

TOWARDS THE NEW INTERNATIONAL ECONOMIC ORDER?

**A STUDY OF UN VOTING PATTERN,
ATTITUDINAL AND INSTITUTIONAL CHANGES**

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LIST OF ABBREVIATIONS AND ACRONYMS

ACP	Africa, Caribbean and Pacific
CDF	Capital Development Fund
CERDS	Charter of Economic Rights and Duties
CIEC	Conference on International Economic Cooperation (Paris Dialogue)
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee (of OECD)
DCs	Developed Countries
DDI	First Development Decade
DDII	Second Development Decade
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLA	Economic Commission for Latin America
ECOSOC	Economic and Social Council
ECC	European Economic Council
EPTA	Extended Programme of Technical Assistance
ESA	Department of Economic and Social Affairs
ESCAP	Economic and Social Commission for Asia and Pacific.
FAO	Food and Agricultural Organization
G-77	Group of 77
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
GSP	Generalized Scheme of Preferences
HDCs	Highly Developed Countries

the

IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Industrial Development Board
IDS	International Development Strategy (for DDII)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
ILO	International Labour Organization
IPC	Integrated Programme for Commodities
ITO	International Trade Organization
LDCs	Less Developed Countries
LDDCs	Least Developed Among Developing Countries
MSAC	Most Seriously Affected Countries
MTN	Multilateral Trade Negotiations
NIEO	New International Economic Order
NOCD	Non-Oil Developing Countries
ODA	Official Development Assistance
ODC	Overseas Development Council
OECD	Organization for European Cooperation and Development
OECE	Organization for European Economic Cooperation
OPEC	Organization of Petroleum Exporting Countries
PQLI	Physical Quality of Life Index
SDRs	Special Drawing Rights
SUNFED	Special United Nations Fund for Economic Development
TDB	Trade and Development Board

TNCs	Trans-National Corporations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
WFP	World Food Programme
WFC	World Food Council
YUN	Yearbook of the United Nations

INTRODUCTION

INTRODUCTION

On 1st May 1974 the Sixth Special Session of the UN General Assembly, in a historic resolution¹, proclaimed the "united determination" of the member-states

to work urgently for the establishment of THE NEW INTERNATIONAL ECONOMIC ORDER based on equity, sovereign equality, inter-dependence, common interest and cooperation among all States, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations...1

This momentous decision of the Assembly was, of course, the cumulative outcome of a long-drawn struggle which the less developed countries has had waged for many years to create a suitable international framework geared to their developmental needs and aspirations. But the Declaration of the New International Economic Order (NIEO), adopted in the aftermath of the demonstrative OPEC action of Fall 1973, and the subsequent developments have attracted so much attention among the observers and participants of the international relations as few other subjects in the recent times. The issues related to the NIEO, buttressed by massive build-up

¹ General Assembly (GA) Resolution 3201 (S-VI), 1 May 1974.

in the world mass media, have come to dominate the international conference circuit so much as to relegate other issues to the background.² A vast spate of studies, reports, and declarations by various bodies have further emphasized the significance of the subject.³ All these have only highlighted the fact that restructuring or retaining the prevailing international economic system has become the principal factor influencing the interactions among most of the States. They have also brought into sharp focus in a dramatic way what has been a characteristic feature of the post-war world: the inextricable inter-connection between international politics

² A large number of important international conferences following the Sixth Special Session have underscored the significance of different issues having direct or indirect bearing on the goals of the NIBO: World Population Conference (Bucharest, August 1974); World Food Conference (Rome, November 1974); the on-going Third Law of the Sea Conference (since December 1974); Lome Conventions between EEC and ACP countries (1974-75); UNIDO Conference on Industrialization of the LDCs (Lima, March 1975); The Commonwealth Conference (Kingston, May 1975); the several meetings of the CIEC ("North-South Dialogue") beginning since May 1975 at Paris; Third Ministerial Meeting of the Group of 77 (Manila, February 1976); The UNCTAD-IV (Nairobi, May 1976); The Fifth Summit of Nonaligned Nations (Colombo, August 1976); etc..

³ Some important examples are: Report of Jan Tinbergen's Group to the Club of Rome - "Reshaping the International Order" (London, 1977); Report of Group of Experts appointed by the Jamaica Conference of Commonwealth Nations; "Towards a New International Economic Order" (Commonwealth Secretariat, London, 1975); "The Dakar Declaration" of the Conference of Developing Countries on Raw Materials (February 1975); "The Lima Declaration" of the Second General Conference of the UNIDO (March, 1975); "The Manila Declaration" of the GROUP of 77 (February, 1976); etc. The UN and the UNCTAD Secretariats have also produced a vast mass of documents and background papers for various UN and other international meetings.

and international economics. Indeed the NIEO-related issues are likely to dominate the international relations for decades to come.

In this set of developments the United Nations, of course, has played a pivotal role and mainly through its forum the NIEO has become the latest rallying point of various international efforts aimed at accelerated economic development of the LDCs, bridging the widening gap between the rich and the poor nations, and replacing the old, inequitable international economic relations with a more just and fairer system. In fact, the evolution of UN's involvement in the pursuit of these objectives has had a long history of almost interminable discussion, prolonged debate and protracted negotiations between the LDCs and the DCs. In the fifties and the sixties the UN has witnessed bitter controversies over different demands of the Third World as manifest in the issues of SUNFED, Sovereignty Over Natural Resources, the UNCTAD, the Capital Development Fund, etc.⁴ A rapidly

⁴ The basic trend underlying these controversies between the DCs and the LDCs was the dismantling of the relatively depoliticized economic order of the past which was described as the "two-track" system by Richard Cooper in which the economic issues were left to the concerned officials be sorted out within a widely accepted set of international rules. Fred Bergsten, Towards the New International Economic Order: Selected Papers (Lexington: D. C. Heath, 1975), p. 3.

decolonizing world, which resulted in the proliferation of new nations with unprecedented upsurge to realize rapid economic development, added new dimensions to such demands for restructuring the existing economic order; thereby accentuating the conflict between the "haves" and the "have-nots". This "New Cold War" of the seventies, however, reached dramatic heights when the General Assembly's Sixth Special Session adopted the two resolutions of the Declaration and the Programme of Action on the establishment of the NIEO.⁵ The responses of the member-nations to these decisions of the Assembly, as such, ranged from uncritical adulation to vehement opposition. The developing countries came to regard these decisions as the "principal guarantees for the creation of better conditions for all peoples to reach a life worthy of human dignity".⁶ The leading members of the developed world, though formally party to the Assembly resolutions passed "without vote", vigorously repudiated both the substance and the rhetoric of the NIEO as "bad economics and worse politics".⁷

⁵ GA Resolutions 3201 (S-VI) and 3202 (S-VI), 1 May 1979 and

⁶ GA Resolution 3201 (S-VI), Para 6.

⁷ This is how an American commentator subtitled his essay to express his strong disapproval of Third World's demands for the NIEO. Manthaniel Leff, "The New Economic Order - Bad Economics, Worse Politics" Foreign Policy (New York), no. 24, Fall 1976, pp. 202-217.

Nevertheless, the outcome of the Sixth Special Session has been mostly described in superlatives. "It has become obvious", remarked Geoffery Barraclough, "that we stand at the watershed of history".⁸ Barbara Ward viewed that "profound movements are at work in planetary politics, movements as vast and perhaps as irreversible as, say, a geographical adjustment of continental plates".⁹ All such hyperboles apart, there was, indeed, a general air of high expectations about rapid strides in the direction of substantive and structural transformation of the existing international economic relations. Such manifest optimism was based on the assumption that the demands for the NIEO were made under a changed condition in which a determined Third World coalition was seen to have acquired vastly enhanced collective capacity to extract a "New Deal" from the hitherto unrelenting North. It was widely held that in a world seemingly metamorphosing under the impact of the OPEC offensive and Vietnamese victory the developed Western nations have come to realize the limitations to their power and, therefore, would be amenable to the demands of the LDCs.

However, slowly but quite perceptibly, there has been a growing scepticism about the prospects of establishing the NIEO as the follow-up action has apparently failed to measure

⁸ Geoffery Barraclough, "The Haves and Have Nots", New York Review of Books, 13 May 1976.

⁹ Mahbub-ul Haq, The Poverty Curtain: Choice for the Third World (New York, 1976), Foreword, p.ix.

upto the promise of earlier euphoria. Indeed, although the subject continues to be routinely referred in different forums of global, regional and national level, the momentum gained in the immediate aftermath of the Sixth Special Session seems to have lost much ground.¹⁰

What then one could make out of the developments since the adoption of NIEO Declaration in May 1974? This question, for obvious reasons, does not evoke any precise answer. An attempt to make an objective assessment of the pace and direction of the movement towards the NIEO has to be carefully formulated in terms of a set of relevant questions. Some such likely questions are: what has been the nature and consequences of the policy responses of the DCs, who hold the key to the restructuring of the existing international economic order?; what has been the magnitude and significance of the institutional changes in the existing framework in realizing the goals of the NIEO? Such questions relating to the creation of the NIEO, of course, cannot be

¹⁰ Such a view is shared by both scholars and statesmen. In this context the following quotes bear citation. Commenting on the results of the UNCTAD-IV (Nairobi, 1976), George C. Abbot remarked that "things are very much what they were before the UNCTAD, except perhaps, that very little is now heard of NIEO". G. C. Abbot, "The New International Economic Order: What Went Wrong?", Co-existence (Glasgow), vol. 15, no. 1, April 1978, p. 5. The Indian Prime Minister Morarji Desai echoed somehow similar view when, during his visit to the US, he expressed his apprehension that the NIEO may "become merely mirage" as governments seem to have been "satisfied merely by expressing pious sentiments about it at international forums without bothering to translate the vision into reality". Indian Express (New Delhi), 12 June 1978.

be studied in isolation. Other crucial problems of international relations like the maintenance of peace and security, resolution of different conflict situations, disarmament, safeguarding the human rights, creation of a new regime for the seas, etc. certainly have significant bearing on the evolution of the NIEO. The present study however does not intend to undertake any such all-comprehensive survey. Further, no attempt is made here to deal with the host of questions surrounding the problems and prospects of establishing the NIEO from an all-embracing perspective. For instance, it is not intended here to undertake any study in the theoretical evaluation or practical relevance of some of the highly contentious premises and objectives of the NIEO, viz., terms of trade, indexation, integrated programme for commodities and the Common Fund, non-reciprocity in trade liberalization, foreign aid, industrial redeployment, etc. The study has also avoided any value judgement on the ideological foundations of the NIEO and its assessment with reference to the contending approaches like neo-marxism versus neo-conservatism, socialism versus capitalism, or closer integration between the South and the North versus rapid delinking of the former from the latter. The present work also excludes any critical discussion on the implications for the NIEO of the "South-South" conflict and/or cooperation from the point of view of divergences among the Third World nations (e.g. differences between the oil-producing and non-oil

producing countries or between industrializing developing countries and primary producers) and closer collaboration among them by way of "collective self-reliance". This study also does not try to prescribe a framework or a set of strategies and tactics to be adopted for the early realisation of the NIEO.

The main purpose of the study is to examine the events and developments since the Sixth Special Session of the General Assembly with a view to finding out the trends, if any, towards reaching the goals of the NIEO. For this two basic and inter-related indicators have been selected:

- (a) the attitudinal changes on the part of the DCs, if any, with reference to their initial reaction to the objectives of the NIEO, as manifest in their voting behaviour on the relevant General Assembly resolutions adopted during 1974-1977; &
- (b) the institutional reforms, if any, in the existing framework, particularly the UN sector, made by way of creating new structures and/or restructuring the existing ones.

The rationale of focussing attention on these two specific aspects need to be stated here. The demands of the NIEO are primarily targeted at the DCs, who for the realization of proposed new order, have to exhibit necessary political will in accepting structural changes in their external economic

relationships as well as in their domestic economies. Simultaneously, these objectives also call for suitable changes in the existing institutional framework so that the ground design of the NIBO is translated into tangible operational concepts.

The structure of the study is as follows:

The First Chapter provides a historical background to the present study. It describes the premises underlying the international economic order built in the aftermath of the World War II, examines the problems faced by the LDCs in the working of this system, recounts their efforts to redress such systematic asymmetries and biases, and evaluates the role of UN in this regard during the first twenty-five years of its existence.

The Second Chapter is in some way a continuation of the first chapter. In the setting of increasing problems of the LDCs and their growing conflict with the DCs, the chapter recaptures the events and developments leading to the 6th Special Session, examines the patterns of North-South confrontation/conciliation as emerging from the 29th Session and 7th Special Session of the Assembly, and sets out the questions that need to be analysed further in the study.

The Third Chapter, which along with the fourth one constitutes the central chapter of the study, formulates a suitable framework for analysing the voting behaviour of member-states in the

Assembly on the basis of which the responses of the "target nations", i. e., the DCs, are to be assessed. The inferences about the voting patterns of the DCs are then co-related with their policy pronouncements and positions on the related issues in order to measure the changes, if any, in their attitudes towards the evolution of the NIEO.

The Fourth Chapter makes a rapid survey of the institutional changes in the existing framework with particular reference to the UN and a critical evaluation of their relevance in making the NIEO a reality.

The Concluding Chapter sums up the findings of the earlier chapters and highlights the patterns as emerging from the more recent developments. On the basis of these inferences some projections are made about the future prospects of establishing the NIEO.

The method followed in the present work is descriptive-analytical. For the data the study relies upon primary sources (UN Documents and Government Publications, etc.) as well as secondary source materials. Statistical tables have been used wherever necessary to elucidate and illustrate certain points of emphasis. It should be noted that the time-frame of the analysis presented here is restricted upto the close of 1978.

CHAPTER I

THE UNITED NATIONS (1945-70) : PREMISES, PROMISE AND PERFORMANCE

Chapter I

THE UNITED NATIONS (1945-70): PREMISES, PROMISE AND PERFORMANCE

The preamble of the United Nations Charter holds out the promise of not only saving "succeeding generations from the scourge of war" but also promoting "social progress and better standards of life in larger freedom" and for that end employing "international machinery for the promotion of the economic and social advancement of all peoples". One of the principal purposes of the UN, as defined in Article 1(3) of the Charter, is to "achieve international co-operation in solving international problems of an economic, social, cultural or humanitarian character". The obligations of the World Organization, as declared in Article 55, also include the furtherance of "higher standards of living, full employment, and conditions of economic and social progress and development". Furthermore, Chapter IX and Chapter X and a number of related Articles of the Charter set out numerous provisions for the promotion of international economic and social co-operation and well-being of the dependent peoples.

It naturally follows from the plenitude of these ideals and theoretical objectives that the framers of post-war international institutional set-up had given high priority to international co-operation for the economic development of all nations, including hitherto underdeveloped peoples of the vast areas of Asia, Africa and Latin America. But there is a need to examine and evaluate the

relationships between these proclaimed objectives and their intended beneficiaries, the declared principles and their underlying assumptions, and the announced commitments and the instrumentalities provided for their implementation. For this, it is necessary to briefly recount the environment and the events of the United Nations Monetary and Financial Conference (UNMFC) at Bretton Woods (July 1944) and the United Nations Conference on International Organization (UNCIO) at San Francisco (April-June 1945), where the main pillars of post-war economic and political order were constructed.

The Post-War Institutional Framework:

The inter-war years were characterized by deep turmoils in the world economic affairs. The economic blizzard of that period which began with the Great Depression resulted in governments assuming drastic powers to control currency, manage exchange rates, raise tariff walls and impose stiff import quotas in search of domestic economic stability. The World Economic Conference called to resolve the crises arising out of competitive economic nationalisms proved of no avail.¹ Further efforts on international level to correct the chaos and convulsions of the system were engulfed in the events which led to World War II. Nevertheless, experiences drawn from international economic develop-

¹ For a brief account of this period see, in particular, E. H. Carr, International Relations Between the Two World Wars: 1919-1929 (New York, 1967), pp. 133-52., A. G. Kenwood and A. L. Loughheed, The Growth of the International Economy: 1820-1960 (London, 1971), pp. 185-189. For a more detailed account of the World Economic Conference see, Charles P. Kindleberger, The World in Depression 1929-39 (London, 1973), pp. 199-231.

ments of the inter-war years provided the framework for renewed efforts once the victory of the Allied Powers was assured. The United States, which was to emerge as the strongest military and economic Power after the war, took the initiative for preparing a blue-print for the organization of a post-war economic order.

The ideological foundations of these preparatory exercises were formally embodied in the wartime documents such as the Atlantic Charter and Article VII of the Lend-Lease Agreement. While proclaiming the Allied commitment to secure, for all states, equal access to trade and raw materials of the world and elimination of all sorts of discriminatory barriers to international trade they ensured a dominant role for the U.S. These premises, although not directly challenged, were never really subscribed to by the Soviet Union and its allies. Western countries like the UK and France as well as some smaller countries also had some important reservations,² but they went along with the proposed framework under the domineering influence of the US. The international monetary and financial institutions that emerged from the UNMFC at Bretton Woods, namely, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), were virtually dictated by the foreign

² Eisan Strange, "The United Nations and International Economic Relations", in Kenneth J. Twitchett, ed., The Evolving United Nations: A Prospect for Peace? (London, 1971), p.102. As to Anglo-American differences see, Richard Gardner, Sterling-Dollar Diplomacy (Oxford, 1956).

economic strategy of the US. As the US Treasury Secretary Henry Morgenthau succinctly explained at a Press Conference at Bretton Woods:

The U. S. wants after the war, full utilization of its industries, its factories and its farms, full and steady employment of its citizens... It can have them in a world with vigorous trade. But it can have such trade only if currencies are stable... with values secured and held stable, it is next desirable to promote world-wide reconstruction... and make funds available for sound enterprise, all of which in turn call for American products, hence the proposal for the Bank, 3

Neither in the policy statements of the Western countries nor in the proceedings of the Bretton Woods Conference the special needs and complex problems of the less developed countries, what constituted the so-called 'Third World' of today, were taken into account.⁴ Indeed, their emergence as such, was not even envisaged. As a result, "its needs and requirements did not figure prominently - if at all - in the grand designs for international institutions that were then drawn up."⁵ During the drafting of the Articles of Agreement for the IMF, the Indian move to include in its objectives a provision for assistance "in the fuller utilization of the resources of economically under-

³ New York Times, 2 July 1944.

⁴ At Bretton Woods, as later at San Francisco Conference, though these countries were in majority they did not have any independent voice because of their entangling politico-economic linkages with the West. For example, the Latin Americans were in the 'Western Hemisphere' in the true sense of the term, the Middle East countries were having close connections with former mandatory powers of Europe and the Asian countries, such as India and Philippines, were not yet independent.

⁵ Jan Tinbergen, et al., Reshaping the International Order: A Report to the Club of Rome (London, 1977), p.42.

developed countries" was rejected. In case of the Bank, after much hesitation, the word "development" was put after "construction" and the provision reading "...encouragement of development of productive facilities and resources" was incorporated in Article 1, para (1).⁶ But given the presumption behind the entire Bank proposal that the capital requirements could be met through investment banking on commercial principles, such marginal phraseological additions could hardly make any impact on the vast and complex problems of economic underdevelopment in the Third World. In essence, the post-war international economic institutions were designed by the West with the aim "primarily at preventing actions found harmful by the major powers during the 1930s, not at promoting practices helpful to the emerging nations."⁷

When the San Francisco Conference met to construct a global political organization to act as the hub of the existing

⁶ At the Havana Conference of 1947 which was to create an International Trade Organization (ITO) as one of the three pillars of the post-war economic order (other two being the IMF and the IBRD) certain proposals regarding economic development were made but they were flatly turned down. However, there were 8 articles in the Havana Charter, which could have been of limited gains for the LDCs, were reluctantly embodied. But the Charter was spurned by the US and the ITO never came into being. Instead the ad hoc General Agreement on Tariffs and Trade (GATT) became permanent organization, outside the UN family and did not incorporate these provisions. As a result only a few LDCs adhered to GATT at its inception. For example only 3 out of 17 Latin American countries who had signed Havana Charter were among the contracting parties to the GATT. For a brief background of all these, see Branislav Gosevic, UNCTAD: Conflict and Compromise (Leiden, 1972), pp.9-11.

⁷ Robert E. Asher, "International Agencies and Economic Development", in Richard N. Gardner and Max F. Millikan, eds., The Global Partnership (Calcutta, 1969), p.433. [Indian Reprint.

and emerging international institutions in the field of political, economic and social co-operation among nations the setting was slightly different. The pious pronouncements of the war years which fervently hoped "to see established a peace which will... afford assurance that all men in all lands may live out their lives in freedom from fear and want";⁸ the possibility of Allied victory reaching the conclusive stage very soon and rapid momentum of political liberation movements in areas hitherto under European dominance all combined to create an atmosphere of almost universal optimism. There was anticipation among many delegations that widespread economic, social and humanitarian benefits would flow from the post-war international organization. But delegations of the sponsoring governments, particularly that of the US, "did not share all these expectations, which it considered to be highly exaggerated, if not, indeed, the result of undesirable, loose thinking on economic and social affairs."⁹

In the San Francisco Conference the Charter provisions dealing with international economic co-operation were discussed

⁸ Atlantic Charter, for the text, see Ruth B. Russell and Jeannette E. Muther, A History of the United Nations Charter (Washington, D.C.), 1953), p.975.

⁹ Ibid. P.777, note, 2.7, p.777.

on the basis of Chapter IX of Dumbarton Oaks Proposals. The experience of the League's success and failure in the field of "social and other matters" and the recommendations of the Bruce Committee were taken into account while formulating these proposals.¹⁰ The US, which took active interest in the technical and social activities of the League, was in favour of an expanded and improvised structure for the UN in the field of social and economic co-operation.¹¹ But all such varied economic activities of the UN were to be consistently within the framework of the liberal international economic order as envisaged at the Bretton Woods. The UN was not assigned any special role to promote international economic justice to the benefit of economically backward countries of the Third World. Nevertheless, the general purposes of the institutions and functions of the organs dealing with economic functions were intensely debated between big and middle powers

¹⁰ In the League Convention there were only two articles - Article 23 and Article 24 - which very narrowly outlined League's role in "social and other activities". But in practice the League developed a much more expanded network for the furtherance of these objectives. To mitigate the inadequacy and inefficiency of its social and economic structure, a Committee under Stanley Bruce of Australia was appointed which submitted its report in 1939. But with the outbreak of World War II all such reformist moves were abandoned. See, in particular, Martin Hill, The Economic and Financial Organization of the League of Nations (Washington, D.C., 1946), and F.P. Walters, A History of the League of Nations (London, 1952).

¹¹ See Russell and Muther, n.8, pp.303-27.

of the developed world.¹² The amplification of Charter provisions for international economic co-operation and greater authority for the ECOSOC was advocated by countries like Australia and New Zealand. The major powers, however, were not prepared to go beyond broad goals and undertake specific commitments on the plea of autonomy of domestic action. American representative Senator Arthur Vandenberg vehemently opposed (to) any move "to write fantastic objectives... into the Economic and Social Council".¹³ The objectives such as "full employment", "higher standards of living" etc. were incorporated in Chapter IX of the Charter with explicit understanding that nothing would ^{be} construed out of them to mean authority to intervene in the domestic affairs of member states. The inclusion of the word "pledge" (Article 56) was a compromise between the Australian initiative for ^a firm commitment by the member states to further the economic and social objectives of the Charter and the American opposition to any such move which would imply binding obligation on the member nations.¹⁴ The results of all these controversies were that the economic provisions:

¹² The Soviet bloc was not at all enthusiastic about placing social and economic responsibilities on the UN which it considered to be exclusively a political and security organization. But ultimately it bowed to the Western insistence that social and economic progress being a sine qua non for a secured world the UN should have these objectives in its Charter. Leland M. Goodrich, The United Nations (New York, 1959), p.268.

¹³ Russell and Muther, n.8, p.778.

¹⁴ For details see Ibid., pp.777-807., n.7, pp.777-807.

of the Charter were couched in vague expressions like "promotion", "promoting respect for and observance of", etc. and the ECOSOC was assigned functions merely to "make or initiate studies and reports" and "make recommendations".¹⁵

In sum, the broad goals of international economic and social co-operation incorporated into the Charter were in part products of Western liberalism and in part due to compromises between certain divergences in the foreign economic strategies of the US and the old Commonwealth countries, like the UK and Australia. In such a scheme there was no specific commitment for the development of the vast underdeveloped parts of the world. Further, the sponsors of the UN neither expected it to realize the broad economic goals of the Charter nor did they confer on it any commensurate authority to undertake appropriate operational activities.

Political institutions, however, often develop in a form different from the one mapped out for them at their inception. As the years rolled by, certain far-reaching developments in international relations added new dimensions to the nature and scope of the UN's activities. As the inevitable fall-out of the decolonization process, the influx of new nations

¹⁵ Article 62, Charter of the United Nations.

from Africa and Asia into the UN brought about significant changes in the priorities and, to some extent, powers of the world body.¹⁶ With no or marginal interest in the East-West conflict that engulfed the UN for several years the new nations of the Third World sought to make their dominant interests the principal pre-occupations of the World Organization, i. e., decolonization of the remaining areas and development of their backward economies. Broad provisions of the Charter and the wide-ranging jurisdiction of the General Assembly constituted on the basis of one-nation-one-vote made it possible for them to demand for change in the priorities of the UN. With assured majority on their side the Third World countries used the unique set of diplomatic and parliamentary techniques of the UN forum to focus international attention to the problems of the developing world and fight for their redressal through international action.¹⁷

No less important a factor in changing the original character of the UN had been the unintended impact of the 'Cold War'. The two sides of East-West confrontation often vied with one another for winning the political support of the Third World countries by making verbal, and, sometimes, voting

¹⁶ For example, the "membership explosion", could be gauged from the fact that in 1960 alone 17 new members were admitted to the UN and of these 16 had just emerged from colonial rule in Africa.

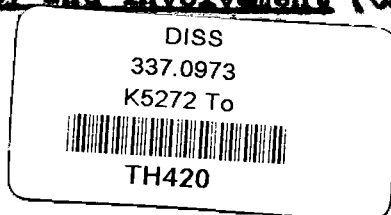
¹⁷ K. P. Saksena, "The United Nations and A New Cold War", United Nations and the Third World: Seminar Papers (New Delhi, Jawaharlal Nehru University, Unpublished, mimeo), p.10.

commitment to the economic demands of the latter. This, in turn, reinforced the claims and, enhanced the bargaining capacity of the LDCs. All these developments eventually led to the transformation of United Nations into the central arena of "North-South Conflict".

Third World and its Problems of Development:

The moving spirit behind the LDCs' urge to set up new priorities for the UN is best explained as the natural and necessary corollary to the post-war phenomenon of decolonization. Decolonization was not to be regarded as a complete or completed process which ended with political freedom but a process of continued search for political stability as well as economic viability. The involvement of newly liberated nations in the international relations and their 'exposure' to the "revolution of rising expectations", that for a long time had been sweeping the Western World, made them realise the desirability and possibility of their own economic development.¹⁸ This realization was as much the product of faith in the marvels of science and technology as ^{the awareness about} ~~of~~ the historical fact of the linkage between the development of the ~~former~~ colonial powers and the underdevelopment of their colonies in the Third World and the contemporary reality of "neo-colonial" economic relationship ^{the} between the former colonial powers and ~~formally~~ independent new

¹⁸ J.H. Goldthorpe, The Sociology of the Third World: Disparity and Involvement (Cambridge, 1975), pp.



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states. Determination to eliminate the disparity between the rich and the poor nations of the world and to promote rapid economic development of the latter, thus, became the article of faith for the Third World in the post-colonial era.

However, any attempt to compensate for centuries of backwardness and accelerate the complex process of economic development in an underdeveloped country has to be the function of effective indigenous mobilization as well as favourable external environment. Despite the differences in political system, population size, cultural milieu and societal goals, the LDCs of Asia, Africa, and Latin America had to face certain common difficulties in their pursuit of economic development; the difficulties which could not be eliminated by the individual endeavours of the countries concerned but by concerted actions of the entire international community.

[Developing countries shared many common economic characteristics - low Gross National Product (GNP), small rate of per capita income growth due to high population increase among other reasons, poor capital accumulation, saving and investment, engagement of the majority of the labour forces in the primary sector, scarcity of skilled personnel and lack of

technological know-how.¹⁹ Capital, technology, and technical skill were, thus, the prime needs for economic development for which the LDCs had to depend heavily on the advanced Western countries.

The capacity of the LDCs to import capital goods and technology from the Western countries was primarily based on their earnings from foreign trade. Though international trade had come to be regarded as an effective instrument of economic development, the Third World countries' share in the world trade and terms of trade for their exports, mainly primary commodities, were gradually worsening. On the other hand, the prices of capital goods exported by developed countries were consistently increasing. In late 50's and 60's a series of studies have been made by perceptive scholars and the secretariat staff of the UN and other related bodies to highlight such growing difficulties confronting the underdeveloped countries.²⁰

¹⁹ A noted scholar of Marxist Political Economy Idris Cox describes them as "one-sided economy, dependent on subsistence crops, one or two cash crops (primary products) or the extraction of one or two mineral products by big foreign enterprises owned and controlled by overseas monopoly firms", The Hungry Half: A Study in the Exploitation of the "Third World" (London, 1970), p.27.

²⁰ To cite a few, John Pincus, Trade, Aid and Development (New York, 1967); Pierre Jales, The Pillage of the Third World (New York, 1968); Lester R. Pearson, et al., Partners in Development: Report of the Commission on International Development (New York, 1969). The most well-known of all UN Studies; Raul Prebisch, Towards a New Trade Policy for Development (New York, 1964).

The following table throws further light on the nature and size of world exports of the Third World vis-a-vis the First and the Second World.²¹

Table-I

WORLD EXPORTS BY GROUPS OF COUNTRIES - BY
ORIGIN AND DESTINATION (AS IN 1964) (in million dollars)

Group of Countries	Total Exports	Exports to					
		Advanced Capitalist Countries Total %	Socialist Countries Total %	Third World Total %			
Advanced Capitalist countries	116,015	85,539	73.5	4,462	4	26,014	22.5
Socialist countries	20,222	4,082	20.0	13,190	65	2,950	15
Third World	34,725	25,617	74.0	2,175	6	6,933	20
Total	170,962	115,238	67.0	19,827	12	35,897	21

The above table is indicative of the small share of the Third World exports in the world trade; only- one-fifth of total world exports though it contained two-third of world's population. It is also illustrative of the dominance of advanced capitalist countries of West in world trade and the dependence of the Third World on them for its export earnings.

²¹ Excerpted from Pierre Jalee, Ibid., p.29.

To add to its plight, the terms of trade were no less distressing. It was estimated in 1962 that when one unit value of exports rose by 19% for the industrialized countries, it fell by 4% for the LDCs.²²

Rapid industrialization was seen as one of the surest ways to economic development by diversifying the one-sided economy of the LDCs. The lack of large domestic market, which meant high costs and inefficiency in industrialization, necessitated access to foreign markets. But in their effort to export manufactures and semi-manufactures the LDCs met with failure due to high-tariff and non-tariff barriers set up by the advanced countries. In view of their past inheritance of disabilities the developing nations needed some special treatment which was not forthcoming under the existing tariff and trade arrangements based on the principle of reciprocity. Thus, the Third World's export earnings, both from traditional primary commodities and newly produced manufactures, were insufficient to push up economic advancement.

In order to supplement the resources mobilized through foreign trade two other means available were - aid and

²² Ibid., p.45. According to another estimate made in 1960, one unit of primary commodity - which accounted 4/5th of Third World's exports in the 50s - purchased 24 per cent less manufacturing goods exported by the DCs.

investment. But the flow of aid and investment were fraught with dangers for the fragile polity and nascent economy of the Third World countries.²³ Aid, especially in bilateral form, was often used as a political weapon in the world power struggle between the two groups of developed countries. Such political and economic costs apart the volume of aid to the developing countries gradually declined, recession of Cold War tensions being one of the factors. Foreign investment, mainly through the giant Transnational Corporations (TNCs), had been both unsafe and inadequate and a convenient means of perpetuating the unequal dependence of the Third World in the name of 'interdependent' and 'integrated' world economy.

The magnitude of such problems confronting the LDCs in their quest for economic development were frightening indeed. But the orientation and operational concept of the post-war international economic institutions were equally disappointing. In such a situation relevance of UN gained momentum. The Charter couched in a language of laudable ideals and promises, and providing a machinery based on the principle of equality of sovereign states gave to the newly emerging nations, the only hope to seek a better world for themselves.

²³ See Barbara Ward, Two Views on Aid to Developing Countries (Bombay, 1965); Thomas Hayter, Aid as Imperialism (Penguin, 1971); Louis Turner, Multinational Companies and the Third World (London, 1973); and United Nations, The Impact of Multinational Corporations on Development and on International Relations (New York, 1974).

The Demands and the Response:

What, then, has been the role of the United Nations as an instrument of economic development of the Third World in the first twenty five years of its existence? How far it has lived up to the expectations of the Third World to promote "better standards of life in larger freedom" in the less fortunate parts of the globe? Search for answers to such questions cannot be confined only to various technical and economic programmes and projects undertaken by the UN - Technical Assistance (TA), Extended Programme of Technical Assistance (EPTA), United Nations Special Fund (UNSF), and United Nations Development Programme (UNDP) etc. These programmes with very limited scope of operation, could hardly provide a meaningful response to the needs relating to the development problems of the LDCs.

In assessing the overall role of the United Nations it has often been said that "one of the more successful activities of the United Nations has been the achievement of a continuing international dialogue on problems of economic development and methods by which it can be promoted".²⁴ In the

²⁴ Roy Blough, "The Furtherance of Economic Development", an International Organization (Boston), vol. 19, no. 3, July-September 1965, p. 565.

context of the United Nations this "development dialogue" has been effected between the developed countries (DCs) and the LDCs; between those who have the capacity and, one may say, responsibility to create a favourable framework of international economic co-operation and those who need such a framework to make up the backlog of centuries of backwardness. The nature and outcome of this dialogue in terms of response or lack of it from the DCs towards the demands and needs of the Third World, thus, becomes crucial regarding UN's accomplishments in the field.

The Third World's efforts to identify its needs, articulate its demands and present them in a cohesive manner in the UN forums gathered momentum in mid-1950s. In the late 1940s the Technical Assistance Programme²⁵ and later EPTA²⁶ was established under the US initiative. The announced purpose of EPTA was to "help developing countries to strengthen their economies through the development of their industries and agriculture with a view to promoting their economic and political independence in spirit of the Charter, and to ensure the attainment of higher levels of economic and social welfare for their population".²⁷ It was, therefore, lauded as a great act

²⁵ General Assembly (GA) Resolution 200(III), 4 December 1948.

²⁶ GA Resolution 304(IV), 16 November 1949.

²⁷ ECOSOC Resolution 222(IX), 1949.

of generosity by the Western countries. The creation of these programmes was described as not so much due to the pressure of the Third World countries in the UN but largely due to "a self-generated expression of practical American idealism".²⁸ It took quite some time for the Third World to comprehend the real nature of such operations. The TA and the EPTA represented an arrangement which meant that experts from the developed countries would visit the developing countries to render technical advice or to provide some technical training to their personnel, thereby perpetuating a system which kept the LDCs dependent on the donor countries. In a way they promoted the interests of private investors from the donor capitalist countries. Further these programmes were hardly sufficient to cope with the colossal problems of underdevelopment. This is very much implied in an UN document published in 1963 which stated: "The EPTA cannot construct a factory or a school or a hospital laboratory. It can, at a government's request, train on technical problems, suggest work programmes, recommend and, demonstrate equipment and, in every way required, help to improve methods".²⁹ (emphasis added). Thus, lack of meaningful

²⁸ Walter M. Kotschnig, "The United Nations as an Instrument of Economic and Social Development", in Gardner and Millikan, n. 7, p. 20.

²⁹ United Nations, The EPTA for the Economic Development of Underdeveloped Countries: An Explanatory Booklet, TAB/L/Rev. 4 (New York, 1963), p. vi.

assistance, i. e., capital resources as distinct from technical assistance by way of training, consultation, suggestion, recommendation, etc., prompted the Third World countries to demand a more comprehensive programme in the economic field. This demand was represented in a proposal to establish a Special United Nations Fund for Economic Development (SUNFED; 1951).³⁰ The move, however, never materialized and was ultimately abandoned in 1958 due to the intransigent attitude of the developed Western countries.³¹ But the eight-year efforts of the Afro-Asians and Latin Americans, attended by evasive and delaying tactics of the Western countries and the debates, studies, and reports that accompanied the whole issue were quite revealing of the attitudes of the DCs towards the problems of the Third World and proved to be a meaningful experience for future action by the latter.

Since the late 1950s certain other institutional changes occurred in the international economic relations. The growing awareness about the economic difficulties of the LDCs and, subsequently, their mounting pressure on the international community resulted

³⁰ The origin of the proposal to have a SUNFED may be traced to the move for a United Nations Economic Development Authority (UNEDA) during 1948-49 under the initiative of Indian representative Dr. V. K. R. V. Rao. See Rao, "An International Development Authority", India Quarterly (New Delhi), vol. viii, July-September 1952, pp. 236-68.

³¹ However, the Special Fund, which was established in 1957 as a means of increasing the scope and scale of non-capital assistance and centralizing the control of funds and of programming of assistance, was more in the nature of organizational improvement over EPTA than of substantive contribution in the context of pressing capital needs of the LDCs.

In behavior

in the creation of, apart from the Special Fund, International Finance Corporation (IFC-1956), International Development Assistance (IDA-1960), various regional development banks, and, later, the United Nations Development Programme (UNDP-1965).³² However these quantitative changes neither reflected any drastic modification in the world monetary and financial arrangements nor any major shift in the attitudes of affluent Western countries who controlled these institutions.

The first major achievement of the LDCs' enlarged voting strength in 60's was the success in convening a United Nations Conference on Trade and Development (UNCTAD)³³ in 1964 and in establishing it as a permanent organ of the UN General Assembly.³⁴ It was followed by the institution of United Nations Industrial Development Organization (UNIDO)³⁵ in 1966 and United Nations Capital Development Fund (UNCDF)³⁶ in 1966. All these new institutions were opposed by the developed nations on the plea that the existing mechanism was adequate to cope with the problems of the LDCs and that further organizational expansion

³² The publication of Herberler Report (1958) resulted in some nominal gains for the LDCs in the GATT. This, however, meant that the organization was waking up too slowly and too late to the demands of the LDCs. On this point see, in particular, Gosovic, n.6, pp.9-14.

³³ GA Resolution 1785(XVIII), 8 December 1962.

³⁴ GA Resolution 1995(XIX), 30 December 1964.

³⁵ GA Resolution 2152(XXI), 17 November 1966.

³⁶ GA Resolution 2186(XXI), 13 December 1966.

would create additional problems of management and co-ordination. The socialist bloc supported, obviously for tactical reasons, the formation of UNCTAD and UNIDO but opposed the Capital Development Fund which would have entailed definite financial commitment. These institutions were first hailed as major break-throughs in ^{revamping} the post-war institutional status quo biased against the LDCs. However, it was soon realized that institutions like UNCTAD exist "less in order to do something than as an expression of the failure of the underdeveloped states to get something done".³⁷ In such forums protracted negotiations were held between the DCs and the LDCs to achieve the motto of "consensus and conciliation"; consequently they yielded marginal or no benefits to the Third World. On the positive side of UNCTAD Third World's major achievement was the emergence and articulation of modes of common action among the LDCs in the form of Group of 77 and the recognition of the need and direction of radical change in the international economic relations.³⁸

In the absence of any attitudinal change amongst the DCs, the launching of such programmes as the First Development Decade (DDI) in 1960s under the much publicized initiative of

³⁷ H. G. Nicholas, The United Nations as a Political Institution (London, 1971), edn. 4, p. 145.

³⁸ See the Report by Dr. Raul Prebisch entitled "The Significance of the UNCTAD" summarized in the UN Monthly Chronicle, vol. 1(4), August-September 1964, pp. 55 ff.

American President John F. Kennedy had ^{not make} made ~~not~~ much of an impression. The resolutions on the subject set its goal of attaining a minimum annual growth of 5 per cent or more by the developing countries during the decade and emphasized the aim of increasing the annual flow of international assistance and capital to the LDCs to 1 per cent of the combined national incomes of the economically advanced countries.³⁹ The launching of this ambitious plan was variously acclaimed as the "new departure in international economic relations",⁴⁰ a "symbol of the collective responsibility of the international community for the development of the Third World"⁴¹ and the true beginning of an era of "partnership in progress" between the DCs and LDCs.

Towards the end of the decade the earlier optimism of rapid economic development, however, gave place to despair and disillusionment. The most important reason for frustration of ^{the} LDCs was once again the unwillingness of the DCs to fulfil their commitments.⁴² In 1969 in his appraisal of the DD-I Sudhir

³⁹ GA Resolutions 1710(XVI) and 1711(XVII), 19 December 1961.

⁴⁰ UN Secretary-General, U. Thant, quoted in Kotschnig, n.24, p.22.

⁴¹ UN Under-Secretary for Economic and Social Affairs Philippe de Seynes, *ibid.*, p.23.

⁴² To illustrate the poor response of the DCs one may point out the tardy implementation of the goal of transfer of resources to LDCs to the tune of 1 per cent of national income. Between 1961 and 1969 the Development Assistance as percentage of GNP declined from 0.54 to 0.36, Nandini Joshi, The Challenge of Poverty (New Delhi, 1978), p.60.

Sen rightly reflected the mood of the Third World countries in the following way:

A dull decade of development is drawing to its dreary close. Performance has lagged behind even the low targets that has been set for this ten-year span. Worse still the change in mood that has meanwhile intervened. The decade began with a glow of hope for the future. It is ending in an atmosphere of deepening gloom. 43

This description of the Development Decade fits equally well to the entire twenty-five years of the Third World's efforts to better its economic conditions through the United Nations.

Summary Observations:

It is pertinent here to put together the patterns emerging from the above survey of Third World's quest for an equitable economic order through the UN. It should, however, be borne in mind the difficulties in making them exhaustive or definitive. The difficulties arise out of the multipurpose nature of the UN's activities, variety and complexity of its involvement in different development-oriented programmes, almost indeterminable patterns of political influence in the UN that go into making of its policy outputs, and, finally, the

⁴³ Indhir Sen, United Nations in Economic Development: Need for a New Strategy (New York, 1969), p. 300.

imperceptible relationship between the Organization's policies and their impact on the external international system. But it is possible, with the advantage of hindsight, to make some general impressions and tentative inferences as presented below:

(i) In the span of a quarter century, due to factors already outlined, economic development of the Third World came to occupy a much higher position on the scale of international priorities than the post-war reconstruction of Europe. Here the United Nations role was crucial and its concern was unmistakably evident in the very large deployment of its personnel and material resources in the cause of Third World's economic development. The disheartening feature, however, was that "while the apparatus of the UN family has been mobilized to promote economic development it has not been able to make any real impact".⁴⁴ The words of an UN official that "we are still on the fringes of the fringes"⁴⁵ seemed uncomfortably accurate estimate of the role of the United Nations.

(ii) The UN's role in the field of economic development had been that of a "symbol" rather than an "instrument"

⁴⁴ Ibid., p. 5.

⁴⁵ Quoted by Roy Elough, n.24, p. 579.

primarily because the dominant economic powers, while paying lip-service to the centrality of UN, have sought to by-pass it in their international economic relationship with the Third World. Bilateral arrangements and limited-membership agencies like OECD were preferred to a multilateral agency like the UN where the LDCs have better bargaining strength. The non-use of UN by the major economic powers of the developed world is well illustrated by the fact that of the total development assistance rendered to the LDCs almost 90 per cent came in the form of bilateral aid.⁴⁶ Hence, the discernible trend in the '60s was that as the UN was increasingly getting sensitized to the economic problems of the Third World it came to occupy a lower position in the international priorities of the developed countries whose response was crucial in giving concrete shape to such concern.

(iii) Cynicism and callous indifference of the developed countries is explained by the actions demanded and decisions taken over their opposition by the LDCs in different UN forums.⁴⁷ These actions and decisions were considered by the DCs as costly economics and unsafe politics and ultimately

⁴⁶ Lester R. Pearson, n.20, p.14. To prove the insignificance of the UN in the reallocating resources in the development assistance area Mahdi Elmandjra has cited 1969 figures of the World Bank which show that out of \$13.4 billion net receipts of financial assistance by the LDCs, only \$1.2 billion was provided by the multilateral sources of which the UN system accounted for only about \$1 billion dollars. Again, the World Bank Group was responsible for 70 per cent of total assistance furnished by the UN system. See Elmandjra, The United Nations System: An Analysis (London, 1973), p.221.

⁴⁷ Such actions and decisions not only related to economic issues, but also to other political issue like colonialism and racialism.

threatening to their hitherto dominant position in international politico-economic structure. So the way to overcome the problems of underdevelopment of the Third World did not lay so much in retooling and restyling the UN system but in major attitudinal reorientation of those states whose support was vital in the success of UN's policies and programmes. What essentially needed of them was a long-term view of national interest, genuine understanding of the complementarity of world economy and conviction of the positive impact of economic development of the vast humanity of the Third World on the international system in terms of peace and stability.

(iv) The 'communication gap' between the rich and the poor was said to be as wide as 'income gap'. Here the role of UN as a forum for development dialogue was significant. The impact of debate, dialogue and research in the UN bodies had been significant in identifying the important issues of underdevelopment of the Third World and in growth of sophistication of ways and means of tackling them. But when the problems have been pointed out and methods have been suggested there arose an operational vacuum. It was realized that time had come to go beyond studies and discussions, however well-meaning they may be, and came to resolute grips with the problems confronting the developing world.

(v) The final observation on the 25-years of experience may well be the growth of cohesive and collective action by the Third World in the form of a rapidly expanding Group of 77 to achieve an equitable world economic order. Increasing solidarity of the Third World on economic issues was both the cause and effect of the stiffening of the Western attitude. So at the end of the '60s the slowly emerging reality was that of North-South, or to be more precise West-South, confrontation as evident from the bitter controversies and conflicts surrounding the efforts of LDCs to effect major changes in the post-war economic order through the UN. Such confrontations had some important role to play, viz., interest articulation and aggregation, communication, and, occasionally, conciliation between two groups of states. This new conflictual dimension of the UN centred around economic issues assumed much larger proportions later in the 1970s. That constitutes the focus of the next chapter.

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CHAPTER XI

THE CONFRONTATION : CALL FOR THE NEW INTERNATIONAL ECONOMIC ORDER

Chapter II

THE CONFRONTATION : CALL FOR THE NEW INTERNATIONAL ECONOMIC ORDER

The ineffectual outcome of Third World's efforts in the '50s and the '60s to reorient the post-war economic order to the needs of its economic development has already been highlighted in the previous chapter. Furthermore, the failure of the UN system despite the pious proclamations of the first two UNCTADS and the DDI, to usher in an era of "genuine" international economic co-operation between the rich and the poor nations has only accentuated the restiveness and frustrations of the LDCs leading eventually to a more sharply defined North-South cleavage.

The Early Seventies:

The scenario in the early '70s was of deepening disillusionment for the LDCs for the inadequacies of the existing economic arrangements became more obvious and the inequitable relationship between the North and the South more disquietening. A survey of the specific aspects of international trading and financial system would amply substantiate the fact that the effects of UN and other collective declarations concerning the measures to accelerate the development process in the Third World neither had any visible impact on the motivations and actions of the developed countries nor the policies and operations of the international economic institutions controlled by them. Consequently all attempts to create an

external economic environment geared to the developmental needs of the LDCs proved futile.

[The size and terms of trade, mainly the commodity trade, of the Third World in the expanding world trade was not encouraging at all. The low and fluctuating prices of the main exports of the LDCs, and the trade discriminations of developed countries against the manufactures and semi-manufactures of the developing countries combined to hinder the growth of Third World's share in the world export trade; its share in the world exports continued to stagnate around less than one-fifth of the world total.¹] The much-vaunted relaxations of some of the GATT rules and the adoption of Generalized System of Preference (GSP) since 1970 by many DCs need to be assessed in the light of frequent violations by them of their own rules and the incorporation of 'exclusion clauses' to bar the main items of manufactured exports from LDCs, viz., textiles, leather products, rubber, etc. Alongwith the multiple tariff and non-tariff barriers set up by the Western industrial countries the burgeoning economic powers of the trans-national corporations (TNCs) further deteriorated the position of Third World countries in the field of international trade. The TNCs, for example, controlled two-thirds of the value of exports from ^{the} LDCs

¹ According to the UN estimates the LDCs' share of exports was 19% of the world total in 1972-73. World Economic Survey 1973 (New York, 1974), p.1-8.

in food and beverages and ores and metals. To cite another instance, the LDCs export about 12 major primary commodities for which the consumers abroad pay about \$ 200 billion, but these producing countries get back only about \$ 30 billion while the remaining \$ 170 billion is amassed by the intermediaries - the multinationals - through their control over processing, shipping, distribution, packaging, advertising and other forms of market mechanism.²

The frustrations of the Third World countries in the trade front were ironically matched by the diminishing international aid, more particularly, the Official Development Assistant (ODA) from the rich nations. The real value of ODA - in terms of purchasing power - declined by 3% in 1970s. The declining trend in the ODA from the DCs as percentage of their GNP is clearly evident in Table-2.³

Table-2

DEVELOPMENT MARKET ECONOMIES : PROVISION OF ODA; 1970-1974

Item	1970	1971	1972	1973	1974 (estimated)

Amount (billion of dollars)					
In Current prices	6.7	7.6	8.4	9.2	11
In 1970 prices	6.7	7.1	7.2	6.2	6
Proportion of GNP (Percentage)	0.33	0.34	0.33	0.29	0.32

² Cited in Mahbub ul-Haq, "The New International Economic Order : A Strategy for the Third World", India International Centre Quarterly (New Delhi), vol.4, no.4, October 1977, pp.315-16.

³ Source: World Economic Survey (Part II), 1974 (New York, 1975), p.113.

Thus the target of 0.7% of GNP not only remained unfulfilled; it reached its nadir in 1973 with the paltry figure of 0.29%. This declining rate of ODA, as often made out to be, was not due to the inability of the aid givers, for during the period of 1961-1975, the GNP of the developed countries increased by 80 per cent in real terms.⁴ Besides, there was no substantial change in the international credit available to the LDCs. Notwithstanding certain policy changes in the World Bank Group the share of the Third World in the international credit continued to stagnate around the meagre figure of 4 per cent.⁵ While the DCs received \$ 100 billion out of \$ 103 billion, i. e., 97 per cent of total international reserves created during 1970-1975, the LDCs received \$ 2.01 billion, i. e., less than 3 per cent. Further \$ 3.3 billion or 75 per cent of ^{the} SDRs that were created in the same period by the IMF went to 27 DCs and only 25 per cent or 2.8 billion SDRs to 99 LDCs.⁶

The growing misery of the Third World in the '70s became further evident from the balance of payment deficit of non-oil producing developing countries (NODCs) which reached an alarming figure of \$ 12 billion in 1973 and sharply increased

⁴ Cited in Mandini Joshi, The Challenge of Poverty - The Developing Countries in the New International Order (New Delhi, 1978), pp. 59-60.

⁵ Cited in Mahtub ul-Haq, n. 2, p. 315.

⁶ Cited in Uner Kirdar, "Toward Restructuring of the United Nations", Khadija Haq, ed., Equality of Opportunity within and among Nations (New York, 1977), pp. 120-21

to \$ 42 billion in 1974. Their external debt, which was only around \$ 9 billion at the end of 1956, amounted to an astronomical figure of \$ 119 billion at the end of 1973.⁷ The ratio of their debt to the GNP and also to the export earnings assumed serious proportions, as shown in table-3.⁸

TABLE-3
PUBLIC DEBT OF 75 NODCs AS PERCENTAGE OF GNP
AND EXPORTS (1973-76)

Item	1973	1974	1975	1976 (estimated)
Debt as percentage of GNP	11.9	11.9	13.4	15.0
Debt as percentage of Exports	76.5	71.1	85.0	88.9

The burden of debt service payments of these countries also increased steeply wiping out any possible gains from the external debt. This is quite evident from table-4.⁹

TABLE-4
DEVELOPING COUNTRIES : 10 YEARS PROJECTION OF DEBT SERVICE

Payments, end 1970		end 1972		Ratio (Percentage) of 10 years debt service obligation to total outstanding debt owed to			
All Sources end 1970	end 1972	Governments end 1970	end 1972	International Organizations end 1970	end 1972	Private Creditors end '70	end '72
83	87	71	73	75	72	112	118

⁷ Cited in Janina Gomes, "UNCTAD-IV and the New International Economic Order", Foreign Affairs Reports (New Delhi), vol.25, no.8, August 1976, p.112.

⁸ Source: International Monetary Fund, IMF Survey (Washington, D.C.), 5 September 1977.

⁹ Excerpted from World Economic Survey (Part-I), 1974, p.73.

All these were manifestations of a still deeper malaise afflicting the Third World countries. The 'gap' between DCs and LDCs, which was first highlighted by Dr. Raul Prebisch during UNCTAD-I and since then had been a constant theme of all discussions on North-South relationship in the '60s, assumed critical dimensions in the '70s. The enormous development gap between the DCs ^{& LDCs} - both in terms of GNP and Physical Quality of life Index (PQLI) is graphically depicted in Table-5.¹⁰ (see next page)

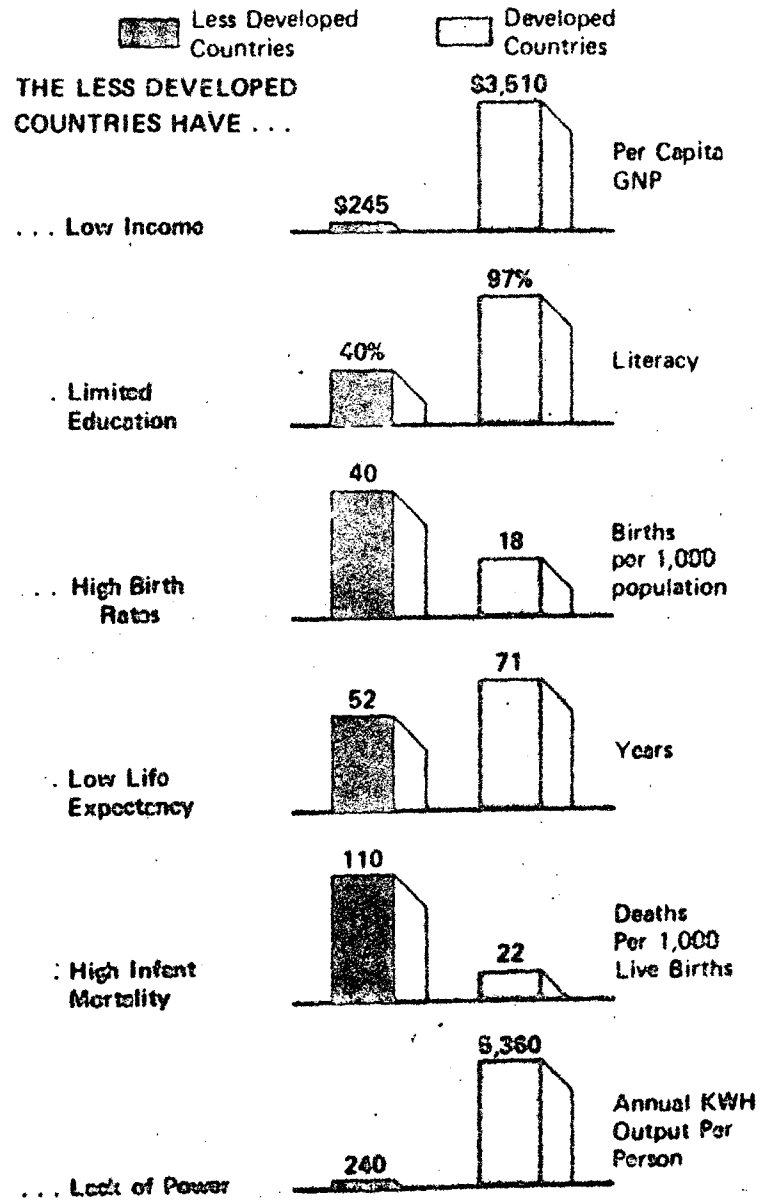
The plight of the Third World became further precarious as it has sheltered one billion poorest people of the world, "the wretched of the earth" as Frantz Fanon described them, who subsist on a per capita income of less than \$100 in an environment of hunger and hopelessness.¹¹ Such a disturbing picture of an unjust and unequal world underscored the reality of the post-war economic order which continued to be "directed to the attainment not of global but sectoral ends".¹²

¹⁰ Source: James W. Howe, "Interdependence and the World Economy", Headline Series (New York), no. 222, October 1974, p. 13.

¹¹ Describing their inhuman condition with poignancy the World Bank President Robert S. McNamara once commented, "They are the absolute poor, living in situations so deprived as to be below any rational definition of poverty.... In effect it is life at the margin of existence." President's Address, Annual Meetings of the Board of Governors: Summary Proceedings (Washington, D.C., September 1975), pp. 24-25.

¹² S. S. Ramphal, "The Other World in this one - The Promise of the New International Economic Order", Round Table (London), no. 261, January 1976, p. 6.

Table-5
THE DEVELOPMENT GAP



Planning and projections such as the International Development Strategy (IDS) for the Second Development Decade (DDII)¹³ and the declarations of UNCTAD-III (Santiago, 1972)¹⁴ to accelerate the development process of the Third World did not yield any meaningful results. The DDII was initially hailed as a well planned and integrated initiative in international co-operation for development than the DDI. It set forth a number of quantitative targets such as 6 per cent average annual growth rate, 3 per cent annual increase of per capita income, 4 per cent increase in per annum of agricultural production and 8 per cent annual growth rate for industrial production in the developing countries and precise policy measures to be taken by member states for the implementation of the development strategy, e.g., transfer of 0.7 per cent of the GNP as Official Development Assistance from the DCs to the LDCs. These modest objectives, by no means, could have bridged the enormous gulf between the rich and the poor nations but had they been fulfilled, the prospect of reversing the continued trend towards ever widening disparities between the North and the South would have become more plausible. But the initial reservations, explanations of positions, observations and

¹³ GA Resolution 2626(XXV), 24 October 1970.

¹⁴ See Year-book of the United Nations, 1972, pp. 273-282. Hereafter to be referred as Y.U.N.

interpretations" of the developed countries¹⁵ and their subsequent indifference and inaction gave the clear indication of DDII meeting the same fate as of DDI.¹⁶ After two years of the launching of the IDS the Secretary-General of the United Nations came to the view that the strategy "remains much more a wish rather than a policy".¹⁷ The unfulfilled goals and targets of DDII, which became more evident during the global economic crises of 1973-74, only increased the awareness of the LDCs about the limitations of the prevalent framework of international economic co-operation.

Significantly, the contradictions and constraints of the post-war economic order came to the fore in early '70s when the main props of the Bretton Woods system began to crumble in quick succession, particularly when the US - the king-pin of the existing framework - pulled down the shutters

¹⁵ For the reservations of major Western countries, see UN Doc. A/8124/Add. I; those of the Socialist countries, UN Doc. A/8074.

¹⁶ As early as 1969 when the IDS was being formulated Sudhir Sen wrote with ample foresight: "Declarations of high ideals and proclamations of appealing goals will, by themselves have little practical value. They will set the stage only for repeat performance - enthusiasm at the start, frustration at the end". United Nations in Economic Development: Need for a New Strategy (New York, 1969), p. 302.

¹⁷ Review and Appraisal of the Objectives and Policies of Second Development Decade: Note by the Secretary-General, UN Doc. No. A/C.2/L.1287, p. 12.

of the 'gold window' in August 1971. All short-term emergency measures and reform moves were overwhelmed by disruptive developments in the international economic arena. The combined crises of global stagflation, mounting unemployment, rising prices, scarcities of food and fertilizer and chaotic conditions in the international monetary system not only had their severest impact on the fragile economies of the LDCs but also seriously affected the high developed countries of the West. The skepticism about the efficiency and efficacy of the existing order along with the perception of its structural inequity and inadequacy was, as such, no longer confined to the spokesmen of Third World only. The more enlightened sections of public opinion and ruling elites in the developed West could see "the fundamental incompatibility between the existing international institutional framework designed for a former era, and the global realities and problems which it was no longer able to control".¹⁸ But the majority of Western Governments viewed the prevalent crises as merely aberrations of an otherwise sound system which could be corrected by marginal changes of piecemeal nature. They continued to contend that uninterrupted prosperity of the West would also promote the economic well-being of the Third World, possibly through the magic mechanism of "trickle down effect".

¹⁸ Helen O'Neill, A Common Interest in a Common Fund (United Nations, New York, 1977), p. 2.

Such stubborn adherence to the status quo had a major backlash effect. The Group of 77 nations came to realise the need for renewed efforts, in a more concerted and cohesive manner, to confront the rich nations with their demands for a profound mutation in the existing economic system. Thus, a serious confrontation between the two sides - one demanding radical changes and the other insisting on the status quo - became inevitable.

The OPEC Action and Its Sequel:

The aftermath of the Yom Kippur War of October 1973 witnessed the dramatic emergence of "OPEC power" which promised a unique opportunity for, and a new dimension to, the Third World's challenge to the industrialized countries of the West. The quintupling of oil prices and selective embargo on its supply had far-reaching impact on the world economy and politics. The OPEC action exacerbated the strains of an already ailing world economy and brought into sharper focus the inadequacy of the existing system. However, what is more relevant is that the end of cheap energy era raised serious doubts about the possibility of uninterrupted growth of the world economy in general and that of the industrialised West in particular. This was very succinctly indicated to the West by the Shah of Iran, a leading spokesman of the OPEC-offensive, : "The era of

terrific progress and even more terrific income and wealth based on cheap oil is finished".¹⁹ The West, in turn, could see the danger emanating from the OPEC action when the U. S. Secretary of States Henry Kissinger raised the fear that if high oil prices persist "the achievements of this generation in preserving our institutions ... will be imperilled".²⁰

Not surprisingly the oil-price hike had serious repercussions on the economies of many non-oil producing developing countries (NODCs). They were, in fact, worse hit than the developed countries.²¹ But, in spite of such hardship and, much to the chagrin of the industrialized Western countries, the NODCs did not join them in their chorus of condemnation of the OPEC action. They (the NODCs), on the other hand, expressed unprecedented sense of corps d' esprit with the oil-producing developing countries. They could see in the OPEC action a "dramatic instance of a set of primary producers in the Third World who were able to get a "fair share" of the world incomes²² by their own actions rather than by the

¹⁹ Time (Chicago), 6 January 1975, p. 10.

²⁰ Ibid.

²¹ In 1974 alone the extra-costs for oil totalled \$10 billion for these countries, wiping out most of their foreign exchange earnings. Ibid. But for the Western nations, as it was found out later, most of the petro-dollars earned by the OPEC countries were recycled back to the former within a year. so as to restore over-all equilibrium of their balance of payment.

²² As a result of oil price-hike there was massive transfer of resources from the industrialized Western countries to the OPEC countries. The 13 OPEC countries earned \$112 billions from the rest of the world in 1974 and had payments surplus of \$60 billion ibid.

unproductive route of morally persuading the rich nations for fairer shares.²³ They viewed it, as Algerian President Boumedienne remarked in the Sixth Special Session of the UN General Assembly, the "first illustration and at the same time the most concrete and most spectacular illustration of the importance of raw material prices ... as an example and a source of hope".²⁴ The Cartel action of the OPEC fired the imagination of other primary producers in the Third World with the possibility of using "commodity power" as an effective weapon of collective bargaining vis-a-vis the North. The chances of primary commodities, other than oil, in providing necessary "economic clout" to the Third World were, indeed, limited. But psychologically and politically the Third World's perception of North-South economic relationship underwent profound change. The evolving awareness of collective action on the part of the LDCs, as crystallized in the Group of 77 and its activities in the UNCTAD, "was now transformed into an act of faith; solidarity in international bargaining, alternatively termed "collective self-reliance", on a variety of fronts would yield much more than had ever been thought possible".²⁵ Direct confrontation with the North, as such, became a feasible and desirable means for restructuring the existing economic order.

²³ Jagdish N. Bhagwati, ed., The New International Economic Order: The North-South Debate (Massachusetts, 1977), p. 6.

²⁴ A/PV. 2208, 10 April 1974.

²⁵ Bhagwati, n. 23, p. 6.

The initial reaction of different Western governments to the OPEC action varied from cautious criticism to hostile condemnation. The United States, for instance, took a very 'tough' line and its Secretary of State Henry Kissinger publicly hinted at the possibility of 'retaliation' against the 'exertion' and 'blackmail' by the oil-producing countries or any future cartel action by other primary producers.²⁶ But countries like France, whose immediate hardships arising out of oil crisis were more severe than the US adopted ^{ca} more cautious and conciliatory approach and called for a special session of the United Nations General Assembly to discuss the problems of world energy crisis. The Third World countries under the Algerian initiative seized this opportunity to devetail the energy question with all other economic issues of common concern for the LDCs. It seemed to be ^{ca} propitious time for them who for years had been unsuccessfully agitating

²⁶ At a press conference Kissinger warned the OPEC countries that if the oil embargo continued "unreasonably and indefinitely the US will have to consider what counter-measures it will take". (Time, 3 December 1973, p. 30). Later he clarified his earlier "strangulation hypothesis" in an interview to the Business Week when he stated that force may be resorted to "where there is some actual strangulation of the industrialized world". (Reproduced in the U. S. Department of States Bulletin, vol. LXXII, 27 January 1975, p. 101). There was, in fact, wide-spread debate in the US as to the pros and cons of political, economic and military retaliation. (Time, 3 December 1973, p. 30). See, for example, Robert S. Tucker, "Oil: the Issue of American Intervention", Commentary (New York) vol. 59, no. 1, January 1975, pp. 21-31. Also see I. F. Stone, "War for Oil?", New York Review of Books, 6 February 1975, pp. 7-10.

for structural changes to exert pressure on the international community for the adoption of a blue print of a New International Economic Order".²⁷ The Sixth Special Session of the UN General Assembly was, as such, convened in 1974 to "study for the first time the problems of raw materials and development, devoted to the consideration of the most important economic problems facing the world community".²⁸ The Special Session produced, by consensus, a "Declaration on the Establishment of a New International Economic Order" A/3202 (S-VI) and a "Programme of Action on the Establishment of a New International Economic Order" A/3202 (S-VI).²⁹

Declaration of the New International Economic Order:

It will not serve such purpose (by elaborating the objectives and principles contained in the Declaration and the areas of action - raw materials and primary commodities, trade, aid, international monetary and financial system, industrial redeployment, transfer of technology, regulation of TNCs etc. - outlined in the Programme of Action. Nor it is desirable, at least for the purpose of the present study, to undertake a theoretical evaluation of the economic goals propounded by the Sixth Special Session. For the same

²⁷ K. R. Lall, "India and the New International Economic Order", Continuity and Change in Indian Foreign Policy: Seminar Papers (New Delhi: Jawaharlal Nehru University, 1978, Unpublished, mimeo), pp. 19-20.

²⁸ GA Resolution 3201 (S-VI), 1 May 1974.

²⁹ Hereafter to be referred as the Declaration and the Programme of Action respectively. For the texts of the two resolutions, see Appendix I & II.

reason any judgement whether achievement of such goals, as the Declaration ~~at~~ itself claims, would really be "principal guarantees for the creation of better conditions for all peoples to reach a life worthy of human dignity" has to be avoided. A more pertinent question, in the contextual framework of the present study, is what is new about the NIEO as endorsed by the UN General Assembly in May 1974?

It has been commented that there is "nothing new (except the name) about the demands for a New International Economic Order (NIEO)".³⁰ A cursory examination of the discussions held at different UNCTAD conferences and 1970 debates in the UN General Assembly on the strategy for the DDII would reveal that many of the NIEO - based demands have been in international currency for quite some years. In fact, as early as 1964 the Declaration of the Group of 77 attached to the final Act of UNCTAD-I called for a "new and just world economic order". There was, in fact, remarkable similarity and continuity of many ideas and operational concepts incorporated in the IDS for the DD-II and these occur in the Programme of Action for the NIEO.

However, it would be incorrect to say that there was nothing really new about the NIEO. Several major implications

³⁰ O'Neill, n. 18, p. 3.

must be stressed. The NIEO-documents constituted the most comprehensive and composite blue-print for an equitable world economic order that had ever caught the imagination of the international community, more particularly the UN system. It was not "the old ritual... but series of interlocking changes which affect virtually every aspect of the international economy".³¹ It also illustrated the new approach adopted by the LDCs in many issue-areas: Integrated Programme for Commodities in the field of primary commodity trade, Code of Conduct for the regulation and control of Multinationals and promotion of balanced flow of technology, industrial restructuring of the world etc. Again, the objectives of LDCs in pursuing the NIEO were as much economic as political. Their twin political goals were effective national control over domestic resources and greater say in the management of the international economy. The NIEO, from such a perspective, was also a call for radical change in the power configuration of international political-economic system.

Besides what was most remarkable was the changed context and new environment in which the demands for the NIEO were advocated by the LDCs and the resolutions were

³¹ Barbara Ward, "First, Second, Third and Fourth World", Economist, 18 May 1974, p. 66. (London)

passed to that effect in the General Assembly. In contradiction^{stip} to their earlier pleas for international action made in the UN forums these demands were pressed at a time when the Third World countries seemed to have developed the will and the capacity to use their collective clout to challenge, confront, and effectively negotiate with, the economically and militarily powerful nations of the North. Such determined assertion^{of} strength by the LDCs, coupled with the keen realization of inter-dependence among nations induced by the OPEC action, had its immediate impact on the DCs. One manifestation of such snap realism on the part of the latter was the adoption of "consensus" resolutions on the NIEO by the General Assembly. The Declaration, in para 3, proclaimed this in so many words:

Current events have brought into sharp focus the realization that the interests of the developed countries and those of the developing countries can no longer be isolated from each other, that there is close interrelationship between the prosperity of the developed countries and the growth and development of developing countries, and that the prosperity of international community as a whole depends upon the prosperity of its constituent parts. International co-operation for development is the shared goal and common duty of all countries.

Given such manifest realization it seemed, as if, to quote British ambassador to the UN, Ivor Richards, "things will never

be the same again".³² Indeed the future of Third World's demands for a just and equitable world economic order never looked so bright and the prospect of its quest for a more conducive framework never so promising as during and after the Sixth Special Session.

A closer observation of the events of the Sixth Special Session would, however, provide enough scope for scepticism. Though the Declaration and the Programme of Action were adopted by the Assembly "without vote", there was wide disagreement between the DCs and the LDCs. In fact, the original draft sponsored by 95 Afro-Asian and Latin American countries was revised after acrimonious debate in the committee stage to reach consensus between the two groups of nations. Even after the adoption of the Declaration and the Programme of Action strongly worded reservations were expressed by the representatives of the US, Japan and some members of the EEC. The reservations, *inter alia*, included issues related to permanent sovereignty over natural resources, 'indexation', 'producers' association' and 'restitution and full compensation' for the exploitation and depletion of resources.³³

³² Quoted by Barbara Ward, n. 31, p. 65

³³ See Y.U.N., 1974, p. 320. In the matter of 'reservations' there was, however, slight variation in the emphasis between some of the EEC members on one side and the US on the other.

There, of course, was more encouraging response from other developed countries, such as Sweden who declared that they would "regard the Action Programme as an important general guide line" in the follow-up of the principles laid down in the Declaration.³⁴ But what was crucial to note was that the willing cooperation of the mightiest economic power, i.e., the U. S., which would make all the difference, was not forthcoming. The U. S. Ambassador John Scali vehemently challenged the validity and viability of the NIEO as accepted by the General Assembly. While speaking after the adoption of the resolution calling for the establishment of the NIEO, he said it was a "significant political document, but does not represent unanimity of opinion in this Assembly. To label some of these highly controversial conclusions as agreed is not only idle, it is self-deceiving".³⁵ Thus, the U. S. opposition to the NIEO, such as this, only underscored the fact that the euphoria over the "achievements" of the Special Session was highly exaggerated.

If hostile indictment of some aspects of the Declaration and qualified support to the Programme of Action characterised the attitude of the industrialized West, exuberant endorsement

³⁴ Olf Rydbeck, Swedish Ambassador to the UN, cited in a UN Publication, The Seventh Special Session (New York, 1975), p. 12.

³⁵ A/PV. 2229, 1 May 1974.

of the NIEO was manifest in the verbal postures of the Socialist countries. But such formal stand had to be understood in the context of their ability and willingness to initiate commensurate action. In view of their relatively insignificant position in the world trade and financial system and tenuous 'linkages' with the economic activities of the LDCs, the capacity of the Socialist bloc to contribute to the establishment of the NIEO was rather limited. Nevertheless, all industrialized countries of the North - whether East or West - would have to share the obligation of establishing the NIEO. But the representatives of the Socialist countries sought to assign exclusive responsibility to the Western countries on the ground that the latter had to pay reparation for the past and present exploitation and plundering of the LDCs. As the USSR representative Andrey Gromyko stated in the Sixth Special Session, "We shall never accept, either in theory or in practice, the fallacious division of the world into "poor" and "rich" countries, a concept which puts the socialist states on the same footing as certain other states which extracted so much wealth from the countries which were under the colonial yoke"³⁶ Such explicit justification for "passing the buck" was the conclusive proof of a totally inappropriate response of the Socialist countries towards the

³⁶ A/PV. 2210, 11 April 1974.

NIEO. This was, indeed, quite in line with their traditional strategy of economic diplomacy at the UN: supporting, by way of vote and verbiage, the demands of the Third World, particularly when they are targetted towards the West; but never committing to do anything concrete on their part.

As the Sixth Special Session ended there was, thus, feeling of both optimism and apprehension. The optimism was born out of the fact that the Third World countries had successfully used the UN in legitimizing the NIEO — based demands and effectively communicated to the developed countries the urgency of their speedy implementation. The Special Session, in fact, seemed to have created a climate of concern about the plight and power of the LDCs in an increasingly interdependent world. It did provide a broader basis for the continued dialogue between the rich and the poor nations. But the apprehension was due to the sharp conflict of interests and attitudes between the developed and the developing countries that was visibly demonstrated in that session of the Assembly. It had all the potentialities of a violent confrontation which might make the Declaration on the NIEO only "a paper victory for a co-operative world economic strategy with neither resources, instruments nor political will to carry it through".³⁷ As such it remained to

³⁷ ~~Barbara Ward~~, n. 31, p. 66.

be seen whether the cloud of controversy surrounding the future of the NIEO would clear or darken in the forthcoming regular session of the Assembly.

The Twenty-ninth Session:

The 29th session of the General Assembly in 1974 was a watershed in the evolution of the UN in more than one sense. The 'North-South' conflict, emergent since the early 1960s, reached its climactic height in this session. Aggressive rhetorics and vituperative verbal duels in the Assembly were the clearest manifestations of the "New Cold War" looming large over the world organization. Henry Kissinger later described the situation as "one of history's most tragic ironies" that "at a time when we are putting behind us the tensions of Cold War, we were to enter into a new conflict between the North and the South, the rich and the poor....".³⁸ Fred Bergsten described the scenario of possible consequences of this "New Cold War" as that though the "apocalypse here is not nuclear war, but it would be exceedingly costly in both human and material terms".³⁹ The evolution of the NIEO and even the future of the UN, thus seemed to be at stake.

³⁸ US Department of State Bulletin, LXVIII, 13 October 1975, p. 452.

³⁹ C. Fred Bergsten, Towards a New International Economic Order (Lexington: D. C. Heath, 1975), p. 17.

The crux of the matter was that the politics of Parliamentary diplomacy in the UN had already taken a full circle. The Western countries, in contrast to their earlier 'push-button majority', had increasingly become the victims of the 'automatic majority' of the Third World, often in association with the Socialist bloc. The contentious issues mainly purported to redistributive changes of a political or economic nature as demanded by the Third World. The United States, which traditionally viewed the UN as the "American inspiration in the first place" and utilized it as a major instrument for achieving her foreign policy objectives, came to regard it as a "big American mistake".⁴⁰ The imbalances between the original perception of the UN and its changing reality were, as such, sought to be redressed by employing ^a variety of techniques available to the Western nations- vociferous devaluation of the organization, incessant attempt to curtail its competence by rigid Charter interpretations, strong disapproval of decisions taken by "empty majority", endeavours to divide the "surface unity" of the Third World - either by open threat or by covert politicking, etc. . Such counter-offensive of the West led by the US had, in fact, become political necessity in the context of American reverses in Indo-China, united action by hitherto divided OPEC nations and growing militant "trade unionism" of the LDCs.

What is
said in
the book
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policy

⁴⁰ Fortune (Chicago), 30 November 1975, p.114.

The most dramatic demonstration of Western counter-offensive occurred when the Assembly was discussing a relatively less controversial subject, "Strengthening the Role of the UN in the field of International Economic Co-operation" with a couple of days left for the crucial plenary voting on the draft Charter of Economic Rights and Duties (CERDS). The representatives of the US, UK, West Germany and Japan took the Assembly platform to lash out against the Third World and the UN with malignant rhetorics. The US Ambassador John Scali, in his hysterical 'tyranny of the majority' speech, warned the Third World for its "over growing tendency... to adopt one-sided, unrealistic resolution that cannot be implemented" and cautioned that such "unenforceable, one-sided resolutions (would only) destroy the authority of the UN".⁴¹ It was only symptomatic of deeper resentment of the West to prevent the adoption of resolutions on number of economic and political issues hotly contested by it. The concern for the authority of the UN was superficial; it was rather, as Sri Lanka's representative Hamilton Amarsinghe retorted later, an expression of frustration on the part of those powers "accustomed to command imperiously (when they) find it intolerable to comply gracefully".⁴²

⁴¹ A/PV.2307, 6 December 1974.

⁴² A/PV.2314, 14 December 1974.

In such an atmosphere surcharged with tension the deliberations and the decision on the CERDS - designed to formulate principles and guidelines to enable member states to establish a new system of international economic relations - was bound to be bitterly controversial. In the committee stage the move by a 9-power Western draft to postpone the formulation of the Charter for further discussions was rejected by a vote of 81-20-15. The resolution to which the Charter was annexed was later approved in the Plenary by a roll-call vote of 120 in favour of 6 against (Belgium, Denmark, West Germany, Luxembourg, UK and USA) with 10 abstentions (Austria, Canada, France, Ireland, Israel, Italy, Japan, Netherlands, Norway and Spain).⁴³ The negative votes and abstentions, as explained by the member-states in the pre- and post-adoption discussions were mainly due to opposition to issues like Permanent Sovereignty Over Natural Resources and domestic control over foreign investments (Art. 2), "right to associate in organizations of primary commodity producers" (Art. 5) and the "restitution and full compen-

⁴³ GA Resolution 3281 (XXIX), 12 December 1974. It may be worthwhile to note that Western nations managed to influence a handful of Third World countries like Fiji and Nepal who announced their withdrawal from sponsorship of the resolution. Thailand and Nicaragua took the Western line in expressing their reservation about domestic control of foreign investment as enunciated in the CERDS. However, none of them cast negative vote or abstained during the adoption of the concerned resolution.

sation" for the exploitation of natural and other resources (Art. 16).⁴⁴ Their stubborn resistance to the CERDS was, in essence, express rejection of any attempt to obtain legally binding commitment from them "to promote the establishment of the new international economic order...."

The Seventh Special Session:

In totality, the results of the Sixth Special Session and the 29th regular session - the former producing no positive commitment from the developed countries for the NIEO and the latter indicating their bitter disapproval of any move to create a legal milieu around it - revealed the most dangerous dimensions of the conflictual relationship between the North and the South. The NIEO was, indeed, the most crucial element in this disturbing pattern of conflict and confrontation. But such adversary relationship did not foreclose the possibility of conflict resolution and reconciliation of opposing interests in future.

The optimism was based on certain possible, if not probable, developments. Conflict and confrontation had, often in the past, led to concrete results, such as the establishment

⁴⁴ For reservations and interpretations to specific Charter provisions by the member-states, see Y.U.N., 1974 pp. 394-401.

of the UNCTAD. Conflict sometimes "helps to define issues with clarity and creates basis for accommodation and (it) has been a critical ingredient in the bargaining process between the poor and the rich nations; it has generated greater political pressure on developed countries".⁴⁵

Although the resolutions of the General Assembly, more so in case of those having economic content, do not have the capacity to make legal obligations on states, the moral and political climate they create has definite, even if marginal, impact on the international behaviour of the 'target' nations. Again, when the 'war' of words, as it happens in most of the international forums, gives way to 'truce' of negotiations, greater understanding of the problem, realization of mutuality of interests, abandonment of extreme positions by the majority and calculation of pay-offs in other issue-areas by the disagreeing minority may result in change of attitudes of the recalcitrant states. When passions cool down, moderates of opposing groups often assume the role of 'bridge-builders' and seek to expand the limited areas of agreement in the antagonistic positions; thereby bring about modifications in their earlier 'stands.'

⁴⁵ Branislav Gosvic, UNCTAD : Conflict and Compromise (Leiden, 1972), p. 333.

To some extent all these developments did happen when the Assembly met for the Seventh Special Session in September 1975. In the formal debate of the session there was some recrudescence, but ^{without} ~~with~~ much political significance, of rhetorical accusations.⁴⁶ But in the basement of the Assembly contact and caucussing groups were involved in protracted negotiations to hammer out a consensus. The position papers of the Group of 77 and the BEC were subjected to intensive debate. Though there was no indication of any major agreement on the crucial elements of the NIEO, there was definite shift in the style of the dialogue. The conciliatory tone of the US Secretary of State Kissinger's statement⁴⁷ (though it did not reflect any substantive change in the American position), the initiative of the BEC countries, and the tireless efforts of the contact groups all combined to produce a consensus resolution of 7,000 words.⁴⁸ It provided a broadly agreed framework for negotiations on the different

⁴⁶ For example, see the view of the West Germany's Foreign Minister on the LDCs' demand for the NIEO when he said: "This complex task can be solved only with the help of the steering principle of free market. It would be therefore Utopian, not to say dangerous, to try to solve it by international dirigisme. All attempts to do so could end up only in paralysis and a waste of resources". (A/PV.2328, 2 September 1975).

⁴⁷ A/PV.2327, 1 September 1975.

⁴⁸ GA Resolution 3362 (S-VII), 12 September 1975.

areas of the NIEO-trade in primary commodities, transfer of resources to finance development and monetary reforms, agricultural development, industrialization and transfer of technology, restructuring of the UN system, etc., Euphoric reactions commended the results of the special session. The Western press was most lavish and vociferous in its acclamation. The Financial Times correspondent interpreted the resolution 3362 (S.VII), which (he wrote) did "not in itself represent the new economic order", as "an expression of a political will to create one" and as such "a remarkable achievement... bringing together the Western industrialized countries and the Third World in an unprecedented way".⁴⁹

The Chairman of the Ad hoc Committee Jan Pronk described the session as the evidence of incipient structural changes because the advanced countries were taking negotiations with the Third World "really seriously" and there was much more "give and take" between the DCs and LDCs than previously.⁵⁰ At the close of the session the Canadian representative described the "significant and perhaps historic achievement" of the session as that it was a "milestone for the consensus approach in the United Nations and for the essential role which the UN must play".⁵¹ American representative Patrick Moynihan's

⁴⁹ Cited in Keating's Contemporary Archives (London), 1975, p. 27395.

⁵⁰ Ibid.

⁵¹ A/PV.2349, 16 September 1975.

adulation went to the farthest when he stated:

Perhaps never in the history of the United Nations there has been so intensive and so genuine a negotiation among so many nations on so profoundly important a range of issues. We have shown that we can negotiate in good faith and, in doing so, reach genuine accord.⁵²

Summary Observations:

Despite all these clappings and cheerings at the end of the Seventh Special Session, there were, however, many elements of uncertainty and ambiguity that characterized the products of prolonged deliberations and protracted negotiation for over two weeks in the UN. The contours of the new order, as envisaged in the resolution A/3362 (S-VII), were indefinitely, less sweeping and demanding than those outlined in the Sixth Special Session. The resolution did not represent much progress from positions reached earlier and, in fact, there was virtual retrogression in many important issue-areas of the NIEO.⁵³ What was more crucial, though the consensus resolution was achieved after hard bargaining between different view points

⁵² Ibid.

⁵³ For elaboration of this point, see Muchkund Dubey, "Problems of Establishing a New International Economic Order", India Quarterly, vol. 32, no. 3, July-September 1976, pp. 286-7.

and was highly acclaimed by the Western countries, particularly the US, there was no clear cut commitment on their behalf to the major aspects of the NIEO. In fact, the US representative Jacob Myerson stated that his country's position vis-a-vis the resolutions of the Sixth Special session, the CERDS and the Lima Declaration remained unchanged and it did not and could not accept any implication that the world was embarked on establishment of something called new international economic order.⁵⁴

Thus the results of the Seventh Special Session left unanswered many important questions having crucial bearing on the realization of the NIEO,

- Whether the "consensus was for the sake of consensus, or was it was a consensus for follow-up action?

- Whether the "spirit of seventh special session" was only a "thaw" in the 'New Cold War' between North and South or a long term trend towards economic 'detente' between them?

- Was there only conciliation of needs or genuine reconciliation of fundamental differences; the demand of the

⁵⁴ UN Monthly Chronicle, 1 October 1975, p. 6.

LDCs to restructure the post-war economic order and the unwillingness of the DCs to modify it except only to a marginal extent?

Finally, whether the rich Western nations, holding key to the establishment of the NIEO, as the UN Secretary-General called for in his inaugural address, were showing "decisive shift in attitudes reflected in concrete expressions of political will to accept change".⁵⁵

These and related questions are subject of exploration in the chapters following.

⁵⁵ A/PV.2326, 1 September 1975.

CHAPTER III

RESPONSE OF THE DEVELOPED COUNTRIES : CHANGING ATTITUDES?

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The demand for the NIEO in 1974-75 was, of course, endorsed by an overwhelming majority in the General Assembly but against a determined opposition of the major industrialized countries of the North. But, for obvious reasons, no substantive steps in the direction of a peaceful transition to the NIEO could possibly be taken without the necessary attitudinal changes and willing co-operation of the major developed countries. The present chapter attempts to analyse the developments since the General Assembly adopted the Declaration and Programme of Action on the Establishment of the NIEO in May 1974 with a view to exploring attitudinal changes, if any, effected amongst the industrialized countries.

Such an analysis to be an exhaustive one should necessarily take into account the developments both inside and outside the United Nations. However, the present study is mainly confined to what has transpired in the General Assembly since May 1974. It is, therefore, necessary here to explain the adoption of such apparently limited focus of inquiry.

UN General Assembly: A Speculum of Attitudes and Trends:

/ The General Assembly of the UN with its subsidiary organs and bodies remains a unique inter-governmental forum where the

most important issues of international relations and reaction of member governments to them come to the fore. For any analyst of international affairs in the search of reliable information about the positions and postures of nations on crucial issues facing the world, the UN is an ideal reference point.¹ The General Assembly, in particular, as the most representative and 'preeminent' organ of the UN, performs this role most efficiently "by enabling the world to see itself more clearly and providing a place where nations can test attitudes of others and express their own".² Besides, the Assembly over the years has increasingly been used by the member states for the "collective legitimisation" of their policies, positions and interests.³ It has, as such, turned

¹ Irving Horowitz has described one of the chief merits of the UN as that it "serves as a major forum and at the same time a realistic measuring device of both where the world community of nations is and where it seeks to go". Horowitz, Three Worlds of Development (New York, 1972), p.246.

² The Times (London), editorial, 11 November 1978. The description of the General Assembly as the 'preeminent' organ of the UN does not imply any judgement in regard to its greater authority/power vis-a-vis the Security Council. It only means that the Assembly's jurisdiction is the most comprehensive among all UN organs. This flows from the Charter provisions that the Assembly can discuss any question within the scope of the Charter: ranging from rights of children to definition of aggression (Art.10) and shall receive and consider reports from all other organs including the Security Council (Art.15).

³ For the enunciation and elaboration of the concept of "Collective legitimisation", see Inis L. Claude, Jr., The Changing United Nations (New York, 1968), pp.73-95.

out to be an arena where the challenge of the demanding majority and the response of the dissenting minority have been brought into sharp focus. In this context one burning example is the issue-area of North-South economic relations. Again, what is significant for the purpose of the present study is that, the member-nations ^{have} more avowedly spelled out their divergent perceptions of, and specific interests on, almost all international economic questions, more particularly during the discussion, formulation, and the follow-up of various aspects of the NIEO that followed the Assembly's Sixth Special Session.

Thus, the degree/dimension of 'clash' or 'consensus' among the member-states over different issues is manifested in several facets of Assembly's political process. It may be policy statements by the governments, interventions in the debate by their delegates or the patterns of their voting. Of all, the voting patterns on the resolutions, as these are the logical end of much of the activities in the Assembly, provide useful cue to decipher 'emphasis-shifts' and 'attitudinal changes', if any, in the policies and perceptions of the governments. However, any use of voting behaviour to study changes in the policy perspectives of member-nations on specific issues need to be carried out only after a proper assessment of its validity.

Voting Study : An Explanation

What are the advantages and limitations of studying votes in the UN General Assembly?

On the positive side, as noted earlier, a country's vote on a particular resolution formally denotes its acquiescence, support, ambivalence or opposition to the issue at a given time. Besides, the votes provide valuable aggregate data that reflect the public positions of governments on various world issues⁴; consequently furnish useful information concerning the pattern of alignment within and across groups of nations. As the resolutions are taken to be the ultimate output of the UN political process, their effectiveness - normative or practical - in many instances would be determined by who are in the dissenting minority. This is an inescapable reality in a world of multi-state system characterized by highly disproportionate dispersal of power among nations. This is more so in the case of UN's policy outcomes pertaining to economic issues because the opposition or support of a small group of economically powerful states is of crucial importance.

⁴ Here one can aptly quote Bruce Russett: "(The) votes in the General Assembly do provide a unique set of data where many national governments commit themselves simultaneously and publicly on a wide variety of major issues". Russett, "Discovering Voting-Groups in the United Nations", The American Political Science Review, (Wisconsin), vol.60, no.2, June 1966, p.327.

However, voting behaviour analysis is inherent with limitation of sorts. For instance, voting pattern may reflect only the formal positions of the states. The requirement of "playing to the gallery" and practices like "log-rolling" in the parliamentary diplomacy may prompt a member state to make a voting commitment in the Assembly while reserving the options open for subsequent manoeuvres.⁵ Besides the voting figures rarely reflect the real motive behind a particular stand taken by a country as voting is only the terminal point of the UN political process and merely a symbolic expression: an arithmetic aphorism of "yes-no-abstention". As such the actual, and often more vital, process of intense caucussing, lobbying and manipulative exercises of the rules of procedure is obfuscated. Again, there has emerged a perplexing practice in the UN voting process: attempt to evolve a "consensus" draft when prolonged negotiations yield no substantive agreements; those not in full agreement with "consensus" text variably resort to abstention or expression of reservations. In such situations

⁵ In this context Paul Saenz rightly observes that often the "votes may be cast in particular context that would not warrant a conclusion outside that context". Quoted by Joseph R. Harbert, "The Behaviour of Mini-States in the United Nations", International Organization (Wisconsin), vol. 30, no. 1, Winter 1976, p. 113.

an abstention is closer to a negative vote,⁶ and the statements of reservations provide more meaningful clue to the policy positions of the member-states than the 'role-call' or 'recorded' votes.⁷ Besides, some key controversial issues, which continue to be the subject of protracted negotiations in subsidiary UN bodies or other forums - and this is particularly true regarding economic issues - are, by so called "consensus", kept out of discussions of the Assembly. Thus, the voting study at a given time may not reflect the entire array of contending forces in the international economic relations.

Keeping these limitations in view, the present study would seek to minimize their impact by supplementing and substantiating the analysis of voting patterns with ^{the} the policy

⁶ The chief reason for treating abstention almost equivalent to 'no' vote is that UN delegates have a marked disinclination to finding themselves in small dissenting minority. Hence, even though the real inclination may be to vote against a certain resolution, they instead prefer to abstain.

⁷ It may be noted here that both 'roll-call' and 'recorded' votes have the same implications in the sense that votes of each state are made public. Perhaps the only difference is that in case of the former the role is actually read and in case of the latter a record of how each delegation votes is inserted in the summary or verbatim record of the meetings. It may be added further that the 'roll-call' has a greater political significance in so far as it provides better opportunity to the caucussing groups to play their role and more time to the delegations to influence, or be influenced by, the voting behaviour of others; as such it is more effective in ensuring group-voting. For details, See The Rules of the Procedure of the General Assembly (UN Doc. A/8520. Rev. 12), particularly Rule 87 and Use of Mechanical Means of Voting (UN Doc. A/INF/143, 20 September 1971).

statements of governments on the related issues. By this it would be possible to provide better explanation of the 'reasons' or the "environmental determinants" behind a particular pattern of voting and proper evaluation of member-states' response to the issues involved.

The voting data collected for analysis relates to the resolutions addressed to the achievement of specific goals of the NIEO during the Assembly sessions of 1974-77. Again, although the voting in the committee level has also a bearing, the data is confined to the votes taken in the plenary. This has been done partly due to non-availability of data and, more so, on the assumption that the pattern of committee-level voting on such important issues is likely to be the same in the plenary.⁸ Further, the voting in the latter-~~where~~ the formal conclusions of the Assembly are expressed in the form of resolutions - is decisive. However, the resolutions adopted without vote have

⁸ Another reason for avoiding the Committee voting is that many states with small delegations are not able to attend all the meetings of the Main Committees and cope with other diplomatic work. Peter Willetts, for example, has shown that in one particular Assembly session (i.e., the 20th session) the roll-call attendance of Latin American Group of States was 90 per cent in the Plenary but was 73.9, 57.9, 78.4, 76.7, 57.9, 75.4 and 59.4 per cent respectively in the 1st, 2nd, 3rd, 4th, 5th, 6th and Special Political Committee respectively. Willetts, The Non-Aligned Movement: The Origins of a Third World Alliance (Bombay, 1978), p.92.

been excluded from the scope of present analysis (except, of course, those important resolutions passed in the 6th and the 7th Special Sessions of the Assembly) on the ground that (i) they are less consequential and less demanding, and (ii) the roll-call or recorded votes, especially in the context of contentious economic questions, provide greater insight to study the member-states' attitude towards the crucial issues embodied in the concerned resolutions.

Developed Countries : The Voting Pattern

In the Table.6 five issue-areas have been arranged. On these issues resolutions have been adopted in the Assembly with roll-call or recorded vote between 1974 and 1977. These issues - the common fund under the Integrated Programme for Commodities (IPC), transfer of real resources to the LDCs, debt problems of the Third World, redistribution of world industry and the sovereignty over natural resources in the CERDS - do not, of course, exhaust the large list of goals related to the NIEO. But they are representative enough to assess the attitudes of the developed nations to the objectives of the NIEO. The main purpose behind constructing the table is to bring out: (i) the degree of 'gap', if any, between the voting behaviour of DCs and LDCs on these issue-areas and, more important, (ii) the 'differences', if any, among the DCs

on these issues. The latter will be indicated in the vote explanation column.⁹ Explanatory notes are given after the tabulated data to find out the raison d'etre of any such 'gap' and 'differences'. On the basis of such analysis certain generalizations about the progress and prospect of establishing the NIEO would be derived.

⁹ The LDCs constituting the Group of 77 generally formulate and initiate the NIEO-oriented resolutions. They also, except in some rare cases, vote en bloc on these resolutions. As such, the vote explanation column in the table only relates to the voting behaviour of the DCs.

TABLE 6

VOTING PATTERN ON FIVE KEY ISSUES (1974-77)

Issue-Area	Year	Resolution	Voting Pattern: Yes-No-Abstention	Vote Explanation
I Commodity Fund under the Inte- grated Programme for Commodities (IPC)	1974-76	Nil	-	-
	1977	The resolution (A/32/193) expressed concern about the failure of the second session of the UN Negotiating Conference on the Common Fund and called upon those states who have not agreed on the basic elements of the Fund - the key features of the IPC and; thus, contradicted the commitment made in the CIEC and UNCTAD-IV to take necessary political decision conducive to the success of the Negotiating Conference.	120-0-13	Australia, Belgium Canada, France, Greece, Ireland, Japan, West Germany, Italy, Luxembourg, New Zealand, the UK and USA abstained. DCs such as Sweden, Norway, Finland and Netherlands voted in favour of the resolution. So also did the Socialist bloc.

II
Transfer of
Real Resources to LDCs.

1974

Nil

1975

The resolution A/3489 (XXX), expressing dissatisfaction on the fact that total disbursements have been steadily decreasing, urged "the economically advanced countries which have not done so to reach the target of the official development assistance". The Secretary-General was requested to submit, in collaboration with the UNCTAD and other bodies, to the Assembly a study on ways and means to accelerate transfer of resources to LDCs on a "predictable, assured and continuous basis".

112 - 1 - 14

The US voted against it. Bulgaria, Byelorussian SSR, Czechoslovakia, West Germany, East Germany, Hungary, Israel, Italy, Japan, Mongolia, Poland, Ukrainian SSR, USSR, and the UK abstained. DCs such as Australia, Austria, Canada, Nordic countries, voted in favour.

1976

Resolution A/31/174, while reiterating the call to the DCs to meet the ODA target, recommended that they should give serious consideration to the establishment of 'development tax' to be earmarked for international development assistance on a predictable, assured and continuous basis.

117-1-18

The US Voted against it. Developed market economy countries such as Belgium, France, West Germany, Ireland, Italy, Japan, Luxembourg, Spain, the UK, and the Socialist bloc, except Rumania, abstained. The pattern was thus, almost the same as in 1975. Finland, though voted in favour of the resolution, expressed strong reservation on the proposition of 'development tax' which it considered to be unrealistic and counter productive.

1977 Resolution A/32/181 reiterated the resolution of 1975. There was no mention of development tax. 131-0-10 (Country-wise break up not available).

III
Amelioration
of Debt
Problem

1974-75

Nil

1976 Resolution A/31/158 emphasized on "decisive and urgent relief measures" in respect of both official and commercial debts of the LDCs and urged the CIEC to reach an early agreement "on the question of immediate and generalized debt relief of the official debts of the developed countries ... and on the reorganization of the entire system of debt negotiations, to give it a developmental rather than commercial orientation". 99-1-31

The negative vote was that of the US. The large abstentions consisted of the entire Western developed countries including the Nordic countries and the Socialist bloc.

1977 Resolution A/32/187 noted that no substantive action had been taken by the DCs while the extent of debt of the LDCs were mounting fast and regretted/to consider "the debt question in the perspective of development rather than commerce". It also noted that the Special Action Programme of \$1 billion offered by developed donors at CIEC would be insufficient and called upon the TDB of the UNCTAD to reach satisfactory decision on generalised debt relief. 106-1-31

Countries voting against and abstaining were the same as in 1976.

∟that most of the DCs have not been prepared

IV
Redeployment
of World
Industries

- | | | | |
|------|--|----------|---|
| 1974 | Resolution A/3306 (XXIX) urged to strengthen UNIDO to enable it to develop into an effective institutional framework so as to expand its activities in a manner consistent with the requirements of the developing countries and the role of their industrialization within a new international economic order. | 119-0-3 | Federal Republic of Germany, the UK and the US abstained. |
| 1975 | Nil | - | - |
| 1976 | Resolution A/31/163 endorsed the Lima Declaration and Programme of Action on Industrial Development and Cooperation which, <u>inter alia</u> , called for international actions so that the share of LDCs in total world industrial production would increase at least to 25 per cent by the year 2000 A.D. It urged the DCs to adopt new policy which would encourage redeployment of their industries which were less competitive internationally to developing countries. | 104-1-27 | The US voted against. Most of the DCs including Nordic countries and the Socialist bloc abstained. |
| 1977 | Resolution A/32/167 called for a UN conference on the Establishment of UNIDO as a specialized agency so as to achieve the goals of the Lima Declaration. | 125-1-10 | The US voted against; but number of abstentions decreased. Among who voted in favour were the Nordic countries. |
-

(V)
Permanent
Sovereignty
over Natural
Resources

1974 The CERDS annexed to resolution 120-6-10
A/3281 (XXIX) proclaimed, among
other things, the right of every
state to exercise full permanent
sovereignty over all its natural
resources and economic activities, to
regulate and exercise authority over
foreign investment within its national
jurisdiction, regulate and supervise
the activities of the TNCs and to
nationalize, expropriate or transfer
foreign property with compensation as
per domestic law of the nationalizing
state.

Negative votes were cast by
Belgium, Denmark, West Germany,
Luxembourg, the UK and the USA.
Austria, Canada, France, Ireland,
Israel, Italy, Japan, Netherlands,
Norway & Spain abstained. Western
countries such as Australia, Sweden
and New Zealand as well as the
Soviet bloc voted in favour of the
resolution.

1975 Resolution A/3486 (XXX) decided to 114-3-11
entrust to the ECOSOC the task of re-
viewing the implementation of the
CERDS with a view to preparing
adequately its systematic and compre-
hensive consideration by the General
Assembly.

West Germany, the UK and the USA
voted against. Belgium, Canada,
Denmark, France, Ireland, Israel,
Italy, Japan, Luxembourg, Netherlands
and Spain abstained. Austria and
Norway, who abstained in the 29th
session, voted 'yes' and Belgium,
Denmark and Luxembourg who voted
negatively then, abstained this time.

1976 Resolution A/31/178 expressed re- 128-1-8
gret at the lack of necessary
political will of the DCs to imple-
ment the decisions and commitments
arising out of the strategy for the
DDII, Programme of Action on the
establishment of the NIEO and the CERDS.

The US voted against it. Abstentions
were by Belgium, France, West Germany
Israel, Italy, Japan, Luxembourg and
the UK. Many industrial countries
of the West such as Australia,
Austria, New Zealand and the Scandi-
navians voted in favour of the
resolution

1977

The general trends of voting pattern as reflected in the tabulated data may be briefly stated here:

- (i) The 'gap' between the voting behaviour of the LDCs and the DCs is sharply evident; thereby manifesting their conflicting views on the principles and plans of action related to the NIEO.
- (ii) The negative voting by the US in most of the cases demonstrates ~~her~~^{its} conservative opposition to the envisaged objectives of the NIEO.
- (iii) By abstaining in majority of occasions, the other Western nations have, albeit, indirectly, reinforced the intransigent attitude of the U. S.
- (iv) The 'differences' in the Western bloc is brought to the fore by the voting behaviour of the Nordic countries and, to a lesser extent, Australia and New Zealand.
- (v) Finally, the Socialist bloc has voted along with the Group of 77 on some issues and abstained on some other; such voting pattern only reflects its "elastic" attitude to the NIEO-related issues.

Voting Behaviour of the DCs : Further Elaboration:

The above, rather hasty, inferences about the voting patterns drawn from the tabulated data need further elaboration.

For this, the voting behaviour of the DCs on each issue-area will now be explained in the context of their relative policy positions.

(1) Common Fund under the IPC

The abstentions of the US and 12 other industrialized countries on the resolution 32/193 can be explained in terms of their varying degree of opposition to the proposal of Common Fund and the IPC. The long standing demands of the LDCs for stabilization and increase of their export earnings derived mainly from commodity-trade was given a concrete shape in the IPC formulated by the UNCTAD-IV Resolution 93 (IV). The programme, otherwise known as the Corea Plan, envisaged, inter alia, a whole series of agreements were to be conducted simultaneously in a package deal on 18 commodities which represent very large percentage of LDCs' export earnings; international buffer stocking and market intervention arrangements to support prices at remunerative and just levels and an international fund to finance arrangements such as buffer stocking, promotion of raw materials processing in the producer countries, diversification of production etc.¹⁰ The US and some other key industrial countries - the UK, Japan and West Germany - had opposed any such scheme

¹⁰ For a brief account of the IPC, see Muchkund Dubey, "Problems of Establishing a New International Economic Order", India Quarterly, vol. 32, no. 3, 1976, pp. 272-76. For a lucid exposition of the concept of Common Fund see Helen O'Neill, "A Common Interest in Common Fund (New York, 1977).

which would go against the philosophy of minimum interference with the market forces. The US and West Germany had shown no inclination for an integrated programme, they had rather advocated "commodity by commodity" approach without any centralized framework of negotiation. The other BEC countries had accepted the need for a comprehensive approach, but not as sweeping as the Corea Plan. However, some understanding was reached "in principle" to set up a common fund at the CIEC. But the serious reservations expressed by the Western countries about the objectives and modalities of the Fund resulted in a stalemate, in the UN Negotiating Conference on the establishment of the Common Fund. The voting pattern on the resolution A/32/193, which was adopted in the aftermath of the failure of second session of the Negotiating Conference, was a manifestation of the initial opposition and subsequent reservation of many industrial countries. The latest controversy as to the scope of Fund's activities i. e. the provision for a 'second window' to finance diversified activities like production and processing,¹¹ and the slow progress in the successful conclusion of individual commodity agreements under the IPC only confirm that major industrial countries of West have not yet shown any remarkable change in their attitude to the Fund and the IPC. However, the Scandinavian countries, who voted in favour of the

¹¹ Economic Times (Bombay), 2 October 1978. Also see UN Weekly News Letter (New Delhi), 24 November 1978.

resolution, and, among who abstained, Australia, Canada and New Zealand have increasingly become sympathetic towards Group of 77s' proposals on the IPC.

(11) Transfer of Real Resources:

Foreign aid, with all its adverse consequences, remains a vital means of flow of resources from the DCs to the LDCs. The targets, flows, and terms of development assistance have been subject of regular debate in the UN forums, more so since the launching of the DDII. But because of variety of reasons a large number of developed countries have adopted dilatory tactics. The target of 0.7 per cent of GNP as ODA has not been reached by almost all developed countries. The US - which ^{has opposed} ~~voted against~~ it when the international strategy for DDII was adopted - had always expressed strong objections to the aid target and the raison d'etre of the ODA. It has, on the other hand, stressed the role of private capital investment providing the necessary capital inflow to the LDCs. Members of the EEC have also expressed reservations about the target-dates for ^{the} fulfillment of commitments. However, countries such as Sweden, New Zealand and Canada have agreed to such aid plan and some countries as Sweden, Netherlands and Denmark have actually fulfilled aid targets. Though these countries have voted in favour of the resolutions on transfer of resources and

acknowledged their obligations, some of them have reservations on ambitious proposals like the 'development tax' which, of course, has been strongly resented by the major industrial countries. The Socialist bloc, who have abstained during voting on this issue, have never made any commitment to transfer real resources to the LDCs; but have always sought to shift the burden exclusively to the Western countries.

(iii) Debt Problems

Amelioration of severe debt problems of the LDCs in the context of their developmental needs has been a major item in the international agenda for the North-South dialogue. Staggering debt servicing charges of most of the LDCs and the mounting difficulties of the countries most seriously affected (MSACs) by the economic crises of 70s have necessitated urgent action in this area of North-South relationship. But here again most of the DCs have shown lukewarm attitude. The US, Japan and West Germany have opposed any move towards moratorium or cancellation of accumulated debts on the ground that this would affect credit-worthiness of the debtor LDCs and encourage them to adopt irresponsible economic policies. The UNCTAD has been exhorting the rich nations to take appropriate steps to settle the debt problems within a framework of multilateral agreement. But the US and the EEC countries, unwilling to abandon a strong weapon of economic stranglehold

over the LDCs, have agreed only to a "case-by-case approach". But bilateral approach, instead of generalized debt relief, entails provisions for extensive scrutiny by creditor nations and, therefore, would not provide desired relief to the LDCs from their onerous debt burden. Such disagreement ~~on matters~~ of debt relief, as evident from the voting pattern on the resolution A/31/158, has ~~been~~ ^{been the cause of} unwillingness on the part of major industrial nations to negotiate on debt problem under the UNCTAD auspices.¹² Although the Group of 77 has, of late, shown inclination to drop the idea of generalized debt relief and negotiation on commercial loans the larger creditor-nations have made no commitment to convert official loans into grants and adopt a developmental rather than commercial orientation to the issue.¹³

¹² Resistance of the US has been the most conspicuous. When the Development Assistance Committee (DAC) of the OECD recently took up consideration of the question: what debt relief might mean for the donors and recipients; the US representative reacted sharply and insisted that the Committee (DAC) should not initiate consideration of such issue. Times of India (New Delhi), 14 June 1978. Recently under UNCTAD auspices 11 major creditor-nations have converted a total of \$ 6.2 billion loans into grants to the benefit of 45 LDCs. But two large creditor nations - the US and France - are yet to announce retroactive adjustment of past loans. Times of India, 15 November 1978.

¹³ The abstentions of the Nordic group of countries were possibly due to reference to the commercial loans in the resolutions. Otherwise they are generally sympathetic to the LDCs' demands for debt amelioration and had welcomed the UNCTAD negotiations in this regard.

(iv) Redeployment of Industries

Rapid industrialization of the LDCs and re-allocation of industries from the DCs to the LDCs on the grounds of comparative cost advantage and environmental equilibrium have been emphasized as an effective means of economic advancement of the Third World and, this, without hurting the interests of the DCs. The Lima Declaration and the Programme of Action on Industrial Development and Co-operation adopted at the Second General Conference of the UNIDO in March 1975 called for a more comprehensive time-bound international action for the industrialization of the LDCs, "continuous consultations" for the redeployment of industries, and creation of a new international division of labour under the initiative of a more effective UNIDO.¹⁴ But most of the DCs had strongly objected to these proposals.¹⁵ The US representative, while speaking at the Seventh Special Session, stated that the redeployment of industries "is a matter of the evolution of economies rather than a question of international policy or negotiations".¹⁶

¹⁴ For the summary of the Lima Declaration see UN Monthly Chronicle, April 1975, pp.28-30.

¹⁵ The Lima Declaration was adopted against Western opposition by a vote of 82 in favour, 1 against (USA) and 7 abstentions (Belgium, Canada, West Germany, Israel, Italy, Japan and the UK). The UK representative described the Declaration as a whole as being "almost totally unacceptable" to Western nations. Keasing's Contemporary Archives, 1975, p.27164.

¹⁶ Quoted by Branislav Gosovic and John Gernard Ruggie, "On the Creation of a New International Economic Order : Issue Linkage and the Seventh Special Session of the UN General Assembly", International Organization (Stanford), vol.30, no.2, 1976, p.324.

Later in the 30th regular session of the Assembly, the US representative reiterated that the UNIDO should not be involved in attempts to implement "scheme of global reallocation based on principles which had not received support of all countries".¹⁷ In the same session the West German representative cautioned that the intention behind all such moves "should not be to establish a system of global structural planning and world-wide investment control".¹⁸ The Socialist countries (except China and Rumania) had also opposed any move for direct transfer of sectors of industry to the Third World under the usual plea that the responsibility for this lies with the West. All these explain the reason for large number of abstentions on the resolution referring to the Lima Declaration. Because of the resistance of the DCs, except, of course, the Nordic countries, the implementation of the Lima Declaration, particularly the conversion of UNIDO into a specialised agency, could not make much headway.¹⁹

(v) Sovereignty Over Natural Resources and the CERDS

The Charter of Economic Rights and Duties of the State (CERDS), as noted in the previous chapter, has been strongly

¹⁷ Quoted in Dubey, n. 10, p. 289.

¹⁸ Ibid.

¹⁹ In the Conference on the Establishment of the UNIDO as a specialized Agency held in early 1978 such a negative attitude proved to be major obstacle in reaching any successful conclusion. See UN Monthly Chronicle, April 1978, pp. 57-58.

opposed by most of the Western countries. One of the basic purposes of the LDCs in pressing for the Charter has been to establish a legal framework for the implementation of the NIEO. But Western industrialized countries have criticised many provisions of the Charter as "unbalanced" and, if implemented, would not lead "to achieve the purpose of encouraging harmonious economic relations".²⁰ The most critical point of emphasis in the Western attack on the CERDS has been the principle of sovereignty over natural resources.²¹ It was taken by them to be the most dangerous threat to the Western private investment in the LDCs.²² As such these countries, particularly the hardliners like the US and West Germany, have vehemently opposed it whenever the issue has been raised in the Assembly.

²⁰ US representative Senator Charles Percy's statement to Assembly's Second Committee in the 29th Session. For the text of his statement of reservations, see Richard P. Stebbins and Elaine Adam, eds., American Foreign Policy: A Documentary Record (New York, 1977), pp. 526-7.

²¹ For an exhaustive account of the evolution of this issue from 1952 to the present and controversies surrounding it between DCs and LDCs, see M. S. Rajan, Sovereignty Over Natural Resources (New Delhi, 1978).

²² For example, after the adoption of the Charter by the General Assembly in December 1974 the US Council of International Chamber of Commerce criticized it as being "cutting the edge of a threat to the well-being and even the existence of foreign-owned private enterprise and to the security for foreign investment in many countries". Cited by Gillian White, "A New International Economic Order?", Virginia Journal of International Law (Charlottesville), vol. 16, no. 2, Winter 1976, p. 323.

Thus the attitudes of major industrial countries, as evident from the foregoing analysis of voting pattern and policy positions on certain 'core' issues of the NIEO, have not undergone any significant change. Their stand on these specific issues need to be substantiated with their approach to the concept of NIEO as a whole during the period under study. This would certainly provide a larger perspective to the analysis of future prospect for the NIEO.

Even at the height of euphoric expectations of the Seventh Special Session the import of a significant statement by the US representative Jacob Myerson could not be missed. At the end of the session, he stated that US "cannot and does not accept any implication that the world is now embarked on the establishment of something called "the new international economic order".²³ In the following regular session of the Assembly the US representative Patrick Moynihan expressed the view that the "evolution of true consent" of developed countries for the demands of the LDCs would take a long time. He went on to admonish the LDCs' majority in the Assembly for precipitately "proclaiming a new international economic order" and castigated their action as "mindless pretence of legislative omnipotence".²⁴ Even after more than two years

²³ UN Doc. A/10232, quoted by Gosovic and Ruggie, n. 16 p. 343n.

²⁴ A/PV.2444, 18 December 1975.

since the Assembly adopted the Declaration on the NIEO, the US Secretary of State Henry Kissinger stated unequivocally during the general debate of the 31st session of the Assembly:

They have made demands for change that are confrontational as they are unrealistic. They sometimes speak of new economic order as if growth were a quick-fix requiring only that world's wealth be properly distributed through tests of strength in stead of self-help extending over decades. Ultimately such tactics lose more than they gain 25

25 A/31/PV.11, 30 September 1976. Each official disapprobation was quite in line with the neo-conservative ideas sweeping over American ruling elite in the '70s, the most vocal expression of which was perhaps made in an article written by Daniel Patrick Moynihan in the March 1975 issue of the Commentary (A Journal of American Jewish Committee). In it Moynihan had commented that the Third World countries' demand for the NIEO was a sinister design with the aim that the "economic growth in the West should cease and the wealth of the world be redistributed". (p.37); as such, he had called upon the American leadership to assert that "these economies (i.e., the LDCs) do less well than they ought; that the difference is of their own making and no one else's, and no claim on any-one else arises in consequence". (p.42) See Patrick Moynihan "The US in Opposition", Commentary (New York), vol. 59, no. 3, March 1975, pp. 31-44.

Take another example of similar view expressed by a leading neo-conservative scholar Irving Kristol: "These governments are ideologically committed to the redistribution of wealth and to the frustration of business enterprise which create wealth. Since the wealth they (the LDCs) wish to distribute does not exist in their own countries, they have decided to redistribute the wealth of the United States and other nations of Western Europe". Wall Street Journal (New York), 17 July 1975.

Moynihan's strategy of dealing with the LDCs is intensely echoed in the latest work of an influential American scholar George F. Kennan who has commented: "the first thing we need to do in our approach to the Third World is to divest ourselves of our guilt complex and our self-consciousness generally with relation to it, and learn to look representatives of the countries of that region (i.e. the South) firmly in the eye when we deal with it". Kennan, The Cloud of Danger: Some Current Problems of American Foreign Policy (London, 1978), p. 39.

Verbal postures such as these and behaviour patterns as they emerge from the voting analysis can only lead to the conclusion that the "gap" between the LDCs and the most of the DCs in their perception of global needs and priorities have been so wide that the evolution of the NIEO has seemed to have reach^{ed} a dead-end even before setting out on the operational path.

The Roots of Resistance:

The resistance of the Western industrial countries to accept the need for radical changes in the existing economic order and initiate action in these directions, is in fact, result of several related factors: (i) their vested interest in the prevailing pattern of economic power structure; (ii) the perception of the demands of the NIEO as essentially "zero-sum" propositions disadvantageous to their interest; (iii) the conviction that only marginal reforms here and there can sustain the existing order; and (iv) faith in their capacity to safeguard the system against the confrontational challenges of the Third World. All Western countries, of course, have not adopted such extreme attitudes. Some, such as the Scandinavian countries, and to a lesser extent, Australia and New Zealand, have made common cause with many of the demands of the LDCs. Their approach was summed up by the Netherland's Prime Minister, Joop den Uyl in an address

to an international symposium in May 1975 where he stated:

we have witnessed failures as a result of today's system... the uneven distribution of income between states... increasing destruction of our environment... and a threatening scarcity of resources, caused by unlimited exploitation... Our choice is between our present system which is largely guided and manipulated for the benefit of the rich countries and a system directed towards solving the problem of division of income and property, of security of natural resources, and of despoiled environment, 26

But the constraints on their power and influence, both political and economic, are immense and their role compared to that of other major industrial countries, as such, is very limited in the establishment of the NIEO. Even among the major industrialized countries of West there have been competitive interests and conflicting approaches on international economic and allied issues.²⁷ But in view of the nature of basic economic and political ties among them, their perception of common interest in the maintenance of existing economic order, and the continued dominant role of

²⁶ Cited in a UN publication, The Seventh Special Session of the General Assembly (New York, 1975), pp.16-17.

²⁷ The points of serious strains between the US and its transatlantic allies have occurred in matters of trade, role of dollar, energy issue, nuclear policy and a host of other political questions. See, for instance, David Colleo, "Of US, Allies and Atoms", International Herald Tribune (Paris), 24-26 June 1978; and William Pfaff, "Bonn: A Shift Away from US?", International Herald Tribune, 29 June 1978. For a fairly exhaustive account of differences in the foreign economic policies of the capitalist countries of the West, see, in particular, Fred L. Block, The Origins of International Economic Disorder: A Study of US Policy from World War II to the Present (Berkeley, 1977).

the US in the present politico-economic power-structure, the European countries have shown no real inclination to forge a completely independent line vis-a-vis the North South economic relationship. Rather on matters of serious implications they have conveniently rallied behind the US position.²⁸

The refusal of the Socialist bloc, despite its clamorous support to the demands of LDCs, to take any responsibility has two major explanations.²⁹ First, the GMEA countries have remained outside the post-war economic system, commonly defined in terms of IMF, IERD and GATT and consider these institutions as the supportive pillars of the world "capitalist-imperialist" structure. They view the blueprint of the NIBO formulated by the UN as totally alien framework to their concept of a new world order. The second stems from "the well known Marxist thesis that a change of system-transforming dimensions in international economic relations must necessarily affect political international relations, namely the existing world power structure which is not exclusively set of ideological

²⁸ At UNCTAD-IV (Nairobi), for example, the differences were so sharp that Western countries could not formulate any common position. But ultimately most of them toed the US line at the end. This was later censured, albeit indirectly, by Henry Kissinger in the subsequent OECD ministerial meeting where he warned the members that "we must improve the coordination of our position at major international conferences. The recent unfavourable experience at UNCTAD in Nairobi ... should make clear the importance of this step". US Department of State Bulletin, LXXV, 19 July 1976, p.81.

²⁹ Growing detente has marked the decline, if not the end, of old alignments. For example, countries such as Rumania has been increasingly taking independent stand on different world political and economic issues. But once again these "independent" States within the Socialist bloc have severe physical and political constraints in providing concessions to the LDCs.

lines".³⁰ Their evasive attitude under the usual alibi of "indemnification by the West for its past sins" is well illustrated by the following statement of Soviet representative Jacob Malik. Speaking in the Assembly's Seventh Special Session he reiterated ^{the} conventional Soviet thesis:

neither in theory nor in practice can the Soviet Union accept the false notion according to which the world is divided into the north and the south, poor and the rich and the socialist countries are placed on the same footing as developed capitalist countries as regards the historical responsibility for the backwardness of the developing countries and their state of present poverty in the economic crises which has gripped the capitalist world. 31

But whatever may be the differences - political, ideological or otherwise - between the East and the West as to their approaches to the existing international economic relations, it ultimately boils down to developed world's common reluctance to make clear commitments for the establishment of the NIEO.

Change of Tactics

Then what about the series of negotiations between DCs and the LDCs on different issues crucial to the creation of the

³⁰ Jan Tinbergen, et al., Reshaping the International Order: A Report of the Club of Rome (London, 1977), p.42.

³¹ A/PV.2439, 16 September 1975.

NIEO? Apparently, this "explosion of negotiations" in the aftermath of the Sixth Special Session may seem to hold out the possibility of a slow, but sure, transition to the new economic order.

In reality, however, given the fact of no perceptible change in the attitudes of the DCs, the negotiations on specific issues have inevitably produced no substantive results. This has been sufficiently vindicated by the results of prolonged negotiations in the CIEC and the UNCTAD-IV. A Third World scholar has aptly described the reason behind this frustrating impasse as "if negotiation between sovereign states are to have any reasonable expectation of success, there must be an agreement on some fundamental aims, however minimal they may be".³² When such agreement on fundamental aims of the NIEO is lacking between the DCs and the LDCs the apparent readiness of most of the Western nations to negotiate on different issues cannot be construed as act of good faith and change of attitude; rather it has to be interpreted as a shift in the tactics concerning their response to the demands of the Third World for a new economic order. In fact, the DCs and the LDCs have different conceptions of the North-South dialogue. The latter views the dialogue as the process leading to agreement on substantive issues relating to change

³² L. N. Rangarajan, Commodity Conflict (London, 1978)p. 311.

in the existing order. The former has taken it as a device for postponing change through the technique of protracted negotiations and the suitable use of all possible divisive and distracting means at their disposal - selective tariff reduction, debt relief or concessional loans, aid promises or establishment entangling politico-military connections - to weaken what they consider to be the "unholy and fragile solidarity" of the Third World. Thus in the ongoing North-South Dialogue, they have possibly found out a better substitute to open confrontation for smoother management of the status quo.

Hence, in the absence of attitudinal changes on the part of the major developed countries there has not been any marked movement to effect a break-through in the existing impasse and a forge-ahead towards the creation of the new international economic order.

CHAPTER IV

INSTITUTIONAL REFORMS : MAGNITUDE AND RELEVANCE

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In the preceding chapters analysis of the DC's response to the demands of the NIEO has revealed that there has been no appreciable change in their intransigent attitude, except, of course, a subtle change in their tactics of interaction with the LDCs. In this chapter an attempt would be made to record the changes, if any, in the international institutional framework since the Declaration of the Sixth Special Session, examine the nature of such changes, and assess their relevance in furthering the cause of the NIEO. Attention in particular would be focussed on the institutional reforms in the UN system. The significance of such survey lies in the fact that the goals of the LDCs in their pursuit of the NIEO are two-fold: "the possession goals" meaning equitable access to the benefits of the world economic system and "milieu goals" implying the creation of a responsive and reliable institutional framework to promote the "possession goals".¹

It has been described earlier how the institutional set-up built in the immediate aftermath of the World War II

¹ This concept of two-fold goals of foreign policy strategy is well articulated by Arnold Wolfers in his book Discord and Collaboration (Baltimore, 1962).

and the on-going arrangements in the field of trade, monetary reform, resource transfer, foreign investment, transportation, etc. have been primarily designed by the industrially advanced countries without any concern for the developmental needs of the Third World countries. These structures have continued to function, to quote from a widely acknowledged study, as "the immovable parts of international status quo and guardians of powerful vested interest".² Consequently, the elimination of all such institutional impediments has become an imperative necessity in the context of the LDCs' demands for the NIBO.

The Fund and the Bank:

It has been already emphasized in the Chapter I that the IMF and the World Bank -- two of the main pillars of the post-war economic system -- were constructed in consonance with the foreign economic strategy of the Western market economy countries led by the US. Both these institutions, because of their operational philosophy, leadership, weighted voting and quota system have been largely controlled by the Western economic powers. Both are, of course, UN affiliates; hence it would be pertinent here to start with a brief account

² Jan Tinbergen et al., Reshaping the International Order: A Report to the Club of Rome (London, 1977), p.43.

of changes, if any, effected in the structure and functioning of these two important institutions in the recent years.³

In the case of the World Bank, since the late 1960s, there has been widely circulated reports about a "pro-third world posture" in its policies and priorities. In fact its lending commitments to the Third World countries have been steadily rising.⁴ Nevertheless the uncertainty over the increase of its capital base and replenishment to the IDA, particularly from the larger donors like USA, has been the greatest stumbling bloc in its efforts to transfer resources from the rich to the poor countries. There have been relaxations in terms of evaluation of project while providing assistance to the LDCs but the criterion of overall economic performance has yet to become the main element of Bank's lending policy. Indeed, what has become a more serious threat to the interests of the Third World is that

³ The Economic and Social Sectors of "UN System", as they have expanded since 1945, can be described as a series of three concentric circles. In the core circle is the General Assembly and under it the ECOSOC presiding over a larger number of sub-ordinate bodies. In the intermediate circle are such semi-autonomous organizations as UNDP, UNCTAD, UNEP, and UNDP. All these are within the orbit of the UN proper. In the outermost circle are the specialized agencies like UPU, WHO, ILO, UNESCO, WIPO etc. The international financial institutions created at Brettonwoods Conference, namely IMF, IBRD and its affiliates - IDA and IFC - also form the part of the specialized agency system but operate under substantially different statutes than those of all other member-institutions in the system. They have, unlike other specialized agencies, very wide independence of activity.

⁴ For instance, in 1977-78 its lending commitments have increased by \$ 1436 millions; but, of course, the net transfer of resources by Bank's "soft loan window" - IDA decreased by \$ 480 millions. The Hindu (Madras), 14 September 1978.

instead of providing more resources to the LDCs "it has more lavishly provided them with advice, models and personnel".⁵ Bank's policy prescriptions, often verging on obsessive emphasis, about "strategy of meeting basic needs of the people", "direct assault on poverty", "development of appropriate technology", and "greater emphasis on agriculture and small-scale industries" have led the Third World to suspect that it is in increasing danger of "moving towards that of a self-proclaimed World Planning Authority and Self-appointed Guardian of the poor".⁶ These subtle tactics of intervening in the economic policies of the LDCs have necessitated, more than ever before, their effective participation in the decision-making process and greater representation in the personnel of the Bank. But even a less radical proposal of 50-50 share of DCs and LDCs in the Bank's voting rights has remained unfulfilled.⁷

⁵ Amon J. Njsekela, "The World Bank and the New International Economic Order", Development Dialogue (Uppsala), 1: 1977, p.83.

⁶ Ibid., p.82.

⁷ Only recently there has been slight redistribution of voting rights. Oil producing developing countries' voting power has increased from 5.06% to 9.22%. But the OECD countries continue to hold the large share of 61.3% of votes including one-fifth of voting rights of the US. The developing countries have only 29.4% of votes. Thus the developed countries have continued to have automatic ruling majority in deciding whom to lend, on what terms and for what purpose. The Guardian (London), 18 June 1976.

If the Bank has shown signs of some marginal changes in its functioning the Fund has done much less despite the two formal amendments to its Articles of Agreement. Major items in the agenda of international monetary reform needed for the establishment of the NIEO -- demands for greater access of LDCs to the international liquidity created by the Fund; linking the allocation of SDRs to development assistance; pivotal role of SDR as the principal reserve asset in the international payment arrangement and greater voting share of the Third World countries -- have not made significant headway. The much-talked about Second Amendment did not even remotely match the expectations of the Third World.⁸ In the "flexible exchange rate" regime the fluctuations in the value of currency, coupled with deteriorating terms of trade, has further increased the risks of economic instability in the LDCs. One of the most important demands of the LDCs -- allocation of SDRs should be linked to development assistance -- has, for all practical purposes, been dropped from Fund's reform agenda. Special loan windows such as "oil facility", "New IMF Facility", "Trust Fund", etc. have been marginal rather than substantive gains to the Third World. With only meagre benefits accruing to the LDCs from the Fund the "firm surveillance"

⁸ For the details of the Amendment, see Keasing's Contemporary Archives, 10 November 1978, pp. 29295-29300. Also see Joseph Gold, "The Second Amendment of the Fund's Articles of Agreement: A General View I", Finance and Development (Washington, D.C.), vol. 15, no. 1, March 1978, pp. 10-13.

clause - sanctioned under the Second Amendment - has provided it with a convenient instrument to intervene in the domestic economic policy of the poor nations. On the other hand, the IMF has failed to tame the recalcitrant rich nations and has shown only benign indifference to their restrictive trade policies.⁹ Still more inequitable phenomenon is that, despite the doubling of voting rights of the OPEC countries, there has been no suitable redistribution of quotas or votes so as to reduce the dominance of the DCs in the decision-making mechanism of the Fund.¹⁰ Thus in the creation or allocation of new international reserves, in fact, in all important matters of international monetary arrangements, the DCs continue to hold effective veto.¹¹ All these have given credence to the accusation that the IMF is increasingly becoming

⁹ In the recent Fund/Bank meet a diplomat from the Third Worldly very aptly commented: "If big countries resist the fund disappears". International Herald Tribune (Paris), 29 November 1978.

¹⁰ With the doubling of OPEC's votes from 5% to 10% of the total, the total votes of the LDCs have increased to 83% to give them at least theoretical veto power over most of the operational decisions requiring a 70% majority. But industrial countries, particularly the US, continue to enjoy greater blocking power on politically weighted decisions that require support of 85% of the total voting power. Haskar P. Menon, Global Dialogue: The New International Economic Order (New York, 1977), p. 69.

¹¹ In the 1978 Fund Bank Meeting the creation of 4 billion SDRs annually for the next three years, despite the resistance of some Western countries, was highly acclaimed; but the cost of this increase has been that there has been no talk on the change of power structure in the Fund. Indian Express (Bombay), 30 September 1978.

"the economic gendarme of rich capitalist countries".¹²

What has been briefly surveyed above regarding the developments in the IMF and World Bank tend to prove that, though "mouthful" phrases sympathising with the cause of the poor have been poured time and again by their chief executives, there has been no appreciable change in these structure and the motivations of those who control these institutions in the direction of establishing the NIEO.

Restructuring the UN:

The United Nations on the other hand, has, of late, been subjected to numerous reform, reorganisation, and restructuring exercises. Both developed and developing countries, of course with different, often contradictory, reasons, have been showing great interest in such exercises. The World Organization, as has been pointed out earlier, was neither designed nor has developed into an effective structure to meet the demands of Third World's economic development. Despite enormous efforts in terms of deployment of money and man-power and burgeoning institutional network its role to help accelerate the development process in LDCs has been minimal.

¹² National Herald (New Delhi), 25 August 1978.

However in the absence of any other suitable forum, the Third World countries have assiduously focussed their efforts in making the UN the vanguard of their struggle for a "New Deal". But the intrusion of this new dynamics of development into an essentially status quo oriented framework has demanded radical changes in its structure, procedure, and functions. Indeed the UN structure has been frequently modified and new institutions have proliferated rapidly over the years. Often these changes have been described as "major revolution in the concept of the role of the UN organization in a dynamic world of rapid economic and social changes".¹³ But in reality the changes have seemed to be either inadequate or painfully slow to convert the steering declarations of the UN into practical reality. More basic changes in the UN structure, as such, have come to be seen as crucial to the realisation of the NIEO.

The Programme of Action, as insisted by the Group of 77, called for the "strengthening the role of the UN system in the field of international economic co-operation".¹⁴

¹³ Robert G. A. Jackson, A Study of the Capacity of the United Nations Development System, DP/5 (Geneva: United Nations), II, p. 6.

¹⁴ GA Resolution 3202 (S-VI), 1 May 1974, Part IX.

In accordance with the Assembly decision,¹⁵ the Secretary-General appointed a Group of 25 experts to recommend the restructuring of the UN system,¹⁶ so as to make it "fully capable of dealing with international economic co-operations in a comprehensive manner" and "a more effective instrument for the establishment of a new, more rational and just international economic order".¹⁷ The publication of the report was highly acclaimed. The UN Secretary-General even described the achievements of the Group as "historic moment in the life of the United Nations".¹⁸ The group in its report identified the structural deficiencies in the UN machinery and made wide-ranging suggestions for reorganization, modification, and adoption of the UN system without requiring any formal amendment to the Charter. The recommendations included, inter alia, (a) changes in the central structures for global policy-making, planning and programming, and operational activities: the General Assembly, the ECOSOC, the Secretariat and different regional frameworks, and, (b) changes in structures of sectoral activities: trade (GATT); Monetary reforms (IMF); development-finance (World Bank, DAC);

¹⁵ Res. 3343 (XXIX), 17 December 1974.

¹⁶ For the report of the Group, see A New United Nations Structure for Global Economic Co-operation (United Nations : New York, 1975), UN Doc. E/AC.62/9, May 1975. Hereinafter cited as E/AC.62/9.

¹⁷ Ibid., p.4.

¹⁸ New York Times, 21 May 1975.

Food and agriculture; and industrialisation. With respect to the UN the Group's important recommendations included:

(i) The General Assembly and the ECOSOC should be strengthened, thereby the former would act to establish overall policy strategies and decide upon negotiations carried out under the ECOSOC. The Council should be capable to provide central organ for policy formulation and implementation of global economic and social matters. Most of its commissions and sub-ordinate bodies should be abolished. More prominent role should be played by small negotiating groups of countries with special interest in particular issues which would forge areas of consensus for action. Proposed "solutions" would then be submitted to the plenary of the Council and Assembly, thus avoiding "voting showdowns" in the Assembly or passage of resolutions by "majority that might be ineffective.

(ii) An office of Director General for Development and International Economic Co-operation should be created. He would hold position second in rank only to the Secretary-General; provide high level, full time, and permanent leadership to UN's economic and social functions; and co-ordinate all important initiatives taken for global economic cooperation. The Director General would also chair an Inter-Agency Committee on Economic Co-operation composed of

the Director of IMF, President of World Bank, heads of UNCTAD, UNCTAD, several specialised agencies, and regional economic commissions. Within the DG's office would be established a Joint Research, Planning, and Programming Unit to serve as a centre for global policy analysis and assessment of individual organizations.

(iii) All funds for technical assistance and pre-investment activities (except UNICEF) should be consolidated within a single UN Development Authority. The Development Authority would be governed by an Operations Board which would report to the ECOSOC.

(iv) The Department of Economic Social Affairs of the UN Secretariat should be reorganized and placed under a Deputy Director General for Research and Policy. The Department would do high level research, planning, and analysis for the ECOSOC and rest of the UN system.

However, in the Seventh Special Session of the Assembly there was virtually no serious deliberation on the follow-up of these recommendations. The Assembly only decided to establish an Ad Hoc Committee on Restructuring the Economic and Social Sectors of the UN system composed of the whole membership to prepare detailed "action proposals" so as to make the system "more fully capable of dealing with the problems of international economic co-operation and development in a

comprehensive and effective manner ... and to make it more responsive to the requirements of the provisions of the Declaration and the Programme of Action on the Establishment of a New International Economic Order as well as the Charter of Economic Rights and Duties of the States".¹⁹ The Ad Hoc Committee was advised to take into account, among other things, the recommendations of the Group of 25. After two years of bitter controversies and arduous deliberations among member-states the Committee submitted its Report to the 32nd session of the General Assembly.²⁰

The Ad Hoc Committee's Report -- definitely less far-reaching in its scope than that of the Group of 25 -- made recommendations as to (a) increase in the effectiveness of the General Assembly as the supreme organ of the UN system in economic and social fields; (b) greater authority of the ECOSOC as the central forum for discussions on international economic and social issues, co-ordination of all global activities in those fields, and effective evaluation and monitoring of overall strategies, policies, and priorities set up by the Assembly; (c) reorganization of other

¹⁹ Res. 3362 (S-VII), para VII.

²⁰ See GAOR, 32 session, Supplement No. 34 (A/32/34) and Suppl. No. 34A (A/32/34/Add.1). For the summary of the Ad Hoc Committee's conclusions and recommendations see UN Monthly Chronicle, January 1978, pp. 55-56.

UN forums for negotiations including the UNCTAD, Specialized Agencies, ad hoc world conferences and structures of regional and international economic co-operation; (d) revamping of the operational activities of different special-purpose institutions of the UN; and (e) effective Inter-Agency Co-ordination and Secretarial support-service. In the same session Assembly endorsed these recommendations of the Ad Hoc Committee.²¹

But the recommendations of the Committee, though arrived after numerous ~~of~~ compromise among member states, had not been without controversies. When the Ad Hoc Committee's Final Report was submitted several delegations issued statements in order to clarify their understanding and reservations concerning the specific proposals. Belgium, speaking on behalf of the EEC countries, stated that "it would not be correct to say that the text corresponds to the views of the EEC member-states, who continue to hope for a fundamental and dynamic restructuring... particularly with regard to operational activities and to those area which fall within the competence of the ECOSOC."^{21a} The US stated that it accepted the recommendations with the understanding that the Assembly's role would be "neither to negotiate

²¹Resolution A/32/197, 20 December 1977.

^{21a} Supplement no. 34 (A/32/34), p.40

precise agreements nor place restraints on negotiations in other forums", as it would be tantamount to violation of the Charter mandate and its policy making would only mean "establishing general guidelines of a recommendatory nature".²² Jamaica, speaking on behalf of the Group of 77 reaffirmed that the General Assembly should be the permanent body for policy making and harmonizing actions within international economic affairs, stressing that it had the authority to assign negotiations on these matters to other forums as well as to negotiate them itself. With reference to the ECOSOC, the Group of 77 representative noted that the Group's acceptance of the Committee's Report was contingent upon increasing the membership of the Council. He also emphasized the crucial importance of a strong UNCTAD in international economic negotiations.²³ He also expressed the dissatisfaction of the Group of 77 nations on the insistence of Group B (Western) countries and Group (D) (Socialist) countries to concentrate only on the UN proper in the Ad Hoc Committee exercises and, as such, viewed the reference to "system" in its Report unjustified.²⁴ India, as a leading member of the Third World, expressed deep concern at the fact that the "recommendations of the Committee are

²² Ibid., p.49.

²³ Ibid., p.42f. ~~404~~

²⁴ Ibid., p.44. It may be added here that the Socialist countries' perspective also differed substantially from that of the Group of 77 on the ground that reform should not entail out budgetary increases nor any revision of the UN Charter.

unrelated to the original context in which restructuring was conceived, namely the establishment of the new international economic order".²⁵

In essence, the recommendations of the Ad Hoc Committee were much narrower in scope and less far-reaching in impact than the Report of the Group of 25. Being the products of bitter controversies and intricate compromises they were not up to the satisfaction of either DCs or LDCs.

The Group of 25 had recommended a "process of institutional restructuring which could be initiated immediately after the Seventh Special Session".²⁶ In fact, certain changes, some on the basis of the Group of 25's Report and the Ad Hoc Committee's recommendations, have already been set in motion.

In December 1977 the Assembly, while endorsing the conclusions of the Ad Hoc Committee, approved the report of the Secretariat with respect to the establishment of four new organizational units.²⁷ They are:

- (i) Department of Economic Co-operation and Development;
- (ii) Department of Technical Co-operation and Development;

²⁵ Ibid., p. 47.

²⁶ E/AC.62/9, n. 16, p. 7.

²⁷ GA Resolution A/32/197, 20 December 1977.

- (iii) A new unit to be established by the redeployment of the current staff forming ECOSOC secretariat and a portion of the staff in the office of Inter-Agency Affairs and Co-ordination; and
- (iv) Office of the Director-General of Development and International Economic Co-operation.

✓ In March 1978 the Director-General was appointed.²⁸ But the scope of authority and the precise nature of responsibilities of his office remains to be defined. Necessary reorganization in the UN system required to give him the central role in international developmental activities has not made much headway. UN Secretariat, of course, is in the process of restructuring on above lines.²⁹ But in respect of more crucial issues like increasing the effectiveness of the General Assembly and its relationship with a reorganized ECOSOC, nothing worthwhile has happened so far.

Other Institutional Reform Efforts:

Some other important institutional developments may be briefly described here. The ECOSOC has set up a Commission

²⁸ UN Monthly Chronicle, April 1978.

²⁹ Three secretariat units - Department of International Economic Co-operation and Social Affairs; Department of Technical Co-operation for Development (TCD); and Office of Secretariat Service, Economic and Social matters, have been established since April 1978. UN Weekly News Letter, April 1978.

on TNCs for studies and research as to the adoption of a Code of Conduct, establishment of a comprehensive information system and a programme of technical co-operation. The Commission on its first meeting in March 1975 established a centre (UN Information and Research Centre) on TNCs directly attached to the office of Secretary-General to collect useful information on the activities of the TNCs.³⁰ An Inter-Governmental Working Group of the Commission has been involved in the preparation of a code of conduct; but differences between DCs and LDCs, mainly on the binding nature of the code, have stalled substantive progress in this direction. Proposals like "industrial and technological information bank" and "centres for technological information" in the regional and sub-regional levels are also under active consideration in the UN. If they materialize they would, indeed, contribute to increase LDCs' capabilities of negotiations, particularly in matters of deployment of industry, technology transfer, licensing and foreign investment. But more ambitious scheme like an International Authority on TNCs³¹ does not seem to have any prospect of being realized.

- The UNDP was "created and developed as the principal source of multilateral technical co-operation simply because

³⁰ For a brief description of UN involvement in helping member-states to regulate, supervise, and control the TNCs see, Bhaskar P. Menon, Global Dialogue: The New International Economic Order (London, 1977), pp. 39-43.

³¹ Jan Tinbergen, et al., n.2, p.159.

the industrialized countries found in this an effective counter to the oft-repeated demand of the Third World for the creation of a capital development fund within the United Nations.³² But, of late, certain changes have taken place in its operational activities. While still retaining its original pre-investment character, it has developed some innovative avenues of helping the LDCs, for instance, the programme of "New Dimensions" since 1975; work in the field of Technical Co-operation among Developing countries (TCDC); workshops in different countries to help the governments negotiate more effectively with the TNCs; research support to equip them for successful negotiation in the on-going commodity conferences and Multilateral Trade Negotiations (MTN). But, so far the linkage between UNDP's technical co-operation and capital assistance has not taken place; as a result the scarcity of resources has created serious difficulties in making these programmes really viable and helpful to the LDCs. Another aspect of institutional reform in the UNDP and other similar international institutions which, of late, has led to controversy is the mechanism of decision-making in these bodies. Although in all key institutions one-country-one-vote

³² Muchkund Dubey, "The Future of the United Nations Development Programme", Development Dialogue, 1:1977, p.98.

principle prevails, the seats are so arranged that they ensure a much larger representation for the major contributors, usually the industrialized countries. In the UNDP governing Council, for instance, 17 out of 48 seats are allotted to the major contributors. A recent attempt, at the Buenos Aires Conference on Technical Co-operation, to expand its governing council to include all the 150 members of the UN did not succeed under the pressure of the rich nations who threatened to reduce or suspend contributions.³³

In the field of food and agriculture, at least, since the World Food Conference (Rome, November 1974), there has been some remarkable institutional innovations. After the establishment of the World Food Council -- which reviews and recommends actions on food policies by UN system of organizations -- the International Fund for Agricultural Development (IFAD) has also come into operation. Its main purpose is to provide near interest-free or low-interest loans to LDCs for the improvement of their agriculture.³⁴ Its establishment has been hailed by the UN Secretary-General as the "significant increase to the international

³³ Hindustan Times (New Delhi), 6 September 1978.

³⁴ For the organization and operational activities of the IFAD, see UN Monthly Chronicle, May 1977, p. 32.

resources committed to expanding food production in developing countries" and "integral to the efforts now underway to build a new international economic order, and it demonstrates that with necessary political will, the elements of a new order can be designed, negotiated, and put into place".³⁵ The Fund will, no doubt, provide valuable and much-needed resources but being organizationally separate, not only from the UN and the FAO but also from the UNDP and World Food Programme (WFP), it may constitute a fresh source of confusion and duplication.³⁶ Further, at least, the short-term picture in the food and agriculture field is not so optimistic as the negotiations on the new international grains agreement and a new food aid convention have been deadlocked mainly due to differences among the DCs on the basis of different economic considerations.³⁷

With respect to industrialization in the LDCs the policy recommendations of the Sixth Special Session on the NIEO and the Lima Declaration have been vigorously pursued by the Third World countries. Strengthening the existing

³⁵ CPI/CEST Features ESA/178, 14 February 1977.

³⁶ Martin Hill, The United Nations System: Coordinating its Economic and Social Works (UNITAR Study), (Cambridge, 1978), p.160.

³⁷ UN Weekly News Letter, 10 November 1978. However, an agreement to establish an internationally coordinated nationally held food stocks is being haggled over. International Herald Tribune, 20 July 1978.

machinery of the UNIDO so as to make it an effective international instrument for industrialization and redeployment of industries in the LDCs has been subject of series of negotiations.³⁸ Due to reservations of the DCs, as has been described in the previous chapter, elevation of the UNIDO's status to a specialized Agency is yet to be finalized. Possibly these snags would be removed soon and it would become a specialized agency in near future. Meanwhile, an Industrial Development Fund (IFD) has been established to aggregate all the resources from different sources and expand the resources for the better financing of UNIDO projects. Other internal modifications in the structure of the UNIDO are also underway to enable it to coordinate all activities of UN system in the field of industrialization.³⁹

Institutional Changes : An Assessment:

The efforts and achievements in the field of institutional changes, as outlined above, may possible lead to over-optimism about a world in transition towards the NIEO. These changes may be interpreted as the manifestations of DC's sincere commitment to create new

³⁸ The UNIDO was established in 1966 despite strong opposition from DCs; but it could not develop into a very effective organization due to their indifferent attitude. For its resources the UNIDO had to rely mainly on the UNDP.

³⁹ See Bhaskar P. Menon, n. 30, p. 81.

- economic order. But here certain basic questions need to be posed before forming any final opinion. Four such interrelated questions are:

- (i) whether these institutional changes are in the nature of "tinkerings" or "qualitative transformation" of the post-war international economic structure? ✓
- (ii) what is the raison d'être of the DCs' moves in establishing new institutions, mostly outside the UN system, and, at the same time, pressurising the UN to reorganize its existing structure and restrict its institutional proliferation? ✓
- (iii) how far the DCs have come to accept the centrality of the UN in the on-going negotiations on different international economic issues?; and
- (iv) finally, how far such institutional changes compensate the lack of political will on the part of the DCs to forge a new order?

- The institutional changes that have been catalogued above are in the nature of partial, peripheral, and haphazard changes in the post-war institutional framework. Such "tinkerings" without the elimination of biases and asymmetries in the linchpins of the prevalent economic order -- IMF, IBRD and GATT etc. -- cannot contribute to the NIEO in any productive manner. The wave of institution building of the recent past, often inspired and initiated by the DCs, begs

the question and papers over the reality of lack of their commitment to the redistribution of economic power and resources in the world.

In his address to the Seventh Special Session and the UNCTAD-IV, the American Secretary of State Henry Kissinger eloquently pleaded for a number of special purpose institutions such as "International Energy Institute", "International Centre for the exchange of technological information", "International Resources Bank" and so on. But beneath behind all these apparently well-intentioned proposals there remained a lurking apprehension that these were only exercises in tactical one-up-manship. In most of these moves the underlying motivations of the DCs have been "to project their own scheme of priorities on the international scene and to avoid agreement on substantive issues."⁴⁰ For example, one may take Kissinger's plan for a World Resources Bank as unveiled in the UNCTAD-IV. In his proposal he omitted any reference to reorganization of the IBRD, instead stressed his intention to increase the finance to the IFC in keeping with the American interest in the flow of private sector funds to LDCs.⁴¹ Such a move for creating a new institution without the willingness to

⁴⁰ Dubey, n. 32, p. 89

⁴¹ The Guardian, 18 June 1976. Also see "U. S. to Push at Manila Meeting for a World Resources Bank", International Herald Tribune, 1 October 1976.

revitalize the inadequate resource base of existing structures like the IBRD and IDA or reviving the inoperative UNCDF only proves the vested interest and diversionary motive of the US in presenting the Plan for a World Resources Bank. Furthermore, the industrialized countries' overzealous concern for creating special institutions to mitigate the problems of least developed among developing countries (LDCs), or what has been systematically propagated as the "Fourth World", has come to be seen as convenient tactical device to divide the Third World. Such spurious sympathy for the LDCs can be illustrated by the unceremonious abandonment of the United Nations Special Fund. It was set up in 1974 to aid the most seriously affected countries (MASCs) of the world; but due to lack of contributions from the rich nations it was to be wound up.⁴² Moreover, new institutions with tenuous links with the UN -- which the DCs have come to consider as transformed into a "Third World Congress",⁴³ -- can only weaken the efficiency and economic viability of the existing machinery without tangible benefits accruing to LDCs.

In the Seventh Special Session Kissinger exhorted the member-states that the year 1976 be "dedicated as a year of review and reforms of the entire United Nations development system".⁴⁴ But past experience shows that such attempts of

⁴² Times of India, 24 April 1978

⁴³ This view was stated by a Western diplomat in the UN. Quoted by Larry Fabian, "Towards a Peacekeeping Renaissance", International Organization, vol. 30, no. 1, Winter 1976, p. 157.

⁴⁴ A/PV.2327, 1 September 1975.

holding out administrative reorganization and restructuring in the UN as the most effective means for international economic co-operation have been mostly designed to delay decisions on and divert attention from the substantive issues. There is, no doubt, always scope for improving and increasing the efficiency in the rapidly growing structures of present day international organizations. But the fact remains, no amount of "review and reforms" can guarantee that DCs would accept UN's centrality in the negotiations on international economic affairs or rechannel their resources from the bilateral and limited multilateral arrangements to the proposed reorganized and revitalized UN. Further, the creation of top-level, high salaried positions, such as the Director-General of Development and International Economic Co-operation, cannot enhance or ensure the priority of UN in the scale of preferences of the DCs' in their international economic relationships. The preferences of major industrial countries for the dialogue, negotiation or decision-making on substantive issues of the NIEO have been clearly in favour of limited membership organizations (e.g. OECD), conferences (e.g. CIEC), and economic summits⁴⁵ among the leaders of Western countries, particularly when they

⁴⁵ See, Sudhir Sen, "Economic Summitry Ineffective III: The ^{Third} World Ignored", Times of India (Bombay) 15 September 1978.

are outside the UN on the grounds of effectiveness and efficiency.⁴⁶ However, the myth that small negotiating group of selected DCs and LDCs, especially out of UN interference has been exploded with the failure of the CIEC. The most important lesson of the CIEC has been that it is not so much a suitable forum but right kind of attitude of the industrialized countries that is more relevant for success of negotiations. In fact, as one perceptive U.S. official has stated, "even most moribund and duplicative UN body could be revitalized and made an effective forum once the DCs would use it to come forward with attractive policy initiatives".⁴⁷ But the DCs have deliberately chosen such forums where they can cajole and confuse the LDCs. The protracted procedural battle over the

⁴⁶ ~~Martin Hill~~ On this Martin Hill has quite pertinently commented: "The danger is too great of the UN being bypassed and rendered ineffective. No one can ignore the significance of the rapidly growing importance of OECD, the tendency of the EEC to take independent action (e.g., Lome Convention), and the fact that consultations and negotiations on how to implement some of the most important agreements reached at General Assembly's Seventh Special Session are being pursued, not through the UN, where a majority vote still has some moral weight, but through an ad hoc mechanism organized by the Government of France". Hill, n. 36, p.100.

⁴⁷ Ronald I. Meltzer, "Restructuring the UN System: institutional reform efforts in the context of North-South relations", International Organization, vol. 32, no. 4, Autumn 1978, p.1013.

mandate of the Assembly's new Committee of the Whole on economic issues is a clear pointer to such a tendency of bypassing the UN⁴⁸ and adopting delaying tactics. The frustrating events in the committee, as a Third World representative commented in the Assembly debate during the 33rd session, were the "reflection of an attitude that is evident everywhere else -- an attitude of evasiveness and shilly-shallying, which, regrettably, is only too familiar to the developing countries, which have been struggling against it for decades".⁴⁹

All these bring to the fore the final point: the institutional reforms in the UN, however, well-intended to spur the movement towards the NIEO, are less crucial than the right attitude and appropriate response on the part of the major industrialized countries. This flows from the fact that there exists a vital linkage between the reorganization of the UN and the disposition of substantive North-South issues relating to the NIEO which has become a

⁴⁸ The Assembly in its 32nd session decided to establish a Committee of the Whole, which would assist it till the 1980 Special Session by acting as the focal point for negotiation on different aspects, resolution of outstanding issues, and monitoring the implementation of decisions and agreements relating to the establishment of the NIEO. (GA Res. A/32/174, 19 September 1977). The Committee reported to the 33rd session about the persistent disagreement between the DCs and LDCs on what should constitute the twin pillars of the dialogue - namely, the right of the committee to negotiate and its right to adopt policies. See A/33/PV.35, 16 October 1978.

⁴⁹ Mahmoud Mestiri (Tunisia), A/33/PV.35, 16 October 1978.

a central concern of the structure and operations of the UN system. As a matter of fact successful enactment of UN restructuring remains tied to the pace and direction of North-South economic negotiations. But, as the spokesman of Group of 77 noted during the discussion on the Ad Hoc Committee's Final Report, "it would be foolish to pretend that progress in the latter exercises (i. e. NIEO-related negotiations) has equalled that made on the United Nations restructuring front...."⁵⁰ Another Third World statesman has echoed the similar view in the 30th session of the General Assembly when he emphasized that there is "little advantage in building an elaborate new structure if there is nothing of substance to put into it".⁵¹ The Secretary-General in his Report to the 33rd session of the General Assembly also candidly stressed that restructuring is

simply a device, albeit a crucial one, to facilitate at the institutional level the general movement towards the establishment of a new international economic order. It is no substitute for political will which is ultimately only guarantee of substantive results rather than merely procedural or mechanistic ones. ⁵²

⁵⁰ Supplement No. 34, no. 20, p. 42.

⁵¹ Hamilton Amersinghe (Sri Lanka), A/PV.2380, 8 October 1975.

⁵² UN Monthly Chronicle, October 1978, p. 66.

In essence, without radical changes in the core structures of the international economic relations, such as IMF, IBRD, GATT, etc., enhanced priority being given to the existing UN set-up in the on-going North-South dialogue, and, above all, willingness of the DCs to adopt measures beyond those that "are still in the nature of tinkering with the present economic order and hesitant ad hoc concessions",⁵³ all talk about restructuring and reorganizing the UN system would be both pretentious and premature in the context of establishing the NIEO.

⁵³ Indian Foreign Minister, A. B. Vajpayee's address to the 33rd General Assembly, A/33/PV.29, 10 October 1978.

CHAPTER V

TOWARDS THE NEW INTERNATIONAL ECONOMIC ORDER?

RETROSPECT AND PROSPECT

Chapter V

TOWARDS THE NEW INTERNATIONAL ECONOMIC ORDER?
RETROSPECT AND PROSPECT

In the preceding chapters the description and analysis of the post-war international economic relations have highlighted the variety of biases and asymmetries that have been working to the detriment of Third World's pursuit of economic development. It has also been revealing how the LDCs increasingly became conscious of the reality of the existing economic order in which, as the Declaration on the NIEO has proclaimed,

the benefits of technological progress are not shared equitably by all members of the international community. The developing countries which constitute 70 per cent of the world's population account for only 30 per cent of the world income. It has proved impossible to achieve an even and balanced development of the international community under the existing international order. ¹

They have, therefore, persistently demanded structural changes in the prevalent system. But all their efforts, which for obvious reasons were made within the framework of the UN, to create a genuine mechanism for international economic cooperation germane to their needs of economic advancement yielded no meaningful results.

¹ GA Resolution 3201 (S-VI), 1 May 1974.

The key factor in the failure of all such attempts has been the callous indifference or evasive attitude of the major industrial powers of the North. The DCs have never seriously addressed themselves to the issues related to the reshaping of the existing economic order. Being the principal beneficiaries of the existing set-up, they have sought to legitimize it by vigorously propagating the thesis that the existing economic system has proved its worth in the post-war years by serving the world enormously well. It has been instrumental, they have asserted, in the unprecedented growth of world economy after World War II because of: (i) open and expanding trade; (ii) free movement of investment, capital and technology; (iii) readily available supplies of raw-materials; and (iv) institutions and practices of international cooperation.² Thus, despite Third World's incessant pleas that the unjust and inequitable existing order ought to be radically restructured, the Western market economy countries, particularly the U. S., continued to argue, to quote U. S. Secretary of State Henry Kissinger, that "the present international economic system has served the world well" and as such, "future prosperity in the United States and through^{out} the globe depend

² United Nations, the Seventh Special Session of the General Assembly, Issues and Background (New York, 1975), p.15.

on its continued ^{good} performance".³ Consequently, as noted earlier, they have sought to placate all the demands of LDCs for changes in the prevailing order and promote their vested interest through its continued existence by preaching such facile theories ~~as~~^{of} 'inter-dependence', 'stages of growth', 'trickle-down' and the like.⁴ Often, to assuage the heightened sense of resentment of the poor nations, they have provided palliatives such as Special Fund, IDA, GSP, SDR, etc.. But the LDCs' increasing understanding of the reality of DCs' "deceptive" techniques and the necessity of collective bargaining to counter-act them led to a more sharply defined North-South cleavage in the late 60s and early 70s.

The world economic crises of 1970s accentuated the confrontation between DCs and LDCs which reached

³ Address to Kansas City International Relations Council, 13 May 1975, U.S. Department of State Bulletin, LXXII, 2 June 1975, p. 718.

⁴ Their motive behind the propagation of such theories was not only to avert any radical changes in the existing system but also to contain and counter-act the influence of communism among the new nations. For example, the underlying idea of W. W. Rostow's familiar postulates about stages of growth for the underdeveloped societies was to dissuade them from adopting communist model of development, thereby becoming allies of West's Cold War adversary. This was evidently clear from the provocative subtitle of Rostow's book: Stages of Economic Growth: A Non-communist Manifesto (London: Cambridge University Press, 1960).

its climactic heights in the 6th Special Session and 29th Session of the UN General Assembly. In a vastly changed environment the Third World -- with its collective courage and confidence boosted by the OPEC action -- adopted more active and aggressive stance in its international economic relationships with the DCs than heretofore. The demand for, and subsequent adoption of, the Declaration and Programme of Action on the NIEO in the 6th Special Session, convened in the aftermath of the oil crisis, was perhaps the highest manifestation of a unified Third World's attempt to seek radical amendment of the old economic order so as to make it more consistent with the contemporary realignments in international politico-economic relations and create a restructured and reliable global framework for its economic development.

However the possibility, if there is any, of establishing the NIEO in the foreseeable future would surely call for the convergence of several important factors. Most significant of all is the necessary political will of the hitherto indifferent DCs to whom most of the NIEO-based demands are addressed. But, as the analyses presented in the preceding chapters suggest, there has been no appreciable shift in the attitudes of most of the developed countries to accept the proposed changes in the direction of the NIEO.

The U. S., the other major West European countries, and Japan have declined to commit on the key issues of the NIEO. On some occasions, when resolutions in the Assembly have been passed by 'consensus' or 'without vote', the reservations, explanations, and clarifications following the adoption have amply demonstrated the unwillingness of the DCs to work towards the establishment of the new economic order.

- The analysis of voting patterns has revealed that while the U. S. has voted against on many resolutions in the General Assembly the other major Western powers have mostly abstained. The discrepancy in their voting behaviours, however, was only superficial. In essence, they meant that radical restructuring of the existing order was not acceptable to them. Further, their statements of policy positions both inside and outside the UN have amounted to reinforcement of the status quo with some minor changes here and there.⁵

- Thus, as has been pointed out in Chapter III, in spite of certain differences in the conduct of economic

⁵ This was manifestly evident from what the West German representative stated in the 7th Special Session: "Reform of the existing free-market system - this alone can be common denominator of our endeavours... For this order alone... makes possible world-wide partnership on the basis of equality". A/PV.2328, 2 September 1975. See Chapter III, pp.95-100.

diplomacy among the Western countries and the tendency of some smaller industrialised nations - such as the Nordic group - to deviate from the predominant pattern of Western nations' inter-actions with the LDCs, the attitude of the effective group among the Western developed countries has not undergone any marked change to enhance the probability of creating the NIEO. It should be added that the Socialist countries have also, for reasons elaborated earlier, continued to sidetrack the issues involving the NIEO under the convenient plea that Western nations should indemnify the LDCs for their colonial and neo-colonial exploitation. In sum, the response of the DCs - towards the specific goals of the NIEO as well as the idea of NIEO on the whole - has continued to be either evasive or hostile.

In so far as the institutional reform-attempts in the existing international framework are concerned the results, as analysed in Chapter IV, have been marginal and inconsequential. This is particularly so in regard to the major post-war institutional structures created to manage world trade, monetary arrangement, and development finance. On the other hand, efforts for new institution-building have often been inspired by the interested DCs to create a pretense of "genuine" concern for the problems of LDCs. These institutions, many of them without any effective linkage with the UN, have the potentiality of being used as instruments

of continued domination by the DCs. What is more significant is that these institutions are increasingly made use^{of} by the DCs to tamper with the existing unity among the LDCs. Another disturbing aspect is that, while the Western nations have frequently stressed on the restructuring of the UN, they have increasingly sought to by-pass it in their international dealings. Even the implementation of the reforms within the UN, as recommended by the Group of 25 and the Ad Hoc Committee have been either partial or peripheral. All these would only lead to erosion of whatever influence the World Organization may be having at present on the course of real progress towards the NIEO. Furthermore, in the context of continuing refusal of the major DCs to accede to the substantive demands of the NIEO, their overzealous emphasis on technocratic and efficiency-oriented solutions ~~of~~^{of} reorganizing the UN would be of very limited utility at the best and exercises in window-dressing at the worst.

The On-going Dialogue:

The gloomy picture emerging out of the above assessment is in no way brightened by the negotiations on various aspects of the NIEO in different world fora that have taken place after the 6th Special Session. In fact, the results of the "North-South Dialogue" -- the grandiose phrase which subsumes all the

on-going international economic discussions between the rich and the poor nations -- only reinforce the fact of DCs' resistance to the evolution of the NIEO. The "negotiation explosion" has, however, revealed that under the pressure of changed environment and in the face of collective determination of the Third World, there has been a marked change in the tactics of the DCs' in their interactions with the LDCs. The rich nations have now chosen the path of protracted negotiation in preference to open confrontation with the poor. Underlying this tactical change is the calculated design of the major DCs to delay the resolution of any core issue and, in the meantime, divide the united front of the Third World countries by resorting to extensive armoury of political, diplomatic, military and economic devices available to them. The long-drawn dialogues, therefore, have turned out to be subtle techniques in the hands of major DCs for the smoother management of the status quo.⁶ Consequently the protracted negotiations between the DCs and the LDCs have not resulted

⁶ This point is well-illustrated by an "insider", Daniel Patrick Moynihan, the US Permanent Representative to the UN (1975-76), in his recent book The Dangerous Place. He notes with candour that part of US diplomacy during the 7th Special Session of the Assembly was intended to divide the Third World countries and create a false notion among them that the United States was willing to accept many of their demands. He further narrates that his role at the UN was based on the guideline that, except on highest matters, the US "should concede in principles and then haggle on details"; further, that for shaping its policy towards the LDCs "form is more important than substance". Daniel Patrick Moynihan, A Dangerous Place (New Delhi, 1979), p.115. For his account of the hectic US preparations for the 7th Special Session on these lines, see pp.113-39.

in any substantive gains in the direction of the NIBO. Commenting on the achievements of the 'Global Dialogue' so far, the UN Secretary-General, Kurt Waldheim, aptly remarked in his Report to the Thirty Third Session of the General Assembly that "the results have been neither commensurate with the rate of activity nor, for that matter, the gravity of the issues involved".⁷

Few instances from recent developments would substantiate the above observation. The example of prolonged negotiations on the establishment of Common Fund may be cited at the first instance. Though the initial scheme of outlay of \$ 6 billion has been slashed down to mere \$ 500 million and the controversial 'indexation' idea has been abandoned for all practical purposes, still the Fund is no where in the sight.⁸ Besides, the talks on rubber -- which was expected to be the first new international commodity agreement in the scheme of Integrated Programme for Commodities (IPC) formulated by UNCTAD -- have ended without any consensus on a number of fundamental issues.⁹ The protracted GATT parleys on MTN since 1973 have failed to

⁷ UN Monthly Chronicle, October 1978, p. 65.

⁸ Even if an accord on this is reached in 1979, it would still mean that no international action to support the falling commodity prices could take place before 1980 because the long time it would take to set up the appropriate machinery. But by then, as per one estimate, the commodity prices would fall by 10% of the 1977 level. Times (London), 4 July 1978.

⁹ National Herald (New Delhi), 26 December 1978.

take Third World's legitimate claims of concession into account. On the contrary, the Tokyo Round talks, which focussed largely on the issues of trade liberalization among the DGs themselves, have done little to stem the protectionist tide sweeping the industrialized countries and consequently, a few trade concessions -- e.g., those granted under the GSP -- extended by the rich nations have been virtually nullified. Among the other "casualties" are the discussion on transfer of technology from North to South; Code of Conduct for the TNCs; international agreement on grains reserves, etc. Thus, the expectations from the North-South negotiations, that cost much in terms of money and time¹⁰, have yielded nothing so far except growing disillusionment of the LDCs. There is, in fact, an increasing danger that the painfully slow process of rich-poor dialogue without any concrete steps towards the evolution of the NIEO may lead to its total abandonment with all the dangerous consequences. An eminent Third World spokesman has even gone to the extent of commenting that the question now "is not whether the goal of the dialogue should be to achieve further heights of North-South cooperation, or even to translate into fact what has been decided" but "whether there is possibility that the dialogue can halt the erosion of

¹⁰ According to one estimate it costs around \$ 1,00,000 a day to hold commodity talks in Geneva. Ibid.

the common position already adopted".¹¹

Grim Prospects:

The obvious inference from all these is that there could be no decisive major movement in the direction of the NIEO. On the other hand, as one experienced Third World diplomat has commented, "the Old Order, although battered, is very much alive and kicking; of late, it has shown a degree of resilience".¹² When such a dismal conclusion is tied up with certain disquieting prognostications about rich-poor relationships in the world economy the picture becomes still more sombre. The World Development Report (1978) of the World Bank¹³, based on rather optimistic assumptions, has forecasted that it would be extremely difficult for the LDCs to expand their economies in coming decades than it has been in the past twenty-five years. Even to maintain the present rate of progress, the Report has pointed out, the poor nations need much larger (but hardly forthcoming) inflows of concessional foreign

¹¹ Driss Jazairy (Algeria). A/32/PV.35, 16 October 1978.

¹² K. R. Lall, "India and the New International Economic Order", Seminar Papers, Continuity and Change in Indian Foreign Policy (New Delhi: Jawaharlal Nehru University, 1978), Unpublished, mimeo, p.23.

¹³ For the summary of the Report, see Economic Times (New Delhi), 16 December 1978 and also The Hindu (Madras), 17 August 1978.

capital, while undertaking efforts to withstand the massive growth of protectionist barriers to their exports in the DCs.¹⁴ Such poor development prospect in the LDCs is buttressed by another UNCTAD study on "World Economic Outlook" which has pointed out that growth rate average of coming years in these countries would not be more than 4.8 per cent compared to 6 per cent target of the IDA.¹⁵ Again, in 1978-79, when protectionism is rampant, 25 per cent of exports of NODCs would be spent only for debt-servicing. From the perspective of removal of absolute poverty from LDCs, the scenario is still more ominous. As the World Development Report has projected, at the end of the century there would be still 600 million people in the Third World living in a state of absolute poverty. The most disconcerting consequence of the continuation of current trends would be that the disparities between the rich and the poor nations would reach a new height. If the present tendencies are any guide, then by 1985 the people in the richest countries -

¹⁴ A recent UNCTAD study, while highlighting the growing tendencies of protectionism in the world, has noted that if the OECD countries were completely to dismantle their trade barriers against manufactured goods of the LDCs, the latter would earn a further \$ 24 billion a year by 1985. Even a partial relaxation of non-tariff barriers could add \$ 6 billion a year to the export earnings of the LDCs. Times of India (New Delhi), 23 May 1978. But far from doing anything of this sort - although the countries themselves practising protectionism have not failed in denouncing it in different world forums - the Western countries have not even expanded the scope of the existing GSP. In fact, the existing "generalized tariff-cutting is being offset by the extension of provisions on import restrictions to enable restrictions to be introduced in a generalized manner", Indian Minister of State for External Affairs, Samarendra Kundra, Indian Express (Madras), 10 August 1978. Even the limited gains of the ACP group of LDCs under the Lome Convention is in jeopardy due to fundamentally divergent approach of the EEC in the renegotiation talks. Indian Express (New Delhi), 25 December 1978.

¹⁵ UN Weekly Newsletter, 14 July 1978.

now 3,000 per cent better off than people in the poorest - will be some 4,500 per cent ahead of the latter.¹⁶

The prognosis for the NIEO, thus, unmistakably seems to be gloomy. If the trends and tendencies noted above are anything to go by, the prospects of tangible progress towards creating the New Economic Order in the forthcoming crucial meetings under the UN auspices are most unlikely.

Hopeful Trends

Before concluding this study with such pessimistic note, certain emergent features in the international scene, that hold out the possibilities of clearing the roadblocks on the path of the NIEO, need to be highlighted here. The growing competitiveness among the Western industrial nations; the erosion of the old blocs led by the super-powers; and the realignment of economic and political power among the nations of the world have provided the Third World with far more negotiating options than that were available in the 50's and the 60's. The lessons of Vietnam war and rise of OPEC power have demonstrated the limits to power which can be exercised by the hitherto dominant nations. With the growing

¹⁶ S. S. Ramphal, "Self-Reliance : Third World's Role in New Economic Order", Foreign Affairs Reports (New Delhi), vol. XXVII, no. 1, January 1978, p. 1.

obsolescence of the old political/economic configuration in the international scene a new situation may emerge which may turn out to be a favourable terrain for the construction of a new order. Already there is increasing awareness, particularly in the West, of the approach which highlights the inter-dependencies revolving around the "space-ship earth's" life support system. Lester Brown puts it as:

the widening gap between the rich countries and the poor can no longer be viewed in economic terms alone. It must be viewed in the context of a shared eco-system and mutual dependence on earth's life support system. The focus must be on the creation of a world economic, social and political order in which the gap will narrow and the quality of life everywhere be raised to human levels. 17

- Further the present era of transition is clearly characterized by complexities of global problems of resources - scarcity, population growth, ecological disorder and armament-gallop that have made ^{it} imperative for the global interdependence to be organized on a different basis than that exists today.
 - The scope for qualitative changes in the prevalent pattern of interdependence has also increased enormously because at the present stage of world development the LDCs are no longer to be considered marginal to the vital interests of the DCs.
-

¹⁷ Lester R. Brown, World Without Borders (New Delhi), 1972, p. 57.

For instance the U. S. dependence on foreign trade¹⁸ and investment in the Third World provides increasing scope for manoeuvrability by the LDCs to forge a "genuine two-way" inter-dependence between the rich and the poor nations of the world, or, what Ali A. Mazuri calls as the "New Interdependence".¹⁹ An additional incentive for creating a new order is that even the advantages which the Western industrialized countries have hitherto enjoyed in the existing set-up are at stake. The developments of the last one decade such as double-digit inflation, rising unemployment and stagnant economies in the West are indicative of the fact that the dominant position of the DCs are not going to last either. A spate of studies by a number of scholars and statements by many statesmen of the West have under-scored the mutuality of interest between DCs and LDCs in the establishment of the NIEO and "mutual-gains bargain" or "non-zero sum games" underlying most of the current negotiations on world trades, food, oceans, TNCs etc.²⁰

¹⁸ According to one estimate, in 1975 the total US exports to NODCs was three times the exports to Japan and \$ 3 billion more than its exports to Europe. In fact, 2 million jobs in the US are dependent on Third World exports. International Herald Tribune, 19 June 1978.

¹⁹ See Ali A. Mazuri, "The New Interdependence", in Guy F. Erb and Valeriana Kallab, eds., Beyond Dependence: The Developing World Speaks Out (Overseas Development Council, 1975), pp. 38-54.

²⁰ See, for example, Jan Pronk "A New International Economic Order Is In the Interest of the Developed Countries Too", in Khadija Haq, ed., Equality of Opportunities within and among nations (New York, 1977), pp. 8-19.

All these have sought to stress that, despite short-term sacrifices, the long-term requirements of "broadly defined national interest" imply that most of the economic objectives of rich nations are not mutually conflicting with the goals of the NIEO. Added to this, there is also the realization that the economic advantage of rich nations in the present order is nothing but transient in view of contingent liability of retaliation by the LDCs, at the least, resulting in the disruption of the prevalent system. Alber Fishlow puts this as:

not least among the benefits arising from a cooperative international framework are the avoidance of non-economic costs inherent in a conflictual merchantilist order.... There must be wider consensus to avert consequences that potentially go well beyond smaller material global output. In a world in which modern weaponry and potential nuclear status abound, unresolved economic issues can spill over quite readily into military adventuresomeness.²¹

Outlook for the Future:

All these may prompt one to look to the future with some degree of hope. In fact, there is enough scope for qualified optimism if the whole series of events regarding the NIEO are viewed in a historical perspective. The present world engulfed in a massive disorder (particularly as evident

²¹ Albert Fishlow, "A New International Economic Order: What Kind?", in Albert Fishlow, et. al, Rich and Poor Nations in the World Economy (New York, 1978), p.48.

from the collapse of Bretton Woods System in 1971) is bound to move, albeit very slowly and in piecemeals, towards some kind of order or other. The shape of the new world order to come may not be the same as envisioned in the NIEO Declaration, but, nevertheless, vastly different from what exists today.

However, despite all these hopeful signs it is difficult to escape from the reality of gloomy prospects for the NIEO, at least in the near future. Because the elements of optimism outlined above would either take too long a time to prove decisive in the creation of the New Economic Order or their present impact is too minimal to provide any meaningful breakthroughs in the current impasse. The fact of the matter is that the DCs, particularly in view of their continuing advantages in the present order, however short-lived they might be, would not come forward to translate the growing awareness of the need for structural changes in the world economy and of the increasing interdependence of issues into positive responses on specific questions relating to the NIEO.

Thus, with reference to the main question raised in the beginning of the study regarding the prospects of establishing the NIEO, the assessment of the preceding chapters, in terms of both attitudinal and institutional changes, inevitably leads to the conclusion that:

With the possible exception of sudden shift in the attitudes of the major developed countries, due to some compelling interplay of international political and economic forces, decisive movements in the direction of achieving the goals of the NIEO are very unlikely, atleast in the foreseeable future.

APPENDIX I

General Assembly Resolution No. 3201 (S-VI)

Declaration on the Establishment of a New
International Economic Order

As recommended by Ad Hoc Committee of 6th Special
Session, A/AC.166/L.50, adopted without objection
on 1 May 1974, meeting 2222/

The General Assembly

Adopts the following Declaration:

DECLARATION OF THE ESTABLISHMENT OF A NEW INTERNATIONAL
ECONOMIC ORDER

We, the Members of the United Nations,

Having convened a special session of the General Assembly
to study for the first time the problems of raw materials and
development, devoted to the consideration of the most important
economic problems facing the world community.

Bearing in mind the spirit, purposes and principles of
the Charter of the United Nations to promote the economic
advancement and social progress of all peoples.

Solemnly proclaim our united determination to work
urgently for

THE ESTABLISHMENT OF A NEW INTERNATIONAL
ECONOMIC ORDER

based on equity, sovereign equality, interdependence, common
interest and co-operation among all States, irrespective of their
economic and social systems which shall correct inequalities and
redress existing injustices, make it possible to eliminate the
widening gap between the developed and the developing countries
and ensure steadily accelerating economic and social development
and peace and justice for present and future generation, and,
to that end, declare:

1. The greatest and most significant achievement during the last decades has been the independence from colonial and alien domination of a large number of peoples and nations which has enabled them to become members of the community of free peoples. Technological progress has also been made in all spheres of economic activities in the last three decades, thus providing a solid potential for improving the well-being of all peoples. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the peoples involved. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries, which constitute 70 % of the world's population, account for only 30% of the world's income. It has proved impossible to achieve an even and balanced development of the international community under the existing international order. The gap between the developed and the developing countries continues to widen in a system which has established at a time when most of the developing countries did not even exist as independent States and which perpetuates inequality.

2. The present international economic order is in direct conflict with current developments in international political and economic relations. Since 1970, the world economy has experienced a series of grave crises which have had severe repercussions, especially on the developing countries because of their generally

greater vulnerability to external economic impulses. The developing world has become a powerful factor that makes its influence felt in all fields of international activity. These irreversible changes in the relationship of forces in the world necessitate the active, full and equal participation of the developing countries in the formulation and application of all decisions that concern the international community.

3. All these changes have thrust into prominence the reality of interdependence of all the members of the world community. Current events have brought into sharp focus the realization that the interests of the developed countries and those of the developing countries can no longer be isolated from each other, that there is close interrelationship between the prosperity of the developed countries and the growth and development of the developing countries, and that the prosperity of the international community as a whole depends upon the prosperity of its constituent parts. International co-operation for development is the shared goal and common duty of all countries. Thus the political, economic and social well-being of present and future generations depends more than ever on co-operation between all members of the international community on the basis of sovereign equality and the removal of the disequilibrium that exists between them.

4. The new international economic order should be founded on full respect for the following principles:

(a) Sovereign equality of States, self-determination of all peoples inadmissibility of the acquisition of territories by force, territorial integrity and non-interference in the internal

affairs of other States;

(b) The broadest co-operation of all the States members of the international community, based on equity, whereby the prevailing disparities in the world may be banished and prosperity secured for all;

(c) Full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest of all countries, bearing in mind the necessity to ensure the accelerated development of all the developing countries, while devoting particular attention to the adoption of special measures in favour of the least developed, land-locked and island developing countries as well as those developing countries most seriously affected by economic crises and natural calamities, without losing sight of the interests of other developing countries;

(d) The right to every country to adopt the economic and social system that it deems to be the most appropriate for its own development and not to be subjected to discrimination of any kind as a result;

(e) Full permanent sovereignty of every State over its natural resources and all economic activities. In order to safeguard these resources, each State is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including the right to nationalization or transfer of ownership to its nationals, this right being an expression of the full permanent sovereignty of the

State. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right;

(f) The right of all States, territories and peoples under foreign occupation, alien and colonial domination or apartheid to restitution and full compensation for the exploitation and depletion of, and damages to, the natural resources and all other resources of those States, territories and peoples;

(g) Regulation and supervision of the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate on the basis of the full sovereignty of those countries;

(h) The right of the developing countries and the peoples of territories under colonial and racial domination and foreign occupation to achieve their liberation and to regain effective control over their natural resources and economic activities;

(i) The extending of assistance to developing countries, peoples and territories which are under colonial and alien domination, foreign occupation, racial discrimination or apartheid or are subjected to economic, political or any other type of coercive measures to obtain from them the subordination of the exercise of their sovereign rights and to secure from them advantages of any kind, and to neo-colonialism in all its forms, and which have established or are endeavouring to establish effective control over their natural resources and economic activities that have been or are still under foreign control;

(j) Just and equitable relationship between the prices of raw materials, primary products manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, manufactures, capital goods and equipment imported by them with the aim of bringing about sustained improvement in their unsatisfactory terms of trade and the expansion of the world economy;

(k) Extension of active assistance to developing countries by the whole international community, free of any political or military conditions;

(l) Ensuring that one of the main aims of the reformed international monetary system shall be the promotion of the development of the developing countries and the adequate flow of real resources to them;

(m) Improving the competitiveness of natural materials facing competition from synthetic substitutes;

(n) Preferential and non-reciprocal treatment for developing countries, wherever feasible, in all fields of international economic co-operation whenever possible;

(o) Securing favourable conditions for the transfer of financial resources to developing countries;

(p) Giving to the developing countries access to the achievements of modern science and technology, and promoting the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economies;

(q) The need for all States to put an end to the waste of natural resources, including food products;

(r) The need for developing countries to concentrate all their resources for the cause of development;

(s) The strengthening, through individual and collective actions, of mutual economic, trade, financial and co-operation among the developing countries, mainly on a preferential basis;

(t) Facilitating the role which producers' associations may play within the framework of international co-operation and, in pursuance of their aims, inter alia assisting in the promotion of sustained growth of world economy and accelerating the development of developing countries;

5. The unanimous adoption of the International Development Strategy for the Second United Nations Development Decade¹ was an important step in the promotion of international economic co-operation on a just and equitable basis. The accelerated implementation of obligations and commitments assumed by the international community within the framework of the Strategy, particularly those concerning imperative development needs of developing countries, would contribute significantly to the fulfilment of the aims and objectives of the present Declaration.

6. The United Nations as a universal organisation should be capable of dealing with problems of international economic co-operation in a comprehensive manner and ensuring equally the interests of

1. General Assembly resolution 2626 (XXV).

all countries. It must have an even greater role in the establishment of a new international economic order. The Charter of Economic Rights and Duties of States, for the preparation of which the present Declaration will provide an additional source of inspiration, will constitute a significant contribution in this respect. All the States Members of the United Nations are therefore called upon to exert maximum efforts with a view to securing the implementation of the present Declaration, which is one of the principal guarantees for the creation of better conditions for all peoples to reach a life worthy of human dignity.

7. The present Declaration on the Establishment of a New International Economic Order shall be one of the most important bases of economic relations between all peoples and all nations.

1957

APPENDIX II

General Assembly Resolution No. 3202 (S-VI)

**Programme of Action on the Establishment of the
 New International Economic Order**

**/as recommended by Ad Hoc Committee of 6th Special
 Session (A/AC.166/L.51, as orally amended by Rapporteur
 of Ad Hoc Committee), adopted without vote by Assembly
 on 1 May 1974, meeting 2229./**

The General Assembly

Adopts the following Programme of Actions:

**PROGRAMME OF ACTION ON THE ESTABLISHMENT OF A NEW
 INTERNATIONAL ECONOMIC ORDER**

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INTRODUCTION

1. In view of the continuing severe economic imbalance in the relations between developed and developing countries, and in the context of the constant and continuing aggravation of the imbalance of the economies of the developing countries and the consequent need for the mitigation of their current economic difficulties, urgent and effective measures need to be taken by the international community to assist the developing countries, while devoting particular attention to the least developed, land-locked and island developing countries and those developing countries most seriously affected by economic crises and natural calamities leading to serious retardation of development processes.

2. With a view to ensuring the application of the Declaration on the Establishment of a New International Economic Order,¹ it will be necessary to adopt and implement within a specified period a programme of action of unprecedented scope and to bring about maximum economic co-operation and understanding among all States, particularly between developed and developing countries, based on the principles of dignity and sovereign equality.

I. Fundamental Problems of Raw Materials and Primary Commodities as Related to Trade and Development.

1. Raw Materials

A ll efforts should be made:

1. General Assembly resolution 3201 (S-VI)

(a) To put an end to all forms of foreign occupation, racial discrimination, apartheid, colonial, neo-colonial and alien domination and exploitation through the exercise of permanent sovereignty over natural resources;

(b) To take measures for the recovery, exploitation, development, marketing and distribution of natural resources, particularly of developing countries to serve their national interests, to promote collective self-reliance among them and to strengthen mutually beneficial international economic co-operation with a view to bringing about the accelerated development of developing countries.

(c) To facilitate the functioning and to further the aims of producers' associations, including their joint marketing arrangements orderly commodity trading, improvement in export income of producing developing countries and in their terms of trade, and sustained growth of the world economy for the benefit of all;

(d) To evolve a just and equitable relationship between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, food, manufactured and semi-manufactured goods and capital equipment imported by them, and to work for a link between the prices of exports of developing countries and the prices of their imports from developed countries;

(e) To take measures to reverse the continued trend of

stagnation or decline in the real price of several commodities exported by developing countries, despite a general rise in commodity prices, resulting in a decline in the export earnings of these developing countries;

(f) To take measures to expand the markets for natural products in relation to synthetics, taking into account the interests of the developing countries, and to utilize fully the ecological advantages of these products;

(g) To take measures to promote the processing of raw materials in the producer developing countries.

2. Food

All efforts should be made:

(a) To take full account of specific problems, of developing countries, particularly in times of food shortages, in the international efforts connected with the food problem;

(b) To take into account that, owing to lack of means, some developing countries have vast potentialities of unexploited or underexploited land which, if reclaimed and put into practical use, would contribute considerably to the solution of the food crisis;

(c) By the international community to undertake concrete and speedy measures with a view to arresting desertification, salination and damage by locusts or any other similar phenomenon involving several developing countries, particularly in Africa, and gravely affecting the agricultural production capacity of these

countries, and also to assist the developing countries affected by this phenomenon to develop the affected zones with a view to contributing to the solution of their food problems;

(e) By developed countries, in evolving their policies relating to production, stocks, imports and exports of food, to take full account of the interests of:

(i) Developing importing countries which cannot afford high prices for their imports;

(ii) Developing exporting countries which need increased market opportunities for their exports.

(f) To ensure that developing countries can import the necessary quantity of food without undue strain on their foreign exchange resources and without unpredictable deterioration in their balance of payments, and, in this context, that special measures are taken in respect of the least developed, the land-locked and island developing countries as well as those developing countries most seriously affected by economic crises and natural calamities.

(g) To ensure that concrete measures to increase food production and storage facilities in developing countries are introduced, inter alia, by ensuring an increase in all available essential inputs, including fertilizers, from developed countries on favourable terms;

(h) To promote exports of food products of developing countries through just and equitable arrangements, inter alia, by the progressive elimination of such protective and other measures as constitute unfair competition.

3. General trade

All efforts should be made:

- (a) To take the following measures for the amelioration of terms of trade of developing countries and concrete steps to eliminate chronic trade deficits of developing countries;
- (i) Fulfilment of relevant commitments already undertaken in the United Nations Conference on Trade and Development and in the International Development Strategy for the Second United Nations Development Decade;²
 - (ii) Improved access to markets in developed countries through the progressive removal of tariff and non-tariff barriers and of restrictive business practices;
 - (iii) Expeditionous formulation of commodity agreements where appropriate, in order to regulate as necessary and to stabilize the world markets for raw materials and primary commodities;
 - (iv) Preparation of an over-all integrated programme, setting out guidelines and taking into account the current work in this field, for a comprehensive range of commodities of export interest to developing countries;
 - (v) Where products of developing countries compete with the domestic production in developed countries, each developed country should facilitate the expansion of imports from developing countries and provide a fair and reasonable opportunity to the developing countries to share in the growth of the market;
 - (vi) When the importing developed countries derive receipts from customs duties, taxes and other protective measures applied to imports of these products, consideration should be given to the claim of the developing countries that these receipts should be reimbursed in full to the exporting developing countries or devoted to providing additional resources to meet their development needs;
 - (vii) Developed countries should make appropriate adjustments in their economies so as to facilitate the expansion and diversification of imports from developing countries and thereby permit a rational, just and equitable international division of labour;

- (viii) Setting up general principles for pricing policy for exports of commodities of developing countries, with a view to rectifying and achieving satisfactory terms of trade for them;
 - (ix) Until satisfactory terms of trade are achieved for all developing countries, consideration should be given to alternative means, including improved compensatory financing schemes for meeting the development needs of the developing countries concerned;
 - (x) Implementation, improvement and enlargement of the generalized system of preferences for exports of agricultural primary commodities, manufactures and semi-manufacturers from developing to developed countries and consideration of its extension to commodities, including those which are processed or semi-processed; developing countries which are or will be sharing their existing tariff advantages in some developed countries as the result of the introduction and eventual enlargement of the generalized system of preferences should, as a matter of urgency, be granted new openings in the markets of other developed countries which should offer them export opportunities that at least compensate for the sharing of those advantages;
 - (xi) The setting up of buffer stocks within the framework of commodity arrangements and their financing by international financial institutions, wherever necessary, by the developed countries and, when they are able to do so, by the developing countries, with the aim of favouring the producer developing and consumer developing countries and of contributing the expansion of world trade as a whole;
 - (xii) In cases where natural materials can satisfy the requirements of the market, new investment for the expansion of the capacity to produce synthetic materials and substitutes should not be made.
- (b) To be guided by the principles of non-reciprocity and preferential treatment of developing countries in multilateral trade negotiations between developed and developing countries, and to seek sustained and additional benefits for the international trade of developing countries, so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and acceleration of the rate of their economic growth.

4. Transportation and Insurance

All efforts should be made:

(a) To promote an increasing and equitable participation of developing countries in the world shipping tonnage;

(b) To arrest and reduce the ever-increasing freight rates in order to reduce the cost of imports to, and exports from, the developing countries;

(c) To minimize the cost of insurance and reinsurance for developing countries and to assist the growth of domestic insurance and reinsurance markets in developing countries and the establishment to this end, where appropriate, of institutions in these countries or at the regional level;

(d) To ensure the early implementation of the code of conferences;

(e) To take urgent measures to increase the import and export capability of the least developed countries and to offset the disadvantages of the adverse geographic situation of land-locked countries, particularly with regard to their transportation and transit costs, as well as developing island countries in order to increase their trading ability;

(f) By the developed countries to refrain from imposing measures or implementing policies designed to prevent the importation, at equitable prices, of commodities from the developing countries or from frustrating the implementation of legitimate measures and policies adopted by the developing countries in order to improve prices and encourage the export of such commodities.

II. International Monetary System and Financing of the Development of Developing Countries.

I. Objectives

All efforts should be made to reform the international monetary system with, inter alia, the following objectives:

(a) Measures to check the inflation already experienced by the developed countries, to prevent it from being transferred to developing countries and to study and devise possible arrangements within the International Monetary Fund to mitigate the effects of inflation in developed countries on the economies of developing countries.

(b) Measures to eliminate the instability of the international monetary system, in particular the uncertainty of the exchange rates, especially as it affects adversely the trade in commodities;

(c) Maintenance of the real value of the currency reserves of the developing countries by preventing their erosion from inflation and exchange rate depreciation of reserve currencies;

(d) Full and effective participation of developing countries in all phases of decision-making for the formulation of an equitable and durable monetary system and adequate participation of developing countries in all bodies entrusted with this reform and, particularly, in the Board of Governors of International Monetary Fund;

(e) Adequate and orderly creation of additional liquidity with particular regard to the needs of the developing countries through the additional allocation of special drawing rights based

on the concept of world liquidity needs to be appropriately revised in the light of the new international environment; any creation of international liquidity should be made through international multilateral mechanisms;

(f) Early establishment of a link between special drawing rights and additional development financing in the interest of developing countries, consistent with the monetary characteristics of special drawing rights;

(g) Review by the International Monetary Fund of the relevant provisions in order to ensure effective participation by developing countries in the decision-making process;

(h) Arrangements to promote an increasing net transfer of real resources from the developed to the developing countries;

(i) Review of the methods of operation of the International Monetary Fund, in particular the terms for both credit repayments and "stand-by" arrangements, the system of compensatory financing, and the terms of the financing of commodity buffer stocks, so as to enable the developing countries to make more effective use of them.

2. Measures

All efforts should be made to take the following urgent measures to finance the development of developing countries and to meet the balance-of-payment crises in the developing world:

(a) Implementation at an accelerated pace by the developed countries of the time-bound programme, as already laid down in the International Development Strategy for the Second

United Nations Development Decade, for the net amount of financial resource transfers to developing countries; increase in the official component of the net amount of financial resource transfers to developing countries so as to meet and even to exceed the target of the Strategy;

(b) International financing institutions should effectively play their role as development financing banks without discrimination on account of the political or economic system of any member country, assistance being united;

(c) More effective participation by developing countries, whether recipients or contributors, in the decision-making process in the competent organs of the International Bank for Reconstruction and Development and in the International Development Association, through the establishment of a more equitable pattern of voting rights;

(d) Exemption, wherever possible, of the developing countries from all import and capital outflow controls imposed by the developed countries;

(e) Promotion of foreign investment, both public and private, from developed to developing countries in accordance with the needs and requirements in sectors of their economies as determined by the recipient countries;

(f) Appropriate urgent measures, including international action, should be taken to mitigate adverse consequences for the current and future development of developing countries arising from the burden of external debt contracted on hard terms;

(g) Debt renegotiation on a case-by-case basis with a view to concluding agreements on debt cancellation, moratorium, rescheduling or interest subsidization;

(h) International financial institutions should take into account the special situation of each developing country in re-orienting their lending policies to suit these urgent needs; there is also need for improvement in practices of international financial institutions in regard to, inter alia, development financing and international monetary problems;

(i) Appropriate steps should be taken to give priority to the least developed, land-locked and island developing countries and to the countries most seriously affected by economic crises and natural calamities, in the availability of loans for development purposes which should include more favourable terms and conditions.

III. Industrialization

All efforts should be made by the international community to take measures to encourage the industrialization of the developing countries, and, to this end;

(a) The developed countries should respond favourably, within the framework of their official aid as well as international financial institutions, to the requests of developing countries for the financing of industrial projects;

(b) The developed countries should encourage investors to finance industrial production projects, particularly export-

oriented production, in developing countries, in agreement with the latter and within the context of their laws and regulations;

(c) With a view to bringing about a new international economic structure which should increase the share of the developing countries in world industrial production, the developed countries and the agencies of the United Nations system, in co-operation with the developing countries, should contribute to setting up new industrial capacities including raw materials and commodity-transforming facilities as a matter of priority in the developing countries that produce those raw materials and commodities;

(d) The international community should continue and expand, with the aid of the developed countries and the international institutions, the operational and instruction-oriented technical assistance programmes, including vocational training and management development of national personnel of the developing countries, in the light of their special development requirements.

IV. Transfer of Technology

All efforts should be made:

(a) To formulate an international code of conduct for the transfer of technology, corresponding to needs and conditions prevalent in developing countries;

(b) To give access on improved terms to modern technology and to adapt that technology, appropriate, to specific economic, social and ecological conditions and varying stages of development in developing countries;

(c) To expand significantly the assistance from developed to developing countries in research and development programmes and in the creation of suitable indigenous technology;

(d) To adapt commercial practices governing transfer of technology to the requirements of the developing countries and to prevent abuse of the rights of sellers;

(e) To promote international co-operation in research and development in exploration and exploitation, conservation and the legitimate utilization of natural resources and all sources of energy.

In taking the above measures, the special needs of the least developed land locked countries should be borne in mind.

V. Regulation And Control Over the Activities of Transnational Corporations

All efforts should be made to formulate, adopt and implement an international code of conduct for transnational corporations

(a) To prevent interference in the internal affairs of the countries where they operate and their collaboration with racist regimes and colonial administrations;

(b) To regulate their activities in host countries, to eliminate restrictive business practices and to conform to the national development plans and objectives of developing countries, and in this context facilitate, as necessary, the review and revision of previously concluded arrangements;

(c) To bring about assistance, transfer of technology and management skills to developing countries on equitable and favourable terms;

(d) To regulate the repatriation of the profits accruing from their operations, taking into account the legitimate interests of all parties concerned;

(e) To promote reinvestment of their profits in developing countries.

VI. Character of Economic Rights and Duties of States

The Charter of Economic Rights and Duties of States, the draft of which is being prepared by a working group of United Nations and which the General Assembly has already expressed the intention of adopting at its twenty-ninth regular session, shall constitute an effective instrument towards the establishment of a new system of international economic relations based on equity, sovereign equality, and interdependence of the interests of developed and developing countries. It is therefore of vital importance that the aforementioned Charter be adopted by the General Assembly at its twenty-ninth session.

VII. Promotion of Co-operation Among Developing Countries

1. Collective self-reliance and growing co-operation among developing countries will further strengthen their role in the new international economic order. Developing countries, with a view to expanding co-operation at the regional, subregional and inter-regional levels, should take further steps, inter alia:

(a) To support the establishment and/or improvement of an appropriate mechanism to defend the prices of their exportable commodities and to improve access to and stabilize markets for them. In this context the increasingly effective mobilization by

the whole group of oil-exporting countries of their natural resources for the benefit of their economic development is to be welcomed. At the same time there is the paramount need for co-operation among the developing countries in evolving urgently and in a spirit of solidarity all possible means to assist developing countries to cope with the immediate problems resulting from this legitimate and perfectly justified action. The measures already taken in this regard are a positive indication of the evolving co-operation between developing countries;

(b) To protect their inalienable right to permanent sovereignty over their natural resources;

(c) To promote, establish or strengthen economic integration at the regional and subregional levels;

(d) To increase considerably their imports from other developing countries;

(e) To ensure that no developing country accords to imports from developed countries more favourable treatment than that accorded to imports from developing countries. Taking into account the existing international agreements, current limitations and possibilities and also their future evolution, preferential treatment should be given to the procurement of import requirements from other developing countries. Wherever possible, preferential treatment should be given to imports from developing countries and the exports of those countries;

(f) To promote close co-operation in the fields of finance, credit relations and monetary issues, including the development of relations on a preferential basis and on favourable terms;

(g) To strengthen efforts which are already being made by developing countries to utilize available financial resources for financing development in the developing countries through investment, financing of export-oriented and emergency projects and other long-term assistance;

(h) To promote and establish effective instruments of co-operation in the fields of industry, science and technology, transport, shipping and mass communication media.

2. Developed countries should support initiatives in the regional, subregional and interregional co-operation of developing countries through the extension of financial and technical assistance by more effective and concrete actions, particularly in the field of commercial policy.

VIII. Assistance in the Exercise of Permanent Sovereignty of States Over Natural Resources

All efforts should be made:

(a) To defeat attempts to prevent the free and effective exercise of the rights of every State to full and permanent sovereignty over its natural resources;

(b) To ensure that competent agencies of the United Nations system meet requests for assistance from developing countries in connection with the operation of nationalized means of production.

IX. Strengthening the Role of the United Nations System in the field of International Economic Co-operation

1. In furtherance of the objectives of the International Development Strategy for the Second United Nations Development

Decade and in accordance with aims and objectives of the Declaration on the Establishment of new International Economic Order, all Member States pledge to make full use of the United Nations system in the implementation of the present Programme of Action, jointly adopted by them in working for the establishment of a new international economic order and thereby strengthening the role of the United Nations in the field of world-wide co-operation for economic and social development.

2. The General Assembly of the United Nations shall conduct an over-all review of the implementation of the Programme of Action as a priority item. All the activities of the United Nations system to be undertaken under the Programme of Action as well as those already planned, such as the World Population Conference, 1974, the World Food Conference, the Second General Conference, of the United Nations Industrial Development Organisation and the mid-term review and appraisal of the International Development Strategy for the second United Nations Development Decade should be so directed as to enable the special session of General Assembly on Development, called for under Assembly resolution 3172 (XXVIII) of 17 December 1973, to make its full contribution to the establishment of the new international economic order. All Member States are urged, jointly and individually, to direct their efforts and policies towards the success of that special session.

3. The Economic and Social Council shall define the policy framework and co-ordinate the activities of all organisations, institutions and subsidiary bodies within the United Nations system which shall be entrusted with the task of implementing the present

Programme of action. In order to enable the economic and social Council to carry out its tasks effectively:

(a) All organisations, institutions and subsidiary bodies concerned within the United Nations system shall submit to Economic and Social Council progress reports on the implementation of the Programme of Action within their respective fields of competence as often as necessary, but not less than once a year;

(b) The Economic and Social Council shall examine the progress reports as a matter of urgency, to which end it may be convened, as necessary, in special session or, if need be, may function continuously. It shall draw the attention of the General Assembly to the problems and difficulties arising in connection with the implementation of the Programme of Action.

4. All organisations, institutions, subsidiary bodies and conferences of the United Nations system are entrusted with the implementation of the Programme of Action. The activities of the United Nations Conference on Trade and Development, as set forth in General Assembly resolution 1985 (XIX) of 30 December 1964, should be strengthened for the purpose of following in collaboration with other competent organisations the development of international trade in raw materials throughout the world.

5. Urgent and effective measures should be taken to review the lending policies of international financial institutions, taking into account the special situation of each developing country to suit urgent needs, to improve the practices of these institutions in regard to, *inter alia*, development financing and international

monetary problems, and to ensure more effective participation by developing countries - whether recipients or contributors - in the decision-making process through appropriate revision of the pattern of voting rights.

6. The developed countries and others in a position to do so should contribute substantially to the various organisations, programmes and funds established within the United Nations systems for the purpose of accelerating economic and social development in developing countries.

7. The present Programme of Action complements and strengthens the goals and objectives embodied in the International Development Strategy for the Second United Nations Development Decade as well as the new measures formulated by the General Assembly at its twenty-eighth session to offset the short-falls in achieving those goals and objectives.

8. The implementation of the Programme of Action should be taken into account at the time of the mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade. New commitments, changes, additions and adaptations in the Strategy should be made, as appropriate, taking into account the Declaration on the Establishment of a New International Economic Order and the present Programme of Action.

X. Special Programme

The General Assembly adopts the following Special Programme, including particularly emergency measures to mitigate the difficulties of the developing countries most seriously affected by economic

crisis, bearing in mind the particular problem of the least developed and land-locked countries;

THE GENERAL ASSEMBLY

Taking into account the following considerations:

(a) The sharp increase in the prices of their essential imports such as food, fertilizers, energy products, capital goods, equipment and services, including transportation and transit costs, has gravely exacerbated the increasingly adverse terms of trade of a number of developing countries, added to the burden of their foreign debt and, cumulatively, created a situation which, if left untended, will make impossible for them to finance their essential imports and development and result in a further deterioration in the levels and conditions of life in these countries. The present crisis is the outcome of all the problems that have accumulated over the years; in the field of trade, in monetary reform, the world-wide inflationary situation, inadequacy and delay in provision of financial assistance and many other similar problems in the economic and developmental fields. In facing the crisis, this complex situation must be borne in mind so as to ensure that the Special Programme adopted by the international community provides emergency relief and timely assistance to the most seriously affected countries. Simultaneously, steps are being taken to resolve these outstanding problems through a fundamental restructuring of the world economic system, in order to allow these countries while solving the present difficulties to reach an acceptable level of development.

(b) The special measures adopted to assist the most seriously affected countries must encompass not only the relief which

they require on an emergency basis to maintain their import requirements but also, beyond that, steps to consciously promote the capacity of these countries to produce and earn more. Unless such a comprehensive approach is adopted, there is every likelihood that the difficulties of the most seriously affected countries may be perpetuated. Nevertheless, the first and most pressing task of the international community is to enable these countries to meet the short-fall in their balance-of-payments positions. But this must be simultaneously supplemented by additional development assistance to maintain and thereafter accelerate their rate of economic development.

(c) The countries which have been most seriously affected are precisely those which are at the greatest disadvantage in the world economy ; the least developed, the land-locked and other low-income developing countries as well as other developing countries whose economies have been seriously dislocated as a result of the present economic crisis, natural calamities, and foreign aggression and occupation. An indication of the countries thus affected, the level of the impact on their economies and the kind of relief and assistance they require can be assessed on the basis, inter alia, of the following criteria:

- (i) Low per capita income as a reflection of relative poverty, low productivity, low level of technology and development;
- (ii) Sharp increase in their import cost of essentials relative to export earnings;
- (iii) High ratio of debt servicing to export earnings;
- (iv) Insufficiency in export earnings, comparative inelasticity of export incomes and unavailability

of export incomes and unavailability of exportable surplus;

- (v) Low level of foreign exchange reserves or their inadequacy for requirements;
- (vi) Adverse impact of higher transportation and transit cost;
- (vii) Relative importance of foreign trade in the development process.

(d) The assessment of the extent and nature of the impact on the economies of the most seriously affected countries must be made flexible. Keeping in mind the present uncertainty in the world economy, the adjustment policies that may be adopted by the developed countries and the flow of capital and investment. Estimates of the payments situation and needs of these countries can be assessed and projected reliably only on the basis of their average performance over a number of years. Long-term projections, at this time, cannot but be uncertain.

(e) It is important that, in the special measures to mitigate the difficulties of the most seriously affected countries, all the developed countries as well as the developing countries should contribute according to their level of development and the capacity and strength of their economies. It is notable that some developing countries, despite their own difficulties and development needs, have shown a willingness to play a concrete and helpful role in ameliorating the difficulties faced by the poorer developing countries. The various initiatives and measures taken recently by certain developing countries with adequate resources on a bilateral and multilateral basis to contribute to alleviating the difficulties of other developing countries are a reflection of their commitment to the principle of effective economic co-operation

among developing countries.

(f) The response of the developed countries which have by far the greater capacity to assist the affected countries in overcoming their present difficulties must be commensurate with their responsibilities. Their assistance should be in addition to the presently available levels of aid. They should fulfil and if possible exceed the targets of the International Development Strategy for the Second United Nations Development Decade on financial assistance to the developing countries, especially that relating to official development assistance. They should also give serious consideration to the cancellation of the external debts of the most seriously affected countries. This would provide the simplest and quickest relief to the affected countries. Favourable consideration should also be given to debt moratorium and rescheduling. The current situation should not lead the industrialized countries to adopt what will ultimately prove to be a self-defeating policy aggravating the present crisis.

RECALLING the constructive proposals made by His Imperial Majesty the Shahanshah of Iran³ and His Excellency Mr. Houari Boumediene, President of the People's Democratic Republic of Algeria,⁴

1. DECIDES to launch a Special Programme to provide emergency relief and development assistance to the developing countries

3. A/9548, annex.

4. See A/PV. 2208, pp.2-20.

most seriously affected, as a matter of urgency, and for the period of time necessary, at least until the end of the Second United Nations Development Decade, to help them overcome their present difficulties and to achieve self sustaining economic development;

2. DECIDES as a first step in the Special Programme to request the Secretary-General to launch an emergency operation to provide timely relief to the most seriously affected developing countries, as defined in subparagraph (c) above, with the aim of maintaining unimpaired essential imports for the duration of the coming 12 months and to invite the industrialized countries and other potential contributors to announce their contributions for emergency assistance, or intimate their intention to do so, by 15 June 1974 to be provided through bilateral or multilateral channels, taking into account the commitments and measures of assistance announced or already taken by some countries, and further requests the Secretary-General to report the progress of the emergency operation to the General Assembly at its twenty-ninth session, through the Economic and Social Council at its fifty-seventh session;

3. CALLES UPON the industrialized countries and other potential contributors to extend to the most seriously affected countries immediate relief and assistance which must be of an order of magnitude that is commensurate with the needs of these countries. Such assistance should be in addition to the existing level of aid and provided at a very early date to the maximum possible extent on a grant basis and, where not possible, on soft terms. The disbursement and relevant operational procedures and terms

must reflect this exceptional situation. The assistance could be provided either through bilateral or multilateral channels, including such new institutions and facilities that have been or are to be set up. The special measures may include the following:

(a) Special arrangements on particularly favourable terms and conditions including possible subsidies for and assured supplies of essential commodities and goods;

(b) Deferred payments for all or part of imports of essential commodities and goods;

(c) Commodity assistance, including food aid, on a grant basis or deferred payments in local currencies, bearing in mind that this should not adversely affect the exports of developing countries;

(d) Long-term suppliers' credits on easy terms;

(e) Long-term financial assistance on concessionary terms;

(f) Drawings from special International Monetary Fund facilities on concessional terms;

(g) Establishment of a link between the creation of special drawing rights and development assistance, taking into account the additional financial requirements of the most seriously affected countries;

(h) Subsidies, provided bilaterally or multilaterally, for interest on funds available on commercial terms borrowed by the most seriously affected countries;

(i) Debt renegotiation on a case-by-case basis with a view to concluding agreements on debt cancellation, moratorium

or rescheduling;

(j) Provision on more favourable terms of capital goods and technical assistance to accelerate the industrialization of the affected countries;

(k) Investment in industrial and development projects on favourable terms;

(l) Subsidizing the additional transit and transport costs, especially of the land-locked countries;

4. APPEALS to the developed countries to consider favourably the cancellation, moratorium or rescheduling of the debts of the most seriously affected developing countries, on their request, as an important contribution to mitigating the grave and urgent difficulties of these countries;

5. DECIDES to establish a Special Fund under the auspices of the United Nations, through voluntary contributions from industrialized countries and other potential contributors, as a part of the Special Programme, to provide emergency relief and development assistance, which will commence its operations at the least by 1 January 1975;

6. ESTABLISHES an Ad Hoc Committee on the Special Programme, composed of 36 Member States appointed by the President of the General Assembly, after appropriate consultations, bearing in mind the purposes of the Special Fund and its terms of reference.

(a) To make recommendations, inter alia, on the scope, machinery and modes of operation of the Special Fund, taking into account the need for;

- (i) Equitable representation on its governing body;
- (ii) Equitable distribution of its resources;
- (iii) Full utilization of the services and facilities of existing international organisations;
- (iv) The possibility of merging the United Nations Capital Development Fund with the operations of the Special Fund;
- (v) A central monitoring body to oversee the various measures being taken both bilaterally and multilaterally;

and, to this end, bearing in mind the different ideas and proposals submitted at the sixth special session, including those put forward by Iran⁵ and those made at the 2208th plenary meeting, and the comments thereon, and the possibility of utilizing the Special Fund to provide an alternative channel for normal development assistance after the emergency period;

(b) To monitor, pending commencement of the operations of the Special Fund, the various measures being taken both bilaterally and multilaterally to assist the most seriously affected countries;

(c) To prepare, on the basis of information provided by the countries concerned and by appropriate agencies of the United Nations system, a broad assessment of;

- (i) The magnitude of the difficulties facing the most seriously affected countries;
- (ii) The kind and quantities of the commodities and goods, essentially required by them;
- (iii) Their need for financial assistance;
- (iv) Their technical assistance requirements, including especially access to technology;

5. A/AC.166/L.15.

7. REQUESTS the Secretary-General of the United Nations, the Secretary-General of the United Nations Conference on Trade and Development, the President of the International Bank for Reconstruction and Development, the Managing Director of the International Monetary Fund, the Administrator of the United Nations Development Programme and the head of the other competent international organisations, to assist the Ad Hoc Committee on the Special Programme in performing the functions assigned to it under paragraph 6 above, and to help, as appropriate, in the operations of the Special Fund;

8. REQUESTS the International Monetary Fund to expedite decisions on:

(a) The establishment of an extended special facility with a view to enabling the most seriously affected developing countries to participate in it on favourable terms;

(b) The creation of special drawing rights and the early establishment of the link between their allocation and development financing;

(c) The establishment and operation of the proposed new special facility to extend credits and subsidize interest charges on commercial funds borrowed by Member States, bearing in mind the interests of the developing countries and especially the additional financial requirements of the most seriously affected countries;

9. REQUESTS the World Bank Group and the International Monetary Fund to place their managerial, financial and technical services at the disposal of Governments contributing to emergency

financial relief so as to enable them to assist without delay in channelling funds to the recipients, making such institutional and procedural changes as may be required;

10. INVITES the United Nations Development Programme to take the necessary steps, particularly at the country level, to respond on an emergency basis to requests for additional assistance which it may be called upon to render with the framework of the Special Programme;

11. REQUESTS the Ad Hoc Committee on the Special Programme to submit its report and recommendations to the Economic and Social Council at its fifty-seventh session and invites the Council, on the basis of its consideration of that report, to submit suitable recommendations to the General Assembly at its twenty-ninth session;

12. DECIDES to consider as a matter of high priority at its twenty-ninth session, within the framework of a new international economic order, the question of special measures for the most seriously affected countries.

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