

# **North-South Stalemate : Problems and Prospects**

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**SEEMA PRASAD**

**CENTRE FOR INTERNATIONAL POLITICS, ORGANISATION AND DISARMAMENT  
SCHOOL OF INTERNATIONAL STUDIES  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI-110067  
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जवाहरलाल नेहरू विश्वविद्यालय  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI - 110067

School of International Studies  
Centre for International Politics,  
Organisation and Disarmament

CERTIFICATE

Certified that the dissertation entitled "NORTH-SOUTH STALEMATE : PROBLEMS AND PROSPECTS", submitted by Ms. SEEMA PRASAD in partial fulfilment for the award of the degree of MASTER OF PHILOSOPHY has not been previously submitted for any other University. To the best of our knowledge this is a bonafide work.

We recommend that this dissertation be placed before the examiners for evaluation.

PROF. S.C. GANGAL  
SUPERVISOR

PROF. (MRS) SUMITRA CHISHTI  
CHAIRPERSON

PROFESSOR (Mrs.) SUMITRA CHISHTI  
Chairperson  
Centre for International Politics  
Organization & Disarmament  
School of International Studies  
Jawaharlal Nehru University  
New Delhi - 110067.

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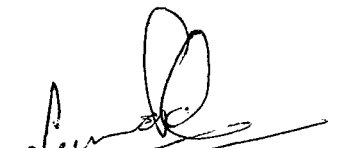
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Seema Prasad

## PREFACE

The North-South question is concerned with the problems of the Third World primarily in the context of a new international economic order. These problems arise from the present economic order, dominated by the rich North, which persist despite large scale political de-colonization in the post-war world. The newly emerging Third World countries were confronted with the increasing economic gap between themselves and their erstwhile colonial masters. The North-South dialogue relates to the task of peacefully undoing this undesirable situation, breaking the structures of socio-economic exploitation erected by the colonial powers in the various parts of the world and the creation of a new international order based on justice and peace and the principle of sovereign equality of nations.

In recent years the differences in the economic interests of the developed and the developing countries have become more apparent, so that South is becoming more adroit and articulate in pressing their interests and exercising their limited power to obtain their objectives. The increased organizational efforts to articulate the Southern interest coincided with the growing frustration and satisfaction over the economic condition and the prospects for the Third World. It was the catalytic effect of the the

OPEC's success with the Arab Oil boycott and the subsequent oil price increases which suddenly gave the Third World a new bargaining power. This was symbolized in the declaration of the "New International Economic Order", which unequivocally rejected the prevailing iniquitous economic structure. The NIEO is indicative of the Third World's collective demand for a radical new deal and to increase their economic and political power within the international order. Pursuant to this, the issues and areas touched upon are varied and many. But underlying all of these issues is one central question, namely the redistribution of the world income, resources and wealth. Thus the North-South dialogue has veered around the NIEO which forms the pivot, the focus for the dialogue and negotiations.

The lay-out of the present study begins with first chapter which is of an introductory nature. It gives a historical background to this academic task, as it traces the origin of the problem and describes the premises underlying the international economic order built in the aftermath of the outbreak of the second World War. It further recounts the hindrances faced by the LDCs in the working of this system and the efforts to redress such systematic asymmetries and biases, though the demand for a New International Economic Order (NIEO) and North-South dialogue.

The second chapter begins with an outline of the adoption of the NIEO and attempts to define the ideas which the NIEO encapsulates. This explanation is important because the later gives substance to the North-South dialogue and provides the criteria for the assessment. It delineates the lead given by the Nonaligned Movement, before the adoption of the NIEO in the UN General Assembly. Then it portrays the problems of the South in various arenas, under the iniquitous international economic structure.

The third chapter concentrates on the negotiations for the NIEO through the strategy of collective economic action. While it briefly touches on the Sixth and Seventh Special Sessions of the UN General Assembly, it goes at some length to deal with the Paris Conference and the Cancun Meet; the significant landmarks in the history of the North-South negotiations. The chapter ends on a general suggestive note for the negotiating process, to provide for a more viable negotiating tool.

The fourth chapter which forms the conclusion to this endeavour, begins with the problems and prospects for the establishment of the NIEO from an all-embracing, holistic perspective and the practical relevance and the implications of the issues involved. Significantly, there is a touch of

interjection or skepticism about the socio-economic and political content and modalities of the NIEO, as proposed so far. So there is a case to explore a possible alternative frame-work, more suited to the Third World countries' conditions and practical considerations. I have humbly addressed myself to this task at the end of the dissertation. How successfully, I do not know?

## ABBREVIATIONS

AALA	-	Africa, Asia and Latin America.
GATT	-	General Agreement on Tariffs and Trade
GSP	-	General Scheme of Preferences
IBRD	-	International Bank for Reconstruction and Development.
IMF	-	International Monetary Fund
LDCs	-	Less Developed Countries
MNCs	-	Multi National Corporations
NAM	-	Nonaligned Movement
ODA	-	Official Development Assistance
TNCs	-	Transnational Corporations
UN	-	United Nations
UNCTAD	-	United Nations Conference for Trade And Development
US	-	United States



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I N T R O D U C T I O N

## CHAPTER ONE

### INTRODUCTION : THE DEMAND FOR NIEO

The decade of 1940s closed with the beginning of the end of the chapter on de-colonisation. This cycle of de-colonisation in the political and constitutional sense, had run its full course by the tail end of the 1960s. The coming of the independence only liberated the former colonies. Hence, there was the need to pay attention to the problem of economic de-colonisation or what the Brandt Commission calls the "second phase of de-colonisation". For the Afro-Asian and Latin American (AALA) countries, on independence found themselves plunged in seemingly insurmountable developmental and economic problems. The problems could be seen as a natural and a necessary corollary to the post-war phenomena of de-colonisation. For the nationalist government on independence taking over from the colonial exploiters had to necessarily and urgently engage in re-construction of the economy, ravaged by centuries of exploitation by the colonialist. Explicitly then, the de-colonization was not a complete process which ended with political freedom, but a process of continued search for political stability and economic viability.

The phenomena of de-colonialization thus, initially set off by the urge for political independence, continued primarily for the economic autonomy, in view of the onset of neo-imperialism, under the aegis of the MNCs and the Brettonwoods system. There came to be demands, vociferously led by the AALA countries by the seventies, to reduce the disparities in the world economic order perpetuated through the neo-imperialism. It became an article of faith for the LDCs, in the post colonial era, to ask the developed world at large, to end the neo-colonialism. They complemented such efforts in major way by initiating the process of self-help, to compensate for the centuries of backwardness, and to accelerate the complex process of economic development. But under such restricting circumstances, the effort had to be of twin-pronged attack - that of indigenous mobilization and creating a favourable external environment. These countries had to wage a common struggle, as despite the differences in their political system, population, cultural milieu etc., they had the common problem of hunger, poverty, unemployment and squalor. These tended to make them dependent on the advanced western world, which can't be remedied by individual endeavour of any one country, but by the entire international community.

### Brettonwoods System - Its Origin and Nature

The foundation of the existing international economic institutions were laid during and immediately after the World War II. They reflect the determination of the developed market economies to create favourable condition for their speedy re-construction after the war and the achievement of renewed and continued prosperity. "The interest and special conditions of the developing countries, most of whom were still colonies in the immediate post-war period, were largely ignored in the process."<sup>1</sup> For the landmark in the re-ordering the post-war world economic order was the Brettonwoods Conference, held in 1944. It was dominated, by the affluent countries led by the United States. Hence it was called a Conference "of the rich, for the rich". The representative character of the Brettonwoods grew even narrower with the withdrawal of USSR under the aegis of the cold war, its consequent ideological and political tension. In short, "The Brettonwoods became a western system and not a global one, though it included the countries which were later to become known as the South".<sup>2</sup>

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1 Karl P. Sauvant and Hajo Hasenpflug, eds., The New International Economic Order: Confrontation or Cooperation Between North and South (London, 1977), p.3.

2 L.K. Jha, North-South Dialogue (Delhi, 1982), p.8.

The process of recording of the World Economic Order was necessitated by the arbitrariness prevailing then. In the pre-war era the international policies were dominated by armed strength, economic competition and mutual fear and suspicion amongst the nations. There was in simple words, no international economic system in existence. Each sovereign country pursued its own policies regardless of their consequences on others, leading to chaos. This 'beggar thy neighbour', policy operated through export drive, which unfortunately got nullified by the import restriction on its trading partners. International trade began to shrink, and recessionary trends deepened into Great-Depression which eventually culminated in the World War II. The war confounded the confusion prevailing then. There emerged the need to restrain the erratic nature of the world economy because of the hardships arising from the unmitigated sway of "beggar thy neighbour" policy and primarily for the lack of provisions then to provide for the positive reconstruction efforts, needed by the world economy, already set in total disarray then, due to the outbreak of the war. Thus came the agreement for setting up of the IMF and the IBRD which was signed during the war period. IMF was to deal with the balance of payment and short term loans, etc. The World Bank was created to provide long term loans for development purposes. The Brettonwoodss Systems was

originally intended to include an International Trade Organisation for fluctuating prices and consequent vulnerability of the LDCs to them. This was negotiated and agreed in Havana in 1948. But it could not be operational as U.S. Congress did not ratify it. So, the less ambitious GATT, an interim arrangement, came to stay as the principal forum for the multilateral trade negotiations.

Thus, on the whole, measures to make the international economy scamper to an orderly system, were half-baked and mottled affair. The ineffectiveness of such remedy was in offing. So, when the world economy kept plummeting downwards, soon "the need began to be felt though it was not voiced before World-War II broke-out, for some kind of understanding between nations to regulate international trade and payments. The need to do so became even more evident when World War II brokeout and it was recognised that among the underlying causes of war, there was the economic rivalry between different economic blocks".<sup>3</sup> Thus was created international institutions to promote freer flow of trade and payments, restructuring the scope of governmental interference. In this way, another aspect to the list of the fundamentals was added when the powers met at Brettonwoods. For the first time, organisationally

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3 Ibid, pp.4-5.

managed economic frame-work was established, but which only sharpened the edge of neo-colonialism. It was in such backdrop that the two phases of de-colonisation occurred.

The Brettonwoods Conference being a big powers affair, the views and needs of the poor countries or the South hardly came up in its deliberations. Not surprising then that the World Bank and IMF, though supposed to be concerned with the problems of development tended to follow a more conservative approach under the dominance of the rich North, who thus got the control over key areas of international money and finances. In such a situation then the U.N. became the principal forum for the South. However, the majority votes which the South had in General Assembly only gave them assurance of passing resolutions without the positive power to realise them.

#### A.A.L.A. Countries and their Problems:

"The many new nations which emerged from the historic changes in the post-war years saw development as critical to their relations with the rest of the world, and their nation-building, which was often turbulent, depended on economic and social development."<sup>4</sup> However, as a famous economist has observed that the integration of the

4 Brandt Commission Report, A Programme for Survival (London, 1980), p.38.



developing countries in the international economy led to characterizing the world by varying shades of 'malign neglect' and 'malign intent' model phenomena than with the skibboleths like 'benign neglect' or 'benign intent'<sup>5</sup> as will be brought out here.

The LDCs plunged in the throes of development, and effete as they were after the de-colonisation, were finding it difficult to keep up their heads. The crying need of growth, depending on the West, was to boost their capacities to import capital goods and technology based on their earnings from foreign trade. In the growth model of dependency adopted by the LDCs, trade came to be regarded as an effective instrument of economic development. But ironically, the Third World countries' share in the world trade and terms of trade for exports, mainly from primary commodities were gradually declining. The developed countries' share of the world increased far more than the LDCs, as shown in the tables 1 and 2.6

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5 For details please see, J.N.Bhagwati, New International Economic Order: North-South Debate (London 1978), pp.2 to 3.

6 Cited in Andre Gunder Frank, Crisis in World Economy (London, 1980), p.4.

TABLE 1  
 WORLD TRADE SHARES 1938-70  
 (in percentage of total exports)

Category/Region	1938	1950	1960	1970
Developed	65	61	67	72
Socialist	10	8	12	11
Under-Developed	25	31	21	18

Source: 1950-70, UNCTAD, 1972a: 32-3; 1976, UNCTAD 1977c: 18.

TABLE 2  
 WORLD TRADE PATTERNS BY REGIONAL CATEGORIES 1950-69  
 (in percentage of total exports)

Trade Direction	Total Trade		Primary Commodity Trade	
	1950	1969	1950	1969
1. Developed to World	58	71	41	43
2. Developed to Developed	34	54	32	35
3. Developed to Under-developed	22	14	8	6
4. Developed to Socialist	1	3	1	2
5. Socialist to World	1	11	11	11
6. Socialist to Developed	1	3	3	4
7. Socialist to Under-developed	1	2	1	1
8. Socialist to Socialist	0	7	7	6
9. Under-developed to World	39	18	48	41
10. Under-developed to Developed	27	14	35	32
11. Under-developed to Under-developed	11	4	11	8
12. Under-developed to Socialist	1	1	2	2

Source: Sideri 1972: 369.

In this way in the post-war era the world trade increasingly by passed the under-developed countries. Overall the conditions combined to hinder the growth of the Third World countries and thus their economies.

The hallmark of development was taken to be rapid industrialization by diversifying the agrarian economy. Lack of domestic market necessitated access to foreign markets. But in their effort to export manufacture and semi-manufacture the developing countries met with failure due to the high tariff and non-tariff barriers erected by the advanced countries. In view of the inheritance of disabilities the developing countries needed some special treatment which was not forthcoming under the GATT. The latter favoured the universal 'most favoured' policy based on equivalence of mutual trade concessions, between unequal partners. The developing countries were the losers, their export earnings, both from the traditional primary commodities and new manufactures, were insufficient to push up their economic development.

Additional sources for developmental resources were aid and investment. But the same were fraught with dangers for the fragile polity and nascent economy of the Third World Aid,<sup>7</sup> especially the bilateral form was often used as a

7 See Babera Ward, Two Views on Aid to Developing Countries (Bombay).

political weapon in the world power between two groups of the developed countries. Such political and economic costs apart, the volume of spasmodic aid munificence to the developing countries gradually declined, recession of Cold War tension being one of the factors. Thus, Bhagwati writes, the aid donors insistence on "examining and endorsing the entire set of economic policies of the recipient nations to ensure that their meagre aid assistance are being utilized to advantage, thereby generating resentment and charge of calculated attempts at imposing ideological solution in the guise of "scientific" economic prescriptions".<sup>8</sup> Such situation led Lester Pearson to write "Wealth does not entitle a rich and powerful country to dominate another country's national life as a consequence of the aid it may have received."<sup>9</sup>

As though the developing countries do not have enough to bother, the media makers in the West have propagated about clumsy and wasteful use of transferred resources, by the non-democratic regime of the AALA countries. The ruling elite of the affluent has also been lulled by such indoctrination and also find in it a good shield to hide

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8 J.N. Bhagwati, p.5.

9 Lester B. Pearson, Partners in Development (London, 1969), p.6.

their undemocratic bias. The public in the West too has not remained immune to such inculcations by the Western scribes. Such adverse "public opinion" is cited as an excuse for not making aid available for the developing South.

In the industrial arena, the whopping foreign investment mainly through the giant TNCs had been both unsafe and inadequate and a convenient mean of perpetuating the unequal dependence of the Third World in the name of inter-dependence and integrated world economy. Their growing misery is further evident from the balance of payment of the non-oil developing countries which reached an alarming figure of \$12 billion in 1973. In the same view, one could point to the socialist countries absolving themselves of any initiative in name of moral responsibility of the West towards the AALA countries. The socialist countries point to the plight of the LDCs as consequence of colonial exploitation to explain away their inaction. It only leaves the wound festering and the problem squares upto that, the North, the West and the East, discount responsibility towards the penury of the South.

Where the magnitude of the problems confronting the developing countries was over-awing, the international economic institutions added more than solved the problem. The repercussions of the heavily weighted voting system and

Western domination has deleterious effect on efforts of the LDCs to engage in re-construction through congenial international environment. The system has not remained the same, but the more they changed the more they stayed the same. "Acute poverty, chronic unemployment and endemic undernourishment continued in most of them, or even worsened, and their economic dependence on the metropolitan countries was perpetuated and even extended into new areas."<sup>10</sup> "It is an established fact in the international commodity and resource market, the poor countries have been mainly price takers and continued to be with unfavourable terms of trade."<sup>11</sup> It stems from being mainly primary commodities exporters; and their vulnerability to weak bargaining power emerges from primary commodities being perishable combined with poor or no storage facility.

A very lucid and dismal picture of the LDCs in relations to the developed ones are indicated by the figures:- "with the world population of nearly 4.2 billion and a global income of \$0.156 in 1979, approximately one eighth of the total population living in the North enjoyed nearly sixty per cent of the world income". In the lower

10 Sauvant & Hasenpflug, n.1, p.3.

11 Madappa Madaiah and Habib A. Zuberi, "Towards a New International Economic Order: North-South Dialogue", Indian Economic Journal (Bombay), January-March, 1983, pp.2-3.

income groups, the estimated per capita GNP is \$230, which works out to be 0.63 per day, whereas, the highest income group over \$7,590, has an estimated average per capita GNP of \$10,392 which gives them \$28.50 per capita per day.<sup>12</sup>

#### North-South Divide

Thus, the fast polarization of the world, broadly into the rich and the poor becomes very much evident and such disparity is becoming sharper day by day, as the North is marked by a high standard of living as contrasted to the South. By the end of 60s, confrontation was blatant, as evident from bitter controversy and conflict surrounding the efforts to effect major changes in the post-war economic order.

Thus, in general terms, the 'North'-'South' are broadly synonymous with 'rich' and 'poor'. The nomenclature is very appropriate as approximately all countries, except significantly Australia and New Zealand, falling north of 30o-40o north latitude are highly industrialized countries. Such definitional interpretation of the North is not applied to the industrialized countries of Eastern Europe, which do not want to be lumped together with the West, or to be contrasted with South, in a division which they see as the

<sup>12</sup> Ibid, p.6.



consequence of colonial history. The South are the LDCs falling South of 30o-40o north latitude north.

The North-South imbroglio in the world nowadays are increasingly over-shadowing though it has not preempted the East-West problem, which dominated our thinking in the twenty years after the War. It would be oversimplification to relate all problems to this new polarity of the North-South, for international relations is far too complex. However, the sharp and wide divide which establishes inequitous relation between the twin group of nations calls for active, if not alacritous dialogue and persuasion to remedy such injustice prevailing besides the war of attrition on the obstacles. Basically then the North-South dialogue in an exercise in conflict resolution and cooperation for development. Development today is a process more systematic in nature than before. Lall explained this in words - "The current international economic order imposes serious handicap on the national effort to break out of poverty trap. There is a degree of complementarity between the problems that confront the poor and populous countries and those that face the industrial nations... There is no escape from current deliemma and difficulties except through a global compact to bring about progressive adjustment of

the international economic order."13 Clearly, the North-South dialogue cannot be taken to mean, that it would benefit only the North or the South alone. Both the world blocs have stake in the success of the dialogue, only difference being that the interest of the South is more urgent than that of the North.

#### The Growing Solidarity of AALA Countries

The economic hardships faced in the AALA countries' their peregrination to development, when impinged on their consciousness in the 1960s, they acknowledged the urgency to set up a new economic order, which would truly recognise their needs. Further, if these broadened purposes were to be served the mechanism and the structure of the old order would have to be altered. For by the end of the '60s the hopes had been shattered as it became obvious that political independence is a mere chimera unless based on economic independence and equitable interdependence. Thus, then, the LDCs were hustled into opinion that the economic development is to be seen with a new urgency.

It was in search for the solution to their problems that the <sup>e</sup>disparate developing countries tried to put aside their contretemps and work for their economic emancipation.

13 K.B. Lall, Struggle For Change (New Delhi, 1983), p.240.

There a ready platform available in the form of the Nonaligned Movement, which had arisen in 1950s and early 1960s in the context of the East-West split, that in turn emerged as a result of the Cold War and its consequent power blocs. But as by the end of 1960s, the East-West tension and the cold war began to recede then because of the detente, the thoughts and energies of the Nonaligned Movement tended to turn to the North-South issues. In line with such orientation, the Movement "address itself to the question of economic development in the Conference on the problems of Economic Development held at Cairo in July 1962. Its emphasis however was mainly on the question of aid and improved trade relations."<sup>14</sup>

With the North-South divide being manifested clearly by the end of 1960s, the Nonaligned Movement sharpened its focus on this polarization at the Lusaka Conference, held in 1970. They pledged themselves "to adopt as far as possible a common approach on the economic problems. The Foreign Ministries were advised to initiate early steps to that end which resulted in their meet at Georgetown, in Guayana, in August 1972, to adopt an "Action Programme for Economic Cooperation", for the first time. The same meet enunciated

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14 S.C. Gangal, "Nonalignment and the Third World" in K.P. Misra, ed., Non-Alignment: Frontiers and Dynamics (New Delhi, 1982), p.195.

the concept of individual and collective self-reliance, which was immediately seized upon by the poor South. Its significance in context of the economic independence was immense because industrialisation was often perceived to be the dependent type, primarily through the transnational enterprises and their foreign affiliates, which all together reinforced the existing structures and extending them into newer areas.

In the political sphere, the self-reliance programme and process had commenced in 1960s when a new political order arose on the ruins of the colonialism and old style of imperialism. The independence of the erstwhile colonies from the political control of their colonial rulers and their organisation under the banner of the Nonalignment Movement was a significant beginning in this sphere. But the old economic order i.e. one dominated by the industrialized countries, still persisting, brought the realization to the LDCs that despite the concrete efforts for economic struggle at Lusaka, there was a need for a more broader action. It would deal with the external conditions of development and more specifically with the structure of international economic system. Gosh summed up the phenomena in words - "Developing countries historically been united by a common experience of dependence on the industrialized countries. This unity of experience spurred the formation of Non-

aligned movement, which was instrumental in carrying forward the massive de-colonisation effort of the post-war period."<sup>15</sup>

The process of active dialogue began as the Nonaligned countries, brought together by anti-colonialism and a design to stand apart from Cold War to preclude decimating whatever chances left for development, pressed for fairer conditions of trade. And when first the UN Conference on Trade and Development (UNCTAD) was held in 1964, the Group-77 was formed, by which the developing countries sought to promote their economic interests jointly. Such effort was both the cause and effect of the stiffening of the Western attitude. The LDCs were determined to maintain a unified bargaining front in the face of richer countries of the North, through the G-77. This profoundly influenced the subsequent course of the North-South relations. For the developing countries through G-77 have voiced their resentment repeatedly at the inadequacy of the world system for their special needs. They complained that the origins and initial power structure of the Brettonwoods limited all capacity for change to their advantage, and asked for reform and innovation in finance, technology and trade.

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15 Pradip K. Ghosh, ed., New Internatilonal Economic Order: A Third World Perspective (Westport, 1984), p.248.

"But in UNCTAD and elsewhere, the G-77 faced an uphill task. At successive meetings, they put forward proposals for international economic reform, but the North either did not like them or was not ready for them. The North has also argued that the South often makes <sup>o</sup>unflexible demands which allows little room for negotiations... North as a group has tended to react passively rather than present a constructive position of its own"<sup>16</sup> The North's lack of foresight made them ossify the inadequate order, but it began to crumble with the onslaught of the recession of 1970s which weakened the Brettonwoods System to its core, despite rapid recovery of the world economy. "A decisive change occurred with the increase in the price of oil in late 1973, which marked a turning point in the North-South relations".<sup>17</sup> For the first time, the non-industrialized world was able to exert its own powerful economic pressure. It belonged to the South and identified itself with the South's aspirations for fundamental reform of the international economic relations.

In fact, henceforth, the reliance on commodity export, which had been thought as a sign of dependence was now considered a source of strength. The South entered with a perception of new strength and elan in the negotiations

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16 Brandt, n,4, p.39.

17 Ibid, p.50

phase with this commodity power for negotiations cannot occur meaningfully between grossly unequal partners. In fact, Bhagwati has observed "The story of North-South relations and dialogue concerning them, could be written in oil".<sup>18</sup> However, the chances of primary commodity other than oil in providing necessary clout to the Third World were indeed limited. But psychologically and politically perception of their potential for strengthening their position was radicalized.

Now from a bird's eye view one finds the North-South cleavages deepening due to reasons, as ineffectual Third World efforts of '50s and '60s to reorient economic order and failure of the UN system, all of which increased the restiveness and frustrations among the LDCs. "The entire Brettonwoods edifice had become wobbly and it collapsed by 1971" because all its meaningfulness for development was lost by them.<sup>19</sup> The collapse was nothing untoured. The system going awry was logical conclusion of the inherent incompatibility between its institutions and post-world war times and developments throughout the world. The quagmire

18 Gene Grossman, ed., Dependence and Interdependence: Jagdish N. Bhagwati (New Delhi, 1985), p.39.

19 Tinberger, RIO, in Anurag Gangal, New International Economic Order: A Gandhian Perspective (Delhi, 1985), p.12.

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was marked by stagflation, mounting <sup>or</sup> employment, scarcities of food.

This led more enlightened sections of public opinion and ruling elite in the developed West to acknowledge the inadequacy of this economic order. It is indicated for instance, by Clippord's remark (a prominent adviser in US govt.) - "We must accept the presence of Third World problems and accept a prominent part of the responsibility to resolve those problems".<sup>20</sup> But the majority of the Western governments merely saw it as aberration of an otherwise sound system which could be corrected by marginal piecemeal natured change. They continued to contend with the shibboleth that uninterrupted prosperity of the West would also promote the economic well-being of the AALA countries, possibly through the magic mechanism of trickle down effect. Of the many such instances, one is the famous, "tyranny of majority" speech on 6 December 1974 in 29th General Assembly by John A. Scali. He warned that the support of the UN was waning because of a "trend towards adopting unrealistic resolutions and making all self-centred decisions..."<sup>21</sup>

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20 R.L. Rothstein, "Is North-South Dialogue Worth Saving" Third World Quarterly (London), January, 1984, pp. 157.

21 The New York Times, January, 9, 1975.



Such obtuse adherence to the status quo, their sanguinity over it, had a major backlash effect. The G-77 came to realise the need for renewed effort in a more concerted and cohesive manner to confront rich nations with their demand for a profound mutation of the existing economic system. The North attempt at keeping the inequitous order ossified is pointed out thus - "The fact indeed is that the quest of the developing countries for equitable economic relations is seen by the developed country as mere foot notes to their own design of global economic relations. The developed countries and the international institutions dominated by them, always tend to search for remedies within the conventional frame-work of short-run balance of payment difficulties in international trade and capital flows. This approach has resulted in the developing countries piling up repayment liabilities which have touched staggering proportion. This testifies to a vast disequilibrium requiring structural reform in the world..."<sup>22</sup>

The LDCs immediately formulated the platform of self-reliance, collective and individual, in the Nonaligned Movement drawing on the work done by the G-77, by the UNCTAD and by the UN. The South seized upon the opportunity of the

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22 S.R.Gupta and L.P.S. Shrivastava, ed., North-South Dialogue: A Debate on International Economic Relations (New Delhi, 1981), p.8.

Fourth Conference of the Nonaligned at Algiers to mount a scathing attack on the affluent countries and drew sharp attention to some of the existing international economic system. After making a number of suggestions to both, the developed and the developing countries, it finally resolved "...to ask United Nations Secretary General to convene a special session of the General Assembly at a high political level, to be exclusively devoted to the problems of development including reactivation of institutions for achieving the goals of international strategy of development considerably prior to the time set for in 1975, at the end of the first half of the decade...."23

The same Meet also adopted an "Economic Declaration" and an Action Programme of Economic Cooperation" which called for a thorough re-organisation of the international economic system. These documents in turn, constituted one of the primary source<sup>s</sup> for "The real challenge...(which) came from President Boumedienne of Algeria, who in his address of the Sixth Special Session of the UN General Assembly, championed the cause of the NIEO..."24 The same has been confirmed in the words. Thus, "Needless to say that this

23 Documents of the Gathering of the Non-Aligned Countries (Belgrade, 1978), p.73, cited in Misra, n.14, p.196.

24 A.K. Koul, "New International Economic Order and North-South Dialogue: Retrospect", Foreign Trade Review (New Delhi), October-December 1986, p. 323.

initiative or demand put across by the Nonaligned for an exclusive session of UN General Assembly to concentrate on the problems of the developing countries (no matter whether they were aligned or non-aligned) that led to convening of the Sixth and Seventh Special Session of the General Assembly in 1974, which pioneered the systematic proposal of the Third World for an NIEO."<sup>25</sup> Such actions shook the canard about the prosperity of West as succinctly indicated by Shah of Iran, "The era of terrific progress and even more terrific income and wealth based on cheap oil is finished."<sup>26</sup> The West in turn could see the dangers emanating from the OPEC action as evident by the Secretary of State, Henry Kissinger's utterances in the context, "the achievement of this generation in preserving our institutions...will be imperiled."<sup>27</sup>

In the 6th Session the ingenuous issue of energy question was dovetailed with all other economic issue of common concern for the LDCs. It seemed to be propitious time for them, "who for years had been unsuccessfully agitating for structural changes, to exert pressure on the international community for the adoption of a blue print of

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25 Gangal, n.14, p.196.

26 Time (Chicago), 6th January, 1975.

27 Ibid

a NIEO."28 The Sixth Special Session of the UN General Assembly as convened in 1974 to study for the first time the problems of raw-material and development, was devoted to the consideration of the most important economic problems of cataclysmic nature of the world community. It provided the caveat to the North before they surge for fatal boomranging development, any further.

#### The Congruity between NIEO and North-South Dialogue

The connection of the NIEO with the North-South dialogue is evident, as the issue and aspects of the latter were voiced in the Nonaligned (NIEO) proposals. The NIEO forms the detailed content and substance of the North-South, which gives it more systematic and concrete form. Thus, the North-South dialogue revolves around the NIEO demands and thus are synomous to a point. This is how the relationship between the two would be viewed in this work.

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28 India and the NIEO and Change in India. Foreign Policy Seminar, JNU, 1978, pp.19-20.

## CHAPTER TWO

### ADOPTION OF NIEO AND

#### MAIN NORTH-SOUTH ISSUES AND PROBLEMS

The proposal of NIEO began as a set of ideas of nebulous nature. It spontaneously sprang from the oppressive ethos which surrounded the developmental and nation-building task of the AALA countries. However the dialogue to achieve the proposal could not be activated due to many hindrances. But the South has an enormous stake in making it a realistic prospect. Though unfortunately they lack the power for effective initiative. It stemmed from their peripheral position in the inequitable world economic order combined with the recalcitrant position of the rich. This status of the LDCs is obverse of one required for the development of their economy. In spite of these, the NIEO proposal has been given a new lease of life with a well defined shape and form and a great momentum, by the initiatives taken by the Nonaligned Movement. The NAM since Lusaka Meet has directed the larger part of its concrete work towards individual and collective self reliance, enunciated and developed by it. It was perceived as a way out of the inequitable and unjust

relations of South with the North. The effort was to reduce dependency through mobilization of south's own resources.

The formulations of this platform took place in the Nonaligned Movement at the Algiers Summit in September 1973, drawing on the work done by the G-77, the UNCTAD and by the UN. The summit adopted an "Economic Declaration" and an "Action Programme for Economic Cooperation", which called for a thorough re-organisation of the international economic system in various spheres. For the historical process of the de-colonisation and the emergence of new states in the liberal economic era, had created a world of dominance-dependence. Broadly the thrust of the struggle for the NIEO is the elimination of colonialism-imperialism and neo-colonialism in all their manifestations. In this way the LDCs have been striving for increased control over their economic destiny, accelerating the growth rate and tripling the share of global industrial output by narrowing the gap in their per capita income. Implications of such action has been thus pointed out, "North-South relations should be seen for what they are, a historic dimension for the active pursuit of peace. But instead, the tension between North-South are complicating East-West antagonism, and the Third

World can easily become theaters of conflict between nuclear World Powers"1.

The domination of the UN by the US and its minions in the North, "is evident, as it was for first time that a session of General Assembly was entirely devoted to developmental problem",2 in a period as late as 1974, at Sixth Special Session. Therein, on 1st May, a historic resolution was passed, "the Declaration of, the Establishment of a NIEO" and "A Programme of Action". In fact such international recognition, of the developmental needs of the LDCs, was in offering ever since the NAM took the initiative. It was only a question of time and the obtuse North could only stall it not stymie the immanent. The resolution went to proclaim the "united determination" of the member states "to work urgently for establishment of the NIEO [for the] future generation".3 In fact the adoption of the NIEO, and the subsequent elaboration of its objectives in the "Charter of Economic Rights and Duties of the States", were taking cumulative cognizance of the

- 1 Brandt Commission Report, North-South: A Programme for Survival (London, 1980), p.15.
- 2 Lars Anell & Birgitta Nygren, Developing Countries and World Economic Order (London, 1980), p.103.
- 3 General Assembly Resolution, in Anurag Gangal, New International Economic Order: A Gandhian Perspective (Delhi, 1985), p.97.

initiatives of the AALA countries through the decades of diplomacy. For "With the growing awareness of the importance of economic matters, the developing countries have also become increasingly cognizant of their bargaining power, however limited, which is represented by these (natural) resources. This recognition has come to be expressed in particular in more assertive use of principle of permanent sovereignty, over natural resources".<sup>4</sup> It was in pursuit of this that the AALA, countries had utilized all the forums like, UNCTAD, G-77, NAM, General Assembly, etc. repeatedly and persistently to wage the long drawn out struggle. The intention was to create a congenial framework geared to their developmental needs and aspirations. Earlier in all varied activities UN was not given any special role to promote international economic justice to the benefit of the backward majority. Now the UN was sought to be made the launching pad for the struggle.

The NIEO resolution exhibited in a dramatic way what has been a characteristic feature of the post, second World-War era : the inextricable inter-connection between international politics and international economics. Though during this period the question of economic development were essentially regarded as "low politics" left to economics.

4 Karl P. Sauvant & Hajo Hasenpflug, The New International Economic Order (London, 1977), p.8.



With the beginning of 1970s however the attitude changed and the question of development became high politics. This found full expression in the Algiers Conference of NAM. Hence forth realization seeped in the heads of the AALA countries' policy makers that their problem was not only a function of their political status but also their economic status. Self-reliance and development became highly politicized issues.<sup>5</sup> It was manifestation of this that the Declaration was regarded by the developing countries as "principle guarantee for the creation of better conditions for all people to reach a life worthy of human dignity".<sup>6</sup>

#### NIEO DEFINED

The NIEO package encapsulates very wide reaching parameters of changes in the world economic order. The basic United Nations document has defined the desired form of the NIEO. It explains it in terms of improved access into market of the industrialized nations for manufactured exports from the South; (b) changes in the marketing structure and the pricing mechanism of primary commodities; (c) reform in the international monetary system; (d) access by the South to the technology and capital market of the North; and (e) an increase in foreign aid or other forms of resource transfer

5 For further details, *ibid*, p.7.

6 General Assembly Resolution, 3201 (S-VI), para 6.

to the South.<sup>7</sup> A much broader perspective of NIEO is propounded thus "the concept of the NIEO now applies not only to the principles, objectives and demands defined in the UN document concerned, but also includes the series of negotiations and the process that has been taking place since the adoption of the official document in the different, international institutions and forums and the North-South conferences and actually even incorporates in part the theoretical debate that is being conducted on the existing and desirable structure of the World economic relations and is also related to theories concerning economic imperialism, the relationship of centre periphery, economic dependence, inequality in exchange, advantages and disadvantages of specialization, international capital, mobility, population growth, ecological equilibrium, etc..."<sup>8</sup>

This then could be perceived as inclusive of all the aspects of the North-South dialogue viz political, economic and moral. The political dimension is rooted in the primacy of the nation-state. Freed from all forms of foreign

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7 See S. Chakravarty, "Developing Dialogue in 1980 and Beyond", Indian Economic Journal (Bombay), 1987, p.2.

8 Istvan Dobozi, "The Politics of International Economic Processes: East-West, North-South and West-West Relations", Development And Peace (Budapest), Spring 1985, pp.39-40.

domination and neo-colonialism, the nation state is to be based on the principle of sovereign equality, interest and cooperation among all states, irrespective of their economic and social system. The economic dimension represents the substantial dimension of the North-South dialogue. In this sphere a number of discord can be identified, for instance the demand to raise price of the developing countries export, to stabilize world commodity market and prices to promote favourable forms of trade and preferential market for the South by the North etc. The moral imperatives stem from the need to reshape the existing order. For having used the existing order to exploit the majority of the mankind, the developed countries bear a responsibility to resolve problems of reform in international economic system.<sup>9</sup>

Thus in short, the NIEO provided a broader basis for the continued dialogue, between the rich and the poor nations. It has been commented that there is not much novelty in the demand for a NIEO. In spite of some truth in it, the NIEO still distinguished itself from the earlier platitudes as is thus said -

What distinguishes the Algiers and the Sixth Special Session resolution from earlier economic program is not their comprehensiveness;... Rather their objectives and the new environment in which they were formulated and

9 See, S. Rajgopal, "North-South Divide - The Politics of Economic Development", Political Science Review (Jaipur), January-June, 1985, pp.5-6

advanced. The objectives of these resolution is no longer merely to improve the functioning of the existing international economic system, but rather to change its purposes, mechanism and structures.<sup>10</sup>

In fact in making explicit, the various levels and the nature of changes required in the international order, the NIEO resolution in the UN has shown the seamier side of this order. This makes the task of reconstruction easier. As to the new enviroment, new context, three factors in particular, all of them highly interrelated, are of key importance-

- 1) the politicization of the development issue;
- 2) the growing assertiveness of the developing countries;
- 3) the emergence of the Nonaligned Movement as an international economic pressure group.

The demand for the NIEO was advocated by the LDCs and the resolutions were passed to that effect in the General Assembly. It seemed the developing countries have developed the will and capacity to use their clout to challenge, confront and effectively negotiate with the economically and militarily powerful. One manifestation was the adoption of "consensus" resolution on the NIEO by the General Assembly.

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<sup>10</sup> Sauvart and Hasenpflug, n.4, p.6:

The declaration in paragraph three proclaimed this in so many words -

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

It was unique for not being "the old ritual... but a series of interlocking changes which affect virtually every aspect of the international economy".<sup>11</sup> It would be further confirmed by discussing the issue or problems of the world economy which NIEO has taken up for the North-South dialogue.

Though the issues of schism between the North-South under the NIEO are many but at the same time "The political, military and economic aspects of the great schism are closely inter-connected".<sup>12</sup> Thus the question of development and survival and peace and disarmament, hunger and nourishment; population and poverty; oil and energy,

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11 Babera Ward - "First, Second, Third and Fourth World", Economist (London), 18 May 1974, p.66.

12 Jayantanuja Bandhyopadhyaya, North Over South: A Non-Western Perspective of International Relations (New Delhi, 1982), p.85.

depletion of natural resources, democratization of international institutions, reformation of financial and monetary bodies and procedures, establishment of a new information order; and the peaceful use of nuclear power etc. are very much inter-related. These numerous problems could be effectively solved only through massive, many-sided efforts, backed by strong political will.

The solution to the problem has rightly been perceived to lie in the achievement of individual and collective self-reliance. This in turn demands internal and external changes. In its external dimension, the implementation of the principle of self-reliance requires a change in structures of vertical interaction between the developing and the developed countries and in the direction of the structures of horizontal interaction among the developing countries. It has to be directed to the constructing of a more equitable relations. In its internal dimension the implementation of the self-reliance tenet demands that the conditions of mobilization of the entire population and the realization of its potential for development are created. Among other things - like drastic changes in class structure of individual countries is needed which would be aimed at allowing greater popular participation and wider sharing in the fruits of development. The issue is the establishment of a new order that more equitably serves the needs of all

members in the international system. Thus imbued with such philosophy, the NIEO has a wide perspective to deal with the multi-dimensional problems of the world economic order.

Among the issues facing the world economic order is the problem of poverty. It seems to have overtaken the world, especially in developing countries, poverty seems to have become a perpetual aspect of their life and a dreadful fact of their social existence. Thus Olof Palme Commission Report pointed out, that the North which comprises one quarter of the World's population has four-fifth of its World income; the South has three quarters but survives on one-fifth of the world's income. Those starving in the developing countries can very well be categorized as unemployed or highly under-unemployed, as they are unable to earn their meals regularly. Thus the basic problem of survival is unresolved. Mostly the shortage is artificial, to give full play to North's food policies, a fact that has been well taken by NIEO through its food security plan.

The population boom in the LDCs has been taken note of in a balanced perspective by the NIEO. They avoid attributing World's most problems simplistically, to the 'soaring birth rates', as the North often does. As some have pointed out, that the cause of birth rate being high in the South has little or no factual basis; rather some such

agricultural societies suffer from under population than over population pressure. Under the circumstances "there can be no single solution so balancing birth and death rates on general plane. It requires attack on poverty, literacy, unemployment, etc. But such measures must be geared to the specific conditions prevailing in the country concerned.

The fluctuating commodity prices in the international market, place yet another hurdle in clearing the balance of payment situation of the AALA countries. So the demand is for a market stabilization system by placing a "floor" (protecting the prices of the primary commodity by services of international buffer stock) under the commodity export prices for these countries. It would serve to protect the developing countries against economic recession in market of developed countries. It would also by reducing short term instability in primary commodity market, help to strengthen the competitive positions of the exports of developing countries, particularly in relation to competing synthetic material. Such a system would be designed to prevent excessive commodity price increase during a period of temporary commodity shortage or drastic fall in prices during the boom period. Moreover it would provide for assured supply of essential commodities to developed importing countries at reasonable price even in period of shortages, thus undermining inflation. The latter would



allow decisions on new investment to be taken on a national basis in the context of reasonable assurance of future growth in market demand. The integrated programme can thus be conceived as setting an institutional frame-work for the more orderly evolution of the world commodity economy.

Efforts then, have to be directed to reducing the economic dependence of developing countries, through regulation of the operations of the transnational corporations. For they run a parallel economy of their own. Their exploitative trade practices make the world especially the South very vulnerable. Control over their arbitrariness is essential to be able to industrialize on the basis of independent technological capacity, for "they [LDCs] owe much of their expansion and technology to multinational corporation..."<sup>13</sup> Broadening the range of goods produced and of the opportunities for specialization would increase the scope for the operation of a genuine comparative advantage in the mutual trade of developing countries. Such diversified industrial structure would improve the ability of developing countries to export industrial products to the developed countries market. Therefore the South wants a code to provide more harmonious relations with multi-national corporations.

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13 Brandt, n.1, p.53.

The conflict has arisen between the current developments in international political and economic relations and existing economic order due to their undemocratic nature. In fact in the present day world economy scene the international development institutions work rather on the fringe of the entire fabric of the world economy. Taking note of the LDCs as a force to reckon with the NIEO asks for greater opportunity for their participation in the international forums. It would establish mutuality of interest, which is what the NIEO is driving at. Such economic security is aimed at longer term structural changes in international economic relations, than quibbling over tinkering with the system which any-way is coming apart at its seams.

Industrialization and mechanization form another problem with its pervasive deleterious effect on the political economy of the AALA countries. The model of growth, initially imposed by the colonial master, has been perpetuated later by the constricting international ethos to development. The technology borrowed under the model, is not allowed to be adapted indigenously. It leads to dependency and diplomatic and social pitfalls. The technology is moreover highly energy and capital intensive running the risk depleting the scarce resources very fast. At the same time they ignore the abundant labour of the Third World

market. So the industrialization does not beget employment nor self-reliance. Tinburger thus says in words "It has become clear that the development fostered by transnational especially in the Third World is not always responsive to social needs and particularly those of the poor."14

The developing countries found themselves in a quagmire on their independence. They had the legacy of many border disputes and other conflicts which demanded increasing defense preparedness. But at the same time their development needs found the available resources too inadequate. Despite that the rationality demanded all rounded effort at development, the compulsions of the world order channelized precious resources to be frittered away on armaments. Implications of this process is thus pointed out, "The armament race deprives mankind of enormous financial and human resources. The net transfer of financial resources from rich to poor countries amount to about one-thirtieth of the world military expenditure..."15 Such expenditure on military are heavy burden on the countries, especially the LDCs. There is a high ratio of obsolescence, but the same stockpiles are sold to the developing world, in face of ready market arising from growing tension and external and

14 Jan Tinberger, Reshaping the International Order: A Report of Club of Rome (New York, 1976), p.40.

15 Ibid, p.25.

domestic props required by many authoritarian regimes. These are the countries hard pressed to solve their development problems. Thus arms control forms a high priority of the NIEO.

The North-South dialogue faces another dimension of the centre periphery syndrome in shape of the information domination by the affluent North. "Media colonialism" tends to perpetuate one way structure, which creates information imbalance and impedes free flow of communication inimical to their vested interest. The UNESCO conference in 1972, first drew attention to the Western media being used towards "the domination of world public opinion or as source of moral and cultural pollution of the third world"<sup>16</sup> by Western imperialism. Thus Algiers Summit gave a clarion call to the Third World to promote better interchange of information amongst themselves, which found an echo in the Sixth Special Session.

The economic insecurity on another front stems for the LDCs from tariff and non-tariff barriers. The reciprocal relation demanded by the North, between the unequal partners created problems, so the scholars have pointed out, problem of the developing countries was related... to the main rule

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16 Anthony Smith, Geopolitics of Information (London, 1980), p.31, in Gangal, n.3, p.60.

of GATT about non-discrimination..."<sup>17</sup> To add to the woes the demand for primary commodity grew more slowly than the manufactured and the industrial products were concentrated on highly priced products in which the raw-material cost was only minor component. So in removal of the trade constraint, the effort directed under the NIEO is to be able to export increased quantities of manufactures of right type and on competitive terms. Then, the gloomy picture of the LDCs vis-a-vis the rest of the world trade arose from the emergence of the trading blocs which stimulated the trade between the participating partners. The NIEO on whole, as remedy to the problem has opposed the "non discriminatory" trade rules inimical to the developmental needs the LDCs. Infact "what was being asked for them by the developing countries was not aid but enlightened terms of trade such as would ensure beginning of regular supply of producer goods as would help the newly independent countries to generate employment and a rise in productivity in their economies. Naturally, this was against the supply of traditional raw material from the under-developed countries".<sup>18</sup> Thus the opposition by the privileged North.

The issue confronting the North-South is that "The disadvantages facing world in the international monetary and

17 Anell and Nygren, n.2, p.60.

18 Tinberger, n.1~~A~~, p.28.

trading systems have not been compensated by concessional assistance from the industrialized countries.<sup>19</sup> The aid has been much filtered down from the targets set. Thus the Pearson Commission Report entitled "Partners in Development", recommended the contribution of one per cent of the GNP to the developing countries was moderated to 0.7% for Official Development Assistance (ODA). Even this figure was rarely maintained. So the NIEO has asked for increased transfer to the Third World to offset the "external indebtedness" in a new system of economic security. For the malfunctioning of the existing institutions for the long term funding has been aggravated<sup>a</sup> by the plummeting volume and terms and conditions of the ODA. The LDCs have been forced to resort to commercial loans. Thus demand is to improve their access to the capital market to increase the ODA available to the developing countries and adopt a broad approach of debt relife to the individual countries in relations to their development requirements. It assumes a great significance in view the mounting debt, which is more like a "trap". The liabilities are beyond the repayment capacity of the LDCs. The following tables would illustrate this fact.

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19 B. Ray, "NIEO Through South-South Cooperation", Party Life (New Delhi), 7 March 1983, p.37.

TABLE-1  
 External Debt of the Developing Countries  
 [in US Dollar, Millions]

Disbursed Debt Outstanding by Region	1970 End	1980 End
a. More advanced Meditterreanean countries	9,193	79,000
b. Africa, South of Sahara	7,028	38,000
c. North Africa and Middle East	4,263	46,000
d. East Asia and Pacific	8,836	58,000
e. South Asia	11,961	33,000
f. Latin America and Caribbean	21,163	33,000
T O T A L	62,444	416,000

Table-2

Disbursed Debt Outstanding by Region	1970 End	1980 End
a. Official Source	38,877	154,000
b. Private Source	27,567	262,000
T O T A L	62,444	416,000

Source: World Bank, Annual Report, 1981, pg.24, v.30...2

Further the problem that pervades the international economic order, arises from the problems of too much. Mass consumerism brought about by stimulated demand, depletes the finite raw material and upset the eco-system. The environmental degradation in fact establishes the interdependence of the world very explicitly. The NIEO seeks to sensitize the North on this issue. The disadvantages to the LDCs also arise from the rising freight like and insurance cost under the monopolies of the rich North. The storage facilities are sadly lacking. This spells disaster especially for the primary commodities export, as they are very perishable. The developing countries are the leading agricultural commodity exporters and thus suffer the most from the poor conditions of transport and storage facilities. The high freight cut into the very low returns, which the primary commodities get. Manufacturers are priced exorbitantly but the LDCs have to pay the same while getting low income from the primary goods. The NIEO raises its voice to arrest the freight hike and ensure equitable participation of the developing countries in the world of shipping.

On a general plane the economic insecurity emerging from the North's dominance over the South which led Brandt Report to point out, - "Prospects for the future are alarming. Increased global uncertainties have reduced



expectations of economic growth even more and problem of managing the international balance of payment is increasing threat of grave crisis in international finance:"<sup>20</sup>

In heeding to this caution note, the NIEO has taken up the cudgels for the reconstruction of the inequitable economic order prevailing in the world. The pertinent point is that the issues and problems have been pin-pointed and a voice raised against the injustice. It is not so important in the proposal of NIEO, whether it will succeed or fail, but what is significant is that it has done the ground-work for re-construction or better still initiated the introspection of the prevailing system. It is also pertinent to point out that there is no pre-determined model to handle the task the NIEO has set for itself. However a pattern emerges as the awareness grows and widens amongst the LDCs to restructure the existing set-up. Perceiving the hardships, the NIEO then made specific demands or suggestions in the three basic documents. "The Declaration of the Establishment of a NIEO"; "A Programme of Action" and Charter of Economic Rights and Duties of the States", besides several international reports and voluminous treatises. The proposals as a whole constitute a general frame-work and from economic and political perspective, for

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<sup>20</sup> Brandt Commission Report, Common Crisis: North-South Cooperation for World Recovery (London, 1983), p.2.

the developing countries to move towards the NIEO. These are pointed to be sufficient and precise guidelines for the working. The issues<sup>21</sup> specifically are as follows:-

#### Issues of NIEO

- 1) Launching of an action programme with emergencies and longterm measures to assist the poor countries of Asia, Africa and Latin America - such projects would include water and soil management, health care, afforestation, solar energy or energy development, preservation of natural resources, oil exploration and industrialization etc. (ONP)
- 2) An end to mass hunger and poverty.
- 3) Special attention to irrigation, agricultural research and food shortage (ONP)
- 4) Employment promotion linked with food.
- 5) Balance between resources and population (ONP).
- 6) International assistance to family planning.
- 7) Increased industrialization endangers global environment
- 8) Need of international management of atmosphere (ONP).
- 9) Encouraging tree planting.
- 10) Ocean resources 'development outside the exclusive economic zones' of twenty two miles should be justifiably shared by all nations. (ONP).

21 For detail, See, A. Gangal, n.3, pp. 18-20.

- 11) Greater public awareness of dangers of armaments race.
- 12) International negotiations to reduce mutual distrust among nations on an even vaster scale.
- 13) Comprehensive understanding of the armament phenomena from a holistic angle that goes beyond purely militaristic limitations.
- 14) International agreements to prevent proliferation of nuclear weapons.
- 15) Reduction of armament
- 16) Efforts towards complete disarmament
- 17) Establishment of a globally respected UN peace keeping mechanism to share military expenditure of states in order to free some of the national resources for developmental purposes alone.
- 18) Armaments restricted all over the globe.
- 19) Taxation of arms trade at a higher rate.
- 20) More research to progressively convert arms production into civilian production.
- 21) Redistribution of productive resources and incomes
- 22) Expansion of social service to the poor.
- 23) Agrarian reform and greater attention to rural areas.
- 24) Emphasis on small scale and cottage industries.
- 25) Strengthening of indigenous technology.
- 26) Better tax administration

- 27) Decentralization of govt. administrative and economic systems to increase wider sense of participation.
- 28) South-South cooperation for development.
- 29) Mutual aid and credit programme among the developing nations.
- 30) Preferential trade schemes of the developing nations for trade among themselves.
- 31) Greater participation of the South in international foras and decision making.
- 32) Greater self-reliance of the developing countries in the processing, marketing and distribution of their commodity goods.
- 33) Removal of tariff and trade barriers against developing countries in international trade.
- 34) Stabilization of commodity prices.
- 35) Reduction of heavy dependence on non-renewable energy resources.
- 36) An international energy strategy.
- 37) Special arrangements to ensure supply of necessary energy requirements to the poor developing countries.
- 38) Substantial increase in the financing of world-wide exploration and development of energy resources.
- 39) Establishment of a global energy research centre.
- 40) Facilitation of industrialization as a matter of international policy.

- 41) End to protectionism.
- 42) Non-discriminatory rules and regulations of international trade.
- 43) Financial support and greater technological assistance to the developing nations for improving their position in the international market.
- 44) Effective national and international law/codes of conduct to govern the sharing of technology, restrictive business practices and the activities of transnational corporations.
- 45) Accelerated development of all developing countries.
- 46) Excess to the developing countries with regard to the adoption of modern technology.
- 47) Formulation of an international code of conduct for the transfer of technology to the developing nations.
- 48) All efforts should be made to be guided by the principles of non-reciprocity and preferential treatment of the developing countries in multilateral trade negotiations between developing and the developed countries.
- 49) Strengthening of the bargaining capacity of the least developed countries vis-a-vis the transnational corporation.
- 50) Increased efforts on both rich and poor countries to develop appropriate technology in the light of

changing constraints regarding energy and ecological situations.

- 51) Two-way free-flow of information between the developing or Nonaligned countries and the developed countries.
- 52) Modern communication technology transfer to the developing nations.
- 53) Non-discriminatory flow of information and its analysis.
- 54) Improvement in the international exchange rate regime.
- 55) Creation and distribution of an international currency for clearing and settling outstanding balances, such a currency should replace the use of national currencies as international resources.
- 56) Creation of an international foreign exchange reserve system to help these countries who face an emergency situation.
- 57) New Special Drawing Rights favourable to developing countries.
- 58) Improvement in the terms conditions and decision making bodies of the IMF and the World Bank.
- 59) Stability of international exchange rates.
- 60) Development and creation of an international revenue system for imposing revenue mobilization from international trade transactions and income.

- 61) No political condition should be imposed by the international trade transactions and income.
- 62) A new World Development Fund should be created with universal membership, in which, decision making is more evenly shared between borrowers and leading sources.
- 63) Increased flow of lending from international institutions and commercial private banks to the developing countries on easier interest rates.
- 64) Greater participation of the UN and its agencies in the development of the AALA countries
- 65) Further democratization of the UN institution.
- 66) More frequent use of international summit meeting to develop consensus for change and reform.

### CHAPTER THREE

#### NEGOTIATION FOR NORTH-SOUTH?

The AALA countries sought to alter the management of the international economic interactions in their interest by getting more direct influence over the market and the management process. The attempt then was to achieve this by negotiations with the developed states. The strategy employed was collective economic action and translating this into political pressure. Sketching briefly the history of such negotiations, it could be pointed that, the endeavour began first with the formation of the Third World Caucus group - the Group of 77 - within the frame - work of the first UN Conference on Trade and Development. Since that conference in 1964, the procedure of working out a common Third World position prior to negotiations with the developed states has become a matter of practice on a widening range. International forums, such as world conferences on environment, population, food etc, as well as the special and regular sessions of the UN General Assembly.

Initially, the adoption of a united negotiating position could <sup>be</sup> ~~the~~ seen as a form of "pressure group" tactics, as distinct from 'confrontational' tactics - the



difference being largely one of whether or not decisional outcomes were based on compromise and consensus, the common front was in other words, a means to focus negotiations around a series of concrete issues defined as important by, developing states and to impress on the developed states the importance of taking progressive actions on these issues. The inability of the developing states to make significant gains through negotiations with the developed states, carried on a consensus basis, led however to a hardening of the LDCs common position and to the use of their majority voting strength in the UN meetings. There was linking of issues as a method through which they collectively exert pressure in support of their development demands and to a consolidation of their demands around a call for the establishment of the New International Economic Order (NIEO). The early version of this call for a new order was expressed in 1973 in "Charter of Algiers", which prefigured the Third World's formal demand for a fundamental transformation of these existing structure that maintained the present disparity of benefits. The Nonaligned countries officially endorsed, inter alia, the call for a new and just international division of labour and a new monetary system, and re-affirmed the right of states to full exercise of sovereignty of national resources. It also recommended the establishment and strengthening of producers associations; urged that all possible means to achieve the objectives and

outlined an action programme for economic cooperation among developing the states. It was directed to give form to the Nonaligned Movement's principles of collective self-reliance.

Significant then, was the effort of the developing countries to translate their economic positions and emerge into political influence and political leverage. It took its most dramatic and compelling form with the embargo declared by the Arab oil exporting states in October 1973. The developing countries as a group re-emphasized their united support for the actions of the OPEC and their support for the establishment of other OPECs- i.e. other producers' association that would re-orient the long prevailing uneven distribution of gains from trade of raw-materials. Though of course, these attempts by the Third World to exert collective commodity power, for the OPEC, and their expressed readiness to use "all possible means" to achieve the objectives of the new order were condemned by the developed countries. The lead was taken here by the US, who organised a countervailing actions designed largely to break the Southern states' solidarity. Significant was the US effort in early 1974 to organize a coordinated Organisation for Economic Cooperation and Development (OECD), as response to the OPEC formation. This effort was intended according to Washington, to reduce the developed market economics

vulnerability to future oil supply interruption, but was viewed by the developing states as an effort to break up the OPEC and to exert dissuasive force against them. Thus, an atmosphere of confrontation set the scene for the Sixth Special Session.

#### Sixth Special Session

Imbued with confidence from the recently, acquired 'commodity power' as demonstrated during oil embargo in 1973, the countries of AALA thought it propitious time to seek redressal of their grievances. Consequently, President Houari Boumediene of Algeria, in his capacity as President in office of the Nonaligned Movement, requested the convening of the UN Sixth Special Session in 1974. "The essence of this official demand for a new order is a call for the redistribution of the world's wealth and economic opportunities, reparations to foreign dominated states and restructuring of the international economic system and its institutions to guarantee that the interest of the developing states are directly taken into account"<sup>1</sup>. The order is to be based on the principles of 'equity,

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1 Karl P. Sauvant and Hajo Hasenpflug, The New International Economic Order: Confrontation or Cooperation (London, 1977), p. 100.

sovereignty, equality, interdependence, common interest and cooperation' among all states".<sup>2</sup>

The US refused to participate in the preparation for the Sixth Special Session. In the course of the session, the developed states, particularly the US, defended the existing international economic system as, in Secretary of State, Henry Kissinger's words - "a common enterprise" in which benefit "from having progress on the test of strength". They played down the notion of redistributing wealth and condemned the producers' associations as instrument of economic pressure, warning that if a bloc of weak states was to resort to such a pressure it would be at the risk of provoking a counter bloc. And they rejected the very notion that any one group of states owed reparation to another. While expressing a willingness to talk about economic cooperation within the frame work of the existing system, the US and the various Western European States voiced formal objections to the adoption of resolution that enjoyed majority but not unanimous support. They made known their reservation regarding a number of key substantive points in those resolutions. Thus in the Sixth Special Session the North had its way, as the formal proposal on a "Declaration" and a 'Programme of Action', on which consultation were

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2 Preamble of the UN General Assembly Resolution 320.

mainly based, and were put forward by the ninety-five developing countries (the G-77), were not put to vote following approval by the Ad Hoc Committee of revised texts of the 'Declaration' and the 'Programme of Action'. Resolution 3201 (S-VI) and 3202 (S-VI) were adopted on 1 May without vote. Thirty nine members stated their position, some of them placing on record reservations or objections.<sup>3</sup> The consensus was underlain by the non-mandatory character of the declaration. The developed countries acquiescence though given, but they were firm on not relenting on any concrete efforts or on initiating the proposed North-South dialogue. They, rejected the interdependence theory and believe that their survival is entrenched in their dominance.

#### The Seventh Special Session

However, the sanguinity over the commodity power, gave the LDCs persistence to continue efforts to bring forth the issues of the South. This resulted in the Seventh Special Session of the UN General Assembly, as both the developed and the developing states indicated that they desired to see an improvement in the generally deteriorated set of the North-South relations. They viewed the scheduled Special

3 Year Book of the UN, 1974, Office of Public Information, UN, New York, Vol. 28.

Session as a possible sitting within which to make such a change manifest. At the outset, US made commitments for a new round of combined energy and raw-material dialogue and to the consideration of a new commodity agreements. Thus, "While the Sixth Special Session of the UN had been held in the final moments of a historic commodity boom and in the height of the resource scarcity "scare", the Seventh Special Session accrued after many commodity prices had dropped precipitously and after the effect of the world inflation, recession and higher oil prices on the less developed states had been documented."<sup>4</sup>

At the Seventh Special Session convened in September, 1975, the shift from confrontation to 'conciliation' was clearly evident. It has been further pointed out in the words, "At the Seventh Special Session, there was a radical change in the North-South relations. Initially, the relationship was one of confrontation, but... the relationship was transformed into a North-South dialogue"<sup>5</sup>. At the Seventh Special Session, there was the conciliatory speech of the then, US Secretary of State, H. Kissinger, and an informal working paper was submitted by the U.S. in an atmosphere of cooperation rather than confrontation.<sup>6</sup> The

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4 Ibid, p. 107.

5 Ibid, p.106.

session in fact established a frame-work for the subsequent dialogue and negotiations. However the observed shift must be seen rather as tactical one that stemmed from the perception of the limitation of continued confrontational politics. The objective of neither the developing states as a group nor of the U.S. with the rest of North would be advanced, by continued confrontation, it had come to be realised.

The readiness of the G-77 to avoid further confrontation, represented a pragmatic approach to negotiations. At the same time it did not amount to abandoning its basic objectives of establishing the NIEO nor giving up its united front. Rather the willingness to negotiate a compromise reflected the ability of a group of moderate states to prevail upon the others, to stand united behind an effort to get on with the implementation of concrete actions in those areas where such action seemed possible. For given the groups limited influence, diversity of capabilities and interest and their continued individual dependence on the technologically more advanced economies", to press for fundamentals, at a time of economic crisis and at a time when at least some meaningful progress could be expected to be made, would have risked the very solidarity

6 A.K. Koul, "New International Economic Order and North - South Dialogue - Retrospect", Foreign Trade Review (New Delhi), October-December 1986, p. 324.

which had given direction and momentum to their development demands. Such caveat for the LDCs was significant, as their ability to influence international political, social and economic affairs remained limited by the general asymmetry of the international economic and political power and by the group's lack of command over particular leverage points, other than control over a large share of the world's known reserves and export of oil. The sanguinity could not be carried too far even with the rich OPEC states continuing to ally with the rest of the developing countries.

For the North led by the US, the shift from confrontation to conciliation represented a tactical move that implied no more of fundamental commitment to the Third World development than the Third World's compromise implied retreat from the demand for equity and political status. In fact the US initiative on behalf of the North, at the Seventh Special Session reflect a recognition, that the earlier attempt to divide and conquer had failed. To pursue this further would be counter productive to the, North's basic objective of strengthening the efficiency of the world economy through improved international market mechanism, an objective which the North had come to view as requiring some accommodation with the developing states within the framework of reformed, but not transformed international economic structures. Not only the OPEC has not been shattered but no



developing state had openly turned against the association. The persistence of the LDCs solidarity was, in other words, one of the factors which influenced the rich's shift of position. This does not mean, as developing countries insist, that the Third World cohesion compelled the developed states to alter their position, for in fact, few positions were changed. Rather, what one sees is that with the Third World having demonstrated, by their linking of oil and other raw-material, that an open attempt to split them would only encourage a stronger sense of solidarity. So the developed block led by the US, shifted to a readiness to talk about specific economic issues of concern to different countries with the hope that this would cause them to divide themselves. Henceforth, the direction of the policy became, -one of discovering "communities of interest", to allow the encounter to go beyond the rhetoric of solidarity to discussion of substantive issues that were of concern to the different developing states without, however, causing the U.S. to have to alter its position on the basic demands of the NIEO.

The offering of a set of the US initiatives at the Seventh Special Session, which pledged new measures of support for development consistent with a bolstering of the international commodity and capital markets, and an improvement of the foreign investment climate, also served

to align potentially significant strains in the Atlantic Alliance. Such strains could have developed had the Western Europeans, individually or collectively moved to make accommodation with the developing states, while the US remained un-accommodative. The possibility of such tension stems from the fact that many of the Western European states are more dependent on the Third World for energy and other natural resources than is the US, and that some have politically significant segments of their population more sympathetic to the Third World demands for the redistribution.

In essence then, the change of tactics of the metro countries is from the perception of a need to create conditions conducive to a strengthening of the existing order and compatible conditions supportive of international economic development. These conditions take the form, according to their views, the concept of 'global efficiency' which implies new "interdependence" between the developed and the developing states. The North's commitment to "our common success" is in strengthening the existing order. Such calculated move, bore fruits as in the final document the developing countries retracted from their initial position for the sake of arriving at what could be called a "consensus" resolution, and the developed countries acceded to certain language and to the outline of an agenda of

issues that went beyond their initial proposals, without however, committing themselves to an unacceptable action. It should be noted, however, that despite this gesture, the moderate, much compromised tone and content of the final resolution, the US felt compelled to issue a rather lengthy list of reservations, which are clearly indicative of how far apart it remained from the developing world. It was indicative of their unwillingness and inability to accept the implications that the world now is embarking on the establishment of something called NIEO. Then one could derive that what occurred was a conciliation without reconciliation of the basic issues and the fundamental principles, at stake. To the developing states' demand for an economic order more amenable to their needs, the developed states responded with some plans to reform and revitalize aspects of the existing international economic system, with principal attention to the issues of efficiency and stability.

Despite the changes there continues to be a lack of consensus between the developed and the developing countries on the question of the purposes and the management of the international economic order. Such absence of a broadly similar view of the problems made the US lead the game of trying to identify and deal with specific "communities of interest". This continues to appear to the LDCs as a

divisive and an illegitimate tactics rather than as the constructive approach it could be in a context of broad consensus on goals. So what is needed more fundamentally is an international commitment to the elimination of absolute poverty and willingness on the part of both, the developed and the developing states to accept certain restraints on their freedom of action.

#### Paris North-South Conference

However the sequence of events depicted no such desired course of action. In fact the North-South dialogue entered a more formal phase only as late as December 1975, with the convening of the Conference on International Economic Cooperation (CIEC) at Paris. It was perhaps the first historical dialogue of its kind at the global level between the developed and the developing countries. The conference analysed the world energy situation along with the other major economic problems that divided the world between the haves and the have-nots. "But the CIEC was doomed to be a failure marking the beginning of the stalemate on the North-South dialogue. It was marked by disagreement and conflict."<sup>7</sup> For all that they were supposed to do was to

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7 J. Sengupta, "New International Economic Order on Perspective", Mainstream (New Delhi), June 9, 1984, p. 7.

approve the decision of the October meeting of a ten nations preparatory committee.<sup>8</sup>

The North-South Conference on International Economic Cooperation at Paris from 30 May to June 1977, between the eight developed states of the North and the nineteen developing states of the South, was the first formal attempt to sort out their differences. Then the US Secretary of State called for a new world economic system. An important ingredient of the offer made by the North, during the four-day conference, was the establishment of a one billion dollar Special Fund to help the poorest nations meet their bills for oil and interest payment. It was also proposed to set up a Common Fund to help stabilize prices of certain commodities - a proposal that was intended to protect the Third World countries from disruptive price fluctuations. The North countries further pledged to set up assistance for the development of the Third World agriculture and to increase financial resources of the IMF and the World Bank in order to help poor countries meet their balance of payment deficit. In return for its pledges the developed nations asked for guaranteed access to stable supplies of oil, protection against arbitrary nationalization of foreign investment, as well as a forum -

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8 Statesman (Calcutta), 20 December, 1975.

a consultative machinery - for the continuing discussion of global energy problems, including oil.<sup>9</sup>

It has been said that the developed countries primarily participated with motive to gain concession on energy front, using the argument that highly priced oil would inhibit growth in the industrialized countries which would adversely affect the potential to help the South. For if the oil price continued to rise, it would bring more inflation in the industrialized countries raising the price of machinery and other manufacturers which the South needed. And if energy shortage hampered growth in the North, exports from the South would suffer a setback.<sup>10</sup>

The southern nations however refused to agree despite all cajoling arguments. Instead they laid stress for a "New International Economic Order" that would bring about a fundamental, massive transfer of wealth from the North to the South. ~~S~~ The developing states also demanded debt relief on approximately 181 billion they owed to the industrial nations and an indexing of oil and commodity prices. The delegates from the OPEC nations rejected a proposal for continuing energy discussion as they feared that it might

9 S.C. Bose, "International System and North-South Issues", Indian Journal of Political Science (Bhagalpur), April-June 1987, pp.163-78.

10 L.K. Jha, North-South Debate (New Delhi, 1982), p.47.

reduce their power to control oil prices and supplies, unilaterally. In short they refused to permit industrial world's intrusion into the right of oil producers to fix the price of energy, besides rejecting safeguards against nationalization of the North's investment. The OPEC maintained that it was their sovereign right to deal with the pricing and the export of oil. It was exhaustible and it was not in the long term interest of oil-producing country or for the world. To conserve this vanishing resource, its price had to be kept high, particularly as with inflation prices of all that the OPEC imported, were shooting up.

Eventually the Paris Conference ended in the deadlock resulting mainly from the refusal of the OPEC to agree to setting up of a mechanism for consultation on energy. Since the developed countries had participated in the conference with the primary objective of gaining substantial concession on the energy front, they were not prepared to move forward to offer any concession without any gains in regard to oil.<sup>11</sup>

The developing countries noted with regret that most of the proposals for structural changes in the international economic system had not been agreed upon. While the developed countries regretted that it had not proved possible to reach agreement on some important areas of dialogue, such as certain aspects of energy cooperation.

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11 Ibid, p. 47.

The dead end of the North-South relations reached after the Paris Meet, drew the attention of the President of the World Bank, Robert MacNamara. He realised the need for a new conceptual frame-work to start afresh. The idea led to founding of the "Independent Commission on International Development Issues" under Willy Brandt. The commission decided to work on the interdependence between the North and the South resulting in multitude of interest on which cooperation could be based. It broke fresh ground in spelling out the way in which the acceleration of development in the South was beneficial to the North. The Brandt Report also "suggested an informal gathering of world leaders where initiatives and concessions could be thrashed out with candour and boldness" on issues dividing the North and the South.<sup>12</sup>

However such enlightened awareness like that of Brandt Report was not widely shared nor translated into an action programme. In fact with the beginning of the 1980 new tension and new problems began to vitiate the atmosphere and dim the prospects for a cooperative effort. After the second major oil prices rise in 1979, plight of oil importing countries deteriorated sharply, while the developed countries too found it difficult to cope as the shock waves

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12 The New York Times, 1 October, 1981.



radiated to them too. So the latter were into in mood to pay much heed to the concerns of the developing countries. Policies of trade expansion were being replaced by recourse to protectionism, of which the developing countries were the worst victims. Those concerned with the international economic cooperation, began to turn attention to hold a summit meeting on international cooperation as recommended by the Brandt Report.

#### Cancun Meet

In October 1981 leaders from twenty-two nations gathered in the resort town of Cancun on Mexico's historic Yuctan Peninsula, in an effort to revitalize the sputtering North South dialogue. Its aim as pointed out was "To create a sound world wide socio-political arrangements-this is principle task of the North-South dialogue, renewed in Cancun in 1981."<sup>13</sup> For since Reagan took office the relations between the world's rich and poor nations had become increasingly strained, as he seemed totally indifferent to the subject of Global Negotiations. However at Cancun there was a shift in his position as he agreed to resume the Global Negotiations.

13 Istvan Dobozi, "The Politics of International Economic Process: East-West, North-South and West-West Relations", Development And Peace (Budapest), Spring 1985, p. 8.

The idea of a Summit was seized by Mexico's President Jose Lopez Pertillo and Austria's chancellor Bruno Kriesky, who were to co-chair the meet and they began to recruit striking international representatives. But stricken with illness, Kriesky, abdicated in favour of Canada's Premier Trudeau. The meet itself was consensus on major thrust of the Brandt Report that of mutuality of interest and fuller cooperation between the North and the South. Taking cue from the emergency programme priorities of the Report, the meet reflected the same, though such thinking was not crystallized concretely. But on transfer of resources little progress was made at Cancun. The need for more resources being available to sustain the programme on food and energy front was implicitly accepted. Some of the OPECs were unexpectedly forth-coming, but most of the developed ones of the North favoured the market forces and reliance of private capital. Thus the basic fact here is evident, that the rich countries in the North did not show any sense of urgency in solving the problems involved in the North-South dialogue. So far as Reagan agreed to show up in Cancun and to listen, but his strategy was to fend off the Third World demands for aid which he believed the US could not spare, which was evident in his speech. He suggested "honest toil" and "the magic of the market place" not additional aid, as key to the Third World development. The important contribution any

country can make to the world development is to pursue sound policies at home. No American contribution can do more for development, than a growing prosperous US economy."14

But the really difficult, even controversial issue which remained unresolved was question of the Global Negotiations being launched. Though a consensus had emerged that there should be Global Negotiations but no commitment was made, as seen in Mr Trudeau's words, "We failed to get agreement on what the next step should be."15 While Brandt Reports says in words "In particular the North-South summit at Cancun, Mexico, in the fall of 1981...fell far short of our expectations. It produced no new guidelines nor any clear impetus for future negotiations. It did not even come close to launching the idea of a world economic recovery programme."16 In fact the intensive effort going on in such direction, prior to Cancun, lost its momentum after it. There was no sign of the green signal for the Global Negotiations to proceed, on which the Cancun Meet was to be assessed in its achievement. Prognosticating on the trends of Cancun, before the Meet, it was reported "At a

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14 Brojendra Nath Banerjee, Cancun to New Delhi: South-South Cooperation (New Delhi, 1983), p.2.

15 Ibid, p. 152.

16 Brandt Commission Report, Common Crisis (London, 1983), p. 2.

preparatory session of foreign ministers in Cancun early in August, there was no sign that the week's meeting would produce a break through after the year's fruitless negotiations between the industrialized and the developing countries".<sup>17</sup> Some governments of the benighted South were optimistic to the degree that the meeting is taking place at all, after the call given by Brandt Commission Report to aid the poor countries. But others worried about what will come after Cancun.

Deadlock also arose when the North insisted on autonomy from the UN body, for the World Bank, the IMF and the GATT, in which the rich had predominant say. The North insisted on the competence of these to serve as referent on issues such as transfer of official resources, increase in multilateral concessional credit or protectionism in trade, while the developing countries wanted the decision of the agencies to be reviewed by some general Global Negotiations or the UN Assembly itself or the UN Assembly itself where the LDCs had their majority. But Reagan insisted that "no new international monetary organisation" should be set up for conducting global negotiations.<sup>18</sup> In fact it was with the intention to shield the privileges of the North accruing

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17 The New York Times, 21, October, 1981.

18 Banerjee, n. 14, p. 166.

from the predominant institutions, from any inroads from the South that the Cancun Meet was precluded from having a formal agenda, or from issuing a communique or a declaration. The US, Secretary of State, Alexander Haig made it clear that the summit would not go beyond "interpersonal relationship between heads of government who have not met."<sup>19</sup> The maximum concession Reagan was conceding was that UN "may service" but will "never veto" decisions taken at the GATT or in the World Bank and in the IMF. But the countries of the South were not prepared to accept a situation in which the UN would have no influence on the decisions reached within these institutions, whose very functioning orientation and power structure were issues in the Global Negotiations and thus largely the concern of the UN. In this way the North-South dialogue has remained the empty talk of the most recent conclaves at which not a single issue of substance was resolved.

The Cancun Conference suffered from many other limitations which could not but adversely affect its results. Despite the Brandt Report warning against armaments as the key problem, it did not even figure in the form of detente among the nations at the Meet. This stalled any agreement on food, energy etc. The Meet then, also had

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19 Ibid, p. 131.

narrow circle of participation and the LDCs again found themselves in a discriminated position. One third of all developed countries in the North and a mere one-tenth of the developing countries in the South were represented at the Cancun Summit. Mr Trudeau made it explicit in words "We are here to give voice to humanity as a whole. And we must keep in mind that there were about 130 seats empty". The composition of the summit mirrors the class and caste system in world affairs. The South was overwhelmingly represented by the oil rich and the "middle class" nations... Cancun then showed that the composition for world wealth and fiscal-monetary power is now confined to the three groups of nations, the rich industrialized capitalist countries in the North, the oil rich members of the OPEC, and the middle class powers.... The middle class nations take away of the bulk of the international aid."20 So in the view of the faults "Cancun in fact, represent a great opportunity wasted. At the two day summit, there were, little mutual consultation. The speech oriented Cancun was in contrast with the momentous decisions taken at the Brettonwoods Conference in 1945 which had shaped some of the financial institutions like the World Bank and the International Monetary Fund on which the world economy today rests."21

20 Ibid, pp. 131-32.

21 Ibid, p. 153.

Nevertheless the North-South dialogue is a process that can only temporarily be arrested, it cannot be reversed. A blank or even adverse outcome at the Cancun cannot take the world back to the days of the North's supremacy. The South's power resides in the unity and their number. In fact, the Cancun marks the highest opening in the South's long campaign to organise and to press the North for economic reform. Moreover the Cancun Conference provided them a first hand education of each other's concern. It was "enlightening" as some of the leaders were getting exposed to<sup>b</sup> the realities of the world, that three quarters of them had never been exposed to before.

#### Problems in Negotiations

On a general plane, the analysis of negotiations reveals the Third World's impotency where achieving the goals of North-South dialogue are concerned. Be it Paris or Cancun or any other level of negotiations, the North-South dialogue is becoming more and more ineffective as years pass. In fact, with the benefit of hindsight, it is difficult to see how it could have succeeded. The trend of events unmistakably point towards a stalemate in the North-South dialogue. Is there no way out of this morass? The way out would be to start focusing on the obstacles hindering the viability of the negotiations. At the outset is to be

pointed that the North-South don't seem to share a broad vision of the future for the international community. Broadly speaking the developed countries, are primarily interested in balance of power, detente, containment of communism and security of the West. The developing countries on the contrary, regard colonial domination apartheid and arms race as major obstacles to progress. The strategy ensuing were two different ones, pursued by the participants blocs. The South play a redistributive and ambivalent game that emphasized the creation of radical new regimes and sometimes merely greater share from the existing one, but difficult for the North to compromise. While the North was in short run, frequently negative trip that emphasized modest reform and mutual concession, but also considered it victory to force a stalemate. The game was of negative veto. Also, relevant to mention in relation to attitude of the North, is to consider the North-South issues as primarily concession from the North. This forces the participants into blocs and invites confrontation. The North alludes to this dialogue as being manifestation of a power struggle. This attitude tells on the tactics and the strategy.

Besides, at the level of the countries of the South, the concept of collective self relevance is still elusive. Factionalism and pressure have often marred the effort at united action. This in turn hindered the collective



organisation of the AALA countries. Still another defect has been to treat most of negotiations as primarily, political with solution in political will". It thus led to oversimplified debate while the intra group dimension move towards specifics and practices. Then virtues not denied the group system is another major defect, as its cost include commitment to a single, very broad and abstract set of principles of transformation which are difficult to compromise for fear of group unity unraveling.<sup>22</sup> The G-77 seems to operate as though its sole joint operating principle is acceptance of the NIEO. Such style was reverse of the policy creation from bottom-up; instead in practice it becomes top-down process. The mass support on domestic front is skipped as its not mobilized, while the bureaucracy has its own vested interest to perpetuate.

The failure of the dialogue also stems from rejection of thesis of interdependence by the North. Such attitude accrues from their superiority in the world order. They then insist on bilateral negotiations, which makes the LDCs more vulnerable to the manipulations and rapacity of the North. The position of the South is aggravated by the nature of trade export, that is of the primary commodities. The North has also scored over the South in negotiations by some

22 R.L. Rothstein, "In North-South Dialogue Worth Saving", Third World Quarterly (London), January, 1984, p. 170.

crafty arguments they concocted. They point that they function within a democratic frame-work. The pooled resources in form of taxes cannot be frittered away on some distantly located LDCs, which are often authoritatively governed. The leaders of the North then hide behind their accountability to the tax-payers. They propound the argument that countries of the South, which are of no direct concern to them, can hardly merit aid from the North.

#### Reforms in Negotiations

The pessimistic scenario though created by the above analysis of major problems, give no reason to throw the baby with the bath water. The North-South negotiations will be unavoidable because developing countries are of increasing economic and political importance to the North; because they are much more numerous and dominate international forums from where they will continue to exert pressure for more negotiations; and because they have a well founded sense of grievance. Lessons can be learnt from the past negotiations to explaining the negotiating behaviour of parties and can provide useful procedural guidance for the future negotiations. Beginning could be made with the

Basic attitudes on the part of the North [which] are obviously a critical factor... The North therefore should respond positively to sound proposals by the South and also put forward proposals of its own. This

would make for greater pragmatism and realism. On the part of the South there must be greater recognition that while the North too has a major interest in improved policies, the South's interest is more direct and urgent... The South would be more successful if it adopted a more persuasive negotiating style, devoted greater attention to mutual interest in submitting proposals, and showed less rigidity in the forms and procedures of its group system, and a greater readiness to use more specialised fora and non-global approaches.<sup>23</sup>

Consequently the zero-sum game assumption would have to be shed by the North; as both would benefit from the restructuring and in the long run, the economic relationship would become a positive sum game.

Further, the impediment has been the need to obtain consensus in the whole global community before decisions are taken. Instead a fair majority decision should be taken. Greater use should be made of single issue negotiating conferences,<sup>24</sup> since they are often more efficient and serve as complementary and supportive of universal negotiations. Small groups negotiating technique would further extend the process as these and universal foras are mutually supportive than antithetical. Thus a good possibility has been forwarded in shape of functional incrementalism, for Global Negotiations are too complex and of a magnitude too great to

23 Brandt, n. 16, pp. 140-142.

24 John W. Swell and I. William Zartman, "Global Negotiations: Path to the Future or Dead End", Third World Quarterly (London), April 84, p. 396.

set up a new economic order at one go; partial improvement and transitional tinkering are needed for the beginning.<sup>24</sup> In the negotiating procedure, even the well defined trade off has come a cropper. As the issues negotiated are carried out uncoordinated in, different-forums, at different time and by different negotiators. So a mechanism to coordinate related issue has to be established, for instance, a Third World Secretariat, with technical expertise in negotiations based on information tapped from all avenues.

The negotiations viability is embedded in strengthening the position of South. The answer to it is rightly sought in the South-South cooperation and its role in promoting individual and collective self-reliance of developing countries. But it could not be substituted for North-South dialogue, the impasse of which has made the South the worst victims. So it is pointed out. "In view of the continuing economic imbalance in the relations between developed and developing countries... it declared, it will be necessary to adopt and implement within a specified period a programme of action unprecedented and to bring about maximum economic cooperation and understanding among all States..."<sup>25</sup> So these observation on whole suggest that the barriers to

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25 L.K. Jha, North-South Dialogue, p. 103, in Anurag Gangal, New International Economic Order: A Gandhian Perspective (Delhi, 1985), p. 98.

understanding between the North-South are <sup>b</sup>psychological, and <sup>h</sup>political as well as economic. Only the international meeting and conference diplomacy on its own will not help much, but rather a fresh approach of humility on both sides and a new vision of the world as an interdependent whole. They must also nationalize the economic structure of their societies and demonstrate political will and administrative will and capability to carry out such nationalization. The negotiating process on the whole, has to be overhauled on the foregoing guidelines. These would make the process robust. It would bestow a very effective instrument for the task of creating a more effective world to live in, but only after the basis of the prevailing world is "re-formed". (Will be discussed in the fourth chapter).

The conditions conducive to the dialogue are many on the international scene, which hold out the possibility of clearing the roadblocks on the path of a <sup>e</sup>better world. The efforts could be to tap the growing competitiveness among the Western industrial nations and the erosion of the old blocs led by the superpowers. The realignment of economic and political power among the nations provided to the Third World with far more negotiating options than available earlier. Further the globalisation of the phenomena of resource crunch (scarcity, population growth, ecological disaster, etc.) created a situation that has made it

imperative to work for the global interdependence to be organised on a wide basis. The growing interdependence make the LDCs no more marginal to the vital interest of the developed countries. This scenario may be summed up in following words: "It is true that majority of Western Politician are being driven to the world's negotiating tables, not by the plight of the poor nations, but by the plight of their own economics and by the serious dislocation in the international system. The Third World has refused to discuss these problems independent of more fundamental institutional reform."<sup>26</sup> Moreover, superpower and bloc confrontation is ebbing away. A thaw in North-South confrontation may therefore hopefully be the next priority item on the global agenda.

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26 Jan Tinberger, Reshaping the International Order : A Report of Club of Rome (New York, 1976), p. 47.

## CONCLUSION

## CHAPTER FOUR

### NIEO : PROSPECTS AND ALTERNATIVES

#### The Drawbacks of NIEO

The opening of the '90s, mark almost two decades of the adoption of the NIEO. During its peregrination it got some accolade for successfully pointing to the burning needs of the time, but it mostly got a lot of flak and met with dismissive tirade from both the quarters, that of North and of the South, for it came to be a cropper in numerous instances. In retrospect, mainly, one finds the multilateral negotiations on tariff reduction have proved of very little consequences in terms of their overall effect on the protectionist tendencies in the North, in respect of tariff and non-tariff both, as evident by GSP neither being maintained nor improved. The Common Fund, for commodities to achieve Integrated Programme for Commodities, has shrunk in volume, besides it being of no guarantee to the LDCs interest. Despite the persistent demand of the South for sympathetic attitude, the aid loan from the IMF and the World Bank with high conditionality have come to stay. The negotiations to establish the code of interaction for the transfer of technology show no light at the end of the tunnel. Though consensus is there on the initiative to



launch the Global Negotiations, but there is no evidence yet on any concrete advance towards the North-South dialogue since 1977.

Such dismal picture compels an investigation into the proposal for NIEO, so as to unravel the problems and the inadequacies which question the whole basis this proposal. One such drawback lies in the contradiction between the structures of the system, of the elements of the world capitalist economic system, as manifested by the new position of developing countries on their political independence, and the structure of relationship amongst capitalist developed countries, and the warranted system to met the social and economic needs of the decolonised world, which have not been adequately addressed. It treats for symptoms and looks for adjustment while the need is for a new structure and a new set of relations which cannot emerge under conditions of dependency, inequity etc. Further the NIEO basically deals with the system of relationships between countries and ignores the question of the structures of the system of elements within the national economies and the structure of the system of relationship among elements of national economies.

It is an accepted fact that progress towards the NIEO has not been encouraging. Its pitfall has been left to

fester and has been well exploited by the obdurate North from a number of perceptions. There are many hindrances to the realisation of the objectives of the NIEO as we shall examine. Firstly, it appears that the Western nations have not yet shaken off their notion of colonialism and economic imperialism. They are not unaware of the needs of the developing countries, but they choose to ignore them and exploit the Third World nations through manipulative bilateral concessions, skillful aid and trade diplomacy and covert operations of the TNCs to finally impose political and ideological bias on the dependent developing nations. They begin to see NIEO as being politically offensive than economically.<sup>1</sup>

Another hindrance to the North-South dialogue, as frequently brought out by statesmen and press in the West, is the lack of public perception, in the North of such dialogue as leading to the redistribution of economic benefits between the developed and the developing countries. Such, in the opinion of the West is ethically unjustified when most of the LDCs are authoritarian in nature with records of for human rights violation. However it needs to be pointed out that allusions to such un-democratic nature of the Third World political regimes, epitomizes the "media

1 Karl P. Sauvant and Hajo Hasenpflug, The International Economic Order (London, 1977), p.65.

colonialism" of the West. For, such cases of unpopular governments are exaggerations of a few instances. It is a play to abjure the West of their responsibility for the development of the South. Moreover the West has exploited the fact of Eastern support for the NIEO, by deliberately highlighting this latter in political light of the East-West divide. Thus, the western media and the statesman have manipulated the public opinion to take cudgels against the AALA, needs as affirmed by Tinberger, "Public opinion is no phenomena sui generis. It is in part the result government policies...."2

The obstacles are primarily political. The North, mypoically fears that abandonment or substantial modification of the current system would be to their disadvantage. The LDCs who desire the basic change are too effete to make the changes in absence of a stable political system, lack of enduring participation of people in the political process and lack of growth of appropriate political institutions there. The vested interests in the developing countries too do not wish to abandon the advantages of the current outmoded system. To the socialist countries, changes are acceptable, if they help weaken the

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2 Jan Tinberger, Reshaping the International Order : A Report of Club of Rome (New York, 1976), p.110.

world capitalist system and not strengthen it through reforms.

It may be said that the political obstacles had an ideological and perception base. In order to have a quick and effective restructuring of relations, the NIEO has to depend on massive government presence either directly or through regulations, which is abhorrent to the supporters of free market forces, in the West. On the other hand, some view it as a restriction on the North for past exploitation and present injustices, which is considered unacceptable to the developed countries. The developed countries would like to define equity in terms of present or potential contribution to the total world production and in a manner that ensures adequate return, the developing countries would regard equity in humanistic terms in face of acute poverty, unemployment etc. which call for a conscious, deliberate and corrective effort. Such perceptual differences makes action for attainment of the NIEO indeed very difficult.

Besides global political obstacles, there are regional or national obstacles as well. These arise from difference in socio-economic level of development in the developing countries. Inheriting many of the controversial problems

from the colonial era, the developing world is wrought with conflagration whetted by exhortations of the west. The LDCs which are relatively better off, seem to prefer and opt for bilateral arrangement with developed economies to the neglect and the detriment of the other Third World countries in the region. Thus, while major OPEC countries have in 1970s obtained a share <sup>v</sup> in international decision-making, particularly in the field of money and finance proportionate to their growing strength, they appear to have insufficient awareness of their wider responsibility particularly when it comes to be a claim on their resources.<sup>3</sup>

Again, local power groups or the dominant socio-economic interests are frequently in collusion with transnational enterprises which in turn have the dubious backing of the metro countries. The local power groups are instrumental in creating administrative policies which are contrary to the concept of NIEO. These elite group quickly adopt the life pattern of the developed countries and sustain it through patronage and aid regime which promote pockets of modernisation and polarisation of people in the LDCs.

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3 S.R. Gupta and L.P.S. Shrivastava, ed., North-South Dialogue : A Debate on International Economic Relations (New Delhi, 1981), p.9.

Thus, Szentes says

Since the demand of the developing countries are also conditioned by their own evaluation of their own situation, the causes and nature of their underdevelopment, and since the theoretical trend concerned, is itself of very mixed composition (Keynesians, radical New Left etc.), it is not surprising that the concept of NIEO also became eclectic in matter.<sup>4</sup>

Thus on the whole the South is partly responsible for the stalemated North-South dialogue.

In this context it may not be out of place to mention the arms race which "substantially cuts into the already scarce developmental resources of the third world but also generate tension and a propensity to settle issue by resort to the force of arms."<sup>5</sup> Such weaning away of resources hits at the very base of growth. It distorts the flow of aid and trade, and it promotes misallocation of resources. More importantly, it modernises and strengthens a sector that has often destabilized the process of democratic evolution in the developing countries, vitiating the atmosphere for creation of global cooperation for equitable international inter-dependence.

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4 Tamas Szentes, "The Concept of NIEO - A Decade After," Development And Peace (Budapest), Spring '85, p.15.

5 Tinberger, n.2, p.25.

What does not augur well for the NIEO, is the lack of comprehensive and effective institutional framework as UNCTAD, GATT, IMF etc, which are anyway overdue for reforms. The NIEO requires far reaching inter-connected and mutually supportive reforms than depending on sectoral approach.

The list of obstacles to the NIEO could be enlarged to include social obstacles. The prerequisite, for the optimal use of human and natural resources in a just and rational social system and relations. There seems to be an inordinate lack of political will in this respect and the cause for that lies in the entrenched relations and the system of social and economic structure within and amongst the countries.

The economic and technological growth model of the West, transplanted in wholesale or its near total adoption by the LDCs, has militated against the NIEO. For, there is an abundance of human resources and a fair measure of raw-materials, but these are not tapped and exploited in a balanced way because of the scarcity of such resources as energy, modern industrial skills and even literacy. Thus there is not much gainful employment and added to it is the dependency without development in terms of lack of justice and equity. Thus, a scholar points out this "growth pattern fails to implement the protection of human rights, cruel

repression of poor masses in order, to maximize growth in benefit of the privileged classes..."<sup>6</sup>

The foregoing analysis shows, the precious little that the AALA countries have achieved of the NIEO by the conventional method of political and diplomatic strategies. Yet the outcry against the present unjust order of things on the one hand, the unmistakable spiral of rising expectation, on the other cannot be suppressed or held up for too long. Aurdio Peccei of the Club of Rome is reported to have said "every indicator in the world has worsened, except for one human awareness. It is (this) profound combination of deep reflection on the causes of the crisis we are in and the conviction that something has to be done about it..."<sup>7</sup>

#### Quest for Alternative

In this situation, it seems uregently necessary to devise a comprehensive or systematic strategy, not only in the NIEO context but also for achievement of the wider goals of a non-exploitative, cooperative and peaceful world. For the conflict or adversary ridden relationship does not

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6 D. Goulet, "Global Development Debate - The Case for Alternative Strategies", Development And Peace (Budapest), Autumn 85, p.9.

7 R. Kothari, "Peace, Development and Life", Bulletin of Peace Proposal (Oslo), 1987, p.266.



foreclose the possibility of conflict resolution and reconciliation of opposing interest in future. In fact conflict sometimes helps to define issue with clarity and create a basis for accommodation, and has been critical ingredient of the bargaining process between the rich and the poor. When passions of squabble cool down, the moderates of the opposing group often begin bridge building task, to expand the area of agreement.

Such perception could be tapped to stem the tide immediately, going against the AALA countries. Thus export-stabilization for primary commodities, with increasing scope for value-addition in the countries under a harmonized industrial policy would give a good start. Accompanied by this there would have to be scaling down of non-tariff barriers. However, such short-term measures would still require longterm reform to stabilize the short-term policy gains. To remedy the anomalies existing in the world, attack has to be on the system which are entrenched. But it would be indeed too much to ask of a group to work toward its own disadvantage consciously and deliberately within the developing and the developed countries. The interdependence of the world and mutuality of existence is still seen as figment of imagination as they are suffused with confidence over advantages accruing to them.

Thus, "what is now on agenda is a re-arrangement of international relations, building of a new order and a new kind of comprehensive approach to the problem of development."<sup>8</sup> For the tilt is so heavy in favour of the North and against the South, that latter can have no benefit accruing through volutanristic gestures on the part of the North and through conference diplomacy. The North-South conflict can be resolved only by structural transformation of the international system, so directed as to bridge the gap in global linkages. For the continued prosperity of the developed nations is functionally dependent on the rapid economic development of the LDCs. It is significant as "There cannot be any national security which is an essential component of national interest, without the existence of a viable world order, first as there cannot be any security for an individual except within the frame-work of a viable social order;...."<sup>9</sup> Moreover, "It is a question of moral imperative that the world's limited wealth and income be shared more equally. This is only the international counterpart of the sociological fact that as access to

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8 Brandt Commission Report, North-South : A Programme of Survival (London, 1980), p.18.

9 Jayantanuja Bandhyopadhyaya, North Over South : A Non-Western Pererspective of International Relations (New Delhi, 1982), n.27.

affluence diminishes the resentment of success increases and the stress on redistribution is keener."<sup>10</sup>

Taking cue from the widely shared opinion that "only structural changes in international economic relations could free the world economy from the stranglehold of stagnant societies... [we have] to embark on a positive course of action to this end."<sup>11</sup> In other words, the North-South dialogue is to be taken not only as an essential task in itself, but also a wider call for action. It can make for global action, and more countries and continents can overcome their differences and resolve their contradiction between their self-respect and their joint interest. Any desirable scheme of reconstruction or development must be marked by a measure of coordination and integration at various levels of social action. But such task would have to be preceded by shearing of the gordian knot of the NIEO from the North-South, than treating the former as an integral part of the North-South; for the inadequacies of the NIEO are starkly glaring. Such effort would enable one to make a fresh start from a position of equitable strength between the North and the South. Thus the South has a lot of task ahead of it.

10 J.N. Bhagwati, The New International Economic Order: The North-South Debate (London, 1978), pp.5-6.

11 K.B. Lall, Struggle for Change (New Delhi, 1983), p.38.

There is, however, no uniform approach but different and appropriate one, depending on history and cultural heritage. One has to steer clear of general solutions and "development strategy will have to be modified to achieve a fairer distribution of income".<sup>12</sup> In fact, "... all assertion of universality for one particular model of life must be resisted on grounds of their being both arrogant and obscurantist...."<sup>13</sup> Thus, one finds the main deficiency in traditional approaches to be the identification of 'growth' with 'development'. They are compatible but not synonymous. It ignores welfare improvement for all groups of the population.<sup>14</sup> In fact, a refusal to accept alien model unquestioningly is in fact a second phase of de-colonization. We must not surrender to the idea that whole world should copy the model of highly industrialized countries. For the pitfalls of "cultural imperialism" are otherwise implicit.

The current search for the alternatives in development is not pursued simply because the techno-economic model, that dominate current thinking in the other two worlds, is inadequate for the Third World; it needs to be said, that

12 Brandt, n.8, p.24.

13 Rajni Kothari, Rethinking Development : In search of Human Alternative (Delhi, 1988), p.7.

14 Tinberger, n.2, p.64.

the model is also inadequate for the other two worlds themselves. And it has to be stated explicitly, that a crucial component of the model is provided by a certain structure of international relations which are of inequitable nature and a set of global distribution and control mechanisms of imbalanced nature. The importance of the alternative approach may be of more immediate importance for the over-populated and capital scarce countries of the Third World, but it has relevance for the over-abundant and heavily populated cities of the other two worlds as well, though clearly not in the same manner, for after all one is dealing with quite different situations. The relevance of the alternative for development would be established, once such a concept of the alternative is not limited just to developmental policies, but it should encapsulate the visions about society and polity and it should do this in the context of the evolution of the human community as a whole. It should be a model of a world order and the transformation be entailed for such a world order. It would have to be "an exercise in values and their realization at various levels of reality, always taking account of cultural diversities and also of the unities that inform these diversities".<sup>15</sup>

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15 Kothari, n.13, p.8.

Learning from our experiences to avoid the pitfalls of the past, one could propound a strategy, a frame-work in a holistic way to reconcile or reform at all major levels of human existence, i.e. individual or local, national and international level. Such action would be based on analysis of predicament of man and attempt to evolve a social order through which the good in him is realized in cooperation with other men. It immediately demands autonomy of each smaller level, lying in that larger level. It will establish autonomy of nations in the developing countries through federalizing process, rising above the legacy of artificial boundaries. Thus we logically arrive at a global approach to the economic and political problem facing mankind. Kothari declares his faith to such approach in words "The federal process in my view is the only desirable as well as feasible mode of overcoming both atomism and inequity in world political and economic arrangement, of providing people with sense of power and self-regard crucial to growth of any genuine sense of community with others"<sup>16</sup> A balance has to be struck between anarchy and total control, through establishing autonomy, which comes with self-reliance accompanied by parallel movement to develop self-respect, which the federalising process promises.

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16 Rajni Kothari, Transform and Survival (Delhi, 1988), p.60.

Such a world order would have to be informed by certain values for man to have autonomy for self-realization and creativity. There would have to be freedom, non-violence to enable survival and promote diversity, equality among men for realization of common goal, justice to provide the standard of evaluation and participation in a functioning democracy to choose between alternatives and take initiative. Besides as Gandhi has stressed, there is need for evolving a non-exploitative and cooperative socio-economic order starting with the limiting of want to find fulfilment in de-centralized polity-economic set up. More explicitly the guiding element should be equity, democracy and participation, solidarity, cultural diversity and environmental integrity. Such an alternative model would readily accept the limits of maxima and minima. It would be a comprehensive or systematic strategy devised for the achievement of a wider goal of a non-exploitative cooperative and peaceful world order and avoiding the failure of received strategies coming from the modern industrial nations.

The development policy would then be relating more to the abundant human capital, available in society; to favour them with more employment and labour oriented technologies for fulfilling their three-fold capacities as citizens, producers and consumers. Tinberger points its importance

thus, "The creation of employment must be treated as a primary, not a secondary objective of development since it is the most powerful means of redistributing income in a poor society. This calls for an emphasis on labour intensive rather than capital intensive processes...<sup>17</sup> Kothari supports it in the following words: "The prime concern of economic policy for a just social order ought to generate employment that is able to absorb at least the new additions to the adult population, and where there is substantial backlog of unemployment and under employment, to absorb that as well."<sup>18</sup>

In the sphere of social action, the constructive step has to be in terms of cultural attack. The cultural underpinnings have to be changed through education and literacy to create conditions conducive to massive social and economic transformation. It would be a sort of first step towards such humane society, wherein there could be from individual level efforts to educate and train him in new scheme of values based on needs and for goals essential to a normal society. The many tenets of the NIEO could form the preliminary stage for take off for the desired society. The education would have to be overhauled to end the hiatus

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17 Tinberger, n.2, p.72.

18 Kothari, n.13, p.11.



between mass of illiterate and some over educated. Instead, a vast network of functional education should be started to generate new thinking necessary to overcome the shortcomings of the present system and also strengthen the notion of collective burden sharing. "There is need to look upon the attainment of a degree or diploma as a social good that must be capable of being socially used, and upon the relationship between educational output and available work as part of a conscious plan of development."<sup>19</sup>

A <sup>n</sup>ormal society so informed would stimulate participation of individual in decision making and sharing in the national and international responsibilities to ward off arbitrary authority. The participation is not to be a process of involving everyone and then reducing them to a common denominator. Rather it consists in evolving institutional structure from which diverse individuals get a sense of dignity and self-respect, as beings that are able to determine their own destinies. It is to be a structure at various levels and of various size, imbibing the value of participation as integral to the model of a just society and the concept of the autonomy and dignity of all human beings. Such strategm assumes limited power and politico-socio-economic decentralization. The future of peace "is not to be

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19 Ibid, p.14.

left to the professionals but in the hands of ordinary men and women, in their consciousness, in their comprehension of multi-dimensional and inter-related nature of problem, in their courage, their capacity to overcome fear and insecurity..."<sup>20</sup> It undermines the large "industrial bureaucratic complex" as instrument of national integration and political accountability. It would provide answers with greater clarity on problems raised about local autonomy, about decentralisation of functions, powers and optimum size for genuine participation of the people.

The structure in the world political configuration would in a state of creative anarchy in which there are a large number of units operating at many levels, each enjoying large measure of autonomy and all of them interacting for the realization of ever new ends. The decentralization is constructively linked to preference for small communities. This would allow building upon the available political infra-structure. The national level of federation would be built by the individuals affirming faith in cooperation. The constituent states would in turn provide building bricks for the world federation. Such reconstruction exposes the inadequacy of the NIEO approach. By affirming such faith the AALA countries would curb the

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<sup>20</sup> Kothari, n.16, pp.51-52.

intransience of the North. They could wait to organise to bargain better at later stage on genuine mutuality, by moving from national to collective self-reliance. The multiple resources once pooled under genuine spirit of cooperation would foster common advancement and prosperity in the Third World.

Certain processes in the link chain, would have to be institutionalized at regional level to build the global level of action. Regional cooperation like ASEAN, SAARC, OAS etc. and sub-regional ones would lead to realistic and more wide-ranging efforts through the South-South cooperation. This would meet the developmental needs of the LDCs, that too in a non-exploitative and cooperative fashion. To complete the process of building world federation negotiations with the affluent North would be re-opened from position of vantage on pragmatic cognizance of mutuality and interdependence in the world. The federation institution would function by way of being preventive (eg. disallow degeneration of environment) and also promotional (eg. science encouraged to solve problems).

The economic model for the preferred world entails change from present growth model based on aggregate target to a need based one defined by the preferred values. Truly drawing on the ideas of Gandhi, the development strategy

would have to be geared to the needs and well-being of all, and not of the rich few. Moreover, in view of scarcity of the inputs demanded, imported technologies prove impractical. Violence arises due to inequality and structures sustaining it. The harmony in life of which Gandhi has talked about i.e. ending divorce between intellect and physical work. While the existing structure of domination has to be neutralized by human efforts from below, so as to make their own self-reliant future on basis of pride in themselves and solidarity amongst themselves. Therefore the restructuring would have to be done by focusing on man. To stall the tide of large-scale migration to cities, non-farm employment would have to be provided, which allows for the employment oriented industrial development. In fact, as Tinberger suggests, the AALA countries would have to do walking on two legs: creation of modern sector to increase productivity to race for international competition and combine it with appropriate technologies which generate labour intensive process. Efficiency should be built into strategy of change for a favourable ratio between results and efforts.<sup>21</sup>

The AALA countries would have to reverse the present tendency towards a surfeit of human beings and scarcity of

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21 Tinberger, n.2, p.83.

non-human resources to "give rise to a structure of production that fulfill basic human needs". Positively, the new society would logically extend new economical use of available resources combined with constructive use of planetary resources than, whetting the whopping cost of armaments. There has to be a linkage with the movement for disarmament, economic justice and technological reform. In fact, the AALA countries would have to exercise stringent financial discipline to mobilize internal savings for the Gandhian inspired model of self-sustained economic growth without foreign assistance. Thus aid should be resorted to only in critical circumstances for the shortest period possible. The economic federation could be vetted for better creation of a larger market through regional and sub-regional cooperation facilitated by decision making on a level higher than nation-state.

Acceptance of these elements call for a reinterpretation of the concept of national sovereignty. Participation and social control suggest a functional rather than a territorial interpretation of sovereignty, or jurisdiction over determined uses rather than geographical space."<sup>22</sup> It will enable progressive internationalization and socialization of all world resources, material and non-

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<sup>22</sup> Ibid, p.32.

material, based on the common heritage of mankind principle. In other words, the buildup has to be for de-centralized planetary sovereignty with the network of strong international institutions.

Similarly, Gandhi's priority to national self-sufficiency and Swadeshi would hold much ground in the context of the abuses in international trade. This arose from the realization that the nations in the world are unequal in economic and political strength so a large scale pursuit of exchange, especially for mechanization, which would tend to be unequal and exploitative. It would be perpetuating the colonial nexus. But not denying the beneficiality of the international trade in certain circumstances, it has to be promoted on cost-benefit analysis.

"It is in the sphere of human environment that the interdependence between nations is perhaps most clearly evident". When the environment is over taxed it does not harm only the countries directly faced with deterioration but all countries through the ecosystem of the earth. So, it would be a gross mistake to think of environment outside of this larger global political context. This approach necessarily makes the environmentalist appear as anti-developmental to one set of people and the whole development

enterprise as an encumbrance and nuisance to another. In fact, the incessant pursuit of modernist development by the Northerners over centuries has had gruesome economic and political consequences for the Southerners, but the latter are so possessed by need to quickly undo the global disparities that they fail to see, that they would never realise their goal if they pursued the path laid out by the North. In their own interest they must reject this path. Incidentally, then they will find some of their best friend among the environmentalists. The environmentalist on their part, need to make common cause with the advocates of global equity and a new international order, and to conceive environment as opportunities for pursuing a new development path rather than a series of constraints on development as such. Thus, environment would become a resource for the alternative development.

The environment is most threatened by the growth of industrial economies and world's population. These threaten the survival and developmental opportunity of future generations as evident by the panic created by chloroflouro-carbon (CFC) piercing holes in the ozone layer. It sent the leaders of the world scurrying for meets to withhold the CFC production. It is gratifying on a broder level, that there has been an awakening to the need to protect the environment from over-exploitation; but resistance is still daunting.

The cost of prevention of pollution is easier than its cure. In fact, environmental issue is a weapon at the AALA countries disposal, to make preemptive attack on the North's further obduracy. For instance, the LDCs insignificant role in this crisis can be gauged by 1986 survey which point out only 16 per cent of CFC consumption by them with three-fourth of the world population. Thus, their united effort not to toe the North's line on an issue as urgent as environment would shake the latter's sanguinity about their continued hagemony and benefits accruing to them. The North-South dialogue would then have equal stakes for the North and the South. While in long term the autonomous federating units in search for self-reliance would take to "small is beautiful" technology. It would allow for good share of natural resources to all, avoiding mass scale unforsighted exploitation, and allow the nature take its course to recuperate.

Free flow and exchange of information is the life blood of human society. And rightly has Gandhi taken, the mind and the personality of individual to have primacy over the other domains of life. Thus, widening the capacity to inform must be viewed as an essential component of attempt to create a new international order. Its role is to be thought not as specialized concren but as part and parcel of the struggle for human liberation, freedom and justice, strengthening the



struggle of communities and cultures, of national entities that are thought to be marginalised. It should expose the rhetoric in international forums, and promote forces of transformation and survival. This has to be developed to cut across the blocs of North-South and East-West, indeed South-South as well as very often its affairs degenerate into alliance of elite against the people.

It thus follows that the fourth wheel of the government would be based on the principle of unmistakable autonomy and self-reliance from state monopoly and it would shun advertisements which foster "consumerism". The reform would then include creating a Third World information centre to serve them and to facilitate the dissemination of information, both in the West and in the Third World. With such infrastructure only can the Third World negate the misinformation of the Western public. Also, then on a positive note, the public and political opinion can be made aware of the need for change and the benefits that all mankind can obtain from establishing such a equitable world. Otherwise take off would be very delayed with conflict and tensions festering to precipitate acute world crisis. Rightly had Brandt Report remarked on the obstacle to creating of a better world, in the words,

... it is not primarily the lack of technical solutions which are already largely familiar, but the lack of a clear and broadly reflected awareness of the current

realities and dangers, and an absence of political will necessary to meet the real problems. Only a new spirit of solidarity, based on a respect for the individual, the national heritage and the common good, can make possible the achievement of the solutions so desperately needed.<sup>23</sup>

In this way, broadly the developing countries' objective for their actions are economic and political. The economic objective is to increase their share of the world income and wealth. The "popular" aspects are that they should have better control over the use of these resources and that they be allowed to participate as members of the international community in devising rules for a desired international order. In the latter, right nourishes the aspirations of the developing countries for a new international order. In turn these aspirations will have to materialise if relations are to be placed on a new basis of confidence and trust in international cooperation. Thus, the AALA countries seek not division of riches of the North or aid, but equitable opportunity to strive for the best. In fact the "development relationship which is at the heart of efficient policy, must be based on a clear division of responsibilities which meet needs of both partners."<sup>24</sup> It

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23 Brandt Commission Report, Common Crisis (London, 1983), p.8.

24 Lester B. Pearson, Partners in Development : Report of the Commission on International Development (London, 1969), p.6.

assumes great significance in view of interdependence and mutuality of interests.

Such a perspective on a common struggle for peace and justice at the level of the macro-structures of the world should find a very large constituency of support across the world's region in thousands of groups operating at micro levels and at the grass-roots of society. The remarkable thing about this process of development is that it advances broad guidelines or better still, basic tenets on which to base the new society. It steers clear of inventing an attractive model for the future and imposing it on society. Rather all the contradictions and tendencies and the hustle-bustle of each of the country's socio-economic-political structure will shape the future. There "are different and appropriate answers depending on the history and cultural heritage...; there is a common notion that cultural identity gives people dignity."<sup>25</sup> Thus, one needs to respect the indigeneous model, though it not world wide in its spread, but which has seen through the vicissitudes of generations, which is proof of its versitality. Thus, small, to a great extent self-sufficient levels in the federation, would augur well for itself due to its greater adaptability to local conditions, than very large constituent units prostrated at

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25 Brandt, n.8, p.24.

the alter of uniform path of development. It would further promote high growth rate in a more realistic manner. Though "high growth" term is much sullied but it is not this but particular technology, life style and industries which have deleterious effect on the social order.

This frame-work for development has been prognosticated from the ongoing trends. It is not a mere academic work. Here Marx's saying becomes significant that man takes only those problems to solve for which the conditions for answers are ripe. Empirical analysis of the world will not disappoint us in our search for such a quest. There is already evidence of globalisation of concern on major issues that divide the world. There is cry for consensus on action needed to compose the differences and conflict, so that national and international bodies can patiently work towards a common frame-work of policy and action. This is suggested by the series of world conferences on environment, population, status of women, etc. These are small but a start anyway.

But, at the same time, the actors should not be sanguine with over-optimism; there is a long dark peregrination through the tunnel which has potential to show light at its end. The initiative for improving their state of affairs, making the North-South dialogue viable, will

have to come from the Third World countries themselves. Thus, there is need for a greater South-South regional cooperation among the various small countries of the world for pooling their resources, to enter the world power structure. The LDCs will have to provide for decentralizaion through mutual consultation and to resolve regional disputes regionally and without the need for big-powers mediation. For the remote centers of power become indifferent and unrealistic to the plight of the world's peripheries. So to proceed ahead the political factors underlying regionalism must enter into exchange relationship, underlying regional economic cooperation. Because the reality of external domination and threat and the strategy necessary to counter them are at once economic and political. So the regional cooperation has to begin with economic cooperation followed by political one soon.<sup>26</sup> The Global Negotiations could then start anew. The North has been rapidly closing its ranks. It remains for the South also to close its ranks and to work out an appropriate strategy against the neo-imperialism of the North.

The reconstruction suggested, thus would involve radicalization of the domestic structures of the LDCs. For before setting out for re-ordering the world, it is best to

26 See details in Rajni Kothari's Footsteps into the Future (Delhi, 1974)

set one's house in order. So a scholar pointed out:

"The policies of developing countries aimed at re-arranging of world economic relations and restructuring them on equitable and democratic basis, need to be backed up with appropriate economic measures. In each and every country the efficiency of such measures is obviously contingent primarily on the state of its own economy..., their pursuit of internal transformation which could help to accelerate economic and social progress..."<sup>27</sup>

This is essential for the pursuit of a New International Economic Order through the North-South dialogue.

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27 A. Elyanov, "Struggle for NIEO", Social Sciences (Moscow), 1986, p.190.

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