

**NAM AS A DIPLOMATIC INSTRUMENT FOR
THE REALISATION OF ECONOMIC
OBJECTIVES OF THE SOUTH**

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CERTIFICATE

This is to certify that this dissertation entitled "**NAM AS A DIPLOMATIC INSTRUMENT FOR THE REALISATION OF THE ECONOMIC OBJECTIVES OF THE SOUTH**" submitted by Miss **MADHUMATI. V. DESHPANDE**, in partial fulfilment of the requirements for the award of the Degree of **MASTER OF PHILOSOPHY** of this University, is her original work. To the best of our knowledge, this dissertation has not been previously submitted for the award of any other degree of this University or any other University.

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

Prof. SATISH KUMAR
SUPERVISOR

Prof. V.S. MANI
CHAIRPERSON

to my parents

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Madhumati Deshpande

PREFACE

As Non aligned movement approaches its 11th summit conference this year, its relevance is being questioned by many scholars, academicians and students of international politics. They are also of the view that NAM has been a futile experiment in the international politics and that it is of no use anymore. It is at such a time that I have decided to look into the performance of NAM in the economic sphere of the third world countries. Diplomacy of the third world states has been a topic of my interest since quite some time. NAM is a very important part of this diplomacy of the Third World, and in my opinion it continues to hold this important position inspite of the failures that it has experienced.

There have been a lot of researches in the field of NAM and NIEO and a vast amount of resources are available for research, but very few researches have tried to look into NAM's role as an instrument of third world diplomacy. This research is an effort to contribute to this area of NAM and of economic diplomacy. Taking into account the limitations of time and the scope for M.Phil dissertation. I hope, I have done enough justice to the topic. NAM as a Diplomatic Instrument for the Realisation of the Economic Objectives of the South.

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C O N T E N T S

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PREFACE

CHAPTER - 1	:	INTRODUCTION	1-4
CHAPTER - 2	:	THE BIRTH OF NAM AS SOUTH'S 'ECONOMIC PRESSURE GROUP'	37-62
CHAPTER - 3	:	ECONOMIC ISSUES BEFORE NAM	24-45
CHAPTER - 4	:	ECONOMIC DIPLOMACY OF NAM	46-81
CHAPTER - 5	:	CONCLUSION	82-90
BIBLIOGRAPHY			91-100

CHAPTER - 1

INTRODUCTION

Since the early seventies, the countries of the South, have been consistently struggling to change the world economic order so that they can develop their own economies and have a better participation in the world economy. The disenchantment with the Brettonwoods system, the disillusion with the developmental activities of UNCTAD made the South take a more militant role in the seventies and demand for a restructuring of the world economy. Since then the restructuring of world economy and development have been the important features of any conference or discussion in various forums. The countries of the South have tried various strategies and diplomatic tools to realise their economic objectives and non-aligned movements has been one such instrument.

NAM had its origin in the bipolar world in the 1950's. It became an institutionalised movement by the end of 1960's and in the beginning of the seventies it became an economic pressure group of the South. The South needed one such organization which could negotiate on their behalf in order to restructure the world economy so that the South could also benefit from it. Though NAM was born as a political movement addressing itself mainly to decolonisation, it soon started playing the role of economic pressure group. Non-

alignment then was "a response to bipolarity and it is now a reaction to underdevelopment".¹

From the establishment of United Nations Conference on Trade and Development in 1964, through adoption of UN declaration on establishment of New International Economic Order to Global negotiations, NAM has acted as a 'pressure group' of the South to further the economic interests of the South. The world was just getting used to the idea of a UN agency completely devoted to development activities of South when the oil crisis sprang up. OPEC's success led to strengthening of South's bargaining power and they demanded a New International Economic Order. The North had to sit up and take notice of the South's problems. OPEC's success did not last long but the North-South issues which came to the forefront of international economic system have persisted all these years. The credit of this goes to NAM as it was NAM which forced UN to adopt this resolution. This research is an attempt to evaluate this role of NAM ie. the role of a diplomatic instrument for the realisation of economic objectives of the South.

Though there have been number of researches in the field of both NAM and NIEO, very few scholars have given NAM

1. Timothy Shaw, "Political economy of non-alignment; From dependence to self reliance", International Studies (New Delhi) vol 19, no 3, July-sept 1980, p.50.

the due credit that it has to receive as the initiator of the North-South debate which has become a part of international economics today. In this research, this role of NAM is studied and NAM's economic diplomacy is evaluated.

This study is based on the hypothesis that NAM has definitely acted as a diplomatic instrument of the South in furthering its economic objectives. that NAM has been successful in its economic diplomacy as far as initiating the debate of the reorganization of the world economic order and that NAM's diplomatic strategies in various North-South negotiations have not been very effective.

In this dissertation, the first chapter deals with origin of the non-aligned movement and its evolution from a loosely organised political movement into a structural international economic pressure groups of the South. The chapter will look into how the developing countries mobilised and organised themselves in NAM, realised the importance of political independence and this evolved into an economic pressure group. The second chapter will look into various economic issues faced by NAM. NAM had to address itself to issues of economic sovereignty foreign trade, aid, debt and monetary reforms and democratisation of financial institutions. This chapter will look into each issue and how the countries of the South were affected by these issues, and NAM's response to these issues. The third chapter examines various diplomatic instruments that NAM

used to further the economic interests of the South ie. how NAM used summit diplomacy, multinational diplomacy, the commodity and cartel power and collective self reliance. It will also look into the achievements and failures of this economic diplomacy of NAM. Finally the conclusive chapter summarizes the whole research and evaluates NAM's role and also gives suggestions for improving NAM's economic diplomacy.

This research is an effort to study the Third World economic diplomacy and the role NAM plays in Third World diplomacy. It hopes to contribute to the studies in the betterment of the third worlds position in the international economic system, and also to the studies in the poor nations diplomacy, vis-a-vis the rich.

CHAPTER - 2

THE BIRTH OF NAM AS SOUTH'S "ECONOMIC PRESSURE GROUP"

"No principle of foreign policy in the second half of the twentieth century has had a greater impact on relations between small countries and big powers than Non-alignment".¹ Non-alignment which emerged as a simple foreign policy idea, developed in to a global phenomena as the movement of the countries of the South. Non-Aligned movement (NAM) was initially a loosely knit political group of the newly independent countries of the South, which had united to discuss their problems. It soon evolved into a highly structured movement and became an " economic pressure group" of the south.

The main objective of this chapter will be to trace the origin of the Non-aligned movement and its transformation in to an economic pressure group.

Origin of the Movement :-

The origin of the non-aligned movement is generally traced back to the cold war era when Asia African nations

1. Prof.Ali Mazrui, "Foreward" in Peter Willet's The Non-aligned movement; the origins of a Third World Alliance (Bombay: Popular Prakashan Ltd., 1978), p.i.

began co-ordinating amongst themselves as the newly independent countries trying to make their way in to the international system. The coordination among the third world countries began with the Asian Relations Conference of 1947, and 1949 held in New Delhi consolidated this coordination and unity and paved the way for the founding of NAM in 1961. There are some differences of opinion among scholars about whether or not the Bandung conference is the forerunner of the Non-aligned movement. Some scholars like Peter Willets are of the view that it was merely a "first conference of a group of former colonial territories who met together without any of the European powers"² and that they never had the intentions of forming a movement. It is however, true, that this conference increased the cooperation, and joint actions amongst the countries of the South. The first conference of the Non-aligned movement at Belgrade in 1961 was the out come of such increased joint-actions because "such activities provided a sound basis for

2. Peter, Willets, The Non-aligned Movement: The Origins of a Third World Alliance (Bombay: Popular Prakashan Ltd., 1978), p.3.

the effort to create a lasting form of cooperation".³ This foundation was laid by close co-operation between leaders Broz Tito, Gamal Abdel Nasser, Jawaharlal Nehru Kwame Nkrumah and Ahmed Sukarno.

Since this first conference at Belgrade there have been 10 Summit conferences, (see table 1.1) the last one held at Jakarta in 1992. There has been more than four fold increase in the membership from just 25 countries to 112 countries. i.e. more than 3/4 of the total membership of the United Nations.

Summit	Venue	Date	Participates*
I	Belgrade	Sept. 1-6, 1961	28
II	Cairo	Oct. 5-10, 1964	61
III	Lusaka	Sept. 8-10, 1970	71
IV	Algiers	Sept. 5-19, 1973	99
IV	Colombo	Aug. 16-19, 1976	114
VI	Havana	Sept. 3-9, 1979	130
VII	New Delhi	March 7-12, 1983	126
VIII	Harare	Sept. 1-7, 1986	147
IX	Belgrade	Sept. 4-7, 1989	149
X	Jakarta	Sept. 1-6, 1992	160

* includes member countries, observe countries, national Liberation movements, organisation and guest countries

3. Leo, Mates, "NAM and Two Major Power Blocs" in K.P. Mishra ed., Non-alignment in contemporary International Relations (New Delhi: Vikas Publication, 1980), p.27.

Apart from these summit conference there have been numerous preparatory meetings, foreign ministers Conferences, co-ordinating committee meetings and various other group meetings.

The first Summit attended by 25 countries, defined the guidelines for the membership and spelt out the broad philosophy of the movement. Emerging as it did in an age of war and military alliances NAM had to first address itself to political issues like struggle against colonialism, and racialism, the defence of national sovereignty the conduct of new states in their interaction with each other. It represented "the hopes, aspirations and will of millions of human beings who have been deprived of freedom and the right to decide their own destiny."⁴ It became a "unified action force" striving to change the existing system of international relations founded on force, inequality and discrimination and to evolve in its place a rational, democratic, equitable and non-exploitative world order.

The Second Summit which was held in Cairo in 1964 was

4. B. Padmanabha, Reddy, The Economics of Non-Aligned Movement (New Delhi: Discovery Publishing House, 1989), p.30.

similar to the first one not just in its convening but also for the continued emphasis given to political matters.

It would be wrong to say that NAM worked as an international organisation since its inception. In the 1960s at its beginning stage, there were no more than a series of Summit meetings each organised on an ad-hoc basis. The first two summit conferences were of this kind. In the Cairo conference, there was no firm commitment to hold future conference nor was there any indication, that NAM would hold on. The credit of convening the Third Summit conference, after six years, in Lusaka in 1970 goes to Marshal Tito whose continuous lobbying for two years in 1968-69 finally bore fruits.

The Lusaka Summit was the turning point in the history of the NAM. With this summit NAM emerged as an international organisation with its own modalities and membership and procedures which were no doubt influenced by the experiences and procedures of the United Nations and some other forums existing at that time. The Summit gave NAM a continuing momentum, as it was decided at the summit to hold the conference regularly at intervals of about three years. It was also resolved that the host country of the last summit

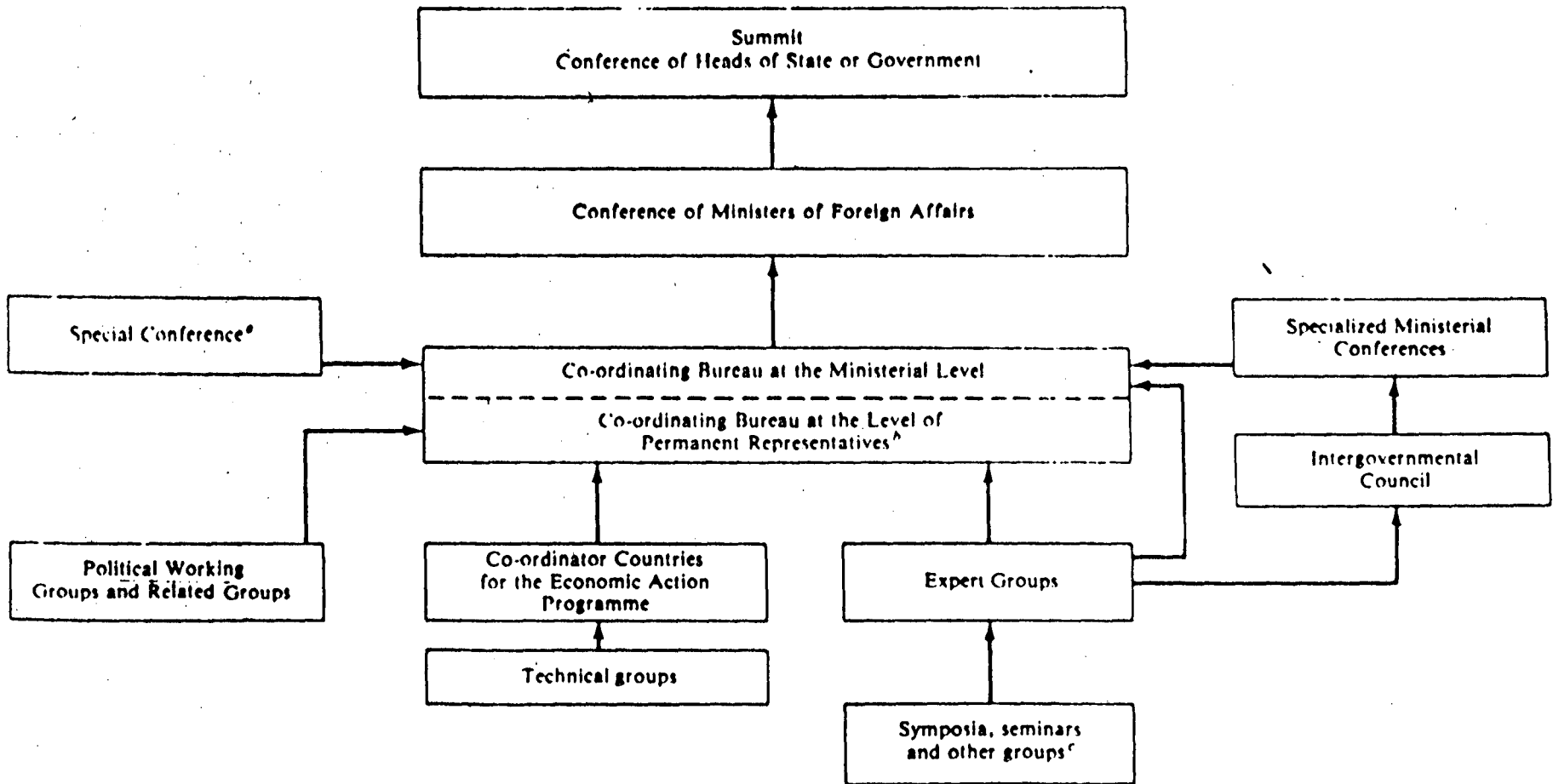
would act as the principal spokesperson for the Non-aligned in the interval between summits and as such could convene any meetings he finds necessary or desirable.⁵ The institutionalisation of NAM continued in the next few conferences. It was resolved to have Foreign ministers conferences in the year before each summit⁶ and from 1973, a co-ordinating bureau was set up to operate both at the UN and in annual ministerial meetings, (see fig. 1.2 for organisational structure of NAM)

Thus the first decade of NAM's existence is characterised by its efforts at developing a movement and a fight for decolonisation, It was mainly a political movement at that time and it stressed the achievement of political and racial equality but by the beginning of the 1970's, it was becoming apparent to the non-aligned countries that in order to have political and racial equality, a nation also had to have some semblance of economic equality. The countries of the South which were politically and

5. Odette Jankowitsch and Karl P. Sauvant, "Third World Without Superpowers: The Collected Documents of the Non-aligned Countries" (Oceana: Dobbs Ferry, 1978), vol.I, p.106.

6. *ibid.*, p.918.

Figure 1-8. The organizational structure of the non-aligned movement.



^aThe first Special Conference, Cairo 1962, took place before the establishment of the Bureau.

^bThe Co-ordinating Bureau at the Level of Permanent Representatives also functions as preparatory committee for summits, foreign minister conferences, and meetings of the Bureau at the ministerial level.

^cIf no competent expert group exists, these meetings may report to any other body of the non-aligned movement.

Source : Karl. P. Sauvant, ed., Changing Priorities on the

International Agenda : The New International Economic Order

(Perdaman International Library, 1981), p.50.

economically weaker than the north were coming under the pressure of overt or covert interventions by the north, in their economies and internal matters. They needed solidarity amongst themselves to overcome this weakness they had against the north. By the end of 1960s, the process of decolonisations had made further progress and there was a let up in the conflicts and rivalries generated by the cold war. The South was disappointed and frustrated with the developmental activities taken up by the United Nations which had not changed their position in the international economic relations, one bit. All this forced the NAM to take-up economic issues in to their agenda and to give them top priority. Thus economic issues became their main focus of attention during the 1970's and this led to the evolution of NAM as a platform where the countries of the South could express their dissatisfactions and plan strategies to change the economic order. In otherwords NAM became a diplomatic instrument to realize their economic objectives.

Evolution of NAM into an Economic Pressure group of the South:

The Non-Aligned movement emerged and developed under conditions of steadily deteriorating international relations

in general and international economic relations in particular. Therefore it was always forced to determine its strategy and tactics as a response to these conditions. Though the economic matters did not receive much attentions during the 1960's, a beginning was made with the conference on Problems of Economic development in 1962 in Cairo.

The Cairo conference was attended by 23 countries, who had attended the Belgrade summit, along with eight other developing countries. The main concern at that time, for the countries of the South was the adverse effects created by the regional grouping like the EEC and Comecon. The conference declaration was in favour "of the holding of an international Economic conference within the frame work of the UN... at an early date in 1963."⁷

This Cairo declaration was immediately circulated at the UN which the economic and social committee took up for debate and finally decided to hold UN Conference on Trade and Development (UNCTAD) Thus the Cairo conference provided the initiative that was critical in calling the 1964 Geneva

7. *ibid.*, p.74.

conference on Trade and development.⁸ Apart from this the conference did not achieve any substantial success. It merely succeeded in enlisting the co-operation of almost all the countries of the South.

After the establishment of UNCTAD, which became an agency in the United Nations, devoted mainly to the concerns of the South's economic problems, the countries of the South were optimistic about the changes. But by the end of 1960's however, they had become very sceptical about any favourable results from developmental activities taken up by the UNCTAD. The economic situation in most of these countries had not changed much. The Algiers charter of Group of 77 (G-77) had made certain proposals for international action in the development of the South - it called for the creation of regulatory stocks of key commodities to control the price fluctuations, for Generalised System of Preferences (GSP), in manufactured and semi finished products, for fixing the level of development financing to one percent of the gross national products and for easing the debt burden. Most of

8. Peter, Willets, The Non-aligned in Havana: Documents of the Sixth Summit Conference and an Analysis of their Significance for the Global Political System. (London: Frances Pinter Publishers, 1981), p.29.

these demands did not find acceptance in the UNCTAD- II and they kept appearing in the other international forums. The South thus, had to look for new approaches to solve their economic problems.

There were many changes in NAM also at this time. Firstly, the membership of NAM had increased with more Latin Americans joining the movement. The Latin American countries had experienced dominance by the North as they had become the "periphery" of the US. As such their perception of economic dependence were particularly acute.⁹ They brought with them the new wave of thinking about the interrelationship between international trade and South's poverty.¹⁰ Secondly, political issues became increasingly contentions with widening membership and the unity could only be maintained by shifting the emphasis to economic matters, as the member countries were all united in their search for a strategy for economic development and for

9. Nitin, Desai, "Non-Alignment and The New International Economic Order" in Non-Alignment; Perspectives and Prospects by U.s. Bajpai, ed., (New Delhi: Lancers Pub., 1983), p.178.

10. Their thinking was influenced by economist Raul Prebisch's Terms of Trade Thoery.

negotiating with the north, inspite of their differences in ideologies and economic systems.

The Lusaka Summit which came at such a time, in 1970, marked the beginning of a more structured and active phase in the history of NAM. The outlook of the movement itself had changed, from being preoccupied with issues like anti-colonialism and super power rivalry to being more attentive towards economic and development questions and self-reliance. The principle of self-reliance sprang from the recognition that the structures of the international economic system are important determinants of the development efforts of the developing countries and that these countries themselves may have to take the initiative for changing the patterns of interaction underlying them. At Lusaka, for the first time, two declarations - one on political and the other on economic matters- were adopted. The "declaration of Non-alignment and Economic progress" adopted at the summit gave a detailed and concrete meaning to the call of self-reliance and outlined the co-operative actions amongst the countries of the South. The Lusaka declarations "is significant not only for its introduction of self reliance as a major objective of the non-aligned

movement, but also because it represents the first time that the heads of state or government had recognized that economic questions are matters deserving intensive discussion at the highest level"¹¹ The economic declaration of the summit also gave importance to international economic question relating to basic structure of the international system. It noted the lack of progress made in the implementation of global economic policies and objectives of the NAM by international community, decline in the developing countries share in world exports from 1/3 in 1950 to 1/6 in 1969. The declaration demanded that the net financial transfers from the developed to the developing countries should constitute at least one percent of the gross national product of each developed state.

Thus by the beginning of 1970's, the economic issues had gained importance and changed the character of the NAM.

The Georgetown Conference of Foreign Ministers in 1972 further elaborated on the Lusaka programme. For the first time a special economic committee undertook the preparatory

11. Odette Jankowitsch and Karl P; Sauvart, "The initiating role of the Non-aligned countries", in Changing Priorities on the international Agenda: The New International Economic Order, (Pergamon, 1981), p.58.

work for the conference. In this meeting it was agreed that from then on ministers of non-aligned countries should meet every two years to consider economic issues of mutual concern and that four member countries, selected on a regional basis should be made responsible for co-ordinating co-operation among non-aligned and other developing countries on a variety of economic issues like development, trade, transport and industry, financial operation and technological development.¹² These co-ordinating countries became responsible for most of the economic activities of NAM. Georgetown meeting "added a sharpened and expanded dimension to the movement's approach to economic issues."¹³

The fourth Summit of the movement at Algiers marked a major watershed not only in the history of NAM but also in the international economic relations. The mood of the Non-aligned at this point was one of "militancy and

12. Jankowitsch and Sauvart, n.5, p.262. The fields of activity which were originally four, later increased to nineteen.

13. Willets, n.8, p.32..

determination for assertive action."¹⁴ The movement had transformed from an informal gathering of like minded leaders who discussed global political strategic issues, to a highly structured movement, to address the economic issues of the South. The Non-aligned countries had by this time realised that their economic objectives could only be realised with changes in the structures, mechanism and purposes of the international system and achievement of this became the main aim of their economic programme. A content analysis of the document of the Algiers Summit reveals the importance that the economic issues had gained in that conference. The economic declaration and the programme for economic action constituted 44 percent of the total document.¹⁵ The first comprehensive economic programme of the NAM was adopted at this summit in the form of an "Economic declaration" and an "Action programme for Economic co-operation", which referred to removal of restrictive and

14. K.B. Lall and S.D. Muni, "Non-alignment and the New International Economic Order" in K.P. Mishra and K.R. Nalayanan, ed., Non-alignment in Contemporary international Relations , (New Delhi: Vikas Publishers, 1981), p.143.

15. Dewan Vohra, "Economic relevance of Non-alignment (New Delhi: ABC Publishers, 1983), p.253.

discriminatory trade practices, disciplining of transnational corporations, commitments of developed world in international action for development, reform of international monetary system, equitable division of labour and "to use all possible means" to achieve the economic objective of the non-aligned countries which include "the establishment of a new international economic order."¹⁶

Apart from this Algiers summit took the initiative to convene world food conference in Rome in November, 1974, and conference of developing countries on raw materials in February, 1975 at Dakar, and called for a special session of the UN General Assembly "at a high political level devoted exclusively to the problems of development"¹⁷

The 1973 Algiers summit attended by the largest number of heads of state or government ever gathered in an international conference, brought out a declaration which encompassed the widest range of developmental objectives ever formulated at such a high political level. The economic proposals of the summit were not really new but the integration of all the proposals in to one Programme of

16. Jankowitsch and Sauvart, n.5, p.222.

17. ibid., p.237.

Actions gave the Non-aligned a general strategy for a collective action. NAM also became a forum where different perceptions of the world economy were articulated and a charter of demands enunciated. The United Nations and its agencies provided a forum where these demands were bargained over and negotiated with the developed countries and the G-77 acted as a link between the two. The G-77 which came into being in the first session of the UNCTAD, was a group of countries of the South which worked out common strategies for the South primarily in the UNCTAD session and a few other UN agencies. It did not have the political clout that the NAM had. The Cairo summit conference of the NAM gave G-77 the recognition as many of the Non-aligned countries were the members of the G-77 and also because it was basically a group of countries of the South. NAM in its subsequent summits pledged co-operation and support to the G-77, thus giving political backing to the collective economic strategies of the G-77. After the Algiers summit of 1973, the economic programme of both the groups became the same i.e. the establishment of New International Economic order, and G-77 began to act as a negotiating body for the NAM.

One month after the Algiers Summit, oil crisis broke

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out following the Arab-Israeli War. The oil embargo by the OPEC countries and the four fold increase in the oil prices, that followed, created a havoc in the oil importing countries of the North as well as the South. But the countries of the South supported the OPEC cause, as they felt a "sense of solidarity, a corps d'espirit with the OPEC countries."¹⁸ They finally had a weapon which they could use against the North to get a "fair share" of the world incomes. The United States in early January 1974 invited the OPEC for talks and France proposed an international conference of oil producing and consuming developed and developing countries under the UN auspices. President Houari Boumediene of Algeria was quick and in his capacity as president in Office of the NAM requested a special session of the United Nations General Assembly to study the problems of raw materials and development.¹⁹ The initiative got the required support immediately by more than a minimum of countries necessary and the Secretary General called the Sixth special session of the United Nations General Assembly

18. Jagdish Bhagwati, ed., New International Economic Order: Norths South Debate, (Boston: MIT, 1977), p.6.

19. Jankowitch and Sauvart, vol.II, n.4, p.1089.

from the 9th April to 2nd May 1974. The outcome of this session solely devoted to the economic issues of the South was the "UN Declaration on the Establishment of a New International Economic Order" and the "Programme of Action on the Establishment of a New International Economic Order". These resolutions together with the "Charter of Economic rights and duties of the States" adopted in December 1974 by the 29th Annual session of the General Assembly and the "Resolution of Development for International Economic co-operation" adopted in September 1975 by the Seventh special session of the UN General Assembly constitute the basic documents of the NIEO. With the adoption of these resolutions the NAM had emerged as an "Economic Pressure group of the South"²⁰ and in the subsequent years worked as a diplomatic instrument for the realisation of the Economic objectives of the South.

20. Jankowitsch and Sauvart, n.10, p.60.

CHAPTER - 3

ECONOMIC ISSUES BEFORE NAM

As we have seen in the previous Chapter, NAM emerged as an 'Economic Pressure Group' of the South at the end of 1960's and early 1970's. There were various issues which it had to consider in order to help the South to realise its economic objectives. "The Economic declaration" and an "Action programme for Economic Cooperation" of the Algiers conference of NAM which went on to become "UN declaration on the Establishment of New International Economic Order" is a comprehensive economic programme in which all the economic problems of the South were included. Some of the issues like the issue of economic sovereignty countries, regulation of transnational corporation and democratisation of international financial institutions, had appeared in the earlier NAM declarations. But all of them were grouped together and got UN recognition by the declaration for the establishment of NIEO. Most of these issues were discussed and negotiated upon in the conferences, meetings and dialogues that followed which were often referred to as 'North-South dialogues'. Some issues even got partially

resolved for example a code of conduct was prepared for the multinationals, and tariffs were reduced on many imports. But most of the other issues still persist and no solution has been found yet. Some issues, for example debt rescheduling, debt servicing, international monetary reforms etc. have gained more importance in the past few years and they have been addressed to by the recent NAM Summits.

This chapter looks into not only the issues appearing in the NIEO declarations but also those which came up in the later stages.

The demands of the south are grouped into four major categories in this chapter:

- I) Economic Sovereignty
- II) Foreign Trade
- III) Aid and Debt
- IV) Democratisation of International Financial Institutions

I. ECONOMIC SOVEREIGNTY

The issue of economic sovereignty concerns the right of states to control economic activity within their territorial boundaries. This includes control over natural

resources, right of nationalisation of industries, freedom from intervention, and regulation of transnational corporations.

(a) Control over Natural Resources:

The countries of the South are mainly dependent on the primary products for their economic development. During the colonial period the commodity production in these countries was organised with the capital and enterprise provided by the colonial powers and it continued to remain in their hands even after those countries became independent. The reason for this was lack of capital or required infrastructure for production and processing of primary products in the newly independent countries. This dependency gave an opportunity to the former colonial powers to keep a hold on their former colonies and also led to interventions in the internal affairs of these countries.

The countries of the South soon realised that economic sovereignty is an essential attribute of political sovereignty and that in order to be politically independent they have to be economically sovereign. This awareness led to the demand of the South for controlling their own national resources and freedom from intervention.

These issues came up for discussion in the UN in the late 1950's and 1960's in the form of variety of proposals for legitimising the rights of states to do whatever deemed necessary to defend their right to control the economy and exploit national economic resources.¹ NAM recognised the importance of this issue and the declaration issued at the end of the first summit of the non-aligned leaders at Belgrade in 1961 states "All people and nations have to solve the problems of their own political, economic, social and cultural systems in accordance with their own conditions, needs and potentialities."² The right of self determination and assertion of sovereignty over natural resources were reiterated in the successive declarations and were also incorporated in the UN resolution on the NIEO.

(b) Right to Nationalisation:

The sovereignty over natural resources brings about the

-
1. A Commission was set up by the UN General Assembly to examine the status of Permanent Sovereignty over natural wealth and resources in 1958.
 2. Twenty Five Years of the Non Aligned Movement Documents of the Gatherings of Non-aligned countries 1961 to 1982, (Ministry of external Affairs, Govt. of India, New Delhi, 1986), p.6.

question of right to nationalisation. This issue became controversial with the nationalisation of oil companies by Mexico in 1930s and iron in 1950s. This controversy continued as many other countries of the South took to nationalisation of foreign holdings like nationalisation of iron mines by Venezuela in 1974 and by Madagascar of its chromite mines in 1975.

The right of nationalisation by developing countries in itself was not objectionable to the North as nationalisation has been a legitimate state action under international law. The problem was the question of adequate compensation. The South insisted that they have the right to decide the amount of compensation where as the North wanted it to be according to the rules which were made without proper representation of the South.

(c) Regulation of Transnational Corporations:

Transnational corporations became the principal instruments shaping the post war economic system. They, with their large capital and technical know how, monopolised many production activities not only in the North but also in the South. Where as this development led to economic growth in

the North, in South it was the reverse. These countries were exploited since the TNCs controlled the markets in selling the raw materials and semi finished products from the Third World. The Third World became the 'dependent periphery'. TNCs were not interested in initiating a comprehensive economic transformation of the South. They were looked upon as foreign intruders seeking their personal profits without any consideration for the host country's needs. Wide scale outflow of money because of repatriation of profits by the TNCs seemed as a major source of current accounts deficit for the host country.³ They were also accused of meddling in the internal affairs of the host states. While statistically the production in the Southern countries increased faster than before, poverty, hunger, illiteracy increased faster than the economy. Total GDP in these countries increased from 5.27 to 6.7% between 1960 and 1969 and GDP percapita from 2.7 to 4.1%. But these didnt reflect on the standard of living.⁴

3. Vijayanarayana D. Reddy, Third World Development and New International Economic Order, (New Delhi: Deep & Deep Publishing, 1994), p.28.

4. World Bank Annual Report (1973), p.82.

All these reasons enraged the south and they wanted the activities of these TNCs to be controlled and regulated. The TNCs were not ready to be regulated by the domestic rules and regulations of the host country and the hosts were not ready for anything less than their economic sovereignty, and so they wanted a code of conduct to be prepared by the UN, to regulate the TNC activities. The Algiers NAM summit declaration denounced practices of the multinational corporations and recommended a joint action to qualitatively and quantitatively modify the system of economic and financial relations.⁵ NAM along with G-77 pushed for a code of conduct of TNCs in the UN for years.

II. FOREIGN TRADE

Foreign trade is the most important and wide ranging form of interaction between nations. Major issues that came up before NAM in respect of foreign trade are raw materials and commodities trade, access to markets and technology transfer.

a) Raw Materials and ~~Commodity~~ Trade:

Raw materials and commodities have been of great

5. Twenty five years of Non-aligned Movement, n.2, p.102.

importance to the Third World countries. In many cases goods such as agricultural commodities, and mineral sources constitute a major source of revenue for these countries. The problem faced by the South here is that the prices of the commodities are vulnerable to sharp fluctuations. Declining prices for commodities meant declining purchasing power of these countries. The developing countries suffer more than the developed ones because of fluctuating prices and "they normally lack the resources and the flexibility to diversify or to save in the good years in order to cushion the bad."⁶ In order to correct this the developing countries demanded changes in the terms of trade and stabilization of commodity prices.

The documents of the NAM show that this issue was considered important since the beginning. Creation of new commodity regime has been one of its main economic objectives. At the very first NAM summit the participating countries demanded. "just terms of trade for the economically less developed countries and in particular constructive efforts to eliminate the excessive fluctuations

6. Robert Rothstein, Global Bargaining : UNCTAD and the quest for a New International Economic Order (New Jersey: Princeton University Press, 1979), p.40.

in primary commodity trade and the restrictive measures and practices which adversely affect the trade and revenue of the newly developing countries."⁷

The proposals put forward at the sixth special session of the United Nations General Assembly and at UNCTAD IV formed the Integrated Programme for Commodities which included a number of mechanisms designed to achieve this goal - commodity agreements (an organisation of both producers and consumers that seeks to intervene actively in the market but presumably in a more balanced fashion than a cartel⁸, buffer stock (international stock piles of commodities which would be used to maintain supplies and support prices), a common fund to finance buffer stocks, diversification of developing country economies and compensatory financing for unexpected short falls in export earnings. A number of developed countries opposed these mechanisms. However an agreement on the establishment of a common fund was reached in 1980 but the project has not yet fully taken off as only around 80 of the total 108 signatories have ratified it.

7. Twenty years of Non-aligned Movement, n.2, p.6.

8. Robert Rothstein, n.6, p.42.

(The stipulated number is 90). However even if the required figure is reached, it will take effect only after two thirds of the statutory capital (400 million dollars) is collected. The other issues have yet to be resolved. The Jakarta summit of NAM in 1992, again demanded a speedy implementation of these mechanisms.

b) Access to Markets:

In the past three decades some of the developing countries have become exporters of manufactured products. These countries, which at one time practiced import substitution industrialisation in order to produce goods domestically to cut down on imports, switched to export promotion, which meant development of export industries capable of competing in the international markets. Although many countries of the South continue to depend on primary commodity exports, manufactured exports have also grown in importance. Manufactured exports by developing countries (not among oil exporting countries) increased from 17.4 percent of their total exports to 33.6 percent.⁹ The newly

9. Jeffery A. Hart, The New International Economic Order : Conflict and Cooperation in North-South Relations, 1974-77, (London: MacMillan Press Ltd., 1983), p.40.

industrilising countries like South Korea, Taiwan, Brazil, Mexico and others became the leading exporters of manufactured goods from South. The developed countries in turn erected a number of new tariff and non-tariff barriers so as to protect the interests of their industries and small firms. For example the Multi Fibre agreements of 1974 and 1977 and voluntary export restraints on shoes, textiles, apparel. More recently these non-tariff conditionalities have covered the questions of human rights, child labour, defence expenditure, scientific development etc.

Not only the manufactured exports but even the agricultural exports and processed goods were sometimes the objects of protectionist measures. In 1973 eleven industrial countries imposed tariffs at an average level of 1.5 percent for raw materials, 6.6 percent for semi manufactures and 9.4 per cent for finished manufactures.¹⁰

NAM recognised the need for the South to increase its exports and in order to achieve this goal, it insisted that the North should provide more access to their markets for Third World products by removing all tariff and non-tariff

10. *ibid.*, n. 9, p.41.

barriers and extending non-reciprocal and preferential treatment. They also asked for the GSP to be incorporated permanently in to the world trading systems. Though the developed countries agreed to extend the GSP into 1980's, it had number of limitations which reduced the benefits that the developing countries were hoping to make. These limitations were - (i) ceilings, quotas and exceptions on a number of products like textiles, shoes, steel, (ii) graduation clause which eliminated GSP preferences to those countries which reached higher levels of development (countries with percapita income over \$8500).¹¹ On the other hand the United States insisted that the question of access to markets must be linked to reciprocal commitments such as guaranteeing to the industrial states access to surplus commodities and raw materials from the Third World.

Though the recent Uruguay round of GATT negotiations has reduced the tariffs by about 40 percent. Other issues are not completely resolved. The developed countries are finding new ways to restrict the exports of the Third World countries from entering in to their markets.

11. Charles Kegley J. and Buyene R., Wittkoff, World Politics; Trend and Transformation, III ed (London: MacMillan Education Ltd., 1987), p.250.

(c) Technology Transfers:

Improved technology and scientific developments have been one of the major determinants of economic development and social change. It is very essential that the countries of the South should have an access to these technologies. NAM emphasized that the "acquisition of technology is a legitimate right of all the countries."¹² The high cost of improved technology, was creating balance of payments problem in the developing countries . They were also lacking enough information about the technologies to make intelligent purchases. In addition to these problems, the patents issue also became a hinderance to better access to the improved technologies.

The International Development strategy of the second UN Development decade in 1970, tried to find solutions to these problems by " calling for a review of international conventions on patents, easies access to patented and non-patented technology, at better terms, easier utilization of technologies which best fit the development strategies of

12. Basic Documets; Tenth Conference of Heads of State or Government of Non-aligned Countries, (Jakarta: The National Committee for the Tenth Conference of Non-aligned Countries, , 1992), p.83.

developing countries and promotion of the invention of new technologies in the developing countries themselves.¹³ To bridge this technological gap between the developed and developing countries, NAM proposed an international code of conduct for the transfer of technology which was included in the Programme of Action on the Establishment of a New International Economic order. This problem was one of the major subjects of the UN Conference on Science and Technology for Development in 1979. This issue was again negotiated upon during the Uruguay round of talks under the negotiations for intellectual property rights protections. This technology transfer issue, however, was of concern to only the NICs as the other countries of the South were technologically backward and didnot have much experience in technology transfer.

III. AID, DEBT AND MONETARY REFORM ISSUES:

The issue of aid and development financing has been these since the beginning of NAM, but the debt issue has

13. Hart, n.9, p.43.

gained more importance in the last decade as the countries of the south are reeling under debt burdens.

(a) Aid and Development Financing :

The issue of development financing first figures in the documents of third NAM summit conference at Lusaka in 1970 which says, " The net flow of financial transfer from developed to developing countries should correspond by 1972 to a minimum of one percent of the Gross National Product of each developed country, 3/4 of which should be from official sources".¹⁴ Since then the issue has been pursued by NAM.

The main complaints of the South in this regard are that .LM6

i) the volume and value of the aid from north is too low and
ii) the aids are tied.

i) The UN General Assembly in 1970 had established that the industrial states are to earmark 0.7 percent of their GNP for developmental purposes and till date only four countries- Norway, Sweden, Denmark and Holland- fulfill this target. The South feels that the North owes them this

14. Twenty-five years of Non aligned movement, n.2, p.50.

assistance to redress the injustices of the imperial past. United States has been against such target implementation since the beginning and this has hampered any progress in this direction.

ii) The aid which does come into the third world is often tied to the purchases in the donor country and many a times the developed countries use it as an instrument for coping with the South. Such aids are given for variety of reasons like political considerations, economic interests in the former colonies, international leadership etc.

On the other hand, aid from other sources became necessary when there was a "donor fatigue"¹⁵ amongst the developed countries and the South sought the help of international financial institutions. But here also they faced problems because the funds available were on market terms and there was no concession for the developing countries. More recently many countries have accepted the stabilization programme of the IMF in order to get the funds

15. Kegley and Wittkoff, n. 10, p.240.

to tide over balance of payments difficulties. This, in many countries has affected the economic development and in some it has even backfired. They have no other way but to go along with IMF conditionalities as the certificate of credit worthiness from IMF can alone enable them to borrow from commercial banks. The decision of giving this certificate rests with the developed countries and thus the South is caught in a vicious circle.

NAM, that is why, is fighting for a democratization of these institutes so that they can have more say in the decision making process.

(b) Debt Problems:

This is one of the most important problems that NAM had to address itself to in the past few years. Escalation of oil prices and global inflation during the 1970s put serious strain on the developing countries. They borrowed heavily and were not able to pay it back. There was a drop in the commodity prices by the end of 1970s and a world wide recession resulted in the rise of Third World debts. Appreciation of dollars in the forex markets also added to the problems and the magnitude of debt increased from \$ 634

billion or 82 percent of exports in 1980 to \$850 billion or 120 percent of exports in 1982.¹⁶

The threat by Mexico in 1982 saying that it would default on its loans triggered the debt crisis.¹⁷ Because of the strict rules of IMF on loans and repayments some developing countries have not been able to get funds to manage their debts. To improve this situation many seriously affected countries have been pressing for debt rescheduling. This issue was given major importance in the New Delhi Summit conference in 1987. Nicaragua as the chairman of the economic committee put the proposal on using debt as a weapon to bring the reluctant North to the negotiating table but there was no agreement on it.¹⁸

The situation has not improved till date. The debt has increased from \$ 600 billion in 1980 to \$ 1400 billion in 1992.¹⁹ Heavy debt servicing burden has caused a major drain

16. IMF Report (1987), p.181.

17. Kegley & Wittkoff n. 10, p.242.

18. Pradeep Mathur and K.M. Shrivatsava. Nonaligned Movement: New Delhi and Beyond. (New Delhi: Strehing Publishers, 1984), p.58.

19. Basic Documents. n.11, p,78.

on the resources of the developing countries. Jakarta summit in 1992, once again has called for easing of this debt burden and debt servicing either by rescheduling the debt or by cancellation of debt for most seriously affected countries.

(iii) **Monetary Reform issues** : These are mainly concerned with increase in the Special Drawing Rights (SDRs) of International Monetary Function (IMF) and annual credits of International Bank for Reconstruction and Development (IBRD). SDRs, an international medium of exchange created by IMF are issued to the members of the IMF according to their quotas ie the percentage of total deposits in the Fund accounted for by the member. The deposits from the countries of the South obviously were less and thus the quota was small. So the South proposed that the allocation of SDRs should be linked to the developmental needs of the countries of the South²⁰ NAM's demand in this regard was for an increase to 125, 000 million dollors worth of SDRs in

20. Hart, n.9, pp.45-46.

the quotas²¹ and that the new SDRs thus created should first flow to the South.

There was a lot of opposition from the North to this linking of SDRs to development needs, because they feared that the developing countries would use their influence to create new SDRs even when they were not required, thus causing inflation in the world economy due too much of global liquidity.²²

NAM also demanded an increase in annual credits granted by IBRD, from 12,000 to 15,000 million dollars, as well as in the shape of credits earmarked by the IBRO for restructuring the economies of the South, increasing from 10 to 30 percent of the total amount of credits.²³

For negotiating these monetary reform issues, the G-77 set up a Group of 24 in 1971, to operate within IMF and World Bank.

These and other issues like creating a special fund facility for the least developed countries were negotiated

21. Prof. Y. Etinger, ed., NAM History and Reality : A Study, (New Delhi: Allied Publishers, 1987), p.132.

22. Hart, n.9, p.46.

23. Etinger, n.21, p.132.

upon by G-24 and NAM at various occasions. But there has been no change. These issues appeared again in the Jakarta Summit declarations in 1992.

IV. DEMOCRATIZATION OF INTERNATIONAL FINANCIAL INSTITUTIONS

This issue has been talked upon since the beginning of NAM and so far nothing substantial has been achieved. It is an important issue to establish a new international economic order. The Third World wants to participate on an equal footing with the industrial states in making decisions which determine the direction of the international economic system. The main grievance of the South has been that voting in the IMF is based entirely on each country's quota. Which means the countries which contribute the most to the fund have more voting power. Thus it is the major industrial powers which are the decision makers as they hold among themselves the majority voting power- USA 19.9 percent, Great Britain 6.9 percent, Germany 6 percent, France 5 percent, Canada 3.3 percent, and Japan 4.7 percent,²⁴

24. Elsenhans Hertmut. Development and Underdevelopment The History, economics, and politics of North-South Relation II ed. (New Delhi: Sage Publications, 1991) p.141.

The developing countries are asking that the voting in the IMF and World Bank should resemble the one country, one vote pattern of the UN system so that the interests and needs of development of the countries of the South are adequately represented. NAM supports the proposal of the G-24 on setting up of a representative committee of ministers of developing and developed countries to jointly consider further steps towards a reform of the international monetary system and democratization of the financial institutions.²⁵

These were the various economic issues that NAM had to address it self to as an economic pressure group of the South. Most of these issues were discussed as a part of NIEO negotiations in various North-South dialogues. There was and is no conference which did not talk of some of these issues. NAM with the help of G-77 has to use various diplomatic instruments in order to solve these issues. These various diplomatic instrument will be examined in the next chapter.

25. Basic documents. n.11, p.82.

CHAPTER - 4

ECONOMIC DIPLOMACY OF NAM

Faced with a number of economic issues discussed in the previous Chapter - NAM as an economic pressure group of the South, used different international fora to further the economic interests of the South. The NAM summits, the United Nations and its agencies, other international conferences became the platform where NAM practiced conference diplomacy to draw attention to the economic problems of the South and also to engage in discussions and negotiations with the North to work out a plan of action for the economic development of the South. The commodity cartels acted as instruments, though temporarily, of economic diplomacy of NAM. In order to improve its bargaining position vis-a-vis North, NAM initiated South-South co-operation and this was also used to promote economic development through cooperation amongst the countries of the South. Using these various instruments NAM bargained for the realisation of its economic objectives. Stanely Hoffman's argument about bargaining with the North seem to apply to NAM more precisely "there is no substitute for global bargaining - issue by issue, deal by deal - for colossal expansion of

diplomacy, resembling the constant maneuvering and coalition building of domestic politics."¹

This chapter will examine these diplomatic instruments used by NAM and also what NAM has achieved through its economic diplomacy. The study of NAM's economic diplomacy is sub-divided into four parts

- I Summit Diplomacy
- II Cartel and Commodity Instrument
- III Multilateral Diplomacy in and outside the United Nations.
- IV Collective Self reliance.

I SUMMIT DIPLOMACY

Summit diplomacy is designed as a "modern form of diplomacy where in heads of governments or states negotiate with each other frequently and directly instead of relying on their accredited intermediaries"² This type of diplomacy

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1. As Quoted in Robert Rohestain, Global Bargaining UNCTAD and the Quest for a new international Economic order (Princeton, New Jersey: Princeton University, University press, 1979), p.9.
 2. Abba Eban, The New Diplomacy : International Affairs in the modern age. (London: Weidenfeld and Nicholson Ltd., 1983), p. 358.

has been criticized by many scholars as being wasteful and only ceremonious. But the fact that they are a very important part of the international negotiation today shows that they are beneficial. The main merit of the summit diplomacy is that the bureaucratic constraints , faced by the foreign ministers or other negotiators no longer exist when the heads of Governments or states negotiate at the highest level. The heads of Government or states have enough authority to "trade an economic concession for a military advantage or a political agreement for a financial compensation".³

Summit Diplomacy has been a very important instrument of diplomacy for NAM since its inception. The summit conference or the conference of the Heads of state or Government of Non-aligned countries is the highest forum of the movement. The country that hosts the conference is proclaimed as the co-ordinator of the movement until the next conference and the leader of the host country is elected the chairman of the movement. These summit conferences are held every three years. NAM makes use of

3. *ibid*, p. 362.

documents, charters, declarations and programmes of actions adopted at the end of each summit to set the tone for its strategy.

Not only the Summit meetings but also some of the Foreign ministers meetings have been very important for the economic diplomacy of NAM. The documents adopted at these conferences have political backing at the highest level. These very documents have been used by the G-77, which has acted as the chief negotiator in various forums of North-South discussions. Some of the principal landmarks in the evolution of the economic diplomacy of the movement can be made here.

The first summit conference at Belgrade in 1961 is not so important in the economic diplomacy of the NAM. But it did criticise the inequality in the international economic affairs. The declaration adopted stressed "All the peoples and nations have to solve the problems of their own political, economic, social and cultural systems in accordance with their own conditions, needs and

potentialities."⁴ Other than this there was not much of importance given to the economic matters in this conference.

The Second NAM Summit in Cairo in 1964 came right after the setting up of UNCTAD and thus gave more importance to economic matters. It pledged its support for the efforts of Group of 77 which emerged with the UNCTAD.⁵ For the first time in NAM history, the struggle for establishing an equitable international division of labour, for putting an end to the exploitation of the young states' raw material resources and for a new, just international economic order, was proclaimed.⁶

At the third Summit held in Lusaka in 1970 a long declaration on Non-alignment and economic progress was approved bringing international economic issues to the forefront of the concerns of the non-aligned group. The summit noted for the first time the structural weakness inherent in the international economic order insisting "the

4. Twenty five years of the Non-aligned movement Documents of the Yatheeings of the Non aligned countries 1961-1982 Vol. 2 (New Delhi: Ministry of external Affairs, Government of India, 1986), p.6.

5. *ibid.*, p. 25.

6. *ibid.* pp. 24.26.

poverty of the developing nations and their economic dependence constitutes a structural weakness in the present world economic order"⁷ It was also here that NAM for the first time talked about mutual co-operation among the developing countries themselves which led to the collective self reliance strategy of the south. The Lusaka declaration also influenced the discussions on the programme for the second UN Decade at the UN General Assembly.⁸

This summit marked the beginning of NAM's active participation in various international economic negotiations. NAM became an initiator of major proposals submitted to the UN.

Apart from the summit conferences the foreign ministers conferences were also making an impact on the economic strategy of the NAM. The Georgetown Foreign Ministers Meeting had in 1972 adopted a declaration which spelt out an action programme for economic cooperation which stressed cooperation among the non-aligned themselves.

The fourth summit conference at Algeria marked a

7. Ibid., p. 48.

8. Ernest Obminsky, Developing Countries, Theory and practice of multilateral Economic Diplomacy (New Delhi: Allied Publication Pvt. Ltd. 1987), p.104.

watershed in the economic diplomacy of the NAM as well as the Third world nations. The conference adopted an economic declaration and a programme of action which formed the basis of resolution on the establishment of a new international Economic order, later adopted at the UN. The activities of the G-77 and NAM became more coordinated since the Algiers conference. The declaration states "The heads of state or government recommended that the nonaligned countries should act as a catalytic force in the Group of 77 in order to increase the effectiveness and solidarity of the developing countries."⁹ This collective diplomacy of the NAM and the G-77 made the south's position stronger in the sixth Special Session of the UN. which heralded the beginning of the North-South dialogue.

The period between Algiers summit and Colombo summit saw NAM completely engaged the South's economic diplomacy. The U.N. special Session's adopting the resolution on the establishment of New International Economic order, was a result of NAM hectic negotiations in the outside UN.

The declaration adopted at the fifth summit at Colombia

9. Twenty five years of Nonaligned movement, n. 4, p. 108.

in 1976 recalled the economic initiatives of this earlier non-aligned conferences and also appreciated the work done by G-77. It said "the economic content of the non-aligned has influenced and in turn has been influenced by the articulate and dynamic organisation of the Group of 77."¹⁰ The Action Programme for Economic cooperation was largely devoted to South-South economic relations.

The Havana Summit came after a disappointing UNCTAD V session. By this time NAM had realised that all the resolution, declaration that had been passed in the UN remained just on the paper and that there was no progress in restructuring the International Economic relations. In order to re-open the process of bargaining the Havana summit called for Global Negotiations. They proposed "The landing of a round of global and sustained negotiations on international economic cooperation for development, such negotiations being action oriented, allowing for an integrated approach to the main issues involved, proceeding simultaneously on different plans and being open to

10. *ibid.* p. 209.

universal participation."¹¹ It also fixed the agenda for following several year of debate on North-South relations.¹²

NAM and G-77 unsuccessfully negotiated for the launching of Global talks till the New Delhi Summit. The talks failed to take of as there was no agreement on the proposed format for such negotiations.¹³

The failure to initiate global round of negotiations along with reduced influence of the OPEC, "reduced credibility of the Third world commodity power, cracks in the G-77 solidarity as several advanced developing countries were integrated in to the existing international Economic order",¹⁴ made NAM rethink on its strategies for the reconstruction of the world economic order. NAM adopted a more moderate tone shifting the accent from the programme of struggle for the establishment NIEO to a programme of "immediate measures" to deal with the current economic

11. Economic solution no. 9. Havana summit *ibid* p. 470.

12. Robert A. Mortimer, The third world coalition in international Political (New York: Progress Publishers, 1980), p. 148.

13. John, Edelman Spero, The Politics of international Economic Relations III ed (London: George Allen & Unwin (Pub.) Ltd., 1985), p. 261.

14. *ibid.*, p. 259.

crisis. The moderate tone focused more on the mutual need i.e. North reading the south to revitalise its economy.¹⁵ This change in tone can be noticed in the economic declaration of the New Delhi summit in 1983.

The unwillingness of the developed countries and their negative reaction compelled the non-aligned and developing nations to stand on their own feet. The New Delhi summit thus called for increased South-South cooperation in economic matters. Twenty one areas of cooperation among the developing countries were identified and each area was given to a group of some coordinating countries. But the progress in this direction was not very satisfactory.

The Summits that followed continued the same moderate tone and the trend was more towards cooperation with the North rather than confrontation. The eighth summit at Harare in 1986 brought out a lengthy economic declaration which had a good analysis of the economic situation of the time. But it had no new strategy. The old call for the establishment of the NIEO was reiterated and the other issues were also commented upon.

15. This was influenced by the Second Brandt Commission Report , "Common Crisis" which appeared at that time.

The ninth summit too went over the same issues and noted the lack of progress in any of the areas. It laid stress on South-South cooperation and constituted a summit level group of fifteen members to devise the ways and means of increasing the South-South cooperation and initiates North-South dialogue.

Jakarta declaration in 1992 was no different. Though the heads of state and government expressed concern over the prevailing economic situation, and called for restructuring the world economic order, these were no concrete actions planned.

In this way the NAM summits have been initiating various strategies for NAM economic diplomacy. This summitry has come under great criticisms of wasteful expenditure "to produce long, repetitive declaration the promises of which often remain largely unfulfilled".¹⁶ The summit responses to world events are often late as the summit is held once in three years. But credit must be given to NAM for bringing out a good analysis of the world economic situation of that period in its economic declarations.

16. U.S. Bajpai ed Non alignment; perspectives and prospects (New Delhi: Lancers Pub., 1983), p. XVI.

The summit diplomacy of NAM addressed all the economic issues that NAM faced and also was successful in initiating strategies like the call for establishment of UNCTAD, the resolution on NIEO, and the Action Programme for South-South cooperation. But the implementation of these strategies has not been as successful.

II CARTEL AND COMMODITY INSTRUMENT :

The oil price crisis of 1973 gave the countries of the south a new weapon to use against the North i.e. the commodity weapon.

OPEC (Organisation of Petroleum Exporting Countries) was formed in 1960, to try to coordinate their efforts in controlling the oil price and revenues of their governments. as they considered the oil prices to be too low. The increase in the demand for oil from the developed countries of the North strengthened the bargaining position of the oil producing countries. A combinations of political and economic factors in the mid and late sixties led to a condition of instability in the oil market. 1973 brought the Arab-Israeli war and the oil crisis had begun. OPEC decided to express solidarity with the Arab states and placed an

embargo on oil shipped to those countries supporting Israel. Cut back in oil production and the rise in the price of oil crippled the world economy. The oil companies which were so far in control of the prices of oil "...lost their leverage because of monopoly control of oils by OPEC, unity of the producers and tight market conditions"¹⁷

South as a whole saw the oil price rise as an important step towards realizing the demands they had posed to the North. The Algerian president Boumediene who was the then chairman of NAM took this opportunity to approach UN to call for a special session of the general Assembly and passed a resolution on the 1st May 1974 - "Declaration on the Establishment of NIEO" and an "Action Programme for the establishment of NIEO." The North had to sit up and take notice of the South's demand in order to solve the energy crisis.

Much before the oil crisis and the subsequent success of OPEC, NAM at its fourth conference had launched, proposals for producers of all the main commodities to form associations. The declaration recommended "The setting up of

17. Spero, n. 13, p. 298.

bodies of Solidarity to defend the interests of the primary producer countries, such as Organisation of Petroleum Exporting Countries, CIPEC, which were able to undertake a large-scale exploitation of natural resources and make possible greater exports and real earnings as well as the utilization of these resources for development purposes and raising the standard of living of their peoples."¹⁸ The primary commodities which were found suitable for cartle-type action were iron ore, copper, tin, bauxite, manganese, bananas, timber, pepper, tea, coffee and cocoa. The countries of the south controlled 70 percent of the total trade of these commodities. ¹⁹

To deal with the same issue the Dakar Conference on Raw materials in 1975 came up with two ideas: establishing a council of producers Association (full name-Council of Association Developing Countries Producers, Exporters of Raw Materials) and a special fund for financing buffer stocks in order to use the resources of a pool of commodities to

18. Twenty five years of Non-aligned movement, n.4. p.102.

19. Nurul Islam "Revolt of periphery" in Toward a new strategy for Development, A Rothko chapel colloquium, (Houston, Texas: Pergamon Press, 1979), p. 340.

maintain the market prices of each individual commodity.²⁰ This strategy represents "an attempt by the producers of the weaker commodities to mobilise behind themselves the political and economic power of OPEC."²¹

The producer associations took a new life after the success of oil producers, many cartels were established like the International Bauxite Association of 1974 and the Banana Cartel - UPEB. But they were all short lived. The Bauxite Association could not succeed because Australia, which was not the member of the association increased its production thus creating a new source of supply. The UPEB and the copper cartel CIPEC., suffered a set back because of various reasons; a) There was shift in demand to substitutes ie. aluminum by copper, b) New sources of supply for most commodities was found and a few countries had a large enough share of production to assume the leadership role which was played by Saudi Arabia, incase of OPEC and c) Falling

20. Odette Jankowitsch and Karl Sauvart, Third World without Superpowers; The Collected Documents of the Non-aligned Countries (Dobbes Ferry: Oceana, 1978), vol. IV, pp. 2026-7.

21. Peter, Willets. The Non-aligned in Havana Document of the Sixth summit conference and an analysis of their significance for the global political system (London: Frances Pinter Pub., 1981), p. 29.

prices along with decline in demands in the North because of recession.²²

Thus the cartel success was a very limited and a short term phenomenon. Though it was successful in initiating the North-South dialogue, it did not strengthen South's position in the long run. By the end of 1970's the commodity power was lost and south had to look for newer strategies to strengthen their bargaining position. "The oil card was played out... it had nothing to offer, nothing to threaten, no quid pro quo therefore can be demanded from the North."

23

III MULTILATERAL DIPLOMACY IN AND OUTSIDE THE UNITED NATIONS

NAM used United Nations consistently for the promotion of the South's economic development.

The developing countries constitute an over whelming majority at the UN and in almost all the UN agencies. This

22. Spero, n. 13. pp. 333-335.

23. Jagadish Bhagwati, Power, Passions, and Purpose: Prospects for North - South Negotiations (Cambridge: MIT Press, 1984), p. 277.

majority gave them the "numerical strength" to pass any resolution that they desired under the one nation one vote principle of the UN. This was the main reason, why NAM gave so much importance to the UN forum for its multilateral diplomacy. Starting with the first conference, the role and strengthening of the UN has been regularly on the agenda of successive summit congress. Cairo summit declaration of 1964 urged the non-aligned countries to consult each other at the foreign ministers or heads of delegation level at each session of the UN General Assembly²⁴ and this became a general practice in the later years and helped in formulating a common stand for the south in the UN session.

The first southern demand was for an international conference on trade and development under the aegis of the UN. The conference on problem of Economic Development held in Cairo in 1962 called for "an international Economic conference within the framework of the UN..... at an early date in 1963".²⁵ The declaration was taken to the UN and the economic and Social committee took it up for debate. The persistence and the growing unity of the South paid off.

24. Twenty five years of Non-aligned Movement B. 4 p. 26.

25. Jankowitsch and Sauvânt, n. 20, vol. I, p. 74.

North could no longer prevent the holding of an UN conference on Trade and Development. "Largely because of the united action of the Cairo conference the North abandoned its policy of opposition to the decision of the United Nations Economic and Social Committee in 1962 to convene the UNCTAD." 26

UNCTAD, sometimes called the "poor man's GATT,"²⁷ was designed to serve as a forum where in the newly independent former colonies could press the industrial states for more preferential form of trade. A joint declaration was adopted by 75 developing countries for the Geneva conference of UNCTAD - I. The signatories of this declaration later formed the Group of 77²⁸ with the special purpose of working out and implementing a joint economic programme. G-77 took over the negotiation part of the economic diplomacy of NAM.

The Geneva Conference or UNCTAD - I which met in 1964

26. Spero, n. 13, p. 230.

27. Robert S. Jordan "Why a NIEO ?; The view from the Third World" in Harold Jacobson and Dusan Sidjanski, ed., The Emerging International Economic order; Dynamic Processes, Constraints and Opportunities (New Delhi: Sage Publications, 1982), p. 64.

28. The group has retained its name inspite of the increase in the membership of the group to around 130.

thus became the first major forum of North-South dialogue. The developing countries joint declaration pointed to a number of economic objectives that they hoped to achieve through the UNCTAD - tariff reductions, expansion of their market opportunities, stabilisation of raw material prices, provision of greater financial resources for development, and improvement of their vision of greater financial resources for development.²⁹ The conference also discussed the issue of institutionalisation of some kind of an organisation devoted to the goal of economic development. The North was very reluctant to establish a new organisation of trade and development. They preferred to address these questions in the General Agreement on Tariffs and Trade (GATT) which was established in 1947. The developing countries were not in favour of GATT because they felt that GATT had nothing to offer to the developing countries. Finally a compromise was reached and UNCTAD was institutionalised as a subsidiary organ of the General Assembly - neither an autonomous specialised agency nor an organisation subordinate to ECOSOC.

29. Mortimer, n.12, p.16.

UNCTAD consists of the Conference which meets very three years; a Trade and Development Board which serves as the standing committee of the conference, which meets twice yearly; four permanent Committees which meet at least once a year and a secretariat headed by a secretary general, nominally subordinate to the UN but with significant de facto autonomy.³⁰ Although South sought an institution that could make and implement decisions, they had to compromise for a much weaker organisation. UNCTAD cannot compel its members to take action, it can only make proposals. Although the proposals create public pressures on the members to comply, there is no way to force them.³¹

In this new forum for the developing countries, NAM coordinated with G-77 to negotiate upon all the issues that came up before NAM. This coordination between NAM and G-77 extended not only to UNCTAD but other UN conferences, UN general assembly and even in the other multilateral conferences outside the UN. NAM's economic diplomacy was conducted through G-77 in all these international fora.

30. Spero, n. 13, p. 234.

31. *ibid.*, p. 235.

Since 1964 seven more conferences have been held at regular intervals, the last one being UNCTAD VIII held in Cartagena Columbia in 1992. Almost all the issues came up for discussion in these conferences. The main focus of UNCTAD work was in the raw materials and trade and monetary and financial matters.³² "The Integrated Programme for Commodities" came out of UNCTAD IV convened in Nairobi in 1976, and it aimed at achieving commodity price stabilization, through the use of commodity agreements and also indexing of prices of the commodities. Also at UNCTAD IV intensive work was launched on the formulation of a set of principles and rules to regulate restrictive business practices. UNCTAD V at Manila proposed a comprehensive Action programme to make the South more self-sustaining.³³

UNCTAD VI was a disappointment to south as more of their proposals, like the proposal for an SDR allocation issues of quotas and conditionalities were not accepted. The North especially the United States took the policy of

32. Odette Jankowitsch and Karl P. Sauvart "The initiating role of the Non-aligned countries" in Changing Priorities on the International Agenda: The New International Economic order (Pergamon, 1981), p.69.

33. Jordon, n.27, p.66.

opposition, as the Reagan administration believed that the recovery in the North is the motor to get development going in the South.³⁴

After the failure of UNCTAD VI, the South realised that UNCTAD is no more an effective third world development platform and that they needed a different for a forum negotiating genuine concession.

UNCTAD did help the South by offering important technical services which gave the South the information necessary to confront the North in bargaining.³⁵ But on the whole South has not been able to make much of a headway in the retaliation of its economic objectives. The reasons for this are

- a) Cleavages in the South because of differing levels of development, different relations with northern states, political and ideological differences.
- b) Cleavages in the G-77 for example among the oil-producing and oil importing states.
- c) The opposition from the developed North also has weakened the G-77. The North did not take UNCTAD

34. Mortimer, n.12, p.172.

35. Spero, n.13, p.232.

seriously as a legitimate negotiating forum.

- d) The most important limitation is the lack of economic clout of the South. The southern strategy has been hampered by inability to pressure the North, "unity and confrontation are effective only if the South can withhold something that the North wants or needs. But the South has had very little with which to threaten the North."³⁶

Besides the UNCTAD, the UN general assembly, UNCTAD and GATT have provided forum for the debates on economic issues of the South. NAM along with G-77 has made use of these platforms also.

The Sixth Special Session, the Seventh Special Sessions of the UN general assembly are two very important forums where NAM saw semblance of victory for its economic diplomacy, when the resolution on the establishment of new International economic order was adopted.³⁷ The 29th General Assembly session adopted the chapter on the economic rights

36. Ibid, p. 234.

37. The adoption of the resolution's discussed already in the second chapter.

and duties of states. The eleventh special session of the UN General Assembly was supposed to launch the Global Negotiations on the recommendations of Havana NAM summit of 1979. But there was a deadlock over the procedure and the format for the Global Negotiation and the "Eleventh special session became an epitaph to the impasses of the 1970's"³⁸

Though the resolutions passed in these session were purely recommendatory in character they constitute the basis for discussing specific questions and determining the directions of the discussions and the subsequent actions. But again the North was not bound by the resolution and even when the South was able to force through the resolutions, the North was able to ignore them or refuse to cooperate thus putting a stop to the implementation of these resolutions.

GATT has not been a forum of cohesive Southern or NAM activity. The South opposed GATT because it had not focussed its attention on the problems of developing countries. The North did introduce the Development Chapter (Chapter IV) in the GATT in 1965 in order to woo the South away from

38. Mortimer, n.12, p.155.

UNCTAD.³⁹ But that too was not enough for South. Another reason for South to not to give so much importance to GATT was that, not many of G-77 members were GATT contracting parties. This led to the break in the G-77 unity. The oil exporting countries became closer to the North and many of them became the contracting parties to GATT. GATT proved a useful forum for negotiations of national interest of the individual countries.⁴⁰ Thus there was no common Southern position within the GATT. The failure of UNCTAD to deliver goods made several developing countries join the GATT. As in 1989 the total number of developing countries in GATT was 66. (9 advanced developing countries and 57 developing countries) ⁴¹

The conferences outside the UN where NAM along with G-77 engaged in negotiations over North-South issues were the Conference on International Economic Cooperation (CIEC) held in Paris in 1977, The Cancun summit of 1982, Lome convention of 1975 and many others.

39. Sumitra Chisti "Restructuring of International Economic Relations and the developing countries" (New Delhi:Concept Publishing co. , 1991), pp. 19-20.

40. Spero, n.13, p.263.

41. Chisti, n.39, p.49.

In all these conferences and in the UN, G-77 acted as the main negotiating group. NAM always supported the G-77. They not only supported the G-77 in its negotiations with the developed countries but have also set the direction at key moments of the group's evolution, for example, the shifting of focus from mere improvements in existing international economic order towards seeking the establishment of NIEO, and the idea of global negotiations.⁴² NAM gave political support to the group's work. In every summit of the non-aligned countries the support for G-77 was reaffirmed. There was a division of functions between the NAM and G-77 - NAM pursued self reliance through direct actions and the G-77 pursued the same objective through negotiations⁴³ This led to effective coordination of the two third world coalitions.

IV COLLECTIVE SELF RELIANCE STRATEGY :-

NAM adopted collective self reliance as a strategy not only to develop South-South cooperation and trade but also to strengthen their bargaining position against the North.

42. Jankowitsch and Sauvart, n.32, p.58.

43. *ibid.*, p.61.

The dependency of the South on the North had given North a great deal of power and the South was left with no options other than the ones offered to thus by the North. Collective self-reliance as a strategy emerged from this need to be free from dependency. They realised that "only if they are no longer critically dependent on the importing markets in the North and have alternative possibilities of exporting horizontally to other developing countries in the South will they be able to improve their marketing position."⁴⁴

The concept of self-reliance through direct actions was for the first time introduced in non-aligned countries discussion by the president of Tanzania Julius Nyerere, in a speech to the 1970 Dar-es-Salaam preparatory conference of the Non-aligned countries.⁴⁵ The Lusaka summit later on in its declaration adopted the concept of self-reliance through direct actions as the main plank of the economic programme

44. Janez, Stanovnik "Non-alignment and the New International Economic order" Review of International Affairs (Belgrade) vol. 33, no.757, 20,Oct. 1981 p. 17.

45. Twenty five years of Non-aligned movement, n.4, p.35.

of the non-aligned movement⁴⁶ Lusaka summit defined self reliance primarily in terms of increased economic cooperation among developing countries.

Georgetown conference of foreign ministers in 1972 further elaborated the concept of self-reliance and in the frame work of an "Action Programme for Economic Cooperation among Developing Countries," identified five fields of activities that deserved special attention - trade, industry and transport; technology, know how and technical assistance; financial and monetary cooperation and international cooperation for the economic development of the developing countries. Subsequently new areas were added making a total of 21. Each area had coordinator countries to carry on the inter regional projects establishing expert groups, chalking out the broad economic policies of the Non-aligned countries. Though in many of these areas, the coordinating countries have not acted very enthusiastically, self-reliance has been a constant theme in all subsequent economic declarations of the non-aligned countries. Various projects were set up, for example, statutes for a council of

46. *ibid.*, p.48.

produces association, an information centre on translational corporation was setup, a centre for scientific and technical cooperation was set up.

There were many obstacles to collective self-reliance because it implied most radical development strategy of all; opting out of the existing pattern of North-South trade in favour of an existing new pattern of poor trading with poor".⁴⁷ The infrastructural inadequacies, was another hindrance. But there was a hope that the huge wealth of resources of the developing world and the different levels of economic advance of individual region would make it possible to create mutually supplementing economic structures.

At the same time NAM emphasised in the New Delhi declaration that "Collective self reliance is not a substitute for cooperation between developed and developing world, nor does it in any way relieve the developed countreis of their responsibilities and commitments in support of the development efforts of developing countreis".⁴⁸

47. Mortimer, n.12, p.128.

48. Seventh NAM Summit; selected documents - vol. II (New Delhi Indian Institute for Non-aligned studies, 1984) p. 165.

These were the various important instruments that NAM used to further the economic objectives of the South. The flexibility in the choice of forums indicates seriousness of purpose of realisation of these economic objectives and not just the politics of pressure behind the struggle of the Third world for economic development.⁴⁹ This economic diplomacy of NAM still continues, though the intensity has reduced. All these years of NAM's struggle has not achieved much progress in the realisation of South's economic objectives. The reasons maybe the weak economic leverage of non-aligned countries, the diverse interests of these countries which has weakened their unity, and many others. Many scholars are of the view that NAM is basically a political entity and so it is not surprising that it has not achieved much economically. "NAM is principally a diplomatic coalition of coalitions and needs to be judged mostly in terms of its potential and practical possibilities in the world of diplomacy."⁵⁰

49. K.B.Lall and S.D.Muni, "NIEO -Third World Assectiveness", World Focus (New Delhi), vol.1, no.9, September 1980, p.26.

50. Peter, Lyon, "Non-aligned Movement Performance and Prospects", in U.S. Bajpai, ed., Non-algenment: Perspectives and Prospects, (New Delhi: Lancers Publication, 1993).

ACHIEVEMENTS AND FAILURES

Let us look into the achievements and failures of NAM's economic diplomacy which will help in finally judging the effectiveness of NAM as diplomatic instrument for the realisations of the economic objectives of South.

I. Issue of Economic Sovereignty :

The main achievements pertaining to this issue are : the adopting of the "Charter of Economic rights and duties of the states" in 1974 by the 29th Annual session of the General Assembly, the drawing up of code for regulating TNCs by the centre for Transnational corporations, expansion of national jurisdiction over economic resources off shore from the Law of Sea Treaty. But these achievements are marginal in the sense that many of these have not been completely implemented for example, the charter of Economic rights and duties of the states was not accepted by all. Many developed countries along with US voted against it or abstained from voting.⁵¹ There is now very little interest

51. Jeffery A. Hart, The New International Economic Order: Conflict and Cooperation in North-South Economic relations, 1974-77 (London: MacMillan Press Ltd., 1983), p.59.

in the controlling of TNCs, infact the draft on code of conduct of TNCs has not been approved.⁵² TNCs are now being welcomed by many of the developing countries themselves as they are opening up their economies.

II. Issues of Foreign Trade :

In the area of commodity and raw material trade only few changes have occured-the commitment to negotitate a common fund and to negotiate for new commodity agreements. According to Jeffery Hart "these were not major changes but they were changes that probably would not have occured in the absence of the NIEO negotiations".⁵³ Some other changes were, the establishment of STABEX system by the EEC in the Lome agreement which governed the trade between Europe and the African, caribbean, and pacific countries, and also the emergence of producer associations which strenghtned the barganing position of the South.

52. Sumitra Chisti "Transnationalisation of the World Economy Emerging Diversions" in G.S. Bhalla and Manmohan Agarwal ed, . World Economy in Transition ; An Indian Perspective (New Delhi: Har Anand Publications, 1994), p.89.

53. Hart, n.51. p.59.

These achievements sound very good indeed but again the implementation is lagging behind. The agreement for Establishing the common fund for commodities was signed in 1980, but it has not get been seriously utilized so far. The commodity prices remained low throughout the 1980's and in 1991, non-fuel commodity prices have come down to the lowest ever level in the post war period.⁵⁴

The renewal of the Generalised system of preferences under GATT was an achievement under the access to markets issue. A number of tariffs have also been reduced through GATT negotiations. But the non tariff barriers, regional agreements are over shadowing these achievements. The regional agreements are marginalising the weak developing countries by increasing trade among themselves "the first thing that happens after the formation of these groupings is for the member countries to susbstitute their imports from third countries by imports from each other...."⁵⁵ In

54. Muchkund Dubey "Global Economic Developments and International Relations during the 1990's" in G.S. Bhalla and Manmohan Agarwal ed., World Economy in Transition (New Delhi: Har Anand Publication, 1994), p.49.

55. ibid, p. 52.

addition the non-tariff measures the non-tariff measures like anti-dumping, countervailing measures, conditionalities on questions of human rights, child labour etc. have increased. The share of imports of developed countries from the developing countries subject to non-tariff measures was less than 10 per cent in 1981 which increased to more than 20 per cent in 1986.⁵⁶

The technology transfers issue has not been solved to a great extent either. Access to the improved technology needs large amounts of capital and skilled labour force which is not available to many of the weaker developing countries. Therefore there is a real danger of technological marginalisation of developing countries". Those countries, which do have the skilled man power and can afford these technologies, have to now face the problems of intellectual property rights regime under GATT.

III. Issue of Aid Debt and Monetary Reforms:

There have not been any major changes in this issue. The official Development Assistance has remained below the

56. Chishti, n.52, p.30.

target levels of 0.7 per cent of the GNP, it has in fact declined between 1983 and 1989. The real value of ODA in 1991 was the same as in 1990.⁵⁷

There is a large growth in international debt of developing countries. It has increased from about 700 billion in 1981 to 1400 billion in 1992. There is another problem of 'economies in Transition' getting most of the resource assistance both from the North and the international financial institutions. The world bank report has confirmed the fears that there has been diversion of official flows to East Europe from developing countries.⁵⁸ The conditionalities for giving aid both by the North and the IMF structural adjustment programmes, have, in most of the countries, enhanced the external vulnerability and dependency.⁵⁹

IV. Issue of Democratisation of International Financial Institutions

The achievements in this field were only during

57. Dubey. n. 54, p. 53.

58. *ibid*, p. 54.

59. *ibid*, p. 64.

1970's. A special oil Facility was established in the IMF in 1974 to help finance the deficits of developing countries most affected by the oil price increases. IMF established a Compensatory Finance Facility during the same period. Other than this there has been no progress in other issues like the increasing allocation of SDRs and changing the voting pattern in these institutions.

Thus economic diplomacy of NAM has been successful to a little extent and not so successful to a large extent. The condition of the South has not improved. NAM has come to accept that there is a change in the world economic situation which needs newer strategies and the old strategies of establishment of NIEO, can no longer achieve results. The non aligned countries have been successful in raising the problems to the international 'high politics' but they have not been strong enough to find solution to these problems.

CHAPTER - 5

CONCLUSION:

This chapter summarizes the implications of the research described in previous chapters, in evaluating the role of NAM as a diplomatic instrument for the realization of economic interests of the South, and also suggests some practical steps for improving the economic diplomacy of NAM in furthering the development of the south.

Non aligned movement emerged in the 1960's as a loose coalition of newly independent countries which had similar social, political, economic and developmental problems. They were eager to step into the international systems as independent nations. This loose knit coalition later developed into a permanent cooperation and then into a movement against the super powers politics. The members of the movement who chose not to join any of the powers blocs decided to cooperate among themselves.

Since the first conference of non-aligned heads of state or governments in Belgrade in 1961, there have been ten summit conferences. During its long journey of more than twenty years, NAM has undergone many changes in its

structure and functions and the role which it has played in the international politics has also undergone many changes.

The non-aligned countries and the countries of the South, in the late 1960's and 1970's realised that their independence is not total in the sense that they were still dependent on their old colonial rules. This dependency had led to exploitation of South's natural resources and the decline in the trade of countries of the South. On the whole the economic development in these countries was negligible. The South was not strong enough to shake off the dependency so easily. They were economically and politically weak. They needed solidarity among themselves to overcome their weakness against North. This solidarity was found in the NAM. The 1970's was the time when NAM gave highest priority to the economic problems of the South and thus emerged as an economic pressure group of the south.

Starting with the Lusaka summit in 1970 NAM began to address the economic issues of the South and took them to the other international forums where the economic development issues of the south was made the priority topic of any discussion. The fourth summit at Algiers in 1973 was a major water-shed in the history of NAM as well as the

international economic relations. The 'Economic declaration' and the " Action programme for economic cooperation" of the conference went on to become the blue prints for the "UN declaration on the Establishment of New International Economic Order" and the related documents. This UN resolution on NIEO marked the beginning of the North-South debate which became the major focus of attention in the following international conferences.

NAM had to address itself to various economic issues of the South. These issues pertained to economic sovereignty, foreign trade, aid, debt and monetary reforms and democratisation of international financial institutions. Most of these issues were grouped together under the resolution for the establishment of NIEO.

The South was facing the problem of economic sovereignty because the ex-colonial powers retained control on the commodity trade activities. This was reinforced by the transnational corporation who had a monopoly over these activities. The South was being exploited as these colonial powers or TNC`s did not contribute anything towards the economic development of these countries. The dependency of the South gave North the power to intervene in to the

internal affairs of these states. To address this problem NAM took up the issue from the beginning in its discussion in its summit conferences and in UNCTAD.

In the area of foreign trade, the problems are: fluctuating commodity prices, protectionist measures to deny access to the primary and manufactured products from the developing countries and the issue of technology transfer. These problems still persist today inspite of years of negotiations.

The debt crisis in the countries of the south has become a permanent phenomenon. The debt of these countries has been increasing and the debt services payments have taken away the resources from developmental projects in the developing countries. Many of the seriously affected countries are asking for debt cancellations and the not so seriously affected ones for debt rescheduling. The Official Developmental Aid (ODA) which was supposed to transfer resources from the North to the South have become stagnant. The negotiations to increase the aid have all been in vain .The conditionalities and structural adjustmental policies of the IMF and World Bank are manipulating the economic policies of the third world countries.

The democratization of these financial institutions is also another issue that NAM is pursuing without any tangible results. The South wants to change the voting procedure in these institutions from being quota based to one country one vote principle so that their interests are better represented.

NAM has taken these issues to various conferences and other forum and has actively participated in the negotiations with the help of group of 77 (G-77) in UNCTAD and other UN agencies. Though the multilateral economic diplomacy has now shifted mainly to GATT and WTO. UN continues to be the favourable forum for the developing countries. The summit conferences of NAM are also important as they set out the strategy for these negotiations. NAM has also used commodity power as an instruments though for a NIEO. OPEC's success in controlling the price market of oil and causing recession in North made the North take note of South's demands and NAM used this opportunity to call UN special sessions (sixth and seventh) where declaration for NIEO was adopted. Collective self-reliance of NAM was also used as a strategy to improve the bargaining position of the South but this has not proved very effective.

The real achievements of this economic diplomacy of NAM have been very few and in many cases they have remained only on the paper. They are now being over shadowed by the newer problems. North has either ignored these solutions these solutions or have overruled them. They are constantly devising new measures to discriminate against the South for example, the non-tariff barriers, the structural adjustments programmes and others.

There is also a great change in South's attitude towards North which has slowed down the negotiation process. The reasons for this change are firstly, some of the countries of the South have become economically powerful and they are closer to North now than to South. They no longer need the Southern solidarity to solve their economic problems. this has led to cracks in the solidarity of the South. Secondly, some countries have opted for liberalisation of their economies and are welcoming the investment from the developed countries and this has put them in a tight position from where they can not negotiate effectively. They have to consider their national interest first before looking into South's interest. Thirdly, the successful conclusion of the GATT negotiations and the

establishment of WTO have dragged in more of the developing countries as contracting parties with promises of more open and non-discriminatory trade. Most of the issues which were earlier negotiated in UNCTAD have been discussed under GATT and the decisions are binding on all those countries who ratify the treaty. Fourthly, the regional trade blocs have marginalised the very poor developing countries who have to now depend on North for their economic development. This marginalisation has again given North more power.

Thus we can see that the change in attitude of the countries of the South has led to lack of coordination in the multinational negotiations. These countries are no longer eager to bargain together as their interests differ.

This brings us to conclude that though NAM was successful in bringing out the problems of the South to the attention of the North, it has not been able to solve these problems. NAM has definitely acted as a diplomatic instrument for projecting of the economic objectives of the South but the effectiveness of its role in realising objectives is questionable. The NAM summit's economic declaration have now become stale as they still harp on the old demands expressing concern over lack of progress made.

NAM in the recent years has become totally ineffective instruments of economic diplomacy of the south. NAM has to change its economic programme in order to come back into the picture of international economic negotiations. Some suggestions to this effect are made here: Firstly, NAM has to change its demands that were made for the establishment of NIEO. Some of these demands are very unrealistic as the North will never agree to vast resource transfers when they get nothing in return. The North will be interested in cooperating with the South only if it can get something out of it. So the accent should be more on cooperation than confrontation.

Secondly, NAM has to improve its negotiating position in the multinational forums like GATT or WTO. The UNCTAD's ineffectiveness has left the developing countries with no forum to further their interests. GATT and WTO are now a permanent phenomena and the stronger the bargaining position here the better will it be for the South.

Thirdly, the South-South cooperation has to be strengthened as trade among developing countries could counter the regional blocs like the EC. The members of the NAM should coordinate more and take this coordination seriously.

Fourthly, NAM should improve upon the negotiations tactics as these negotiations are now becoming tougher and tougher. The G-77 has to be revived. NAM negotiators should be technically better equipped with greater expertise and should compulsorily do extensive home work.

All this is possible only when the countries of the South themselves come forward. They should forget their intra NAM conflicts and devote more time to the economic development of their people and on order to achieve more development, they should coordinate among themselves.

NAM was and still is a very important forum for the developing countries. The role it would play in the future economic negotiations would depend upon how it will change its strategy to suit the changed economic situation in the world.

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