CHAPTER SEVEN

NAM SOLUTIONS IN THE CHANGING INTERNATIONAL MILIEU

Aspirations and Dependence

There is no denying the fact that the NAM realised the hollowness of political independence without adequately safeguarding the economic freedom of the people. The majority of the NAM members felt, in varying degrees, the acute problems of instability, poverty and other economic weaknesses, and these were often exacerbated by political and economic developments in the developed countries. While aspirations and expectations of the people were high in the developing countries economic dependence and instability shackled most of them to an unjust economic system which did not meet the needs of an interdependent 1 world of free nations. They were asking for the decolonisation of the world economy and thereby their own complete emancipation. The restructuring of the world economy involves changing the institutions and the laws that govern it. It requires massive structural changes in the economy of these countries; further these structural changes, in turn, require both a vigorous mobilisation of domestic resources as well as institutional reforms so as to ensure a more productive and equitable use of

1 Bangladesh Times (Dacca) 8 December, 1979.
the resources. But the question is how far the Non-Aligned Movement succeeded in bringing about the desired changes in the world economy in favour of the developing nations.

The Movement put forward the principle of collective self-reliance to accelerate the process of creating a new international economic order. Its advocates hoped that the principle of collective self-reliance would work as an important factor in strengthening the solidarity of the non-aligned countries and other developing countries in their efforts to emancipate themselves from their economic hardships. The economic declaration adopted at the Colombo Summit sought economic co-operation among the non-aligned and other developing countries. The Movement also worked to enhance the ability and solidarity of its members in negotiating with the developed world. Only from positions of strength and unity, it was felt, the developing nations could win the hearts of the developed ones. In this respect the concept of collective and individual self-reliance became an integral part of the Movement.

The demand for increased growth rate and war on poverty

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required all round efforts on the part of developing countries, and a favourable response on the part of the developed countries. That is, the success of such efforts largely depended on the external environment in which assistance in the form of aid or grant may be forthcoming. It further demanded global co-operation, in which resources, labour and technology would be shared equitably among nations for their common benefits; co-operation of nations which would induce extensive adjustments to changing patterns of production, consumption, trade and comparative advantage; co-operation that would guarantee new sources of growth and enhance the aggregate demand among non-aligned and the developed countries for the creation of new and expanded trade flows among developing countries. The NAM also emphasised the need for harmonisation of economic policies and for co-operation, particularly in the industrial complementaries taking into account the economies of scale and specialisation.

Though individual level attempts have been made by some NAM members like India, the "Action Programme" could not be implemented because many of the revolutionary technological advancements and the consequent increase in wealth and opportunity remained largely out of the domain of the developing
countries. The developed countries, on their part, reminded the developing countries of the need for more measures in the direction of self-help besides the support from developed countries. From the outset, the fundamental objective of the Movement has been the promotion of the economic development of the developing nations in addition to accelerated growth rate and removal of poverty at any cost, that would foster greater industrialisation and lead to decisive progress in food and agricultural production. The call for the creation of a New International Economic Order (NIEO) was made with a view to restructuring the world economic relationship. It was nothing but a straight-forward political desire of the developing nations to participate more effectively in decision making on international economic matters. This is called the 'populist' aspect of the current situation; participation is thus demanded, not merely to ensure that the developing countries interests are safeguarded but equally, as an assertion of the rights as members

3 On 27 October 1967 the group of 77 convened a meeting of the developing countries and adopted a Programme of Action, which came to be known as the Carter of Algiers. This Charter became the basis for all subsequent developments in the economic and political relations between the developing and the developed countries.

4 Bangladesh Times (Dacca) 8 December, 1979.
of an international community and as a desired feature of just international order.

The non-aligned and the developing countries as a whole steadfastly upheld their banner in defence of a New International Economic Order. But on the question of New International Economic Order, NAM's role has not been a clear cut one. Of course, the NAM created a consciousness among the members of the UN to work for the NIEO which led to the formulation of the NIEO proposals. NAM also proved to be a major force in bringing about the recognition of the importance of the economic co-operation among and self-reliance in the developing nations. But it has been failed to give fillip to South-South co-operation. No tangible gain has so far been made by the Third World in its demand that the North agree to restructure world economy. As such the poverty-stricken nations of the South find themselves sliding deeper and deeper into economic stagnation and external indebtedness.

Impact of Foreign Aid

During the 1960's the accepted concept was more trade and

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not merely aid. It offered an advancement in international cooperation and development. The demand of the developing countries was for more opportunities of trade and better terms of trade to enable the developing countries to secure necessary resources for the development in the place of continuous flow of foreign aid. For aid is not politically neutral, it is not culturally neutral and it is not economically neutral. The per capita aid figures reflect a significant fact about aid that the distribution of aid among developing countries conforms to no consistent set of humanitarian or economic criteria. Indeed detailed statistical studies on aid distribution has failed to detect any co-relations either between the share of different countries in total aid flows and their per capita GDP or between their per capita aid receipts and per capita GDP. Nor is there any co-relation between aid flows and earlier growth rates returns on investment of domestic savings. The only inference which the observed pattern of aid distribution permits is that it is guided by donor's preference and not by recipient's needs. The preferences of donors are largely politically determined.

Realising the difficulties in pursuing a viable economic policy depending on foreign aid, India proposed the setting up of a new fund, to be financed solely by the developing countries. The proposal was accepted at the 44 nations South-South New Delhi Consultations in 1982. The main objective of the proposal was to promote "Economic Co-operation among Developing Countries" (ECDC) to facilitate access to technology and scientific resources available in other parts of the world and inter-change of expertise among developing countries themselves. The proposal envisaged the basis for economic co-operation and upheld the comprehensive programme of action, agreed to at Caracas in May 1981 for co-operation in the field of food, energy, finance, raw materials, industry, technology and technical co-operation among developing countries. The participants highlighted the economic declaration adopted at the Havana Summit of the Non-aligned countries in 1979 regarding collective self-reliance and Mrs. Gandhi's 9-point charter for global co-operation presented for the consideration of delegates. Mrs. Gandhi stressed such

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The developing countries, under the auspices of the group of 77 held a meeting at Caracas (Venezuela) from 13 to 19 May, 1981 to discuss the possibilities of mutual economic co-operation among developing countries. The participants were fully convinced of the need to renew, accelerate and strengthen co-operative efforts and solidarity among developing countries based on mutual interest and rational use of available resources.
problems as the need for an agreement on the immediate launching of global negotiations, increased food production in developing countries, reversal of the trend in the flow of assistance from the developed to the developing countries, strengthening multilateral co-operation, devising a mechanism to finance development of energy resources in developing countries, adoption and implementation of schemes to lighten the financial burden of oil importing developing countries, reversing protectionism, financial support to meet balance of payments difficulties in developing countries and development of solidarity and collective self-reliance of developing countries. Realisation of the above mentioned objectives, it was hoped, would enhance the scope of South-South co-operation and thus strengthen the negotiating strength of the South in the process of North-South dialogue. But the North was uninterested in helping the South to achieve economic independence and self-reliance. The Third World problems like increasing food production, reversal of the present disturbing trend in the flow of concessional assistance, resource transfer, energy development and protectionist trends in industrialised countries have been discussed in forums like
UNCTAD, but nothing spectacular has so far happened any way.

Inadequate South-South Co-operation

The traditional North-South trade basically founded on the colonial pattern has generally worked to the advantage of the North. Consequently, to this the South-South trade would have increased considerably; their trade could assist the South countries in extending market and to exploit the economies of scale and specialisation through trade. This would have isolated the South from the fluctuations in the economies of the North, reducing dependence and thereby increase the bargaining power of the South. However, the most serious problem is not connected with the actual establishment of Intra-South trade but its general effects on the development prospects of its participants. The South felt the need for greater efforts to strengthen the mechanism of the Generalised system of Trade Preferences (GSTP) as an effective vehicle of trade expansion among developing nations, particularly in the face of increasing protectionist

10 Jerker Carlesson, South-South Relations in a changing world (Upasala: Scandinavian Institute for African Studies, 1982), p.43.
trends in developed countries. The GSTP, the most tangible
achievement of the Caracas Programme of Action could provide
greater intra-developing country trade, and enhanced trade among
developing countries, and offer significant potential for growth
prospects of Third World nations. But trade among developing
countries accounted for a mere 4.8 per cent of world merchandise
trade in 1987. This shows the lack of solidarity among the
developing countries which is fundamental to develop closer its
bargaining power because it had not thoroughly synchronized its
objectives before hand.

The heterogenous character of the components of the NAM
markedly worked against the spirit of the Movement. The Movement
is pluralistic with some fundamental unifying factors. Any
attempt to define non-alignment rigidly or to make it coherent
beyond a point would be counter productive and is likely to have
the effect of breaking up the Movement. It comprises, in the
first place, mostly small, poor and weak nations, nearly all are

11 Patriot, 1 August, 1989.
12 Robert J Moore, The Third World Diplomats in Dialogue with the
13 K.P. Misra, "NAM since the New Delhi Summit", Satish Kumar Year
Book on India's Foreign Policy, 1983-84 (New Delhi: Sage
underdeveloped needing external assistance. They usually need political support in the local rivalry from external forces. This enables the rich donors to weave a web of inter-locking relationships that involve concrete interests of both local and foreign powers which would create local troubles and intensify dependence of developing countries on foreign aid in the development process.

It is estimated that in the Third World alone there have been more than one hundred wars since 1945. Apart from outright war many Third World societies have been rent by serious domestic conflicts, along, but also across, class, ethnic, religious or ideological lines, resulting both from the destabilising impact of development and from absence of development. Most of those who have gathered in Belgrade to participate in the recently concluded Non-aligned Summit were dictators, autocratic monarchs, heads of repressive regimes and above all prepetrators of all kinds of inequities within their own countries. The NAM provides legitimacy to the rules of illegitimate regimes. Viewed from

\[14\] Dawn (Karachi), 26 january, 1983.
\[16\] Hindustan Times, 4 Sept.,1989.
the economic standpoint, there have been considerable differences among the developing countries like Korea, Taiwan, and Brazil who have recorded a growth of 7 to 10 per cent annually. To some extent, it is inevitable, as these nations have had more direct access to new technology and money. But in many African and South Asian countries the rates of economic growth have scarcely ahead of population growth.

Southern Self-reliance: Test Cases

It should be remembered that several developing countries like India, Brazil, Mexico, Venezuela and South Korea are not merely recipients of finance, technology and aid but act as donors in cash and kind to the deserving less developed countries. The developing countries' shares in world population, in world trade and in world production have increased. Some developing countries have now large international reserves, others large international debt. They supply raw materials, especially metals, on which the developed countries increasingly depend. The one-way dependence of the South on the North has now become a two-way interdependence. The assistance from these

developing countries to the developed comprises transfer
technology, opening of banks, loans and grants, joint venture,
investment, etc.

India which suffers from numerous internal inequalities
and constraints rendered valuable assistance to the needy
countries and at the same time developed herself into an
industrialised country ranking tenth in the world. But the
fundamental differences in the rate of growth and economic
development among the developing countries cannot be ruled out.
Still further differences are between semi-industrialised-
developing countries and producers of primary products. For
example the OPEC states; Zaire, Zambia, Jamica, Moroco and
Malaysia are resource rich developing countries. Some others
have reached a level of development and possess the human
resources essential to attract foreign investment. Taiwan,
Singapore, South-Korea, Mexico and Brazil are belonging to this
category. These states are mainly depending for the sale of
their resources on commercial capital and technology in the
industrial countries. On the other hand, countries like India,
Peru, Jordan, Liberia and Thailand are in search of technological
assistance and soft development loans from the industrial world.
Still another group of nations such as Bangladesh, Ethiopia, Laos
are extremely poor and lack the resources necessary for minimum development. They are completely depending on external assistance.

Attitude of the Super-Powers

Differences among the developed countries arose with regard to the approach and outlook towards the North-South dialogue. While France, Italy and the Scandinavian countries supported the overall development programme of the developing countries regarding their purchasing power in the international commodity trade, the US, Germany and Japan disagreed with such policies. French president Francois Mitterrand advocated a "structural approach to the Third World debt crisis and an institutionalised dialogue between the rich and the poor nations." Four Third World leaders, Prime Minister of India, and the Presidents of Egypt, Senegal and Venezuela expressed the hope on 14th July 1989 while they met in Paris, that there would be a North-South summit that might be held in Paris, that would mark the beginning of continuing consultations on global economic and environmental issues. French president Mitterrand was enthusiastic about a meeting between the rich and poor countries and he had announced his decision to write off the debts of 16 million Francs at the African Summit last May 1989. However, US
President George Bush and British Prime Minister Mrs. Thatcher did not share Mitterrand's keenness on a North-South summit for they thought that the existing world financial and monetary institutions were adequate forums for consultations.

The rich world's approach to global economic problems has been compartmental. There is special concern for Sub-Saharan states while there is different approach towards several Latin American nations. The differences in the approach of the rich world is due to its biased perceptions and understanding of the problems of the developing countries. For taking a look at the world's poor and their problems and for the ultimate quest for a new international economic order, a North-South summit should prove to be an important beginning. But the US administration is no longer enamoured of committing large sums to the Third World. It views such proposals as unrealistic in their scope and cost and not sufficiently atuned to the differing capacities of various Third World countries. The Socialist countries, on the other hand, are not satisfied with the demand of the creation of a New International Economic Order. While generally supportive, they also criticise developing countries for making unjustifiable

demands on the socialist states as part of the NIEO campaign. The socialist contention is that the cause of under development in the Third World countries can be attributed partly to the misguided internal policies of the developing countries and partly to the inherent contradiction within themselves. So the socialist countries fear that the aspirations of the Third World are not solely a threat to the capitalist countries. Instead the North-South dispute may evolve into a conflict between rich and poor states in which the socialist and capitalist countries are lumped together. With such a possible development in mind Georgi Arbotov, Director of the Institute of USA and Canadian Studies, pointed out that USSR was never a colonial power and therefore, unlike the West does not have a "special responsibility" for addressing the complaints of the Third World. The significance of this argument is clear from the fact that out of 110 Third World countries except 20 all others are developing in one way or other along capitalistic lines.

Energy Crisis and After

The significant deterioration in world economic conditions

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after 1979, with its surge in oil prices, depressed export markets and the high interest rates hit the developing countries hard. It was, in fact, the trigger for the debt crises that broke after the middle of 1982. During the energy crisis it was proved that the developing countries could not rely on the developed nations to solve their economic problems. The hope of success of a global negotiation between the rich North and the poor South has been kept in abeyance. The overriding challenge is going to be whether to stand by the principles of diversity and co-operation or be obsessed by the slow unity overlooking the transparent multiplicity of interests and attitudes within the movement.

The OPEC constituted a part of the Non-Aligned Movement and worked together to achieve collective self-reliance and a new international economic order. But under their enlightened self-interest the oil producing countries, effected a massive oil price hike throwing out of gear the world economic management pushing the non-oil developing countries to the back doors of

22 *The Indian Express*, 1 March, 1983.
economic growth. While the developed countries successfully resisted the adverse impact of oil price rise by some shock absorbing mechanisms the oil importing developing countries were confronted with the problem of their existence. The Non-Aligned Movement in all its summits strongly demanded the inalienable right of all countries to exercise permanent sovereignty over their natural resources. In 1968 the oil producing countries’ desire for greater autonomy achieved coherent form with the declaratory statement of petroleum policy in member countries stating their inalienable right to exercise permanent sovereignty over their natural resources. Later, a still more fundamental change occurred in 1970 with the Libyan authorities’ success in getting the OPEC’s agreement to the idea of annual price increase as well as in enforcing cut-backs at a time when pressure in crude oil market was growing due to fast rising demand from the industrialised countries. The oil exporters were suddenly able to transfer a substantial surplus to themselves, leaving the LDCs and DCs with very large deficits. For the first time, in the post-war period output failed to increase, and only the creation of mechanisms for large scale international lending prevented the

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development of a deep depression. Perhaps the greatest test of Third World unity came with the oil price rise of the OPEC in 1970's. Yet the most vehement criticism of the oil price rises came not from the poorest states who were most vulnerable to it, but from the advanced capitalist states.

The non-oil producing developing countries considered OPEC action as a success of Third World solidarity against the industrial North and hoped to enhance their bargaining strength against them. After 1975 the strongest of the industrial countries were able to restore their balance of payments to equilibrium but the developing countries were only able to survive by accumulating a growing burden of debt. The current account deficit of non-oil developing countries between 1977 and 1980 totalled $274 billion. The year 1982 added another $197 billion to the total with official transfer of resources providing too inadequate. The developing countries have been compelled to borrow more and more from international commercial banks to remain financially solvent.

25 Brojendra Nath Banarjee, Concun to New Delhi, p.15.
The Third World has been sufficiently exposed by the effects of recession in the Western world and by the rise in oil prices. Their economies were shattered beyond repair. The unfavourable impact of oil price hike was in no way one sided. The organic nature of world economy which is controlled by large industrial magnets in the West, is sure to be affected by developments anywhere in the world. After years of self-deception, western leaders are increasingly alarmed at signs that attempt to break the Third World. The West has looked at the Third World as expanding market, which are essential to maintain full employment, and for opportunities to invest and lend its capital for higher returns ensured by cheap labour.

Growing Debt

The developmental programmes of the developing countries were entrapped in foreign debt making them move very slowly. Indebtedness of the developing countries was caused mainly by the short-term refinancing of long-term debt and generally unfavourable international economic environment, a deterioration in the terms of trade of the developing countries and a decline

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in the prices of primary commodities. The developing countries' debt problem is also tied up with some conflicting phenomena of international division of labour. Another factor of indebtedness of the developing countries is the high level of food imports. The weak performance of agriculture and production is a consequence among other things. It should be noted that indebtedness of the developing nations is a global problem which defies any partial solution.

For the developing countries debt is not only an economic but also a social and political problem. Issues like Third World debt now running at more than a trillion US dollars, shrinking of international trade to the detriment of developing nations, restrictions on technology transfers are basically political issues and cannot be resolved except in an appropriate political frame work. While the developing countries relied heavily on the provisions of the Charter of Algiers, the developed countries, though exhibiting positive attitude on some of the proposals of the programme of action adopted at Algiers, generally called for greater realism in the work of translating agreement on problem into agreement on practical and practicable measures for

27 Hindustan Times, 4 Sept., 1989.
resolving them. Indebtedness, practically limits the imports of developing countries. According to 1985 trade assessment of GATT, total imports of 16 most heavily indebted countries decreased by about 4 per cent in 1985. Total world trade grew by 4 per cent in the same year. Per capita income and thus domestic consumption in many debtor countries remains below earlier levels; investment has fallen sharply. Total investment as a share of GDP has declined in most of the debtor countries. Stagnation and even decline in GDP growth rate continued in many African countries. In the Sub-Saharan African countries even a three per cent rate of growth was nullified by a population growth exceeding that rate. The World Bank report on Sub-Saharan Africa calls for four per cent growth per year in Western aid to the region over the next decade hitting $22 billion per year by the year 2000 to maintain adjustment programme. The World Bank Report indicates that the developing countries total external debt amounted to $906 billion at the end of 1984, has reached $950 billion at the end of 1985 and as forecasted to reach $1010 billion at the end of 1986. It is estimated that

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"the world's 27 poorest nations are struggling under a debt burden of some $45 billion and find themselves as a group repaying more money to their creditors that they are receiving in new aid. The result is that each of these countries finds itself increasingly in a position where it has to do everything it can, simply to finance the interest on the debt and therfore, is unable to do anything else. In order to finance the interest of the debt it has to adopt very severe belt tightening measures including, raising the price of bread and other essentials.

The US showed a gusture of good will by giving up a part of the 400 million dollars due to her from the largest debtor countries of Mexico, Venezuela and Brazil. Later, the US President George Bush expressed his willingness to cancel $1 billion of dues to the US from Africa's poorest 16 nations. These measures seem to pacify the poor nations for the time being but not to suggest any structural changes in their fragile economy. The leaders of poor nations at Havana Non-aligned Summit called on the oil rich countries to give more effective economic help to the rest of the developing countries.

Bangladesh Prime Minister Ziaur Rahman and Jamaica Primer Michail  

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Dawan (Karachi) 20 January, 1983.
Manley called for the creation of an Economic Co-ordinating Unit which would plan and direct co-operation between underdeveloped countries. The developing countries approached the oil question carefully following accusation from a number of countries that the West was trying to use the subject to isolate the Arab countries and split the Non-aligned Movement. The developing South was jubilant over benefits of oil price hike which would contribute to the developing of the oil producing countries but concerned at the way in which the petro-dollars were flowing back into developed economies. The underdeveloped world could not battle for a new international economic order, if it continued to be weakened by rising oil prices.

Arms Race Vs Development

The economic backwardness of the developing countries has become still more worse in an atmosphere of continuing race for arms. While the development needs of the poor nations increased considerably the resources to meet the needs were found to be totally inadequate. At the same time these countries could not keep away from spending large sums for defense purposes. The relationship between the two can be gauged by the fact that the

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increase in the global production of goods and services between 1960 and 1983 equalled US $840,000,000 million while more than $14,000 million was spent on military purposes during the same period. Such a wastage of resources and inadequacy of production potential seem atrocious in comparison with rampant deprivations in the region. Another estimate reveals a realistic picture of wasteful and dangerous expenditure on arms race. With just ten per cent of the money that is spent globally on arms race thirty million people can be saved from dying of hunger; nine schools can be opened with the cost of just one 714 fighter, one hydroelectric station can be started with the cost of one aircraft carrier, thirtysix three-room flats can be built anywhere in the world with what is now spent on the acquisition of just one Leopard-2 tank, one years schooling can be provided for sixteen million children with the cost of one Thrident submarine and five fully equipped hostels can be established with the cost of one Mx 33 International Ballistic Missile. Military spending is rapidly increasing at the staggering figure of one thousand million dollars annually. It continues to rise while the world economy

32 Hindustan Times, 3 August; 1989.
hovers between uncertain recovery and relapse into deeper recession. The vast military expenditure apart from causing dissonance in the economies of the leading major countries, has aggravated the problem of global recovery and development. Many developing countries face the stark prospect of economic collapse and social upheaval. Therefore, the international community should strive to achieve the two most important goals, the disarmament and development for which the NAM frequently raised its voice. The NAM must hitch itself to the central global concern about nuclear and conventional disarmament stretching the process of disarmament to the non-aligned nations themselves. It should not only support dialogue and detente between the super-powers but articulate the same arts of peace among Third World governments. Development at a satisfactory rate would be difficult with the continuation of the arms race.

Protectionism

The protectionist policy followed by the industrial North has greatly impaired the developing countries' efforts to increase their exports. The NAM visualised the North-South dialogue on the basis of mutuality of interests that would work

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34 Hindustan Times, 4 Sept., 1989.
out a package of policies for the return of the world economy to higher growth conditions. Official Development Assistance (ODA) had been stagnating in real terms and other financial flows, especially commercial ones, have been dried up in the latter half of 1980's. Success of reforms in developing countries has been largely influenced by structural adjustments in the developed countries. The focus has been unfortunately on trade as an instrument for faster economic growth. The developing countries who are weaker trading partners in the market economy need stronger support if they are to make economic development. The sad fact is that the developing countries absolutely have no control over the international environment in which they must function. This position arose because of the developed countries holding back finance and technology and maintaining protectionist curbs on the exports of the developing countries.

The major economic powers have determined to perpetuate their dominance over the global economy. They are insisting on their rights to impose discriminatory limits on the exports of countries which proved competitive to their products. The lack of control of the developing countries over the international

35 The Hindu, 31 August, 1989.
environment has great implications for their ability to control the domestic economic, social and political dominance. The states which are dependent on the export of single commodities, such as copper, sugar, oil or bananas, are extremely vulnerable to the dictates of institutions like the International Monetary Fund in which they have no real decision making power.

Of course, the IMF was established to help developing countries when they were faced with balance of payment difficulties. The relationship between the IMF and the developing countries deteriorated. The developing countries see the IMF as a violater of their sovereign rights and regard it as an instrument of Western domination. The IMF finance to developing countries for short term balance of payments, is inadequate. It forces them to take emergency measures to protect their payments positions. The root of the problem is that the IMF which exerts so much control over the economies of Third World states, was never concerned with their needs in mind. The present IMF works against its of quoted objective of smooth functioning of the international monetary and free trade system. It simply

works in conformity with the wishes of its architects. The present international economic order remains focused on preserving positions of privilege, or persisting with the kind of domination which is being rendered absolute in international political relations.

Predominant Disequilibrium

Almost all developing countries face the acute problem of balancing the payments. The problem is how to achieve financial equilibrium between the cost of inputs when inputs exceed exports. To balance the account money has to be found so that stability in international economic relations may be maintained. The developed countries of the North, on their part, adopt techniques of draining resources from the South through the trading system. The prevailing international trading system has transferred considerable resources from the developing countries to the developed by means of adverse terms of trade, and raising tariff and non-tariff barriers against the commodities of the South. With regard to trade in manufactured goods the industrial nations raised substantial tariff and non-tariff barriers to the disadvantage of the poor countries against their imports. The reason for the unfavourable trends in the external trade of the developing countries is deeply rooted in the basic structure of
the trade itself. For the countries of the North the developing countries are producers of certain essential commodities which are called primary products. The developing countries are dependent on the developed countries for the sale of many of their products. For instance, 55 percent of rice and butter come from Thailand, 100 per cent of crude oil from Iraq, 86 per cent of phosphate and vegetable from Morocco, 88 per cent of ores, coffee, cotton, and rubber from Congo, 99 per cent of coffee, diamonds and risal from Angola, 99 per cent of cocoa from Ghana, 87 per cent of animal products and wool from Argentina, 94 per cent of copper, coffee and crude oil from Columbia. In the trade relations between developed and the developing countries the exchange is not based on equal terms. The developed countries follow various forms of non-equivalent exchanges in which lower prices are paid for raw materials from the LDCs and higher prices are charged for manufactured goods of DCs. Free trade has perpetuated the artificial division of labour. Trade from any country is based on factor endowment, but there is the result of faulty specialisation arising out of the metropolitan division of labour.

Traditionally it is believed that liberalisation of imports is necessary to improve export performance. But the United Nations Conference on Trade and Development (UNCTAD) in its report on trade and development, 1989, reveals, a set of other complex and sometimes contradictory factors determining Third World export success. It is maintained that targeted liberalisation of imports accompanied by stable incentives to exporters and stable exchange rates to attract investment and the production of export items have produced the best export records. These conditions are difficult to achieve which are in the grip of a serious micro-economic disorder created by an enormous debt overcharge.

In many heavily indebted countries, the increase in export has been obtained through a shift from production for the domestic market towards production for foreign markets rather than through the creation of new production capacity. The export increase in indebted countries is only a temporary phenomenon. Growth stagnates or more accurately deteriorates. The situation becomes still worse because of the instability in the real exchange rate. Currency depreciation and foreign exchange

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severity have consequently been locked into a kind of vicious circle; the scarcity has led to depreciation which in the context of domestic uncertainties has failed to induce higher export earnings; in turn the continuing foreign rate instability has discouraged investment in tradables. This lack of co-ordination between the trade policies of developing and the developed countries could endanger future economic growth. If exports of manufactures from the developing countries are to continue protectionist barriers in the developed countries will have to be dismantled. The protectionist climate that developing countries encounter at present implies that new comers to the international markets, concentrating, in particular, on the more traditional manufacturing sector, may not be successful in increasing their exports.

In addition to the deteriorating trends in North-South trade the fast improving technological progress in the developed countries rendered raw materials and primary commodities of the developing countries irrelevant. There is a serious set back for the labour intensive products of the Third World in the

42 The Hindu, 6 Sept., 1986.
international markets. The developing countries are uncertain about the extent of further adjustment in the large external imbalances of the US, Japan and West Germany. The developed countries recently resort to more and more bilateral export restraints and orderly marketing arrangements which are not provided in the GATT. This kind of bilateral restraints largely weaken the credibility of multilateral trading system. Such bilateral measures greatly endangered Third World trade interests, because such measures led to arbitrary solutions to Third World trade problems and exertion of pressure on weaker partners in the trade. Fears have also been expressed that when a single European market is completed in 1992 the protectionism would further jeopardize the very life cycle of the developing countries.

Multinational Corporations

Multinational Corporations act as agents of developed countries to make profit at the expense of developing countries. These global organisations are frequently changing their mind and shifting capital and finance from one country to another. The MNCs are designed to obtain raw materials and other valuable natural resources from the developing countries. They find out markets for their products and through a network of
establishments throughout the world, goods produced in different countries are marketed. They are industrial giants having command over immense capital resources, most advanced technologies, managerial skills, and commanding vast markets. These corporations increase technical and financial dependence and the balance of payment difficulties of the developing countries leading to concentration of power. They invest heavily in the field of natural resources and primary products. The developed countries have considerable private foreign investment through Multinational Corporations. Half this investment was in the development of natural resources, a little less than one-third in manufacturing and the rest in trade, public utilities, transport, manufacturing, banking, tourism and other services. Using advanced technology and other production devices the Multinational Corporations produce quality products which fetch very high prices and the capital accumulation is highly concentrated in the urban sector. The degree of concentration introduced by the Multinational Corporations is found in asset

44 Ibid, p.191.
accumulation, output and profit generation and in the field of economic power.

The multinationals have established themselves in many developing countries in search of special advantages accruing to them in those countries. For example, in South East Asia their attraction has been the availability of semi-skilled industrial labour at low wages. In some cases there is mutuality of interests between the multinationals and the developing countries. Some developing countries derive a significant part of their manufacturing exports from local subsidies of multinationals. The continued dependence of developing countries on multinationals led to a crucial position in their general economy. In the middle and late 1970's the share of the multinationals in the manufactured exports of Korea and Mexico was around 30 per cent. In Brazil the share was more than 40 per cent, in Singapore more than 90 per cent. As a result of foreign collaboration of these multinationals many developing countries have begun exporting manufactured goods without going through an initial phase of import substitution. Any how these

Hindustan Times, 2 August, 1989.
corporations do not favour an increase in the export of the developing countries.

The LDC firms who are licensees of the Multinational Corporations are prohibited to use technology for exports. About 95 per cent of research and development capabilities are concentrated in the developed area of the world and 94 per cent of the patents are held by developed countries, individuals or organisations. This monopoly in controlling technology creates severe strains in the developing countries. The arbitrary decision making of the Multinational Corporations to transfer technology which is not suited to the developing countries incurs unnecessary loss not only because of exorbitant rates but also as a labour saving device to which the developing countries cannot subscribe as they are in search of more employment opportunities for their unemployed millions.

Transfer of technology inappropriate to the needs of the developing countries coupled with unscientific priorities very often create heavy loss and unpleasant situations in a number of developing countries. The Indian experience of Bhopal gas

disaster, where thousands of Indians died in December, 1984 by inhaling MIC, a poisonous liquid gas leaked from the storage tank of the Union Carbide's Pesticide plant, is the most recent incident that agonised every thinking man in the world. So the argument that the Multinational Corporations make the best use of technology provide better products at cheaper cost, combat inflationary pressures and in general act as an engine of growth and transfer of advanced technologies found little support in the light of its serious effects on developing economies. In other words, the Multinational Corporations create unemployment by means of capital intensive techniques of production, encourage inflation through higher prices for the products and weaken balance of payment position, levying exorbitant charges for technology transfer and wield instruments of economic exploitation acting as agents of neo-colonialism. Multinational Corporations which are depicted in some quarters as key instruments for maximising world welfare are seen by others as dangerous agents of imperialism and neo-colonialism.

Brain Drain

The economic development of the developing countries is seriously crippled by the outflow of their high quality man power to the developed countries on a regular scale. The brain-drain
from developing countries consists of migration of scientists, engineers and skilled workers and other specialists in other parts of the world. The impact of the post World War II shift in the immigration policies of major DCS, away from the earlier racial origin quotas to more equal access by all nationalities, was to increase significantly the share of the LDCs in migration into the DCs.

During 1961-80, over 500,000 specialists, scientists, technologists, doctors, teachers and managers left their own developing countries for the developed countries in the North. The volume of the migration and the geographical scope of the migration have been accentuating the growing hardships and shortages in the developing countries. The losses involved are not merely the financial outlay on education and training of the outgoing brain but the real loss is the permanent one of subsequent reductions in productivity, slower growth of intellectual leadership and retarded innovative spirits in the affected country.

About three fourths of the migration went to USA, Canada, and Britain. Most of them went to USA and thus USA was able to

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47 Hindustan Times, 3 August, 1989.
save $5000 million in the period of 1970-77 on the training of specialists. In fact, American technology is produced largely by the H.Q.M. (High Quality Man-power) of the Third World. For instance, during 1958-66, brain-drain from India increased eightfold. A large part of this increase was directed to the USA. In 1967, physical brain-drain from India to the USA was 48 1,425 skilled personnel. On the basis of UNCTAD data, the total amount of fund transferred from ten developing countries which are major suppliers of labour to world market grew from $1600 million in 1978 to about $11500 million in 1982 whilst its ratio to the aggregate imports of these states increased from 8 to 26 per cent. Though the migrants to Saudi Arabia and other oil exporting countries amounting to about 80,000 persons of skilled workers out of a total of about two million every year have been gradually increasing; yet the professionals to the developed countries were of a different category very much desired in their own country. Professionals accounted for 40 per cent of the total number of immigrant labour hired in the United States in 1961 which grew to 75 per cent in 1970. Between 1960 and 1976, 420,000 H.Q.M. left the LDCs for the DCs. Not fewer

than 25000 people migrate to the DCs every year. In the USA 80 per cent of the research is done by 100 large firms who employ more than 60 per cent of the HOM. The above figure shows the magnitude of the flow of brain and skill from the developing countries to the developed countries. The youth in any developing country is attracted by handsome reward, salary or remuneration to leave for far off destinations. But in the long run national loss will reach incalculable proportions and immediate steps may be taken to prevent such flows so that added strain on the national economy can be averted.

NAMs' Political Posture

Non-Aligned Movement was created in an atmosphere of cold war and decolonisation. Since then dramatic changes have taken place around the world. The economic plight of the non-aligned countries passed through severe strains and stresses, looking lost and without the ability to influence events in any significant degree. It is true that the number of its members has grown from 25 at Belgrade in 1961 to 102 at Belgrade in 1989.

50 B. N.Ghosh Political Economy of Neo-Colonialism in third World countries, p.114.
The rise in number has not added much to the strength of the Movement as member states with all kinds of alignments have entered it to play the game of super-powers, on the Movement. Second, the Movement radicalised in the seventies and showed preference for the socialist bloc, as the Soviet Union and its allies always supported the Movement in its fight against imperialism, colonialism and neo-colonialism in contradiction to the attitude of the USA. Third, the number of states having bilateral conflictual relations have joined the Movement. In 1961 out of 25 members no two countries had conflictual relationship while in 1983, 24 members had conflictal relationship.

It must be remembered that any international efforts in an organisation to maintain economic stability depend upon the unity, sincerity and co-operation of its constituent elements. If these factors are available in a limited measure the success of the organisation is proportionate to the availability of the said factors. The NAM principally as a peace movement


52 K.P. Misra, "NAM Since the New Delhi Summit," Satish Kumar, Year Book on India's Foreign Policy 1983,84, p.54.
supported the process of negotiation and agreement and settlement of regional conflicts without giving them sufficient strength to their implementation. It is not as though none has felt the need for injecting into the NAM new dynamism in tune with the realities of a multipolar world. Besides there is lack of conceptual framework for intra-NAM relationships. The five principles of peaceful co-existence jointly sponsored by India and China could not have used to adjust relationships between its authors. No NAM member tried to solve the problem with its neighbours based on the principles of panchasheel. NAM's problem has always been that in power terms, the super-powers and other outside powers enjoy the clout to initiate and influence regional events. Compromises are ultimately made out of compulsions largely determined by non-NAM powers. There is little scope for reconciling conflicts among members by NAM except by issuing appeals, such as the one by the New Delhi Summit to Iran and Iraq, and the hope that the contestants coming together under the NAM banner would itself lead to some softening of their stands.

54 Hindustan Times, 1 August, 1989.
The two ministerial meetings on Central America organised by the Movement over the past six years in Nicaragua, in 1983 and Guyana in 1987 have been marked by marathon exhausting sessions which took hours to formulate a single sentence and sought compromise without true action or effect. Disappointed representatives of the Salvadorean Rebel Front and the Guatemalan United Guerillas together with Cuban and Nicaraguan diplomats tried in vain to win more decisive political support. Nicaragua is the only full member of the Movement among the five countries facing complex military and political crisis while Costa Rica and El Salvador have the status of observers. The entire region is under strong geopolitical influence of Washington which has stepped up its military pressure in El Salvador. The NAM remains only as a subordinate organisation in the efforts to solve the Central American crisis. Its actions end at expressing support to the Contadora group and Esquipulas Dos peace action, censuring American intervention and supporting Nicaragua while the active moves are being drawn by Latin American and West European countries guided by the political interests and pretentions.

The reasons are obvious in the sense that the non-aligned

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-Patriot, 1 August, 1989.
countries are bound together not by any coherent body of principles. They are bound to follow certain norms and principles not out of any adherence to them but by the facts of necessity. The ideological fervor is too weak to bring the NAM members together for a common cause, however genuine it may be. The conceptual foundations of the political development often referred to as 'ideologies' in the common currency have never been effectively developed in the Third World countries. This has presented a perpetual problem for those builders of nation states in the developing world.

In the third World as a whole growth rate of per capita production and income was zero in 1980 and has been negative for each of the following years. And despite the so-called recovery begun in United States in 1983 the growth rate in the Third World will likely be zero or negative for an unprecedented fourth year in a row which is comparable to, and in many ways more serious than the depression of the 1930's. Poor growth and low export


earnings force countries to step up their borrowing in order to sustain expenditures, eventually making it more difficult for them to service their debts. As a consequence they have less and less to invest domestically. Between 1981 and 1987 Argentina's investment rate fell from 20.8 per cent to 12.7 per cent. Brazil's from 23.3 per cent to 16.3 per cent and Mexico's from 23.2 per cent to 17.8 per cent. For Latin America as a whole, it fell from 22.6 per cent to 16.6 per cent. For the 17 highly indebted countries gross capital formation plummeted 40 per cent in real terms between 1982 and 1985. In a related trend, the need to meet debt obligations makes it more difficult for developing countries to maintain import levels required for economic growth.

The efforts of the NAM to bridge the gap between the rich and the poor countries, though not obvious, led the international community to articulate its views on the problem of economic development and a new awareness of the structural imbalance between the developed and the developing countries was clearly

58

discernible. The Movement provided a new dimension to the economic demands of the developing countries and emerged as a "pressure group" in the United Nations and outside by advocating the cause of the developing countries. It brought to the world a global view of the economic crisis and requested it to suggest sensible solutions for the removal of backwardness in the developing world because the Movement perceived the economic hegemony of the rich countries as the real threat to their independence. Thus the NAM, as a world movement with specific political and economic objectives, won the hearts of the people in millions but could not claim to have achieved much success in its favour.

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59