has succeeded in dominating the agendas of all major multilateral universal organizations. The North has been compelled to respond rather than initiate. Convening an international conference places an issue on the agendas of Northern states. Position papers have to be prepared. Voting positions must be determined (Wriggins, 1978: 113).

Debates and resolutions presented at international forums have altered norms, rules, and procedures in a variety of ways favored by developing countries. Various resolutions have endorsed 0.7% of GNP as a target for concessionary capital transfers from the North to the South. While this norm is more honored in the breach, it is still held up as a goal that has been accepted by the North as well as the South. The percentage of concessional aid transferred by multilateral institutions has increased from 6% in 1962 to 27% in 1977 (Organisation for Economic Cooperation and Development, 1978: xii, xiii, 266-267). In the immediate postwar period there was no accepted international norm for the level of aid, and policies were unilaterally set by donors.

In the area of trade, developing countries have used GATT to legitimate concessional treatment. During the 1960s, the industrialized countries agreed to institute a generalized system of preferences that would eliminate tariffs on some products from developing countries. The nontariff barrier codes and revisions to the GATT Articles of Agree-
ment negotiated during the Tokyo Round provide for special and
differential treatment for developing countries, although more symmet-
rical behavior is expected as countries reach higher stages of develop-
ment. These changes are a fundamental break with the two central
norms of the postwar trading order: nondiscrimination and reciprocity.
The South has enshrined new principles emphasizing development and
equity, not just secured exceptions from the old liberal rules.

Southern pressure exercised at international forums has secured
acceptance of the principle that major parts of the global commons are
the common heritage of mankind. Developing countries have made
claims on radio frequencies and outer space, even though they do not
now have the technical capability to utilize them. Mining activity in the
deep seabed will be controlled by an international authority and
revenues from the exploitation of manganese nodules will be taxed to
provide assistance to the South. Some developing countries have called
for the internationalization of Antarctica, although their ability to press
this claim has been impeded by the lack of a suitable international forum
(Petersen, 1980: 401-402). The common heritage of mankind is radically
different from the prevailing principles before the 1960s, which recog-
nized the right of a state to claim unutilized areas that it could occupy or
develop.

Even in the area of monetary affairs, that bastion of postwar conser-
vatism, the South has had some success, at least within the regime's
formal institutional manager, the IMF. While LDCs did not get an aid
link with SDRs, they did get an allocation based on quotas. The
industrialized nations had originally wanted virtually to exclude devel-
oping countries. The partial use of IMF gold sales to establish a Trust
Fund (which makes loans to developing countries with few conditions at
concessional interest rates) is a form of international taxation for aid.
The Fund has begun to liberalize its conditions for stand-by agreements.
In an international environment, in which the scope and growth of Fund
activities will depend in part on continuing willingness of developing
countries to use its resources, the organization has moved to change its
rules and procedures if not its basic principles.

In general the institutional structure has become more responsive to
the South. By using its voting majority in the General Assembly, the
South has been able to create new institutions, especially UNCTAD and
UNIDO, which represent its interests. Even in established forums,
where votes are not equally divided, the South has changed voting
power and decision-making procedures. Mutual veto voting arrange-
ments for major decisions now prevail in all international financial
institutions, including the Fund. In the Inter-American Development Bank, the largest of the regional lending institutions, and in the United Nations Development Program the Third World has a majority of votes. In the newest international financial institution, the International Fund for Agricultural Development, votes are equally divided between OPEC countries, non-oil developing countries, and industrialized countries.

Thus, in a variety of issue areas the South has been able to alter principles, norms, rules, and procedures. It is difficult to imagine similar success in the absence of institutional structures that provided automatic access for developing countries. By taking advantage of the autonomy that the hegemonic power, the United States, was compelled to confer on international organizations during the period of regime formation at the conclusion of World War II, Third World countries have been able to alter regime characteristics during the period of American hegemonic decline. The relationship between underlying national power capabilities and regime characteristics has become increasingly incongruent.

Belief Systems

While vulnerabilities that arise from domestic and international weakness provide the impetus for Third World demands—and international organizations the opportunity to realize them—the form and unity of these goals have been shaped by the pervasive acceptance of dependency orientations. Most developing countries have explicitly accepted arguments that attribute their underdevelopment to the workings of the international economic system rather than the indigenous characteristics of their own societies. The belief system has been endorsed, not only by individual states, but by international organizations close to the Third World, such as UNCTAD and the UNDP, as well as by important groups with claims to speak for the North as well as the South.7 Individual states may reject dependency prescriptions in practice but even the most conservative lack a belief system to offer in its stead.

The dependency orientation serves important functions for Third World states both internationally and domestically. At the international level, dependency arguments have provided a unifying rationale for

7. An important example is the report of the Brandt Commission (Independent Commission on International Development Issues 1980).
disparate Southern demands. Calls for special and differential treatment are justified by the contention that the South has been treated unjustly in the past. Existing norms and rules are rejected as inherently exploitative. A coherent intellectual orientation has been particularly important because of the strategy of using international organizations to promote meta-political goals. In such arenas the ability to define issues and control the agenda is critical. Such initiatives are facilitated by a widely shared and internally consistent analytic framework.

Dependency perspectives are also linked to domestic political conditions in Third World countries. Given the limitations on effective state action, foreign policy is an attractive way to build support. Prominence in universal coalitions can enhance a Third World leader's domestic position. Castigating the North can rally bureaucratic, military, and popular elements. The structure of international organizations affords Third World statesmen an opportunity to play on the world stage, a platform which they could not mount if they had to rely solely on the domestic power capabilities of their countries. Even if their activity is perceived as a minor walk-on part by more powerful countries, an effective leader may transform it into a major role for domestic political consumption (Wriggins, 1978: 40; Korany, 1976: 86; Good, 1962: 7).

Third World leaders who follow such a course must find ideological arguments that resonate with their domestic populations. The most accessible themes reject existing international regimes. For most countries in Asia and Africa, if not Latin America, the central historical event is decolonization. Anticolonialism and nationalism are widely accepted values endorsed by virtually all groups in the Third World (Packenham, 1973: 41; Good, 1962: 5; Rothstein, 1977: 75-76, 110; Nettl, 1968: 591). Dependency arguments are widely diffused. A Third World leader who opts for enhancing support through international behavior will reject existing rules, norms, and institutions. The most vigorous support for Third World demands for regime transformation has come from countries where such policies contributed to domestic political legitimacy. External policy has helped to define the internal character of the regime for its own constituency.

The belief system of dependency is a key factor in explaining the exceptional unity maintained by the Third World in its quest for a New International Economic Order. Despite the substantial diversity that exists among developing countries with respect to economic and political structures, there have been no outright defections from the Group of 77. This unity is not the result of log-rolling. The NIEO program would disproportionately benefit a small number of countries heavily involved in the export of raw materials or manufactures. In some cases, such as
policy toward OPEC, a strategy of alliance with the industrialized countries would be more in accord with Third World economic interests. However, attacking OPEC and pointing to differences among Third World states would contradict the basic analytic conclusion of the dependency perspective. Since this viewpoint is widely accepted within developing countries, not just voiced at international forums, it is difficult for even highly developed Third World countries with conservative regimes to break with the rest of the South and endorse the liberal order. The attitude of Third World states toward calls for regime transformation has only ranged from strident advocacy to passive acquiescence. It has not included outright rejection or alliance with the North.

_Mexico: An Illustrative Case_

Perhaps no country better illustrates the dilemmas of the Third World and their consequences for foreign policy than Mexico. Mexico has experienced rapid growth in recent years. This was true even before the discovery of large new oil reserves. Between 1960 and 1965 the average annual rate of growth of GDP was 7.4%; between 1965 and 1973, 6.5%. Manufacturing paced this increase, growing at annual rates of 9.6% and 7.5% for the same periods. The share of manufactured products in Mexico's export earnings increased from 11.6% in 1961 to 31.8% in 1972. Despite an exceptionally high rate of population increase, per capita GDP increased at 3.8% annually for the period 1960 to 1965 and 2.9% for the period 1965 to 1973 (International Bank for Reconstruction and Development, 1976: Comparative Economic Data, Tables 1 and 8).

However, this impressive economic performance did not dissuade Mexican leaders from acting as major critics of the existing order. Under the presidency of Luis Echeverria (1970-1976), Mexico took a leading position in formulating the New International Economic Order. At the 1971 UN General Assembly, Echeverria aligned Mexico with the Third World. This action broke with past policy, in which Mexico had generally taken a low profile on North-South issues. Echeverria first proposed what later became the Charter of Economic Rights and Duties of States at the 1972 UNCTAD meeting. During the initial years of his presidency, he travelled extensively, and these trips were greeted with enthusiasm within Mexico (Grant, 1977).

Echeverria's behavior was deeply rooted in Mexico's international and domestic structural problems. Mexico's impressive economic devel-
opment, at least before the exploitation of large oil reserves, did little to lessen her international structural dependency on the United States. In 1976, 55% of Mexico's exports went to the United States, while Mexico accounted for only 5% of American exports. Conversely, 60% of Mexico's imports came from the United States, while Mexico accounted for only 3% of U.S. imports. Mexican development has been partially financed with large foreign loans. Multinational corporations, mostly American, are heavily involved with the most dynamic export sectors of the Mexican economy. The United States now accounts for more than two-thirds of foreign direct investment in Mexico and the proportion has increased in recent years. The ratio of U.S. to Mexican GNP is about 25:1 (Sepulveda, 1979).

Even in the area of petroleum, some Mexican policymakers see their country potentially subject to overwhelming American pressure. If there are further supply disruptions from the Middle East, the United States might look to Mexico to fill in the gap. If Mexico were unable to do this using her own resources, America might press for greater involvement by the international oil companies. Mexican resistance to such pressures could precipitate a major crisis between the two countries. In such an eventuality, the economic if not the political leverage of the United States would be substantial. Such a scenario may be unlikely, but it is not one that Mexican policy-makers can ignore, given the international structural asymmetries between the the United States and Mexico.⁸

However, domestic conditions are a more proximate explanation for Echeverria's Third Worldism. Although Mexico's colonial experience is far in the past, the country's political culture is shaped by its struggles with Spain and the United States, and the revolutionary egalitarian ideology that emerged from the Revolution of 1910. At the same time, there are deep cleavages between the elite and the masses. Income is maldistributed and the benefits of Mexican economic development have gone disproportionately to the middle class. The revolutionary ideology offers a link between the masses and the regime but it also generates demands for social reform.

Foreign policy has long offered Mexican political leaders a device for resolving some of the tensions inherent in their political system. During the 1960s Mexico adopted a positive policy toward Castro's Cuba and pursued traditional nationalist postures designed to maintain independence from American policy. By the 1970s, however, this stance was too conventional to lend much prestige to the Mexican regime. A new policy was needed that could reinvigorate the official ideology and consolidate ties between the executive and the intellectuals. Echeverria's Third

---

8. Based on discussions with Mexican officials in October 1980.
Worldism served these purposes. His sponsorship of the Charter of the Economic Rights and Duties of States gave elements in the Mexican political system an opportunity to pledge their loyalty and support to the executive. Such pledges form a critical support for the stability of the Mexican political system (Pellicer, 1975: 52-53, 58-59; Sepulveda, 1979: 13ff., Purcell and Purcell, 1980).

Echeverria's relationship with the left was particularly strained because as Minister of State Security he had been involved in the events leading to the shooting of 200 students before the 1968 Olympic games. Diaz Ordaz, the conservative president who governed from 1964-1970, had handpicked Echeverria as his successor. There was a high rate of abstention in the 1970 election, and in the Federal District (Mexico City) the opposition Partido Nacional Agrista received 32.9% of the vote, compared with a national total of 13.8% (Grant, 1977; 7-8; Fagan, 1977: 692-694). All of these factors inclined Echeverria toward a policy that could establish his ties with the left. Prominent advocacy of Third World demands could enhance domestic legitimacy because it resonated with traditional Mexican ideology.

However, Echeverria hardly set Mexico along the path to radical international leadership of Third World demands. His successor, Lopez Portillo, pursued a more restrained policy. While reaffirming support for Cuba and keeping some distance from the United States, Mexico has projected a more positive image toward direct foreign investment. The government took care not to jeopardize the flow of loans from foreign banks. Domestically, Lopez Portillo strengthened the regime's ties with the business community, which had been strained by Echeverria's policies (Grant, 1977: 27). In fact, even under Echeverria Mexican policy was not entirely oriented to Third World internationalism. While the President was presenting a highly visible attack on the existing global order, other institutions in the Mexican government, particularly the Ministry of Foreign Affairs, were encouraging discrete bilateral ties with the United States and maintaining Mexico's traditional role as an intermediary between the United States and the rest of Latin America. The Ministry of Industry and Commerce favored nationalization in principle but was very sensitive to the need for foreign investment (Pellicer, 1975: 55; Purcell and Purcell, 1980: 215-217).

The vacillation and inconsistency in Mexican policy is not rooted in any failings of its bureaucratic structure or the contrasting personalities or belief systems of its political leaders. Rather, it reflects the profound countervailing pressures that emerge from a desire by LDCs to secure both independence and development. Mexican development is critically tied to relations with the United States, its major trading and capital partner. Development will provide Mexico with additional power capa-
bilities. But these capabilities, even if they increase at a very rapid rate, will do little to alter the relative vulnerabilities inherent in Mexican-American relations. The absolute gap is already too large. If the United States grows at 2.5% annually for the next 25 years and Mexico at 5%, the absolute gap would double and the United States would still be 13 times larger than Mexico. This structural situation, which inclines Mexican leaders to seek international mechanisms for securing greater control of the external environment, including the United States, is reinforced by domestic political ideology. Especially in times of stress, foreign elements are blamed for Mexico's difficulties (Purcell and Purcell, 1980: 214-220). A radical foreign policy can enhance the legitimacy of a particular ruler with left-leaning domestic groups.

Conclusion

The countries of the Third World have not simply sought higher levels of resource transfer. They have wanted to restructure international regimes. In some cases they have succeeded. The New International Economic Order is the successor of SUNFED, and the First and Second Development Decades. It will be followed by other programs with different names but the same import—control, not just wealth. The NIEO, and its antecedents and probable successors, cannot be understood through analogies to reform efforts within national polities such as the labor union, consumer, welfare, and civil rights movements in the United States. These were movements based upon shared norms; the South rejects the liberal norms of the American-created postwar system. They were movements content to share power within existing structures; the South wants effective control over new structures.

The demands of the South are a function of the profound international and domestic weakness of most Third World states. These demands may temporarily abate but they will not disappear. Since most states of the South cannot hope to garner the national resource capabilities needed to assert effective control in the international system, they will continue to press for international institutions and norms that can offer them some control over the international environment. In the pursuit of this goal, they will enjoy some success by taking advantage of institutional structures that were created by the powerful to serve their own purposes. In this, and other ways, the power of hegemonic states is dissipated by the very structures they have created.9

9. See Modelski for a provocative explication of the dialectical factors that undermine the position of dominant states.