

Social and Cultural Issues of the New International Economic Order

Edited by

Jorge A. Lozoya
Haydee Birgin



**Social and Cultural
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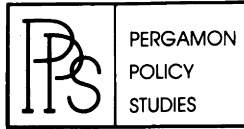
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ON THE NEW INTERNATIONAL
ECONOMIC ORDER

Social and Cultural Issues of the New International Economic Order

Edited by

Jorge A. Lozoya
Haydee Birgin

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Preface to the UNITAR-CEESTEM NIEO Library

The present volume is one in a series of 17 books which make up the UNITAR-CEESTEM NIEO Library. While each volume covers a specific aspect of the issues that comprise the New International Economic Order and can be read independently of the others, it seems useful to provide a brief introduction to outline the scope of the entire undertaking and put this volume in its proper context.

In the winter of 1976-77, UNITAR (the United Nations Institute for Training and Research) initiated with CEESTEM (the Centro de Estudios Economicos y Sociales del Tercer Mundo, Mexico) a series of inquiries into problems and opportunities associated with the establishment of the New International Economic Order (NIEO). Both institutions agreed that the NIEO constituted one of the highest priority items on the international agenda, and that independent, objective and scholarly investigation of its objectives, obstacles, opportunities, and indicated strategies may be of great value both to the decision makers directly concerned with the negotiation of the issues, and to the international community at large. The UNITAR-CEESTEM NIEO Library is a result of the research that was undertaken by the central professional staffs of the institutes, and by their jointly formed international network of collaborators and consultants.

What are some of the reasons behind this assessment of the importance of the NIEO in contemporary economic and world affairs? Although most people know that the world economy is encountering serious difficulties on both national and international levels, few people outside a small circle of experts realize the seriousness of the problems and the breadth of their scope. Contrary to some current perceptions, the NIEO is neither a passing pressure of the poor countries on

the rich, nor merely a demand for more aid and assistance. It is a process which has deep historical precedents, and an undisputed historical significance.

We need not go back further than the end of World War II to find an entire array of historical events which set the stage for the later emergence of the call for the NIEO. While these events arose from their own historical antecedents, they themselves produced the setting for the breakdown of the post-war economic system, and the widening gap between rich and poor nations.

The first and perhaps most decisive event was the liberation of the oppressed peoples of Africa and Asia, in the great wave of decolonization that swept the world in the years following World War II. The newly independent states were said to be sovereign and equal to all other states, old and new, large and small. Their admittance to the U.N. underscored this. However, the fresh political and juridical status of the new countries was far from matched by their actual economic conditions. The majority felt that their de jure political colonization ended only to be replaced by a de facto economic colonization.

The historical process which gave the majority of the world's population the status of citizens of sovereign and equal states, but left them at the same time in a situation of economic underdevelopment and dependence, triggered the "revolution of rising expectations". Desires for rapid economic growth led Third World governments into ambitious plans and programmes of national development. Most of the plans envisaged a quick repetition of the industrial growth processes of the developed world, following a path already long trodden by the countries of Latin America. When the unintended side-effects of traditional patterns of industrialization became evident -- uncontrolled growth of cities, relative neglect of rural areas and agriculture, threats to the environment, and the increasing stratification of people in modern and traditional sectors, often with serious damage to social structure and cohesion -- many of the original development strategies underwent modification. The goal of rapid economic growth was not surrendered, however. Quantitative growth targets were formally included in the official development strategies of the First and Second U.N. Development Decades (for the 1960s and the 1970s, respectively).

However, the mid-term review of the achievement of the Second Development Decade's goals showed mixed results. The greatest disappointment came in the area of agricultural production and official development aid. On the average, the U.N. official development aid targets have not even been half achieved. At the same time service charges on past loans began to put enormous pressures on developing countries'

balance of payment, and world poverty showed no signs of diminishing. There was insufficient progress in commodity trade, inadequate access to the markets of developed countries, particularly for agricultural products; tariffs have escalated, especially for semi-processed and processed products, and new tariff and nontariff restrictions were introduced by many developed countries on a number of items, including textiles and leather goods. The plight of the least developed, island and land-locked developing countries, gave rise to additional concern. While some progress was achieved, for example, through the introduction of a generalized system of preferences by the developed countries, and the proposals of the Tokyo Declaration concerning multilateral trade negotiations, the negative developments weighed more heavily in the balance and created widespread dissatisfaction in the developing world.

Another set of factors came into play as well. This was the sudden and unexpected rise of Third World economic and political power. The Middle East oil embargo of 1972-73, and the subsequent fourfold increase in the price of oil created a world energy crisis. It affected all oil-importing nations, developed as well as developing. It also exhibited the dependence of the developed countries on the developing world for several major natural resources, and proved the ability of the Third World to wield economic and political power effectively. The consequences included rises in the price of food, due to the increased cost of chemical fertilizers, and further tensions between producers and consumers of raw materials. But the OPEC-type exercise of Third World economic and political power proved unable to improve the condition of the developing countries as a whole. Despite significantly higher gross resource flows from the oil-exporting to the oil-importing developing countries, the economic plight of the latter worsened due to the higher cost of energy. Developed countries found themselves beset by economic problems of their own, including not only higher oil prices but inflation, unemployment, and unused industrial capacity. Economic rates of growth slowed, while in most countries balance of payment deficits grew. Even where surpluses could still be generated, concerns focused on the domestic economy, and the political will to increase levels of aid and assistance to the Third World faltered.

Compounding the economic difficulties of the developed nations were signs of breakdown in the international monetary system which affected all countries, developed as well as developing. Amidst growing tensions between the United States, Japan, and the European Community over matters of trade, the Bretton Woods system collapsed and gave rise to a system of floating exchange rates. The value of the U.S.

dollar began to erode, creating serious difficulties for those countries which, like most of the Third World, held their reserves in dollars. The creation of Special Drawing Rights provided some access to foreign exchange independently of dollar holdings, but such access favored the countries already developed, and the rest remained seriously dissatisfied with the workings of the international monetary system. It became evident that some of the fundamental tenets of the post-war world economy were being called into question, and indeed that some had already collapsed.

The NIEO made its appearance as an international political issue in the context of this series of events. Encouraged by the success of OPEC but fearful of splintering Third World solidarity through the newly won wealth of a few of its countries, Presidents Boumedienne of Algeria and Echeverria of Mexico, among others, called for structural reforms in the international economic system. Their governments' initiative resulted in the adoption of such major U.N. resolutions as those of the Sixth and Seventh Special Session, and the Charter of Economic Rights and Duties of States. These in turn provided the impetus for a long series of declarations, resolutions, position papers and studies on various NIEO issues by the United Nations system and the international community at large.

The coming together of these historical factors was not purely coincidental. The wave of decolonization was the culmination of a long-term historical process of democratization, and the rise of the concept of universal rights for individuals and societies. It led, in turn, to a mounting desire for rapid industrialization by the newly independent countries. This met with major frustrations. But as economic interdependence intensified, as trade and markets expanded, and access to energy and raw materials became crucial to the developed world's giant economic machinery, the concentration of economic power itself was modified. It was no longer wielded by a few powerful governments but also fell into the hands of oil exporting nations and transnational corporations.

The historical process which gave birth to a host of independent nation-states placed into sharp relief the inequities of the previous economic system, and provided some of the developing countries with fresh degrees of economic leverage. Since they not only control the supply of a number of important fuels and raw materials but also absorb about 25 percent of the developed world's exports, their demands can no longer be ignored. And they insist that a healthy growth in the world economy cannot be brought about within the framework of the existing economic system.

When the General Assembly, in December, 1977 called for another Special Session in 1980 to assess progress in the establishment of the NIEO, it took a decisive step in bringing

the North-South debate to the Organization, where it belongs. It created an ongoing forum for discussions and negotiation in the interim through the Committee of the Whole, which during 1978 managed to define its role and function despite earlier disagreements. Together with the work of the bodies charged with the preparation of the International Development Strategy for the Third United Nations Development Decade, the Organization created the fora for substantive progress in the area of restructuring the economic relations of developed and developing countries. Faced with mounting pressures on national economics in all parts of the world, the international community now finds itself facing a watershed decision: to make use of these fora, or to continue to use mainly bilateral and sectoral corrective measures to mitigate tensions while entrusting the resolution of problems to the mechanisms of the free market.

This decision is intimately linked to an entire array of basic questions. Among them:

The question of cost and benefit. Who will have to bear the burden of instituting NIEO and will the results be worth the sacrifices? Will benefits really accrue to the poor people to help fulfill their basic needs and will developing countries be made truly more self-reliant -- or will the main beneficiaries be the already rich elites? Will the developed countries also benefit from NIEO (a positive-sum game) or will it mainly mean the redistribution of the current stock of wealth from them to the developing countries (a zero-sum game)?

The question of legitimacy. Is the free market the basic mechanism of world trade and the best vehicle of development, or is it merely a convenient fiction to cover up the current unjust manipulations of the major economic groups?

The question of morality. Do the rich countries have a moral obligation to help the poor, and especially the poorest? Does this responsibility extend to those countries who had no historical part in the creation of poverty in the third world?

The question of political feasibility. How strongly will different organized groups in society support or oppose governmental policies aimed at the achievement of the NIEO --and how much solidarity exists in these domains internationally, among the developing and the developed countries themselves?

It is unrealistic to expect that real progress will be made on specific NIEO issues (such as official development aid, technical assistance, debt renegotiation, removal of tariff barriers, technical cooperation among developing countries, the link between SDRs and development, voting power in the World Bank and IMF, transfers of technology, regulation of transnational corporations, a system of consultations on industrialization, and restructuring the economic and social