CHAPTER FOUR

INDIVIDUAL AND COLLECTIVE SELF RELIANCE: THE NON-ALIGNED OBJECTIVES

Prevailing Pattern of Monetary Systems

International economy is characterised by competition for world market among countries of the industrial North through Multinational Corporations which are running for profit maximisation. These Multinational Corporations, (MNCs) are thriving in every country, developed, developing or underdeveloped. The developing or the underdeveloped countries suffer most at the hands of these "economic giants" and their legitimate economic independence is greatly jeopardized. The interests of the Multinational Corporations and those of the Developed Countries are always connected in the sense that they have stakes in global profit maximisation. They are closely affiliated to the international organisations like the International Monetary Fund (IMF) or the International Bank for Reconstruction and Development (IBRD). These international

1 Many developed countries have share in the foreign countries through the MNCs. The US ranked first, accounting for about half of the total value of direct investment stocks. Next comes UK whose share was between 16.6 per cent and 11.2 per cent during 1967-76. The share of FRG rose from 2.8 per cent during 1967 to 6.9 per cent in 1976 and Japanese share grew from 1.4 per cent to 6.7 per cent during the same period. For details see, United Nations, Transnational Corporations in World Development: A Re-examination (New York, 1978).
monetary institutions survived even after the collapse of the Bretton Woods System largely with the help of Multinational Corporations. Inevitably the international institutions worked to the detriment of the developing countries whose economies are at the mercy of the developed countries.

Upto 1971 international economic relations were controlled by the Bretton Woods System, which was established at the end of World War II. It was the result of Anglo-American negotiations and of the intellect of Keynes, subtly representing British interests and coming up against the hard facts of US power and economic supremacy. Since 1971 the Bretton Woods System visibly disintegrated. The present system however, emerged out of the chaos of the great inflation and unprecedented oil price-hike. The collapse of the Bretton Woods System was followed in 1972 by the world food crisis resulting from simultaneous crop failure in the Soviet Union, India and Saharan Africa and short fall in food production in many other developing countries. This meant that surplus stocks of food, which had been the backbone of the Bretton Woods System were no longer available. By 1971 it was

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very much clear that the international currency rates were badly out of line and the system no longer reflected world economic and financial conditions. The economies of the Third World countries had been particularly hit by the disintegration of the system of fixed exchange rates, by the appearance of enormous deficits in the balance of payments in their current accounts and by galloping inflation and shortage of financial resources that can be used under acceptable conditions. This phenomenon was exacerbated by an unprecedented rise in their external debt. In these critical situations a new system had to be evolved in the place of the old ones. But the problem was that the new system to be evolved should serve the interests of the developing nations and should never be the work of a few developed ones.

The creation of a new monetary system which should accommodate the interests of the developing as well as the developed countries proved a tall order and no comprehensive system could be evolved. What was finally evolved was not a system of agreed fixed rates of exchange; it was fixed, only for limited periods and was not a system of free floating. As a system of managed floating rates of exchange, it is a system of too many managers who appear to operate subject to no explicit rules whether self-imposed or laid down by some central
agreement. The IMF was created in the field of monetary system to regulate the needs and special conditions of the developing countries most of whom were still colonies in the immediate post-war years. But they were largely ignored in the process of the formulation of the schemes of the new economic order. The IMF completely ignored the structural nature of the underdeveloped countries' balance of payment problems and limited all except short term compensatory financing, and attached strings that entailed a high social economic and political price and went against the countries' interests and sovereignty. In reality there existed a non-system mainly to suit the interests of the developed countries. Presumably the present non-system like the chaotic decentralised capitalist system itself would be the despair of such a central planner who puts his mind to understanding it. It is certainly a system in the minds of many who cries out for reorganization, central direction and frequent reconsideration at summits of wise international statemen.

In fact the managers of international economic relations

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moved in different directions in search of solutions to the economic ills of the world community which was divided into the rich and the poor, with emphasis on the protection of one's own enlightened interests, without any commonly acceptable programmes. The resolutions of the Group of 77, reflected in the meetings of the UNCTAD, were matters of common interest for the developing countries. The UNCTAD meetings adopted principles governing international trade relations and policies conducive to the development programmes of the developing countries. These principles were to give effect to the Joint Declaration of the developing countries in the General Assembly which states:

The existing principles and patterns of world trade still mainly favour the advanced part of the world. Instead of helping the developing countries to promote the development and diversification of their economies the present tendencies in the world trade frustrate their efforts to attain more rapid growth.

countries to adhere strictly to the principles of individual and collective self-reliance.

Collective Self-Reliance

In the search for solutions to their problems, the developing countries advocated the concept of individual and collective self-reliance, which demands co-operation among developing countries to establish common positions and to apply a maximum of leverage so as to increase their bargaining power in negotiation and joint action vis-a-vis the industrialised countries. The Cairo Summit of the Non-aligned countries called upon the international community to restructure the world economy in a manner conducive to urgent economic development of the developing countries. At the Lusaka Summit, the Non-aligned countries pledged themselves to cultivate actively the spirit of self-reliance. The Corea Report to the UNCTAD IV in 1976 proposed formally the idea of collective self-reliance in addition to the integrated programme for commodities and other

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6 The UNCTAD Secretary General Gamani Corea submitted his report to the UNCTAD IV meeting which met at Nairobi in May, 1976. The report was on the general economic and trade problems facing the developing countries. In his report he suggested solutions to solve these problems.
well discussed development strategies.

Self-reliance is necessary for removing the evil effects of the process of industrialisation in the developing countries, because they are dependent on the developed countries and stem from the colonial tradition. The dependence gradually perpetuated through the Multinational Corporations which have their base in the advanced countries. Self-reliance as a programme in its collective dimension is required to alter the political, economic and socio-cultural structure created by the developed countries to link colonies to metropolitan countries. Ultimately, it is the development process within these (developing) countries that lies at the heart of the development issue.

The argument for self-reliance is based largely on the fact that if the developing countries which need a faster growth rate are tied to the development process of the developed, they

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would have to face the ups and downs of the Western economic system. What the non-aligned countries want is a self-generating growth that would ensure a minimum dynamism for their economies. And in spite of heterogeneity and diversity of interests there are strong common interests in the Third world which can provide a basis for collective action. So developing nations must see development as being, first of all, based on the assertion of their cultural identity. They must reject the idea that modernisation is equated to westernization and must develop while remaining themselves. Here the problem is one of not having complementary economies. There should be complementary economies, in the Third World countries. If it is not there, we should evolve it through a division of labour. It should also be feasible for the non-aligned countries to pool their know-how and technology and come to some agreement on specialisation. After all, each developing country has certain advantages or specialisation in certain fields and it possesses developed skills in these fields and these can form the basis of complementary economies.

The concept of collective self-reliance was discussed at

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length in the Colombo Summit of the non-aligned countries in 1976, and it was recognised that self-reliance implied a firm determination on the part of the developing countries to secure their legitimate economic rights in international transactions through the use of their bargaining power. It is an expression of a deeply-felt desire by the countries of the Third World to reduce their dependence on the developed countries, to strengthen their capacity for joint action and to play a part in the building up of the external framework within which development takes place. Self-reliance, let alone collective self-reliance, does not imply autarchy. It does not seek to build a wall of containment that seals off the developing countries from the outside world, but aims, rather at mobilizing the resources of these countries to accelerate the development process and to transform the mechanisms and institutions that have hither to governed international economic relations. It also means their readiness to follow the discipline acquired of them by the process of modern economic development. The Seventh Summit of the non-aligned countries in New Delhi (1983) issued a declaration of collective action for global prosperity, stipulating that through global negotiations, it would be

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Corea Report to UNCTAD, IV, p. 54.
possible to transform the structure of international economic relations and institutions into a new international economic order that would guarantee to all nations sovereign equality and economic justice. The successful implementation of individual and collective aspect, is not only compatible with the aims of the new international order but is a highly important factor in the strengthening of the struggle to achieve economic emancipation.

The Movement of the non-aligned countries and the Group of 77 offer the broadest framework for co-operation among the developing countries in the interest of achieving greater self-reliance. For the developing countries the compelling need for a new order is not based on the consideration that the prevailing order is not working well, but on the more fundamental premise that it did not satisfy their needs even when it was working at its best. The changes called for are not simply those that will rectify the shortcomings which now handicap the economies of the developing countries but changes that will help a better functioning of the present system. The changes must be more far-reaching and must bear upon the very mechanism, that weakens, or impedes, the growth and expansion of the developing countries,
mechanisms that have contributed to a widening, rather than a narrowing of global inequality.

Two approaches proposed for achieving self-reliance are: (1) self-reliance through direct action, i.e., the achievement of structural changes through unilateral measures by the developing countries; and (2) self-reliance through bargaining i.e., the achievement of structural changes through negotiation between developed and the developing countries. The crux of the issue is that a self-reliant economy, national or international, requires co-operation with other countries based on the principles of equality and mutual benefits. There is no denying the reality of the crisis of growth which has overtaken the world economy. The response to this must be at two levels; first and foremost, through national self-reliance, since the primary responsibility for development is a national responsibility; second, through closer international economic co-operation. Stability and prosperity in the North is not compatible with a compartmentalisation of the globe between the rich and the poor.

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In short, the Third World responses to the current impasse are
(a) self-reliance in the sense of doing desirable things for
themselves and for each other on the basis of an individual
country, a group of countries or the Third World as a whole; (b)
exercise of joint bargaining power to counter biased income,
wealth and power distribution; (c) exploration of areas of common
and mutual interest between the South and the North; (d)
evolution of rules, procedures and institutions to avoid mutually
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damaging confrontations and conflicts.

North-South Dialogue: Means to an End

As mentioned earlier the international economic system
that prevailed at the beginning of the 1970's was dominated by
the developed market economy devised by the rich countries for
global international system of trade and payment. The purpose of
the system was to establish a world monetary and trading pattern
which would help the free flow of commodities and private capital
to the maximum advantage of the industrially developed contries
of the North. In order that the post-World War II international
economic relations may function, three important institutions

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Paul Streeten, "Approaches to a New International Economic
were established; International Monetary Fund (IMF) in the field of monetary system; the International Bank for Reconstruction and Development (IBRD) for investment purposes and; General Agreement on Tariff and Trade (GATT) for facilitating trade system. All these three systems worked successfully for a few years serving mainly the interests of the developed countries, who were their architects. The engines of international monetary system faced difficulties in its working as and when many nations emerged independent from the colonial bondage. The new nations were under severe monetary and financial constraints which required immediate solution either by short term or long term policy options. But the solution was possible with the help of the industrially developed countries of the North. However, the overall politico-economic frame of reference which Northern policy makers employed seems to rest, implicitly upon a more or less laissez-faire basis under the aegis of the Bretton Woods institutions. The GATT functions, they held, effectively and requires no further global management except when special circumstances may require. For them the South is not a sufficiently important component of the global economy to play any greater role in global decision making than it now does. According to them the most important influences upon Northern welfare are those which are determined by North (North including
West/East), agreements or disputes. The South can and should, therefore, be handled as a separate matter for independent bargaining over distribution with the clear presumption that how much the Southern clients receive is a matter of the Northern patrons discretion.

Ever since the emergence of new independent developing countries the industrialised developed countries have been trying to do all in their power to keep the former colonies within their sphere of influence and impose on them their perceptions on how they should tackle their problems. The Brandt Commission Report had clearly brought out the urgent problem of inequality and the inadequacies of the prevailing economic system. The Commission pointed out that:

"None of the important problems between the industrialised and the developing countries can effectively be solved by confrontation; sensible

16 For details see Brojendra Nath Banarjee, Concup to New Delhi (New Delhi paribittus publishers, 1983), p.15.
solutions can only by the result of dialogue and co-operation."

The difficult and controversial subjects which divide the richer and poorer countries will certainly not be solved by prejudices, nor by wishful thinking. They must be approached with a will to overcome dangerous tensions and to produce significant and useful results, for national and regional, but first and foremost, for human beings in all parts of the world.

The basic issues that divided the North and the South were the problems relating to the food and energy needs of the developing countries, transfer of resources from the North to the South, commodity agreements and reversal of the impact of protectionist policies followed by the countries of the North against the South. There exists wide disparity between the countries of the South and the North in almost all ingredients that would constitute a sound economic system. Despite having such a large population, so much land and raw materials the countries of the South, the developing countries, generate only

30 per cent of the world’s exports while the countries of the North, the developed countries, generate 70 per cent. This disproportionately low share in world exports is due to a relatively small stock of material capital, lower level of human capital formation and less advanced state of the art of technology. This weak position created a somewhat total dependent status for the countries of the South on the North and there emerged a theory of dependency to explain the nature of North-South relationship. The theory of dependency, though hard to define precisely, is one of the basic underlying UNCTAD documents since the first Prebisch Report. The theory asserts that the centre of the world economy (the North or the advanced capitalistic industrialized countries) made the South (developing countries) subordinate as peripheral economies, dependent on exports of primary commodities. Because of this relationship, the South not only suffered from deteriorating terms of trade but also was deprived of opportunities for industrialisation and thus for economic development.

The Non-aligned Strategy

The Non-Aligned Movement at its submits passed resolutions and adopted declarations demanding assistance and concessions from the rich North. On the one side, there is the rich North with very high per capita income and moving further progress through modern science and technology. On the other side, there are the poor less developed countries with quite low per capita income, lagging behind in science, technology and other modern means of production. The developing countries attributed this wide gap to the existing international economic order. The prevailing international economic relations provided food for thought to statesmen and economists to modify the pattern of economic relationship between the rich and the poor countries. No one could deny the need of a revision of the assumptions which will treat totally unequal partners on equal terms.

The non-aligned countries exercised pressure on the developed ones through several international forums, particularly, UNCTAD meetings and non-aligned Summits to bring about necessary structural changes in the international economic relations and promote co-operation between the developed and developing countries. Participants in the Belgrade Summit of non-aligned countries agreed to demand just terms of trade for
the economically less-developed countries and in particular, to initiate constructive efforts to eliminate the excessive fluctuations in primary commodity trade and to avoid restrictive measures and practices which adversely affect the trade and revenues of the newly emerging countries. In general, it was agreed to demand that the scientific and technological revolution be applied in the field of economic development, to hasten the achievement of international justice. In addition to this, the Conference requested all countries to co-operate effectively in the economic and commercial fields so as to face the policies of pressures in the economic sphere of the developed countries as well as the harmful results which may be created by the economic blocs of the industrial countries. Further, it was decided to convene an international conference to discuss their common problems and to reach an agreement on the ways and means of removing the obstacles which may hinder their development, and to discuss the most effective measures to ensure the realisation of their economic and social development.

The Cancun Summit was the result of the 1980 Brandt Commission Report. The Summit discussed almost all the outstanding issues between the North and South. The eighteen
members of the Commission including Mr. L.K. Jha of India were from five continents representing different political systems, and they agreed on a set of bold recommendations including new approaches to international finance and development of the monetary system. The Commission proposed major changes in the international economic system by expanding trade and international monetary system in favour of developing countries. It also proposed the restructuring of international lending agencies to provide cheaper credit to the developing countries as also the stabilisation of oil and commodity prices for the benefit of non-oil producing developing countries. The report urged the industrial North and the developing South to come together to discuss their mutuality of interests. Perhaps the most far-reaching aspect of the report is its insistence that sustained, willed and reliable transfer of Northern resources to the South would vastly enlarge the Southern development within which all over disturbed and feeble systems have to work.

The Summit achieved only marginal success because the US placed certain conditions to participate in the Summit. The conditions laid down by the US include (a) stimulating national

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trade by opening up markets both within individual countries and among countries; (b) tailoring particular development strategy to the specific needs and potential of individual countries and regions; (c) guiding assistance towards the development of self-sustaining productive activities particularly in food and energy; and (d) improving the climate creating a political atmosphere in which practical solutions can move forward rather than flounder on a reef of misguided politics that restrain and interfere with the international market place or fosters inflation.

On the other hand, Moscow turned down the demands of the developing South on the plea that the sufferings of the South are the products of century old imperialism, exploitation and neo-colonialism during the pre-independence era. Soviet Union was never, it was held, an imperial power to plunder colonies as was the case with Western colonisers. The stand taken by the United States and Soviet Union relying on their own ingenious reasons was not helpful to the development prospects of the developing countries.

The North-South dialogue has been going on in right earnest since the oil crisis of 1973. The two sides of the great debate do not consist of homogenous countries. On the one

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The Hindu, 24 October, 1981.
side, there are the rich industrialised countries like U.S.A, Great Britain, France, Canada, West Germany and Japan. On the other side, are most of the developing countries including oil rich countries like Algeria, Saudi Arabia, Nigeria, and Venezuela and middle class nations like Mexico, Brazil, India, Philippines and finally poor nations like Tanzania, Bangladesh and so on. This conglomeration of nations presents a far less homogenous picture. In the club of the rich, perhaps the differences among the countries are less, though cultures can be quite different as between say Japan and America. But there is far less homogeneity in the Southern group. Among them the differences are to be found not merely in levels of per capita income. The political and social structure and the degree of what one might call non-economic development which matter a great deal also vary a great deal. In fact, the diversity is enormous and differences among the countries of the South group make it extremely difficult for them to work in concert to persuade the rich countries to establish a more equitable economic order in the foreseeable future.

One way of overcoming this difficulty is to strengthen

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S. Bhoothalingam, "Poor nations will have to do more to help themselves". Indian Express, 26 June, 1979.
unity among the members of the South. Here again the problem is the disparity among the countries of the South. Within the group of developing nations there are extremely poor nations such as island nations, mini-states, land-locked countries, all of which face their own peculiar problems. The collective bargaining strength of the developing countries as a whole can be achieved only as and when these poor nations try in their own way to improve upon their local conditions by using indigenous resources and technical know-how.

Years of discussions have now established that various measures which could possibly be taken all fall under one of three major groups. The first is the changes in the rules and conditions of international trade which would enable the poorer countries to earn more by their exports. This includes not only widening of opportunities to trade but more positive measures to improve the terms of trade. The second is the actual transfer of capital resources along with the knowledge to put them to beneficial use, in order to enable the poorer countries not only to produce more for themselves, but to produce more for the export. These transfers can take place either through private investment or economic aid channelled through official agencies, bilateral or multilateral. The third group consists of measures
for direct transfer of current resources to supplement the national incomes of the poorer countries. This is possible only through official aid.

Alternate Approach

Though the developing countries had attempted to pursue a path of dialogue with the developed countries, they are fully aware of the practical and serious obstacles in the way of its successful implementation. The non-aligned countries naturally turned towards other means to solve their economic problems and examined the prospect of self-help and self-reliance through South-South mutual co-operation. At the same time the developing countries sought to change the present unjust and unequal international economic order through a revival of the North-South dialogue. The pace of individual and collective self-reliance remained to reduce the vulnerability of the Southern countries to external economic factors over which they had little or no control. The Non-aligned Summit at Algiers in 1973 acknowledged the necessity of full control of the natural resources as a prerequisite for effective economic co-operation among developing countries. In the Havana Summit (1979) of non-aligned

Indian Express, 26 June, 1979.
countries, the emphasis was on the economic co-operation for
development among the non-aligned countries on the basis of unity
and complementary economies, mutual interest, solidarity and
mutual assistance in the context of the principle of collective
self-reliance. Since then identification of areas of possible
co-operation, promotional work, analytical and feasibility
studies, exchange of experience on the information, seminars,
workshops, meetings of co-ordinating countries, financing
capabilities and such exploratory activities have been initiated.
The summit emphasised the "inter-relationship between problems
and issues in the areas of trade, development, money and finance
and stressed the need to set up with in the frame work of UNCTAD,
a global consultative mechanism which would ensure that policies
of the developed countries in these areas are mutually consistent
and supportive of the development process in developing countries
and also that their short term policies promote and do not
obstruct a distort the restructuring of the international economy
conducive to the establishment of the New International Economic
order".

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Sixth Conference of Heads of State or Government of Non-aligned
Countries, Havana, Sept., 1979, Research Information
Documentation Centre, New Delhi, Economic Declaration, p.435.
The Southern statesmen observed that the present international system had evolved its political and economic norms and institutions to suit the purposes of the industrial North. They also maintained that the influence of colonialism and neo-colonialism had made it impossible for the developing countries to compete with the developed industrial countries on an equal footing. Accordingly, they held that there must be systematic changes to accommodate the legitimate interests of developing countries. To that end the developing countries were required to strengthen their own material base by increasing their productive capacity to improve upon the scientific and technical capabilities. In respect of South-South co-operation, the focus of discussions was on ways and means of implementing the time-bound programmes which had been adopted at the Caracas meeting of the Group of 77. India proposed at the Conference to set up a compact unit in every developing country with well defined area of operation and having the freedom to obtain technical assistance from any of the developing countries to provide assistance needed for economic development. Again, the proposal

The Southern Countries under the auspices of the Group of 77 had a high level meeting at Caracas (Venezuela) from May 13 to 19, 1981. The purpose of the conference was to examine in detail the possibilities of mutual economic co-operation among the countries of the South.
of India for the creation of a new fund to be financed solely by the developing countries for promoting technical co-operation among them was accepted at the 44 nation South-South consultation in New Delhi on Feb. 23, 1982. The multilateral financing facilities were intended to promote economic co-operation among developing countries. The objective of such proposals was to provide all developing countries access to technology and scientific resources wherever they are available in the developing countries and create a solid basis for economic co-operation among the developing countries.

Several steps have been taken to give effect to co-operation among the nations of the South. The basic objective of South-South co-operation was to bring about a release of the immense energies that remained concealed in the population and strengthen the material base of the less developed areas and the uplift of these areas through trade, investment and structural changes to new plateaus of economic activity, output generation and technology upgradation hitherto undreamt of. As the developing countries were mainly producers of primary products attempts had been made to organise producers into certain

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27 Satish Kumar, Year Book of India’s Foreign Policy, 1965-68, p.215.
associations. The best example of such an association was the international Bauxite Association. It was an attempt at self-reliance in the production and exchange of Bauxite among the countries of the South. Commodity producers associations, marketing organisations, international co-operation in pharmaceuticals, all had their grounds in specific areas.

The developing countries of the South were beginning to relate action to thought and were moving to prepare concrete projects for mutual co-operation as well as regional programmes in different sectors including investment in the field of energy, joint ventures in production and marketing. Joint training facilities and joint financing in certain operations were also examined, but by and large, it would not be incorrect to say that the concept of collective South-South reliance had not yet reached the take off stage. The Africa Fund which was created by the non-aligned countries in its Harare Summit, 1986, was meant to strengthen the hands of the Front line states in Southern Africa. It had clearly made an impact in supporting these states to fight against South African economic hegemony. However, the South-South co-operative activities had tended to remain at the global level and had not sufficiently involved the people at the operations level. If business of South-South co-operation
realistically is to get moving, the public must be involved at all levels.

The very first part of the action programme entitled Economic Co-operation among Developing and Non-aligned Countries called for the creation of new and expanded trade flows, among the developing countries taking into account the reciprocity of benefits. The Programme provided for the creation of new trade flows, and in particular for long term purchases and supply commitments and other contractual arrangements for direct trade among developing countries and for operations by state trading organisations, where appropriate. In essence there are two distinct goals to be achieved. In the first place, there must be increased attempt at intra-Southern self-help in the development process. This form of Southern self-reliance might include any of the following initiatives; (a) increased efforts to liberalise trade flows among Southern countries; (b) the development of

29 The Colombo Summit of the Non-aligned countries adopted an Action programme for Economic Co-operation among Developing Countries (ECDC). The Action Programme was to consist of three major sections viz. (a) Economic co-operation among Non-aligned and other developing countries; (b) International co-operation for development; and (c) Co-ordination of Action Programme in several items.
Southern multinational corporations through joint governmental co-operation and financial, technical institutions to enhance autonomous Southern research and development capacity; (c) joint support of Southern producers associations that would attempt to raise and stabilise the price of raw materials exported in large quantities by developing countries; and (d) where the political will existed, the creation of Southern regional free trade areas and/or Customs Unions. From the essential nature of the relationship between the industrially developed countries of the North and the poor countries of the South one could easily conclude that the South can no longer depend on the North and should proceed with its own development programmes. It would surely make them stronger to bargain from positions of strength.

In the circumstances and without prejudice to South-South co-operation the non-aligned nations called for macro-management of world economy and international co-operation through global negotiations on trade, raw materials, money and finance for development. They demanded that Western policies be oriented towards supporting the development process of the developing

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countries and that rules be formulated with a precise definition of rights and responsibilities of states. They fear that developed countries would otherwise solve their own problems at the expense of the weaker developing countries.

The New International Economic Order

The demand for the establishment of a New International Economic Order was the result of ever widening gap between the countries of the North and the South. The institutions that were created after the World War II to meet the economic needs of the world community proved ineffective in the face of mismanagement of world economy by the rich North. At the beginning of the 1970's, however, several developments converged to produce a change in the attitude of the rich countries. Decolonisation process had largely run its course and the political independence of most of the new states had been consolidated; the political and military pressures of the cold war were subsiding, the regional and international development efforts had shown disappointing results; and doubts had begun to be voiced about the prevailing development model.

There was a strong feeling among the developing countries, that the severe energy crisis brought the developing and the developed countries under extremely high rates of inflation and unemployment and finally culminated in the increase of the bargaining strength of the Organisation of Petroleum Exporting Countries (OPEC). The developing countries strongly felt the need of restructuring the existing world order to close the gap between themselves and the rich countries. The objectives of the New International Economic Order (NIEO) constitute a coherent programme responsive to the aspirations of the states of the Third World. A New International Economic Order was expected to create an external economic environment conducive to accelerated social and economic development in the countries of the Third World and to facilitate the pursuit by these countries of an autonomous path and style of development suited to the genius of their people. The NIEO proposals recognise, that in the present day world, external trade cannot be expected to be an engine of growth and also that sustained development must therefore, be

rooted in the discovery of some other leading sectors in the domestic economy. If in spite of this recognition, the reform of the international trading system figured most prominently in the NIEO proposals, it was due to an awareness that a steady and orderly expansion of international trade could greatly facilitate the process of structural change and accelerated pace of growth. In a large number of developing countries exports formed a significant proportion of the country’s national income and account for a major proportion of government revenues. As such, the overall sluggishness and instability of export earnings could have profound effects on the functions of the economy as a whole.

Developing countries were asking nothing less than the decolonisation of the world economy. This meant changing the economic relationships resulting from two centuries of colonialism and restructuring of the system shaped after World War II by a few dominant countries. It involved changing the institutions and laws that governed the world economy and redirecting the traffic of science, technology, money and materials. It signified a dilution of the power of the rich

34 Ibid, p.11.
countries and the creation of a more democratic world. Under the prevailing international conditions the hope of the developing countries could never be attained. They had asked for equitable distribution of the riches of the world and the creation of a future world in which the concept of self-reliance was realised. The response to this was the adoption in the UN General Assembly of a Declaration and Programme of Action for the establishment of a New International Economic Order in April, 1974. It was mainly meant to work urgently for the establishment of a New International Economic Order based on equity, sovereign equality, common interest and co-operation among all states, irrespective of their economic and social systems, that would correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and developing countries and ensure


36  More than half of the world's population is inhabited in a large number of countries. These countries came to be known as the "developing countries". The larger parts of the world's wealth is with a few rich countries of the North. The developing countries have asked for equitable distribution of the world's wealth and power. Taking into account the seriousness of the problem UN General Assembly in its Special Session held in April, 1974 declared the establishment of a New International Economic Order.
steadily accelerating economic and social development and peace and justice for present and future generations.

The developing countries rendered whole-hearted support for the implementation of the NIEO proposals. The proposed economic order reflected the view of the non-aligned that economic independence was as important as political independence and that the two represented two sides of the same coin. Without economic independence to buttress political/legal independence, the latter is almost empty of content, and continued economic dependence on other nations was, in fact, detrimental to the genuine independence, equality and sovereignty of states including especially states adhering to a policy of non-alignment. The economic declaration of the Colombo Summit of Non-aligned countries upheld the UN declaration for the creation of a New International Economic Order. One of the major highlights of the Draft Declaration, was the stress on the integral connection between politics and economics. The draft said that it was erroneous to approach economic affairs in isolation from politics. A complete change of political attitude and the

democratisation of a new political will was an indispensible prerequisite for the realisation of the New International Economic Order. The participants in the Colombo Summit held the view that "nothing short of a complete restructuring of the existing international economic relations will provide an enduring solution to the world economic problems, particularly those of the developing countries. The inadequacy and the recurring failure of the prevailing economic order have been demonstrated in the recent series of crises in the developed market economy countries including inter alia the collapse of the post-war monetary system, emergence of restrictive and protectionist policies in world market trade, spiralling inflation, recession, mounting unemployment and steadily deteriorating levels of real income from exports of primary produce of developing countries and food crises. These crises have also dramatized the basically dependent character of the constituent elements of the world economy and provided the necessary impetus for the world community to conceive of the New International Economic Order based on equity, sovereign equality, interdependence, common interest and co-operation among all states. Faced with this chaotic situation the world has

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witnessed an unprecedented solidarity among the developing countries and successful assertion of their basic economic and political rights in the international scene."

The developing countries had fully realised the need to consolidate the joint negotiating position and strengthen their collective bargaining power. The main element of the "New Order" as articulated in the document consisted in a call for a set of international policies and performance targets on the part of the international community, specifically by the industrialised countries to promote the self-reliant development of the developing countries. There, it was expected that the New International Economic Order proposed in the declaration would serve as a guideline for international relations and help remove the disparity between the developed and the developing countries. In concrete terms the NIEO aimed at the progressive removal of historical distortions in the pattern of international economic relations and in the structure of the world economy.

40 Non-aligned Summit Meeting, Colombo 16 to 19 August, 1976 Economic Declaration.
42 Times of India, 16 Sept; 1976.
These distortions were of two types, but both were caused by the uneven pattern of international economic development that had transformed the developing countries principally into suppliers of raw materials and that had brought the natural resources largely under external control. The first distortion was that the relations of developing countries with developed countries had been marked by a vertical division of labour and by imbalances in bargaining power. The other distortion was that economic relations among developing countries had been insufficient and the evolution of their productive structure had been marked by a lack of complementarity. But both sets of distortions had constricted the development possibilities of the developing countries and therefore of the world economy as a whole; they had reduced the weight of the developing world in the international economy. One could conclude therefore, that a broadening and deepening of economic relations and co-operation among developing countries were the major objectives of the NIEO on the same footing as the restructuring of international economic relations.

Though the search for the ways and means to reduce the gap

between the rich and poor countries was going on, the larger public realised the dangers inherent in the continuing division of the world into the rich and the poor. Development in the modern context was not more economic advancement. Now it touches every aspect of human life. Time had proved the inevitable and inseparable relationship between economics and politics along with cultural and other social facts. The correlation between a socio-economic-malaise and instability in international relations would be more apparent in putting an end to conflicts. As the phenomenon of development had gradually revealed its true dimensions, the search for an instrument to deal effectively with its many faceted problems had become a crucial element in North-South relations on which the developing countries hoped to erect the superstructures of a New International Economic Order. The NIEO action programme provided better safeguards for the trade needs of the developing countries as against the dependence and inadequate GATT rules of a nondiscriminating multilateral trading system with its emphasis on most favoured nations treatment and

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With a view to improving the terms of trade of developing countries the UNCTAD prepared a list of measures, known as "Integrated programme for commodities", with its emphasis on the bufferstock system along with multilateral commodity agreements. While its main substantive responsibility had been in the field of trade and development its mandate had encompassed also the interpretations between trade, money, finance and development. Since 1974 several negotiations relevant to the New International Economic Order had been initiated in UNCTAD including the common fund, the debt problem, the technology code and restrictive business practices. However, it had been borne in the mind by the developing countries that the widening disparities between the North and South could not be bridged through palliatives and marginal concessions. The present crisis was a structural crisis and could not be resolved until

The GATT rules stipulate a non-discriminatory multilateral trading system based on most favoured nation treatment and reciprocity of trade negotiations. It is inherently inequitable since it does not take into account the differences in the level of development between developing and developed countries, where as the NIEO proposals were based on the principle of differential and more favourable treatment on a non-reciprocal basis for the developing countries in order to increase their share in the world trade.
fundamental and far-reaching economic reforms were made in the existing international economic order. It was against this backdrop that one must consider the demands being made with increasing insistence by South for a New International Economic Order. At the same time the major objective of the NAM was to establish the NIEO approved by the UN. Of course, such an order had so far remained largely on paper for want of interest on the part of the developed countries. But then it was also due to the unwillingness or inability of the developing countries (mostly non-aligned countries) to free themselves from the constraints of their colonial heritage. This failure was particularly notable in the matter of economic co-operation between and among the developing countries.

The presumption was that the days ahead would rather be difficult, fraught with dangerous problems and unresolved riddles but with the prospect of a bright future based on the hope that the present institutions would lead the peoples to a better world.