Toward the New International Economic Order

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The foundations of the existing international economic institutions were laid during and immediately after World War II. They reflect the determination of the developed market economies (DMEs) to create favorable conditions for their speedy reconstruction after the war and the achievement of renewed and continued prosperity. The interests, needs, and special conditions of the developing countries (DCs), most of whom were still colonies in the immediate postwar years, were largely ignored in this process. As a result, and in spite of a few later changes, the system and its mechanisms did not improve the situation of most DCs to the extent desired. Acute poverty, chronic unemployment, and endemic undernourishment continued in most of them, or even worsened, and their economic dependence on the metropolitan countries was perpetuated and even extended into new areas. When these facts became well recognized and urgent issues for the Third World in the 1960s, it could not but conclude that a new economic order was necessary, an order that would explicitly recognize the needs and conditions of the developing countries. More specifically, the developing countries realized that the purposes of the existing international economic order would have to be broadened to include development. Furthermore, if these broadened purposes were to be effectively served, the mechanisms and structure of the old order would have to be appropriately altered.

These were the guiding principles of the two resolutions adopted in 1974 by the Sixth Special Session of the United Nations (UN) General Assembly and entitled “Declaration on the Establishment of a New International Economic Order” and “Programme of Action on the Establishment of a New International Economic Order.” The objectives outlined in these documents were elaborated later in the year in the “Charter of Economic Rights and Duties of States” and further consolidated in a resolution on
“Development and International Economic Co-operation,” adopted in 1975 by the UN Seventh Special Session. With the adoption of these documents, the developing countries had succeeded in making development—the establishment of the New International Economic Order (NIEO)—the priority item on the international agenda.

Disappointments and Groping for a New Approach

Many observers of the international political scene in the 1950s and 1960s believed that many of the DCs’ problems were largely a function of their political status. Once they achieved political independence, they would become full and equal members of the international community. Moreover, their participation in international economic interactions—whose benefits would quickly trickle down to them—coupled with a number of international and regional development efforts, would soon result in considerable improvements of their economic situation.

By the end of the 1960s, these hopes had been shattered. The First UN Development Decade—launched with great fanfare in 1961 and strongly supported by the Third World—fell short of its objectives; its extension in 1970 was viewed with dampened expectations. The Alliance for Progress, also launched in 1961 and accompanied with similar hopes, quietly faltered. Another regional effort, the First Yaoundé Convention of 1963, and its successors—the Second Yaoundé Convention and the Arusha Convention, both signed in 1969—shared the fate of the other efforts. A Non-Aligned Countries’ Conference on Problems of Economic Development, held in Cairo in 1962, remained a straw in the wind. The initiatives of the UN Conference on Trade and Development (UNCTAD)—whose first meeting had produced the Group of 77—also amounted to very little. In fact, whatever the success of the development efforts of the 1960s, whatever the trickle-down effect, the gap between North and South did not become any narrower: while per capita real income (at 1973 prices) in the DMEs doubled from about $2,000 to $4,000 in the period from 1952 to 1972, in the DCs it rose by a mere $125—from $175 to $300. In other words, real income per head in the DCs amounted to approximately 9 percent of that in the DMEs in 1952 and to approximately 8 percent in 1972. It appeared that the international and regional development efforts and related initiatives, or, more generally, the mechanisms of the international economic system, had failed to deliver what they had seemed to promise. In the words of UNCTAD:

The fact that the developing countries did not share adequately in the prosperity of the developed countries when the latter were experiencing remarkably rapid expansion indicates the existence of basic weaknesses in the mechanisms which link the economies of the two groups of countries. . . . The weakness of this structure, the inadequacy of the mechanisms by which growth in the developed centres is transmitted to the third world, are manifested in each of the major areas of economic relations between developed and developing countries—in the trade in commodities and in manufactures, in the transfer of technology and in the provision of financial resources through the international monetary and financial system.

Significantly, this recognition came at a time when it had become increasingly obvious that political independence is a mere chimera unless based on economic independence—unless the structures of economic dependence that characterize the relationships between developing and developed countries are transformed into structures of interdependence. Economic development thus came to be viewed with new urgency.

In their search for solutions to their problems, the DCs embraced the concept of individual and collective self-reliance. This concept was first enunciated by the Non-Aligned Countries—the political organization of the Third World—at their 1970 summit of heads of state or government in Lusaka. It was further elaborated at their 1972 foreign ministers’ conference in Georgetown, and since then has been included in most major international economic documents. Self-reliance became all the more important since industrialization was often perceived to have turned into dependent industrialization, primarily through transnational enterprises (TNEs) and their foreign affiliates, thus reinforcing the existing structures and extending them into other areas.

Self-reliance is a program. It requires, in its collective dimension, that the political, economic, and sociocultural structures created to link colonies to metropolitan countries (in a status of dependence) be altered to link developing countries to one another (in a status of interdependence). In the political sphere, this process had commenced in the 1960s with the emancipation of the DCs from the political control of their former rulers and their organization in the nonaligned movement. The Lusaka summit marked the beginning of increased efforts to achieve economic emancipation. However, it soon became apparent that these efforts needed a broader and more comprehensive economic program in the framework of which self-reliance could be pursued and economic development could take place. Quite naturally, such a program had to deal with the external conditions of development and, more specifically, with the structure of the international economic system.

The formulation of this platform took place in the nonaligned movement,
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drawing on work done by the Group of 77, by UNCTAD, and by the UN
(especially in connection with the development decades). As a result, the
Non-Aligned Countries adopted, at their summit in Algiers in September
1973, an “Economic Declaration” and an “Action Programme for Economic
Co-operation”7 which called for a thorough reorganization of the
international economic system. These documents, in turn, constituted one
of the primary foundations (at times verbatim)8 of the resolutions—the
“Declaration on the Establishment of a New International Economic
Order” and the “Programme of Action on the Establishment of a New
International Economic Order”9—adopted eight months later at the Sixth
Special Session of the UN General Assembly, the first special session to deal
with economic issues. These resolutions, together with the “Charter of
Economic Rights and Duties of State” (adopted in December 1974 by the
regular Twenty-ninth Session of the General Assembly) and the resolution
on “Development and International Economic Co-operation” (adopted
September 1975 by the Seventh Special Session),10 constitute the basic
documents of the New International Economic Order.

New Objectives and a New Context

What distinguishes the Algiers and the Sixth Special Session resolutions
from earlier international economic programs is not their comprehensiveness;
in fact, such comprehensiveness had already been approached elsewhere,
especially in the UN action program for the Second Development
Decade and in various combinations of UNCTAD resolutions. Rather, what
distinguishes these resolutions from their predecessors is their objective and
the new environment in which they were formulated and advanced. The
objective of these resolutions is no longer merely to improve the functioning
of the existing international economic system, but rather to change its
purposes, mechanisms, and structures.11 As to the new environment, three
factors in particular, all of them highly interrelated, are of key importance:
(1) the emergence of the nonaligned movement as an international
economic pressure group, (2) the politicization of the development issue,
and (3) the growing assertiveness of the developing countries.

The Role of the Non-Aligned Countries

Several allusions to the role of the nonaligned movement have already
been made in the preceding paragraphs. The movement had its origin in the
bipolar world of the 1950s, when a group of DCs began attempts to exercise
some independent influence in international relations.12 Between the first
summit in Belgrade in 1961 and the fourth summit in Algiers in 1973,
membership increased from twenty-five to seventy-five. The Non-Aligned
Countries, in other words, had been highly successful in persuading most of
the DCs to join ranks with them. Moreover, since 1970, the members of the
movement greatly intensified their interactions with one another, estab-
lished closer lines of communication, and gave themselves a highly struc-
tured organizational framework. Finally, and most importantly for later
developments, the nonaligned movement underwent a fundamental change
in character. Before the 1970 Lusaka summit, the movement had concentrat-
ed on political matters. At Lusaka, economic questions, for the first time,
received considerable attention with the enunciation of the concept of
individual and collective self-reliance. And since Lusaka, the largest part of
the concrete work of the movement has been concerned with self-reliance
and development.13 Three main reasons explain this change. Two of them—
the disappointment in the development efforts of the 1960s and the growing
recognition that political independence, to be viable, has to be based on
economic independence—have already been mentioned. The third concerns
the changing international political situation. Détente, political decoloniza-
tion, and the stabilization of the East-West military situation made many
of the original basic tenets of the nonaligned credo less urgent, and contributed
to the substantive reorientation of the nonaligned movement. Thus, be-
tween Lusaka and Algiers, the movement had transformed itself from an
informal gathering of like-minded leaders convened to discuss the world
political situation into a highly organized international economic pressure
group for the reorganization of the international economic system.

Politization

This transformation had an important effect on the way in which
international economic matters were presented and pursued. During the
1960s—and even at UNCTAD III (1972)—questions of economic develop-
ment were essentially regarded as “low politics” left to the economics,
financial, and planning ministries. Attempts at politicizing these issues—
e.g., the Group of 77’s Charter of Algiers (1967)—therefore failed. With the
beginning of the 1970s, however, this attitude changed and development
questions became “high politics”: they were elevated from the level of
heads of departments to the level of heads of state or government. This
change found its first full expression when the Algiers summit of the Non-
Aligned Countries—which was attended by more heads of state or govern-
ment than any other international conference has ever been—embraced
these questions for the first time at so high a level as major themes of its
deliberations and actions. The resolutions adopted at Algiers represent the
formal recognition by the policymakers of the DCs that their problems are
not only a function of their political status but also of their economic status.
Self-reliance and development, consequently, became highly politicized
issues.14
Third World Assertiveness and Bargaining Power

Much of the bargaining power of the developing world consists of the power to disrupt the international economic system (and especially the sophisticated economies of the developed countries), to introduce uncertainties, and to foreclose possibilities—in other words, to increase the opportunity costs for developed countries. Disruptions and uncertainties might be created in such areas as the supply of natural resources, the functioning of the financial system (mass debt defaults triggered by insolvency), or the operations of TNEs (a growing number of transnational enterprises receive a considerable share of their earnings from developing countries). Possibilities might be withheld in the area of market expansion. For instance, a Third World trading system—the establishment of which may be desirable in order to stimulate self-reliance—could limit the DMEs' access to the markets of the future, especially for products in which they are already approaching saturation. On the other hand, the potential of these markets is tremendous. A parallel might be drawn here to the treatment of the labor force in the industrial countries during the 19th century where business learned that workers are not only producers but also consumers. Over time, this realization led to a certain redistribution of income and greater prosperity for everyone. On the international level, the DCs are in many ways the workers of the developed countries, but their potential as consumers has scarcely yet been realized. Today, over two-thirds of the world population of about 4 billion lives in developing countries; by the year 2000, this proportion will have increased to four-fifths out of a total of over 6 billion. This population distribution raises not only market considerations but also the question of whether 15 percent of the world population can withdraw into a self-sufficient fortress and ignore the rest of the world—especially if likely military developments, including the spread of nuclear weapons to developing countries, are taken into consideration. The long-range risks and opportunity costs, in other words, may be much higher than the immediate costs of cooperating in the reorganization of the international economic system.

The main and most concrete assets of the DCs, however, are their natural resources. With the growing awareness of the importance of economic matters, developing countries have also become increasingly cognizant of the bargaining power, however limited, which is represented by these resources. This recognition has come to be expressed in particular in the more assertive usage of the principle of permanent sovereignty over natural resources. In the 1960s, support of this principle used to be accompanied by references to international law for cases of dispute settlement. Concretely, this meant that in cases of nationalization the parent enterprise (and the home country) could refer to international law for prompt, effective, and adequate compensation. In the 1970s, the DCs discontinued these references to international law and, instead, insisted that disputes should be settled under national law. While this debate about principles probably did not effect much of a change in the behavior of host countries—as a rule, compensations continued to be paid in the relatively few cases of nationalization that occurred—it still indicated a change of attitude. Developing countries increasingly sought to obtain control over their natural resources, or at least a greater share of the benefits associated with the exploitation of these resources, in order to use them as a stimulant for their own development. For the same reason, producers' associations were created. This change of attitude is illustrated by the Organization of Petroleum Exporting Countries (OPEC). Although OPEC was formed as early as 1961, it spent the whole decade of the 1960s bargaining about a new distribution of royalties that in the end brought additional revenues of $25 million. Between 1970 and 1974, on the other hand, OPEC's take from its natural resources increased by approximately $80 billion. In addition, virtually all crude-oil production facilities changed from foreign to (at least majority) national ownership. Not surprisingly, OPEC's performance stimulated a number of other producers' associations, most successful among them being the International Bauxite Association. Even if the Council of Producers' Associations established by the Non-Aligned Countries should become operational, however, these other associations clearly do not reach or even approach the power of OPEC. But the proliferation of producers' associations and the insistence on national control over natural resources indicate that the DCs have become more assertive and are attempting to use their bargaining power as effectively as possible.

The success of one of these producers' associations—OPEC—was, in fact, instrumental in elevating the issue of development from a priority item on the agenda of the Non-Aligned Countries to a priority item on the agenda of the international community. The word instrumental is important. With the Algiers summit, the DCs had reached such a degree of mobilization and organization, and the issue of development had acquired such salience, that it was only a question of time until these matters would be forcefully pursued on the international level. As a matter of fact, the Algiers summit had itself called for a special session of the UN General Assembly devoted to development—the later Seventh Special Session. However, the oil crisis changed this timetable. At the end of January 1974, President Houari Boumediene of Algeria, in his capacity as president-in-office of the Group of Non-Aligned Countries, requested a special session of the UN General Assembly to study the problems of raw materials and development—the Sixth Special Session, held between 9 April and 2 May 1974. The events during and since that special session demonstrate that the efforts of the Non-
Aligned Countries had begun to pay off. They had created an organization
that was capable of advancing the objectives of the Third World and that
maintained the solidarity of the developing countries. In fact, the position
of the Third World has been further strengthened because the Algiers summit
and the Sixth Special Session led to a de facto merger of the Group of 77 with
the nonaligned movement—if not in membership, at least in program and
objectives. As a result, virtually all international conferences since Algiers
and the Sixth Special Session have dealt with questions related to the
establishment of the New International Economic Order.

The NIEO Program: The Structure of This Volume

I observed earlier that the NIEO program distinguishes itself from earlier
international economic programs by virtue of its objective. Its objective is
not merely to improve the functioning of the existing international
economic system but rather to expand its purposes and to change its
mechanisms and structures to suit the new purposes. The purpose to be
added to the existing ones is development. Given the special situation of the
DCs, the acceptance of this additional purpose involves the acceptance of
a number of principles. They include greater control by DCs over their own
economies, especially as expressed in the principle of permanent sovereignty
of every state over its natural resources and all economic activities;
greater participation of DCs in decision-making processes that affect their
situation; international cooperation for development and active assistance
to DCs; and preferential and nonreciprocal treatment for developing
countries.

The problem is not so much the acceptance of these principles. Most
developed countries have done this. The problem is their translation into
changes in the mechanisms governing the interactions between North and South, changes that would eventually transform the structures that are the
result of past and present patterns of interaction. The NIEO program is an
tempt to set these changes in motion in areas of particular significance to
the development process: trade and commodities, financial matters, science
and technology, industrialization and transnational enterprises, and self-
reliance.

The following chapters of this volume deal with the principal issues in
each of the main areas just identified. In each case, an effort has been made to
provide some background on the existing situation in order to facilitate the
understanding of the urgency of the proposals of the NIEO program. A key
document of this program—the resolution adopted at the Seventh Special
Session—is reprinted as Chapter 2. The structure of this resolution—i.e., its
division into several substantive areas—has served as the organizing
principle of this book.

Before turning to the specific issues, however, the reader is introduced
into the NIEO discussion. Part 2 deals with the position of the North and the
South. Chapter 3, an UNCTAD document, contains a summary presenta-
tion of the key elements of the NIEO program. This is followed, in Chapter
4, by Charles Ries' review of the skeptics' arguments against the NIEO. A
number of these arguments are part of the official policy of important
developed states. This becomes apparent in Chapter 5, a speech by the
Minister of Economics of the Federal Republic of Germany, Hans Friderichs,
one of the most outspoken critics of the NIEO. In spite of such opposition on the part of a number of DMEs and their spokespersons, and in
spite of efforts on the part of a number of DCs to pursue a policy aimed at the
fastest possible implementation of the NIEO program, the atmosphere of
confrontation that characterized the Sixth Special Session seemed to have
given way to a new effort at collaboration during the Seventh Special
Session. Catherine B. Gwin suggests, however, in Chapter 6, that this
change may be one of form and not of substance; of tactics, not of strategies.

Parts 2-7, then, address themselves to the main areas of North-South
economic interactions, each representing, as already indicated, one of the
principal sections of the resolution adopted at the Seventh Special Session.
Part 3 deals with trade and commodity issues—issues that in the eyes of
many DCs form the very heart of the North-South relationship. The part
begins with an examination by Hajo Hasenflug, in Chapter 7, of the
deterioration of the position of the developing countries in world trade.
Since this deterioration is largely a result of the primary-products structure
of Third World exports, his analysis is followed, in Chapter 8, by an outline
of UNCTAD's integrated program for commodities and the related issue of
the indexation of prices. The integrated program is a comprehensive effort
to establish new production and market structures for primary products; as
such, many DCs consider it as the centerpiece of a new North-South
relationship. Aspects of the integrated program are also the topic of Chapter
9, in which Wolfgang Hager reviews some of the benefits—including those
for developed countries—of commodity agreements. A different approach
to mastering part of the commodity problem, but an approach in some
respect complementary to the integrated program, is examined by Hasen-
flug in Chapter 10: the stabilization of export-earnings system currently
being pioneered (on the basis of the Lomé Convention) by the European
Community and its forty-six African, Pacific, and Caribbean country
associates. In the next chapter, Chapter 11, Michael A. Morris deals with
another aspect of the commodity issue—one of potentially important future
consequences: the control and management of deep seabed nonliving
natural resources through the application, within certain geographical
limits, of the principle of permanent sovereignty over natural resources,
and, beyond these limits, through an international seabed authority. This
question has become one of the key issues of the Third Conference of the UN on the Law of the Sea, and Morris traces the relevance of the NIEO discussion for its emergence.

Immediate actions concerning commodities are important, since this sector plays a key role in many of the DCs’ economies and since it is frequently the prime source of foreign exchange. The long-term objective of the Third World, however—and this is recognized as an integral part of the integrated program—is the transformation of the DCs from primary-product suppliers to processors and manufacturers. A principal obstacle for the achievement of this objective are the tariff and nontariff barriers of DMEs, which are the foremost export markets of the developing countries. One attempt to begin the elimination of these barriers has been made with the introduction of the Generalized System of Preferences (GSP). However, as Peter J. Ginman and Tracy Murray demonstrate in Chapter 12, the effectiveness of the GSP has so far been extremely limited. They conclude that a substantial liberalization of the system is necessary in order to stimulate Third World trade.

The development objective of the Third World requires substantial financial resources. Since exports alone will not be able to provide these resources (inter alia because of the conditions discussed in Part 3), other mechanisms have to be explored and utilized. Part 4 addresses itself to the transfer of real resources for development. Chapter 13, an excerpt from a document prepared for UNCTAD IV, outlines the present situation regarding financial cooperation between North and South, emphasizing in particular the relative decline of concessional flows to the Third World. Partly as a result of this decline, DCs had increasingly to rely on private capital markets with their less favorable conditions. This, in turn, has placed a new and rapidly growing burden on Third World states: external indebtedness and the servicing of this debt. From $9 billion at the end of 1956, the external debt of over eighty non-OPEC developing countries had reached $125 billion in 1974 and is expected to rise to around $150 billion by the end of 1975. This sum exceeds the 1974 value of total exports of these countries by one-third, and the annual servicing of these debts absorbs, on the average, over 10 percent of the total annual export earnings of the countries involved. This situation, and especially several proposals aimed at alleviating it, is the topic of Chapter 14 (excerpts from another document prepared for UNCTAD IV). It becomes obvious from these two documents that basic improvements in the present framework for international resource transfer are urgently required. Some possibilities are examined by Mahbub ul Haq in Chapter 15. These improvements have to go beyond the more narrow area of development assistance. They have to reach into the international monetary system, which, after all, constitutes the framework of the trade transactions and the development efforts of the Third World.

The grievances of the developing countries relating to the international monetary system and their main proposals for its improvement are concisely summarized in the communiqué—reprinted here as Chapter 16—issued by the Group of Twenty-Four after the January 1976 meeting of the International Monetary Fund (IMF) in Kingston.

The dependence of the developing on the developed countries is perhaps most pronounced in the area of science and technology—the subject matter of Part 5. Chapter 17—excerpts from a document prepared for UNCTAD IV—discusses the nature of technological dependence and its consequences for the Third World. The following chapter, Chapter 18, contains a set of UNCTAD proposals aimed at changing this dependence. One of these proposals, and a key one as far as present activities are concerned, relates to the formulation and implementation of a code of conduct for the transfer of technology. Dieter Ernst, in Chapter 19, critically evaluates the possible effectiveness of such a code and concludes that, in fact, it merely would codify the status quo.

The purpose of reorienting the international mechanisms and structures in the areas of trade, financial assistance, the international monetary system, and science and technology is to stimulate, if not to serve, industrialization and through it economic development. Industrialization, the topic of Part 6, remains the basic objective of the developing countries. Industrialization is expected to create employment, end undernourishment, eradicate mass poverty, and, in due course, secure a comfortable standard of living.

At the present time, DCs account for about two-thirds of the world’s population, but they produce only about 9 percent (in 1972: $108 billion) of its total manufacturing output (of about $1,200 billion)—the rough equivalent of the manufacturing output of the Federal Republic of Germany. Chapter 20, a UN Industrial Development Organization (UNIDO) review of the present status of industrialization in developing countries, shows, furthermore, the great disparity of levels of industrialization among Third World nations. Four countries alone (India, Brazil, Argentina, and Mexico), for instance, account for more than one-half of the Third World’s manufacturing output, while less than one-tenth of it is produced in Africa. In the face of this situation, it is a declared objective of the NIEO program to increase the DCs’ share in world industrial output from the present 9 percent to at least 25 percent in the year 2000. Expressed in absolute figures, the target output is estimated to be $1,400 billion (in 1972 dollars), or somewhat higher than the manufacturing output of the entire world in 1972. Ambitious and arbitrary as this target may be, it is not necessarily impossible to achieve. According to UNCTAD’s calculations, it assumes, for the period 1972-2000, average annual manufacturing-output growth rates of 5.1 percent for the developed countries (down 0.8 percentage points from the combined 1962-72 average rate of the DMEs and centrally planned econo-
One of the main objectives of the Lomé Convention. Steven J. Warnecke, in Chapter 21, examines the experience gained thus far and the difficulties associated with the implementation of the Convention's title dealing with industrial cooperation. He observes that in market economies the role of private business enterprises plays a crucial role in industrial cooperation and that these enterprises favor redeployment through the mechanism of foreign direct investment and, thus, through the establishment of foreign affiliates. In fact, and more generally speaking, the present development strategies of most DCs rely, to a varying degree, on the inflow of private foreign capital as made available by TNEs. The surge of foreign direct investment has, however, also given rise to the fear that industrialization has turned into dependent industrialization, benefiting, in the final analysis, more the home than the developing host countries. It is the prevalence of TNEs in the economic life of Third World states, and their relevance to all main areas of the NIEO program, that are at the root of the DCs' insistence on the principle of permanent sovereignty of every state over its natural resources and all its economic activities, and of their quest for greater control over TNEs. In Chapter 22, I review efforts at controlling TNEs at the national, regional, and international levels, giving special attention to the OECD Guidelines for Multinational Enterprises, the Foreign-Direct-Investment Statute of the Non-Aligned Countries, and the efforts of the UN to formulate an international code of conduct for TNEs. Also advanced is the idea of establishing at TNE headquarters Host Country Councils through which host countries could gain immediate influence on the decision-making processes of the main enterprises operating in their territory, thereby supplementing external control mechanisms by internal ones.

As noted above, the present development strategies of most DCs depend on financial inflows from abroad. But I also observed that the Third World's turn to the concept of individual and collective self-reliance signals the beginning of growing efforts to reduce this dependency through the increasing mobilization of its own resources. The achievement of self-reliance—the theme of Part 7, the final part of this volume—demands fundamental internal and external changes. In its external dimension, the implementation of (collective) self-reliance requires a change in the structures of vertical interactions between developing and developed countries in the direction of structures of horizontal interactions among developing countries. Trade among DCs, for instance, accounts for only one-fifth of their total trade, and this share has been declining. What is necessary, therefore, is increased economic cooperation among developing countries, and a whole set of relevant measures—ranging from the facilitation of intra-Third World interactions to direct collaboration efforts—is outlined in Chapter 23, excerpts from a document prepared for UNCTAD IV.

In its internal dimension, the implementation of the concept of (individual) self-reliance demands that conditions for the mobilization of the entire population and the realization of its potential for development are created. Among other things—like drastic changes in the class structure of individual countries aimed at allowing greater popular participation and sharing in the development process—this requires an acknowledgement of the important role of women in economic activities. Since women constitute a substantial percentage of the economically active population in many DCs (and especially in the rural sector, the most important one in the Third World), the conscious, complete, and equal integration of women in the development process is a precondition for the full realization of the entire potential of each developing country. As Barbara Rogers shows in Chapter 24, the NIEO discussion has contributed significantly to the appreciation of this issue (especially through the Mexico Conference on Women) and, thereby, has set in motion a train of events that can contribute to a strengthening of the forces of self-reliance.

For the developing countries, the NIEO program is the basis on which they can achieve independent development. It is an attempt to restructure the present international economic system in such a way as to make it responsive not only to the interests of the DMEs (who created the present system), but also to the interests and special conditions of the DCs (who inherited it). The issue is the establishment of a new order that more equitably serves the needs of all members of the international system. The transformation of the nonaligned movement into a highly organized international economic pressure group for the reorganization of the international economic system, the politicization of the development issues, and the growing assertiveness of the Third World have created a context within which this objective can—and will—be pursued more vigorously than in the past.

Notes
1. It should be noted that the NIEO program deals with one aspect of the total development process only—its external dimension, its international
framework. Another important—possibly even the most important—dimension concerns internal development and reforms. However, to the extent that a development approach (like the aid-by-trade concept) relies on foreign inputs or, more generally, on interaction with the rest of the world, the terms and conditions under which these inputs are made available—the ways in which these interactions are structured—strongly influence whether or not (domestic) development is encouraged and the direction in which it proceeds.

2. The DCs aim at the establishment of the New International Economic Order—an order that specifically acknowledges development as one of its main purposes and whose mechanisms and structures are changed to transform relations of dependence into relations of interdependence (especially through the implementation of the (undiluted) proposals outlined in the documents just cited). The DMEs, on the other hand, are willing to make certain improvements in the existing order, thereby moving to a new international economic order. The UN compromise settled on a New International Economic Order; thus, one can still generally place the sympathies of a speaker or writer according to her or his use of one of the noncompromise terms.

3. UNCTAD, New Directions and New Structures for Trade and Development: Report by the Secretary-General of UNCTAD to the Conference (TD/183), 14 April 1976, p. 4. Since earlier figures for DCs tend to have a high margin of error, the interpretation of trend data has to be very cautious. In addition, it should be noted that these figures conceal a wide range of conditions among DCs, ranging from a clear relative decline for some of them to above-average performance for others, and that they also reflect the differential increase of population in the countries concerned.

4. UNCTAD, New Directions, pp. 5-6.


8. For a comparative analysis of the resolutions adopted at the 1973 summit of the Non-Aligned Countries and the Sixth Special Session, see Jankowitsch and Sauvant, “Evolution of the Non-Aligned Movement.”

9. United Nations General Assembly resolutions 3201 (S-VI) and 3202 (S-VI), both adopted on 1 May 1974. Although the resolutions had been adopted without a vote, DMEs made a number of reservations; see United Nations documents A/PV.2229-2231.

10. United Nations General Assembly resolutions 3281 (XXIX), adopted 12 December 1974, and 3362 (S-VII), adopted 16 September 1975, respectively. The latter resolution is reprinted in the following chapter.

11. This change in orientation expressed itself, for instance, in the evaluation of the international monetary system. Whereas a 1971 Ministerial Meeting of the Non-Aligned Countries referred to “the monetary arrangements that have been carefully worked out since the Bretton Wood Conference,” the Economic Declaration of the 1973 Algiers summit stated that “the monetary and financial system devised at Bretton Woods has served only the interests of some developed countries”; see, respectively, Ministerial Consultative Meeting of Non-Aligned Countries, “Communique Issued by the Ministerial Consultative Meeting of Non-Aligned Countries, New York, October 1971,” in Guyana, Main Documents, p. 99; and Fourth Conference of Heads of State or Government of Non-Aligned Countries, UN document A/9330, p. 64.

12. The following is based on a more detailed discussion in Jankowitsch and Sauvant, “Evolution of the Non-Aligned Movement.”

13. This is not to say that interest in “political” questions decreased. The dynamism of the movement, however, is now generated primarily by economic issues.

14. As indicated above, this process commenced in 1970 with the Lusaka summit of the Non-Aligned Countries. But that summit, as well as the subsequent Georgetown conference of foreign ministers, concentrated mainly on the issue of self-reliance and had not yet placed the situation of the DCs in the framework of the entire international economic system.

15. Hollis B. Chenery, for instance, estimated in 1975 that if efforts by the DMEs to limit their oil deficits would lead to a reduction of the normal 5 percent Organisation for Economic Co-operation and Development (OECD) growth rate to 3.5 percent, this “would wipe out some $300 billion in potential asset formation by 1980 and cause considerable unemployment” (see his “Restructuring the World Economy,” Foreign Affairs 53 [January 1975]: 258).


17. A study prepared by the UN Secretariat reported only 875 cases of nationalization of foreign affiliates of parent enterprises of any nationality for the period 1960 to mid-1974 (in addition, in 10 percent of these cases, the affiliates were later returned to the foreign investor). See United Nations, Secretary-General, Permanent Sovereignty over Natural Resources (A/9716 and Add. 1), 20 September 1974. The total number of foreign affiliates is estimated to be about 50,000-70,000; approximately one-third of the book value that is represented by these affiliates is located in DCs.

18. See Chapter 22 below.

19. It is for this reason that the Sixth Special Session is more important than the Seventh. In addition, the Sixth Special Session put the subject matter into a North-South context.

20. This move by Algeria also diffused the threat to OPEC (perceived to result from the Washington Energy Conference which had been called for February 1974) by embedding the conflict over oil into the broader issue of raw materials and development (and thus into a more general North-South context), an area where the Non-Aligned Countries had just achieved a broad and solid consensus.

21. For further discussion of the background of the Sixth and Seventh Special Sessions, see Chapter 6 and Bratislav Gosovic and John Gerard Ruggie, “On the Creation of a New International Economic Order: Issue Linkage and the Seventh Special Session of the UN General Assembly,” International Organization 30 (Spring 1976): esp. 310-319; this article (esp. pp. 323-345) also contains a detailed presentation of the positions of the Third World and of the DMEs during the negotiations of the Seventh Special Session, as well as the compromises achieved.

22. I am using “NIEO program” to refer to the proposals and measures contained in the various main documents (cited above) pertaining to the NIEO as well as the relevant UNCTAD documents related to these proposals and measures. Some of them are spelled out in detail; others have more the character of declarations of principles. Together with the philosophy underlying them (discussed in the text), they constitute what I refer to as the “NIEO program.”

23. The NIEO program also includes measures concerning food, the least developed, land-locked and island developing countries, as well as the restructuring of the UN system. These issues will not be examined here, since they do not relate to the core of the North-South relationship; see, however, respectively, United Nations, Assessment Present Food Situation and Dimensions and Causes of Hunger and Malnutrition in the World and Magnitude of the Food Problem in the Future and Possible Approaches to a Solution (E/Conf. 65/Prep/6), 8 May 1974; UNCTAD, Least Developed among Developing Countries, Developing Island Countries and Developing Land-Locked Countries: Action on Special Measures in Favour of these Countries, Policy Issues and Recommendations. Report by the UNCTAD Secretariat (TD/191), 6 January 1976; and United Nations, A New United Nations Structure for Global Economic Cooperation: Report of the Group of Experts on the Structure of the United Nations System (E/AC. 62/9), 28 May 1975. Moreover, most measures of the NIEO program contain special provisions for the least developed, island, and land-locked developing countries and frequently also for the most seriously affected countries; these provisions are not discussed here.
