

THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO): CHALLENGES AND PERSPECTIVES

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Abstract: At the Sixth Special Session of the United Nations General Assembly in 1975, a declaration was made for the establishment of a New International Economic Order (NIEO). It is regarded as "a turning-point in the evolution of the international community." NIEO is to be based on "equity, sovereign equality, common interest and cooperation among all States, irrespective of their social and economic systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generation." NIEO was not a single coherent identity; rather, it was more like political brand the holding loosely compatible agendas, which together formed something less than a coherent strategy. While everyone involved might have agreed that the goal of the NIEO was to improve the economic position of the global south in relation to the global north, there was no consensus about the ultimate political ends, much less about the best way to achieve those ends. This, as much as anything, helps to explain why the NIEO seemed unable to realize its proponents' hopes. With this caveat in mind, it is nonetheless possible to distinguish three distinct but interconnected aspects to the NIEO: economic proposals, legal tactics, and political objectives. The existing NIEO relied on East-West Divisions and is marked by confrontation between the North and the South; it safeguards the interests of the North and is governed by economic interaction based on the principle of non-discriminatory liberal trade. It is nationalist and irrational; in the present economic system, the trade is so regulated that the developed countries gain access to markets of developing countries on favorable terms; it has encouraged in flow of foreign private capital from the developed country to the developing countries and consequent increase in the activities of multinational corporations.

Keywords: Stagflation, Neocolonialism, Emancipation, Intransigence, Bilateral agreements.

I. INTRODUCTION

The greatest and most significant achievement during the last decades has been the independence from colonial and alien domination of a large number of peoples and nations which has enabled them to become members of the community of free people. Technological progress has also been made in all spheres of economic activities in the last three decades, thus providing a solid potential for improving the well being of all people. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the people involved. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries, which constitute 70 per cent of the world's population, account for only 30 per cent of the world's income. It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent States and which perpetuates inequality. The present international economic order is in direct, conflict with current developments in international political and economic relations. Since 1970 the world economy has experienced a series of grave crises which have had severe repercussions, especially on the developing countries because of their generally greater vulnerability to external economic impulses. The developing world has become a powerful factor that makes its impudence felt in all fields of international activity. These irreversible changes in the relationship of forces in the world necessitate the active, full and equal participation of the developing countries in the formulation and application of all decisions that concern the international community.

II. THE ORIGINS OF NIEO:

The origins of the NIEO however, can be traced back to the Havana Conference in 1994 and stem from economic and political tensions that had been building between the developing and developed nations. After the end of Imperialism and Colonialism, about 130 newly independent and developing countries have been making frantic efforts for economic independence and development. In the decade of 1970's countries of the 3rd world made persistent demand for the establishment of NIEO. The conflict between North and South for quite some time has been over this very issue. While the South again and again demands for NIEO, the North resists it. The international economic system is facing a crisis which is characterized by strains of stagflation in the developed market economies, problem of underdevelopment in the in the developing countries and slowing down of growth

rate and collapsing of the socialist world. The developing countries have often complained that their interests are being adversely affected by the policies of developed world, while the developed blame the developing for mismanagement and sub optimal utilization of resources.

III. THE IMPACT OF THREE MAJOR ECONOMIES:

The New International Economic Order (NIEO) is the name given to the existing relationship between different countries economies of the world. At present there are three main economies existing side by side i.e. highly developed countries of the Western Europe and U.S.A., the socialist and capitalist countries of East Europe, the developing countries of Asia, Africa and South America belonging to third world. They are industrially and economically backward.

NIEO envisages such relations between these three economies that the developing countries can also develop themselves. UN is also giving suitable help to these developing countries. New International Economic Order is very useful for the economic development of the developing countries of the world as we know that the standard of living in the third world countries is very low with an improvement in the economic condition of the people they will enjoy social and economic Human Rights.

IV. NIEO AS A TURNING POINT OF INTERNATIONAL COMMUNITY:

At the Sixth Special Session of the United Nations General Assembly in 1975, a declaration was made for the establishment of a New International Economic Order (NIEO). It is regarded as "a turning-point in the evolution of the international community." NIEO is to be based on "equity, sovereign equality, common interest and cooperation among all States, irrespective of their social and economic systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generation." NIEO was not a single coherent identity; rather, it was more like political bran the holding loosely compatible agendas, which together formed something less than a coherent strategy. While everyone involved might have agreed that the goal of the NIEO was to improve the economic position of the global south in relation to the global north, there was no consensus about the ultimate political ends, much less about the best way to achieve those ends. This, as much as anything, helps to explain why the NIEO seemed unable to realize its proponents' hopes. With this caveat in mind, it is nonetheless possible to distinguish three distinct but interconnected aspects to the NIEO: economic proposals, legal tactics, and political objectives.

V. THE MAJOR OBJECTIVES OF NIEO:

The important objectives of the NIEO are mainly concerned with attaining of United Nations official development assistant targets; providing technical assistance for development and eliminating the brain drain; re-negotiating the debts of developing countries; improving the terms and conditions of trade of developing countries; strengthening economic and technical cooperation among developing countries; reforming the International Monetary System; increasing the transfer of resources through the World Bank and IMF; negotiating and re-deployment of industrial productive capacities to developing countries; providing health services, education, higher cultural standards for the work force and assuring the well being of children and the integration of women in development; assuring economic sovereignty of states; re-structuring the economic and social sections of United Nations.

VI. THE PROMINENT PRINCIPLES OF NIEO:

The New International Economic Order is to be found on full respect for the following principles; Sovereign equality of States, self-determination of all peoples, inadmissibility of the acquisition of territories by force, territorial integrity and non-interference in the internal affairs of other States; The broadest co-operation of all the States members of the international community, based on equity, whereby the prevailing disparities in the world may be banished and prosperity secured for all; Full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest of all countries, bearing in mind the necessity to ensure the accelerated development of all the developing countries, while devoting particular attention to the adoption of measures in favor of the least developed land—locked and island developing countries as well as those developing countries most seriously affected by economic crises and natural calamities, without losing sight of the interests of other developing countries; The right of every country to adopt the economic and social system that it deems the most appropriate for its own development and not to be subjected to discrimination of any kind as a result; Full permanent sovereignty of every State over its natural resources and all economic activities. In order to safeguard these resources, each State is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including the right to nationalization or transfer of ownership to its nationals, this right being an expression of the full permanent sovereignty of the State. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right; The right of all States, territories and peoples under foreign occupation, alien and colonial domination or apartheid to restitution and full compensation for the exploitation and depletion of, and damages to, the natural resources and all other resources of those States, territories and peoples; Regulation and supervision of the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate on the basis of the full sovereignty of those countries; The right of the developing countries and the peoples of territories under colonial and racial domination and foreign occupation to achieve their liberation and to regain effective control over their natural resources and economic activities; The extending of assistance to developing countries, peoples and territories which are under colonial and alien domination, foreign occupation, racial discrimination or apartheid or are subjected to economic, political or any other type of coercive measures to obtain from them the subordination of the exercise of their sovereign rights and to secure from them

advantages of any kind, and to neo colonialism in all its forms, and which have established or are endeavoring to establish effective control over their natural resources and economic activities that have been or are still under foreign control; Just and equitable relationship between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, manufactures, manufactured goods and equipment imported by them with the aim of bringing about sustained improvement in their unsatisfactory terms of trade and the expansion of the world economy; Extension of active assistance to developing countries by the whole international community, free of any political or military conditions; Ensuring that one of the main aims of the reformed international monetary system shall be the promotion of the development of the developing countries and the adequate flow of real resources to them; Improving the competitiveness of natural materials facing competition from synthetic substitutes;

Preferential and non—reciprocal treatment for developing countries, wherever feasible, in all fields of international economic co—operation whenever possible; Securing favorable conditions for the transfer of financial resources to developing countries; Giving to the developing countries access to the achievements of modern science and technology, and promoting the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economics; The need for all States to put an end to the waste of natural resources, including food products; The need for developing countries to concentrate all their resources for the cause of development; The strengthening, through individual and collective actions, of mutual economic, trade, financial and technical co—operation among the developing countries, mainly on a preferential basis; Facilitating the role which producers' associations may play within the framework of international co-operation and, in pursuance of their aims, inter alia assisting in the promotion of sustained growth of the world economy and accelerating the development of developing countries.

VII. THE EXISTING INTERNATIONAL ECONOMIC ORDER:

The crisis of 1930s was marked by very high unemployment rates and low economic growth rates. It was a classic long-term depression with a very low growth, fall in international trade and an unstable international monetary situation. International economic crisis of the 30s was tackled mainly through economic nationalism. It was manifested in high degree of protectionism and in a shift away from world-wide economic relations to bilateral agreements, both in the field of trade and in the field of finance. It was exhibited in an overall "beggar my neighbor" policy when the solution of domestic economic problems was concerned. The weakness of the world's economy, which was the result of a breakdown of the western economic order of 1930s, and the necessity to restore the international economic order after the Second World War gave rise to the present international economic order, which was created in the mid-1940s. The economic system that emerged in the aftermath of the Second World War contained three sub—systems. These subsystems were

- I. The Western system of Interdependence;
- II. The North-South system of dependence; and
- III. The East-West system of Independence.

No doubt the problems and processes of the subsystems differ yet the separation of the three sub-systems is artificial since interactions and problems overlap all systems in the real world. The existing NIEO relied on East-West Divisions and is marked by confrontation between the North and the South; it safeguards the interests of the North and is governed by economic interaction based on the principle of non-discriminatory liberal trade. It is nationalist and irrational; in the present economic system, the trade is so regulated that the developed countries gain access to markets of developing countries on favorable terms; it has encouraged inflow of foreign private capital from the developed country to the developing countries and consequent increase in the activities of multinational corporations.

VIII. THE MAJOR DRAWBACKS OF THIS PERIOD:

The above system worked well during the period—end of 1940s to early 1960s—for those countries which evolved the system. But it contained some basic weaknesses e.g.: The absence of the Eastern and the Southern countries from the negotiations which formulated the basic values and principles of the order; There were no policy restrictions in the order which could provide for a situation where domestic economic processes within a major participating country were leading to instability, and it was not certain that domestic economic processes would always lead to stability; The above weakness led to the slowing down of economic growth, to inflation and to monetary instability which culminated in the end of the fixed dollar / gold exchange rate in 1960s and 1970s. That was the beginning of a world-wide economic crisis; An economic order can be judged on the bases of two criteria; its efficiency and its equity. The economic order which was created in 1940s had led to more inequality by the beginning of 1980s than when the system was created. It has also led to more inefficiency, over-utilisation and waste of scarce resources and under-utilisation of resources such as labour. A system which does not live up to the major criteria of efficiency and equity must be removed; the existing international economic order is not worldwide but centered around the developed nations. Although it was a better system compared to what existed in 1920s and in 1930s, it was too compartmentalized; the deep economic recession of 1970s had developed into a lasting depression that led to an economic crisis in 1980s with same characteristics as that in 1930s. It is less difficult to deal with a situation of low growth, unemployment and deflation than to cope with stagflation; in the existing economic order MNCs and TNCs have grown and expanded enormously in the name of resource transfers to the developing countries. But the TNCs are oligopolistic and profit motivated commercial entities, with centers of their decision-making located in the developed countries, thereby not necessarily providing the full benefit of the resource transfer to the developing countries; Most of the developing countries with low exceptions of middle class members of the South depend upon the export of raw material for earning foreign exchange. Their economies often suffer owing to the sharp fluctuations in the prices of these raw

materials. This is the chief cause of the unwillingness of developed nations to cooperate with poor countries in evolving some method of stabilizing the prices of some key raw materials whose sole greatly determines the shape of latter's economies; The South countries encounter a lot of difficulties in selling their manufactured products in the markets of the North countries. Contrary to their occasional promises not to hinder the flow of goods of developing countries have tended to raise steep tariff and quota barriers and a wide variety of non-tariff barriers such as inspection requirements and complex customs regulations against the import of these goods; Technology is urgently needed by the developing countries for their economic development. In the sphere of technology, they are far behind the developed countries. For last many years, they are demanding the transfer of technology from rich to poor nations. Some technologies have been transferred over the years; The present crisis could not be formed merely in the deficiency of aggregate demand. One must look into structural factors, including issues of profitability. The over-accumulation, the oil shock and the secular wage increase were all gradual results of the interaction of the forces of demand and supply, which, in retrospect, can be identified as a logical consequence of the growth pattern of the 50s and 60s; The present economic order is not only threatened by forces from within but also by forces from outside. The oil crisis and the export growth of the so-called newly industrialized countries were two such threats, but these external challenges cannot be considered as the cause of the breakdown of the system. They only added to the international threat of the system. It could no doubt be argued that these external threats were not exogenous but were the consequences of the deliberate choices which had been made by the participating countries to keep other countries out of the international political and economic system; The pattern of development pursued and preached so far, has led to a wreck less destruction of the environment and misuse of scarce resources, and has consumed a large part of the world's productive capacities to produce armaments and weapons of destruction. There is an urgent need for efforts to promote peace and disarmament for achieving real development and examining the possibility of accomplishing it; the present economic order gets its sustenance from an out-dated thinking. It is the offshoot of the classical economic thought based on perfect competition. Today's major schools of thought provide little contribution towards solution; there was no sanction on behavior in conflict with the original agreed upon principles and policies.

IX. THE MAJOR ISSUES AND MEANS OF NIEO:

Main issues of the existing world economic crisis and the various means through which NIEO can be achieved are discussed below. The following requisites are absolutely essential in a medium to long-run context; Substantial increase in food productivity in the Third World is required which will help to cushion their terms of trade against adverse demand conditions affecting commercial crops. An increase in agricultural productivity especially food grain production is essential if the international economic order is to be restructured. In this sphere, developed countries are hesitant to provide much help to the developing nations. The United States has the greatest export surplus which can perhaps help in feeding in millions in the poorest countries. A section in the US is of View that food can be used as a weapon like oil. A rapid growth in the production of capital goods is equally important for developing countries. It has been suggested that the developed countries should contribute one per cent of their GNP to the developing countries as development aid. The goals of NIEO can be rapidly achieved by means of development aid. The developed countries can also help the LDCs by writing off of old debts or putting a moratorium over it. The Third World debt in 1990 stood at approximately 1.3 trillion dollars which represents approximately 44 per cent of the gross national product of all developing countries combined. If LDCs seek more aid or loans, what they should do is to use the resources for higher growth and profitability in order to improve their repaying capacity. What is needed is to formulate economic policies that reduce the burden of payment of interest and repayment of the principal (debt). In regard to foreign trade LDCs demand higher prices on their export goods, some sort of guarantee of a similar development for export and import prices and better possibilities for facilitating entry to the markets of the rich countries. There is an unrealized potential for more trade amongst the developing countries. South-South cooperation in trade may also help LDCs overcome limitations of domestic market size, offer possibilities for realization of economies of scale, lead to a decrease in transportation costs and, in the long run, foster indigenous technological development. The level of South-South trade in the contemporary world economy appears to be low, at first sight, but is roughly consistent with the distribution of world income and the direction of international trade flows. There appears to be, however, important economic, institutional and political constraints to an increase in South-South cooperation. It may be both a feasible and a desirable strategy to opt for regional cooperation on related mutually agreed upon items, selected cooperation between countries who agree on the issues based on mutual advantage, and concentrate on areas of like mindedness rather than conflict. This could be a transition strategy, creating the necessary precondition for more global cooperation. The interdependence between the industrialized and the developing countries has deepened. A growing number of developing countries have been integrated into the international economic system which has remained heavily dominated by the industrialized nations. It may be stressed that this development was mainly the result of the process of internationalization of capital. A large part of the volume of exports from the developing countries to the industrialized countries has been a result of the expansion of west-based commercial and business corporations that have set up subsidiaries in many developing countries. As a result of the growing competition between countries in attracting investments, a globally managed restructuring may appear to be an illusion. If the developing countries want to remain involved in international economic trade relations they have to consider significant modifications in their domestic structures to increase their leverage. To draw a policy in the sphere of industrial restructuring is thus somewhat risky task. Both industrialization and agricultural growth strategies in the developing countries require increasing inputs of energy. Excessive dependence on fossil fuels could lead to serious balance of payment problems in countries which depend upon petroleum import. Irrespective of this balance of payment problem, conventional wisdom also advocates a search for alternative and renewable sources of energy in view of the fast depletion of the scarce resources on our globe. With regard to policy choices for augmenting the energy supply, water is identified as a major source for further exploration. More often, hydel power stations are highly capital intensive and rivers flow across countries. Inter-country cooperation in cost-sharing and output sharing, for both power generation and irrigation would serve a useful purpose. Other areas of inter-country cooperation among South and

Southeast Asian countries were in petroleum refining and thermal electricity generation. Transnational Corporations (TNCs) or Multinational Corporations (MNCs) which are responsible for internationalizing capital in contemporary world. Thus, form an important part of the NIEO debate. Developed countries are failing to-transfer the promised, 1 percent of their GNP per annum to the developing countries as development aid, due to internal budgetary crises. The developed countries have been arguing that larger resource transfers to the developing countries could take place through direct investment of the Transnational Capital. There is an urgent need to examine what institutional forms could be developed as countervailing power to the TNCs. It is also imperative that more research be done to examine the various forms of TNC participation, and the behavioral differences between them. Finally, the possibility of South-South investments, as an answer to the present TNC investments must be explored. The role of transfer of technology from developed to the developing countries is being of crucial importance in view of the wide disparity between the technological levels in the two groups. The disparity in the level of technology is conceived to be one that was leading to an accentuation of income disparities between the nations. For the developed countries, technology has in fact become an instrument of domination. Scientific and technological know-how is precisely not under the direct control of the developing countries but under the control of multinational enterprises. For achieving the goals of NIEO, it is essential that developing countries should ensure that the developed countries are rid of the rights to produce any technique which they are capable of producing. It has to be ensured that such a system of rule is not monopolized or usurped by the MNCs. A complete reform of the international monetary system and financial institutions having highly inequitable pattern of adjustment rules are urgently needed. The powerful international bodies where decisions are taken and can be enforced are the Security Council of the UN, the World Bank, other important economic organizations and international-financial institutions (IFI). The developing countries have little or no power in these important world bodies. Unless LDCs are given share in decision-making of these bodies, it is very difficult to realize the goals of NIEO.

X. CONCLUSION

Efforts to achieve NIEO were made as far back as 1974 and the same were pursued in the UNO, UNCTAD, NAM summits, CHOGM, G-77 conferences, G-15 sessions etc. But success in this respect still eludes the developing countries. Throughout the 1980s poverty has been on the increase in the Third World, the disparities in income and life-styles between the developed and developing countries have widened and indebtedness of the latter has become more critical. But even the goals of the International Development Strategy (1971—1981) have not been achieved, even partially. The target of 6 per cent average annual rate of growth of the GDP of the LDCs was contingent on the transfer of 1 per cent of their GNP by the DCs to the LDCs. But not only have the former failed to realize this target, there has in, fact been a progressive decline in their official development assistance to the latter. The same trend is going on since 1973, and no major rich nation has so far transferred even one-third of 1 per cent of the GNP to the poor nations in the form of official development assistance. It is but natural, therefore, that the developing countries are generally unsuccessful to achieve the target of 6 per cent average annual growth-rate, which is regarded essential for take-off into self-sustained economic growth. With the exception of the OPEC, where artificially high growth rates can be seen due to the oil factor, the LDCs have generally fallen considerably below this target. Countries of South have generally attributed the failure of the North countries to honor their commitments to the "intransigence" of the latter and their of "political will" with regard to the creation of the NIEO. The execution of the structural adjustment programmed in a large number of individual debtor countries works for the 'internationalization' of macroeconomic policy under the direct control of the IMF and the World Bank on behalf of formidable financial and political interests (e. g. The Paris and London Clubs, the G-8). The new kind of economic tutelage and political control—a kind of 'market colonialism'— supersedes people and governments through the impersonal interplay (and deliberate manipulation) of market forces. The Washington based international bureaucracy is assigned the duty of implementing a global economic plan which affects the livelihood of more than 80 per cent of the world's population. If all these economic trends are any indication the developing countries may have to pass through a long period before its goal of NIEO is achieved. The NAM which rallied against the industrialized North. And their grip on the world's economy and resources, no longer even talks about a NIEO or a New World Information and Communication Order in the post-cold war era.

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