ECONOMIC NATIONALISM AND THE PROBLEM OF NATURAL RESOURCES

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I. ECONOMIC NATIONALISM: AN UNDERLYING FACTOR IN THE PROBLEM OF NATURAL RESOURCES

SUSTAINED TECHNOLOGICAL progress, its dissemination, and the fact that the necessary structure of supply and demand of natural resources has been maintained without any major imbalances under the international system of division of labor in which trade plays a key role can be viewed as the foundation of economic growth in the modern world and of advanced industrial civilization.

Generally speaking, the global structure of supply and demand of natural resources is a function of technological innovation and the sophistication of the industrial structure accompanying it. In other words, technological innovation has an enormous influence on the international structure of supply and demand of natural resources by changing production methods and economy of use, substitution, and creation of resources. In this sense, it is vitally important that instead of a fixed concept of resources we consider the importance of natural resources as flexible and dynamic since technological innovation brings constant change in the concept of natural resources. Nevertheless, in the present stage of global technological progress world demand for major natural resources can be expected to continue increasing for the next twenty or thirty years as economic growth accelerates in spite of limitations placed on it by environmental problems.

On the basis of this outlook securing a stable supply of natural resources needed in terms of quantity, quality, and price is fast becoming the major concern of the rapidly growing industrial nations. Moreover, a fact not to be overlooked is that the emphasis in securing a stable supply of natural resources—notwithstanding the importance of the price element, inclusive of transportation costs—lies in the physical elements of quantity and quality. Based on this thinking which at first may be considered "noneconomical," by some advanced industrial nations, particularly those, like Japan, which are experiencing the impact of ever greater dependence on imports of natural resources and a rapid increase in demand for energy and mineral resources [11, p. 12], there is serious policy and strategy discussion that a stable supply of at least part of the natural resources needed be developed abroad through direct investment under the name of "autonomous development"[1] (eleven major import items which Japan depends on are

[1] [14, p. 9]. In the latest *Resources White Paper* put out by the Ministry of International

petroleum, natural gas, uranium, iron ore, coking coal, copper, lead, zinc, aluminum, nickel, and lumber).

Needless to say, since projects for developing resources through direct investment require huge amounts of capital and are of high risk, they are undertaken on the basis of economic efficiency calculated through benefit-cost analysis and are by no means "non-economical" in themselves. Furthermore, they contribute to an increase in the supply of natural resources in the world as a whole. But insofar as priority is given to directly link the resources developed in this manner to the home market so that a stable supply will be secured, the concept of "security" takes precedence over the concept of "efficiency." In this sense it cannot be denied that a basic element underlying thinking on natural resources from the standpoint of a national economy like Japan's poorly endowed with yet having a huge demand for natural resources is a sort of noneconomical, i.e., "politico-economic" element. In other words, as long as and to the extent that it is felt that the securing of a stable supply of natural resources is a matter of "national economic security," thinking concerning the problem of natural resources clearly has a deep connection with economic nationalism, the meeting point of the economic and the political dimensions.

Now, this kind of development on the demand side has to be viewed in close connection with changing circumstances on the supply side in terms of dependence, opposition, correlation, and tension between both sides.

The circumstances in the supply of natural resources are complicated. Except for the United States, the Soviet Union, Canada, and Australia, most countries in the spotlight today as either resource-producing or potential resource-producing countries belong to the ranks of the underdeveloped or developing countries, i.e., countries which formerly were under rule of the Western powers either as colonies, semi-colonies, or dependencies. Changes and trends in the supply system of natural resources involving mainly these developing countries are the subject that we deal with here.

It should be noted that not only is the natural resource supply system of the developing countries complicated, it is also undergoing rapid change. What makes it complicated is not only the economic nationalism of the developing countries themselves, which we will deal with later, but also the economic nationalism of the parent countries of the major extractive companies (the historical forerunners of present-day "international oligopolistic capital"). These companies acquired concessions for natural resources development when these countries were under colonial rule. Even if international oligopolistic capital in the form of multinational corporations were to follow a "supranational" pattern of behavior, this capital will still have strong internal ties with the economic nationalism of the

Trade and Industry the term "development participation" is used instead of "autonomous development" to avoid the misinterpretation that the latter often gives rise to. In the past we have proposed the use of the term "cooperative development" instead of "autonomous development" [12, p. 9].

The *White Paper* also espouses a comprehensive resource policy that puts emphasis not only on acquisition of resources but also on their efficient utilization and R&D [13, Part 3].

parent countries in preserving their vested interests.[2] Clear proof of such internal ties is the fact that in actual practice the home governments of the multinational companies often protest through diplomatic channels, when their subsidiaries are nationalized by the host government, in some cases resorting to suspension of economic aid and other pressures.

The reason why the developing countries' supply system of natural resources is changing so rapidly is that, in the complicated interplay of these two kinds of economic nationalism, there is a basic and marked tendency toward "decolonization" manifesting itself in the resistance of indigenous nationalism to alien, colonialistic nationalism (in essence economic imperialism) through individual and collective challenges to the international oligopolistic system[3] (apropos examples are the oil nationalism of the Organization of Petroleum Exporting Countries [OPEC], founded in 1960, or the copper nationalism of the Conseil Intergouvernemental des Pays Exportateurs de Cuivre [CIPEC], formed in 1967 by Chile, Peru, Zaire, and Zambia). Their methods have included nationalization and other pressures.

Leaving the essential character of "resource nationalism" of the developing countries for later discussion, let it be said here that the basic and entirely natural contention is that major underground resources are an integral part, both de jure and de facto, of the national territory of the country concerned. Therefore the free disposition of such resources by that country should be recognized as a part of the right of self-determination. This is evident in the first Declaration of Permanent Sovereignty over Natural Resources, a resolution adopted by the General Assembly of the United Nations at its seventeenth session in 1962. One cannot fail to recognize the fact that colonial remnants are still a stubborn force to reckon since this declaration was not unanimous but was adopted by a plurality of votes from the developing countries, with a minority of abstentions and opposing votes.[4]

Although international oligopolistic capital maintains a posture of meeting the challenge of resource nationalism based on this principle through its own collective solidarity and pressures, it is in fact being forced to make a gradual strategic retreat. This is attested to by the victory achieved by the oil nationalism of the OPEC countries in the agreement concluded in Teheran in February 1971. This victory developed successively into demands met in a whole series of subsequent agreements—Tripoli (April 1971), Geneva (January 1972), Riyadh

2 The relationship between private companies and the government varies historically from country to country. According to Raymond Vernon, it is loosest with the United States and somewhat closer in the case of the United Kingdom, although similar in many respects. He calls the relationship between private companies and the government "harmonious confusion" in the case of France and a "feudal mix" in the case of Japan. See [21, pp. 213–30].

3 This is indicated by the following figures pertaining to 1969 with regard to the number of major firms and their share of production in the Free World: petroleum—seven firms, 61.1 per cent; copper—ten firms, 66.7 per cent; aluminum—six firms, 75.5 per cent; nickel—four firms, 98.2 per cent [13, Part 1, p. 115].

4 Eighty-seven for, two against, and twelve abstentions [19, p. 215].

(December 1972), and Geneva (June 1973). This trend will no doubt give rise to a chain reaction of economic nationalism for other major resources.

The time has now come when prices and the amount of production can no longer be determined by a global management strategy of international oligopolistic capital that is independent of the will of the resource-producing countries. The orientation of resource nationalism toward an entirely new situation including realignment of the international system of development and of the supply of natural resources is a factor of instability and sudden change in the structure and system of the supply of natural resources.

II. A GENERAL THEORY OF ECONOMIC NATIONALISM

It is already evident that to a greater or lesser extent economic nationalism is a real factor in the thinking from the respective standpoints of countries that need natural resources and those that supply them. In order to grasp the essential characteristics of resource nationalism more clearly, we have to shed light on the conceptual framework of economic nationalism and ascertain its general structure.[5]

[5] There has been little research on the general theory of economic nationalism. There has been a gradual increase, however, with respect to the economic nationalism of the developing countries. The following are some worthwhile books and papers in this regard.

(a) Michael A. Heilperin, *Le nationalisme économique* (Paris: Payot, 1963). This book is valuable in its research on the historical development of economic nationalism and its general characteristics. It is one of the first of its kind, although regrettably it does make light of the principle of "integration" while mainly seeking the conceptual definition of economic nationalism in the principle of "autonomy."

(b) Gunnar Myrdal, *An International Economy: Problems and Prospects* (New York: Harper & Brothers, 1956), pp. 167–221.

(c) Idem, *Economic Theory and Under-Developed Regions* (London: Gerald Duckworth, 1957). This book clearly grasps the essential characteristics of the economic nationalism of the developing countries.

(d) Idem, *Beyond the Welfare State* (London: Gerald Duckworth, 1960). In this book the emphasis is on elucidation of the economic nationalism of the advanced countries.

(e) Harry G. Johnson, ed., *Economic Nationalism in Old and New States* (Chicago: University of Chicago Press, 1967). Although two outstanding papers written by the editor are included in this book, the theoretical model is still incomplete.

(f) Frank H. Golay and Associates, *Underdevelopment and Economic Nationalism in Southeast Asia* (Ithaca: Cornell University Press, 1969). Golay's introductory and summary chapters are excellent. The book seeks to build a theoretical framework for the economic nationalism of the countries of Southeast Asia on the basis of case studies. My paper owes quite a lot to Golay's basic ideas expressed in his papers, although I have tried to make some modifications and attempted to generalize. The term "indigenism" was coined by him.

(g) John Fayerweather, *International Business Management: A Conceptual Framework* (New York: McGraw-Hill, 1969). See Chapter 4, an excellent account of the problem of nationalism as seen from the standpoint of international corporation.

(h) Idem, "19th-Century Ideology and 20th-Century Reality," in *World Business: Promise and Problems*, ed. Courtney C. Brown (New York: Macmillan Co., 1970), pp. 85–98.

(i) Idem, "Nationalism and the Multinational Firm," in *The Multinational Enterprise in Transition: Selected Readings and Essays*, ed. A. Kapoor and Phillip D. Grub (Princeton: Darwin Press, 1972), pp. 339–53.

(j) Idem, "The Internationalization of Business," *The Annals of the American Academy*

It is my thinking that, economic nationalism can be defined as a system of policies and institutions aimed at formation of an autonomous and integrated national economy. On the basis of a correct understanding of meaning it is extremely vital that we construct a structural scheme of the conceptual terminology in this general definition so as to get an idea of the relationship between the terminology and the overall implications of the definition.

The first important conceptual term is "autonomy" which has both an internal and an external meaning. The principal use of the term here, however, is in its external meaning. The end-values underlying this concept of autonomy are independence and security. In this sense the concept of autonomy has strong political connotations for the establishment of policies and institutions of autonomous control to neutralize and exclude interference and domination from without.

The second concept is that of "formation." Formation is the process of moulding materials in a balanced and differentiated form. From our standpoint, using this concept as a policy concept, its greatest meaning is the mobilization and allocation of economic and social resources for growth and welfare and, as a result, the moulding or building of a balanced and differentiated national economy. The ultimate goal of this formation is national economic integration.

The third concept is "integration." The most essential principle embodied in the national economy is integration. The national economy is a unified, ordered entity achieved by planned integration, in accordance with national standards, of the whole system of economic and social forces in the country. It is in this sense that nationalization is used as an effective policy measure to integrate the national economic order. In this case national economy should not be considered as a theoretical, functional concept but rather as a real historical entity. The concept of national economy as the goal of economic nationalism should be understood in this way.

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of Political and Social Science, Vol. 403 (September 1972), pp. 1–11.

(k) Idem, "Nationalistic Control Attitudes and the Multinational Enterprise," in *Nationalism and the Multinational Enterprise: Legal, Economic and Managerial Aspects*, ed. H. R. Hahlo, J. Graham Smith, and Richard W. Wright (Leiden: A. W. Sijthoff, 1973), pp. 214–17.

(l) Jack N. Behrman, *National Interests and the Multinational Enterprise: Tensions Among the North Atlantic Countries* (Englewood Cliffs: Prentice-Hall, 1970). This book is recommended for its great value in terms of theoretical and empirical research.

(m) Idem, "Multinational Corporations and National Sovereignty," in *World Business: Promise and Problems*, ed. Courtney C. Brown (New York: Macmillan Co., 1970), pp. 114–25.

(n) Idem, "The Multinational Enterprise and Nation States: The Shifting Balance of Power," in *The Multinational Enterprise in Transition*, ed. A. Kapoor and Phillip D. Grub (Princeton: Darwin Press, 1972), pp. 411–25.

(o) Richard D. Robinson, "Nationalism and Centralized Control," in *Nationalism and the Multinational Enterprise*, ed. H. R. Hahlo, J. Graham Smith, and Richard W. Wright (Leiden: A. W. Sijthoff, 1973), pp. 207–13.

(p) Idem, "The Developing Countries, Development, and the Multinational Corporation," *The Annals of American Academy of Political and Social Science*, Vol. 403 (September 1972), pp. 67–79.

The following is a comprehensive conceptual scheme of economic nationalism as explained above.

CONCEPTUAL FRAMEWORK OF ECONOMIC NATIONALISM

	End-values	Principles	Policies	Institutions	Stages
National economy	Independence (Security)	Autonomy (Self-reliance)	Unification (Decolonization) (Controls)	Inward-looking	Initial
	Growth (Efficiency)	Formation (Mobilization) (Allocation)	Differentiation (Liberalization) (Protection)	Outward-looking	Transitional-formative
	Welfare (Equity)	Integration (Co-ordination) (Co-operation)	Planning (Planned harmony between: (i) freedom and control; (ii) nationalization and internationalization)	Inward- and outward-looking at higher level	Self-sustained

Goal=an autonomous, integrated, and self-sustained national economy.

What we must do now is explain the respective functions and roles of the three basic principles we are dealing with here (autonomy, formation, and integration) in the dynamic process of economic nationalism. The conceptual scheme above, while on the whole approvable, provides no more than a static framework.

Furthermore, we need to prepare a theoretical framework incorporating the three basic concepts of social science: system, stage, and type [8]. Although we cannot delve very deeply into this problem here, if we wish to grasp in specific terms the dynamic aspect of economic nationalism, we must answer such questions as what is the economic "system" of the national economy, what developmental "stage" it is in, and what social "type" this historical entity belongs to. These questions are profoundly interrelated and constitute a contextual premise for such an understanding. Here, however, we can go no farther than to focus our attention on the stages of development of economic nationalism and suggest that the dominant principle in terms of function and role is the principle of "autonomy" in the initial stage, the principle of "formation" in the transitional-formative stage, and the principle of "integration" in the self-sustained stage.

III. ECONOMIC NATIONALISM IN THE DEVELOPING COUNTRIES

One can grasp the fundamental difference between the economic nationalism of the developing countries, former colonies or dependencies, and that of the Western European countries, which got an early start and were autonomous from the very beginning, in the meaning of principle of autonomy and principle of integration.

To the developing countries the principle of "autonomy" means removal of the colonial, alien elements still remaining from the past even though they are now independent and recover complete autonomy. It is also a major prop in the struggle for decolonization and dealienization. Although in itself it has only a negative aspect, it is extremely significant as an indispensable prerequisite for the transition from a colonial economic system to a national economic system.

Secondly, the fact that the principle of "integration" has a special significance for the developing countries is connected with the remnants of the colonial economic system. The fundamental trait of these remnants as a system has variously been called "dualism" (Boeke [2]), "pluralism" (Furnivall [6]), or "multi-racialism" (Frankel [4]). What it boils down to is that it is a "non-national," heterogeneous socioeconomic structure. Put in another way, this means that the society lacks national economic integration [16, p. 51]. The greatest influence colonialism left on its colonial dependencies is that it did not give them national economic integration indispensable to self-sustained economic development. The remnants of the colonial economic system represent a dualistic system wherein national, indigenous elements are placed in a relationship of domination and subservience to colonial, alien elements.[6] This is why it has been possible for "disequalizing factors" to work strongly to impede spontaneous development possibilities within the indigenous society.

Thus, the prime task of economic nationalism in the developing countries is to wipe out the colonial economic legacy and prepare the prerequisites for formation of a national economy through a powerful application of the principle of autonomy and the principle of integration. Frequent attempts by these countries to either abruptly or gradually take over or restrict, through nationalization, alien concessions and assets to accomplish this task should be understood as the external and internal application of these two principles.

We must consider here that the term "nationalization" has a twofold implication. Besides "ownership by the state," it also means "indigenization" [7, p. 9]. One should note that terms like Indianization, Pakistanization, Ceylonization, Burmanization, Thaification, Malayanization, Indonesianization, Philippinization are synonymous to the term "nationalization." The meaning of these terms includes the fact that the nucleus of economic nationalism in developing countries is the self-contention of the principle of "indigenism." There can be no real self-sustaining development of the national economy without autonomy, formation, and integration based on this contention.

IV. RESOURCE NATIONALISM IN THE DEVELOPING COUNTRIES

Up to now we have discussed the general nature and basic orientation of the economic nationalism of the developing countries. With what we have learned here as a premise, we must ascertain the fundamental characteristics of present

6 See Itagaki [9] for more on the concept of "colonial-social dualism."

resource nationalism of the developing countries.

The first marked characteristic of the developing countries' resource nationalism is its complex emotional quality including extremely deep-seated political and psychological hostility, guardedness, frustration, and dissatisfaction. There must be a reason why this emotional reaction is so universal.

First of all, there is no denying that past colonial patterns of resource development brought nothing but colonial exploitation and a drain on natural resources by colonial capital. Although modern technology, skills, and management abilities were used inside the colonial business enclaves, these management resources were not transferred to the indigenous society outside. Almost no consideration was given to the development of the infrastructure through social overhead capital investment. Nowadays this colonialistic investment pattern can no longer be followed by international firms engaged in direct investment for development of natural resources abroad. Nevertheless, it is not without reason that the developing countries still are hostile toward and suspicious of international oligopolistic capital because of its historical roots.

Secondly, the major natural resources of the developing countries are the only asset they have as a strategic means of industrialization. Particularly underground resources, once extracted, cannot be reproduced, and in this sense they must be preserved and used systematically over a long period of time for the sake of the country's economic development. These countries have a strong desire to develop their resources themselves without depending on investment from abroad, but this is impossible because of their lack of capital, technology, and management capability. As a result theirs is a psychology of deep-seated frustration and jealousy as well as dissatisfaction at the disadvantageous concessions that they are forced to make with regard to the terms of investment, a dissatisfaction not soon forgotten.

A third characteristic of resource nationalism is a "love-hate syndrome"[7] that has as a backdrop the above-mentioned deep-seated psychology of frustration, suspicion, jealousy, and dissatisfaction. The "love" aspect of this syndrome is more or less linked with economic calculation, and the "hate" aspect with political calculation. In other words, on the one hand development of natural resources through investment from abroad is desirable since it generally benefits the country by stimulating economic growth through increasing income and employment, eventually transferring technology and management know-how, improving the country's balance of payments, and so on. On the other hand it is not desirable from the political standpoint of national prestige considering the price that has to be paid for it. It has a high potential for undermining national economic sovereignty through control of that branch of the economy by foreign capital, forced subservience to its monopoly of advanced development technology, destruction of the natural and cultural environment, and impediment of future development planning. Weighing the "love" and the "hate," the benefit and the

[7] See Behrman [1, pp. 7–8]. The term "conflictive equilibrium" was coined by Michel Crozier (*The Bureaucratic Phenomenon* [Chicago: University of Chicago Press, 1964], p. 170) and quoted by Behrman.

cost, is of course no easy matter. Although there will always continue to be tension in the trade-off between economic growth and political prestige, there does exist a "conflictive equilibrium" (Michel Crozier) in this regard that makes it possible to eventually reach a point of compromise through continuing efforts to overcome misunderstanding and prejudices, i.e., through an "accommodation approach."

V. THE NEW PHASE OF THE "NORTH-SOUTH PROBLEM" IN THE 1970s: THE EMERGENCE OF RESOURCE NATIONALISM

Considering that most of the developing countries lie to the South and most of the countries that use the natural resources of the developing countries lie to the North and assuming that our preceding observations concerning the essential nature of the economic nationalism of the developing countries that produce such natural resources are correct, one must perceive that the advent of the 1970s has brought with it a new phase of the "North-South Problem," a phase that involves the problem of natural resources.

The "North-South Problem" first appeared on the international scene at the beginning of the 1960s.[8] As reflected in the Geneva Conference of 1964 and the New Delhi Conference of 1968, at which the Prebisch proposal[9] was made, however, it involved mainly the matter of trade. Development strategy for industrialization was also taken up, but the emphasis was placed on international cooperation to promote import-substitution industries and their eventual growth to exporting industries and on a system of preferential tariffs. At any rate, an attempt was made to solve the "North-South Problem" through an improvement or reshuffling of the existing system of international trade.

The third meeting of the United Nations Conference on Trade and Development held in 1972 in Santiago (Chile), a champion of resource nationalism, was very symbolic. My understanding is that the "North-South Problem" is nothing less and nothing more than a problem of adjusting the interrelationship of dependence and opposition, correlation and tension, that exists in international economic relations between the advanced industrial countries and the developing countries [10, p. 112]. Now that the focus of economic nationalism in the developing countries is beginning to shift from trade to natural resources, in dealing with the "North-South Problem" UNCTAD will not be able to avoid the necessity of adjusting the interrelationship between the respective positions of the "North" and the "South" with regard to economic nationalism as far as natural resources are concerned. It should be recalled that already in 1970 at the Twenty-fifth General Assembly of the United Nations a resolution was adopted that demanded, among

8 See [10] that I wrote to elucidate the essential nature of the "North-South Problem" from the viewpoint of economic nationalism.

9 Prebisch [17]. For criticism of Prebisch's theory and discussions of the 1964 conference and the chief issues raised there, see Harry G. Johnson [15]. For the 1968 conference, see Prebisch [18].

other things, "a comprehensive account of the implementation of the principles and recommendations" [20] set forth in General Assembly Resolution 2158 (XXI). This is the resolution on permanent sovereignty over natural resources adopted by the General Assembly in 1966 at its twenty-first session (Section 1, Paragraphs 5, 6, and 7):

> 5. . . . to secure and increase their [developing countries'] share in the administration of enterprises which are fully or partly operated by foreign capital and to have a greater share in the advantages and profits derived therefrom on an equitable basis. . . .
>
> 6. . . . the latter [foreign investors] should undertake proper and accelerated training of national personnel at all levels and in all fields connected with such exploitation. . . .
>
> 7. . . . to make available to the developing countries, at their request, assistance, including capital goods and know-how, for the exploitation and marketing of their natural resources. . . .

Although the banner of "no more concessions" has been added to the flags of "nationalization" and "indigenization" of resource nationalism in the developing countries, in the final analysis there is no other choice than to search for points of compromise consistent with the interests of both sides in the midst of the tension that is the "conflictive equilibrium" between benefits and controls. This "accommodation approach"[10] between the country receiving foreign capital investment and the country (or the company) investing occurs on three levels.

The first level is chiefly conflict in the economic realm. It involves "profit sharing," including raising the posted price of the product serving as a yardstick for raising concession fees and increasing the rate of taxation on corporate profits, and reinvestment of profits so that value added will be raised through local processing. It also includes matters of human factors that lend themselves to quantitative calculation such as more hiring of local people, improvement of working conditions and pay, demands for social security, increased opportunity for technical training, and so on. All of these demands belong, to some extent, to the world of economic calculation, and it is not all that difficult to arrive at points of compromise in the course of time through mutual bargaining based on the balance of strength.

The second level is conflict of a semi-political nature over "management participation," or the struggle for control of company management. Management control is a basic problem with great bearing on the company's success or failure. Now that the joint-venture [5, p. vi] is becoming the predominant form of foreign investment, local capital participation and the demand for more local people on the board of directors are not the problems they once were. Nevertheless, there

[10] For an "accommodation approach," Professor John Fayerweather presents a framework of analysis from the point of view of multinational firms in relation to economic nationalism of recipient countries [3, pp. 106–32]. The following book is rich in specific examples of successes and failures in accommodation. Raymond F. Mikesell et al., *Foreign Investment in the Petroleum and Mineral Industries* (Baltimore: Johns Hopkins Press, 1971).

are many conflicts in this area that will be no easy matter to solve. These include government pressure for the freeing of patents, a demand for research and development activities and their resultant information, interference in production plans on the basis of a policy of preservation of natural resources, resistance by local residents to destruction of the natural environment, and strikes and violence of a political nature on the part of labor unions. When it comes to the purely political dimension—revolution, coup d'état, and nationalization—the realm of accommodation is no longer applicable, so we will not concern ourselves with such events here.

The third level is by no means yet one of conflict. It involves granting of permission by the government of the host country to develop natural resources through direct investment from abroad only on the condition that assistance for wide-ranging social infrastructural construction accompany it. This is to make such development compatible with national economic policy, including that for resources, industry, trade, transportation and marine transport, and research and development. This means, first of all, investment in roads, railways, and harbors directly connected to resource development projects. Then investment in facilities such as smelteries, refineries, and processing plants, to raise value added, then schools, hospitals, testing centers, and research institutes. Finally investment should be made in the building of new towns and development of regional society. While such investment is not always presented in the form of conditions or demands, it is based on the strong desire of the government of the host country to enlist the cooperation of the companies and government of the investing country in its plans for developing its national economy, with resource development as an incentive.

By putting oneself in the shoes of the developing countries whose only strategic development asset is their natural resources, one can understand why that desire is so compelling. The governments and private international corporations of the advanced industrial countries in the "North" oriented toward development of natural resources abroad through direct investment should make every effort to accommodate such desires on the lofty plane of a new international economic cooperation. Japan, in particular, because of the especially compelling resource pressures that it has, should make every effort to accommodate the developing countries with respect not only to the first and second levels mentioned above but, above all, to the third level.

The commercial nationalism of the developing countries debuted at the beginning of the 1960s represented a demand for a restructuring of the international system of trade. The resource nationalism of these same countries emerging in the 1970s is oriented toward a restructuring of the international system of investment. Without the realization that this resource nationalism of the developing countries is essentially oriented toward such a "system revolution" to overcome the present disadvantage that they face, it will be impossible to cope successfully with the new phase of the "North-South Problem."

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