CHAPTER VI
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PROGRESS IN NEGOTIATING NIEO

International discussions of various facets of what is now called the new international economic order began with the first U.N. Conference on Trade and Development in 1964 and were continued in many subsequent fora but the concept was first presented coherently and forcefully in the Sixth Special Session of the General Assembly held in April 1974. The initial reactions of most developed countries on the Declaration put forward by the developing countries was negative and almost hostile.

VI.1 RESPONSE OF WESTERN COUNTRIES TO NIEO: IDEOLOGICAL DIVERGENCE

The world economic crisis of 70s concentrated the confrontation between developed and developing countries. There has been no appreciable shift in the attitudes of most of developed countries to accept the proposed changes in the direction of the NIEO. The US, the other major west European countries and Japan have declined to commit on the key issues of the NIEO. On some occasions, when resolutions in the Assembly have been passed by 'consensus or without vote', the reservations, explanations, and clarifications following the adoption have amply demonstrated the unwillingness of the developed countries to work towards the establishment of the new economic order, while the US has voted against on many resolutions in the General Assembly. The other major Western powers have mostly abstained. In essence, they meant that
radical restructuring of the existing order was not acceptable to them.

Within the agreed policy framework, a number of quantitative targets were prescribed. For instance, agricultural production was envisaged to expand at the rate of 4 percent per annum. An 8 percent growth rate was suggested for industrial production. The target for disbursement of ODA was set at 0.7 per cent of the GNP of the donor countries. An average annual growth rate of 6 percent for the GNP of the developing countries was envisaged. It was hoped that, on an average, per capita income in the developing countries would expand at the rate of 3.5 percent per annum. Although these targets and the policy framework were adopted unanimously, a number of reservations were made by some advanced nations, notably the United States.

UNCTAD met for its third session in Santiago from 13 April to 21 May, 1972. A determined attempt was made to break the impasse in the commodity sector of international trade, but no conceptual breakthrough could be achieved. The hope to induce sovereign nations to cooperate in modifying mutual economic relationships once again failed to materialise.

The political experience of the last century, reinforced by recent trends, has taught the Western nations that the laws of the world market systematically work to their advantage and that, therefore, the best approach is to continue to allow them to operate "freely". Opinions differ within the Western bloc on the role of the market. The United States and the Federal Republic of Germany have particularly stressed the
importance of "free market forces". But international markets are not free. The developed nations have in fact used the 'free' market to construct a protective wall, which even enhances their privileged positions. A large part of the losses in petrodollars incurred in 1974 by the industrialized nations, for example, has already been recuperated by the inflated prices of their manufactured goods and by the other mechanisms which sustain the 'poverty curtain'. Many Western nations which suffered balance of payments deficits in 1974 achieved substantial surpluses in 1975.

Paradoxically, even the newly gained market power of the oil-exporting countries once absorbed by the international system, increase rather than decreases the leverage in international affairs controlled by the industrialized nations. By purchasing large quantities of modern technology and arms from the West, and by depositing their liquid assets in Western banks or by investing in Western countries some oil-exporting countries are discovering that they are becoming more dependent for their supplies and, thus, feel committed to maintaining the prosperity and well-being of the rich countries.

In general as the difference between prices for commodity exports and manufactured goods increases, so does the trading deficit of the third World compounded by borrowing from Western banks with soaring interest rates and heavier debt servicing. In Nairobi, UNCTAD was faced with the situation that whereas the 1960s the collective annual debt of Third World nations was in the order of $12 billion annually, by the 1972 it had leapt to $30 billion and is expected to increase more faster.
in future. These figures are in no way compensated for by grants provided in the assistance programmes of the industrialized countries. Given this, it is legitimate to pose the question: in which direction does the net flow of funds actually go and therefore, who is in fact assisting whom?

The demands of the Third World, as contained in the plan of Action and Charter, caught many industrialized countries unprepared and they were generally dismissed by most as being too far reaching. Of the Western industrialized market economy countries only Sweden adopted the charter. The United States, the Federal Republic of Germany, the United Kingdom, Belgium, Denmark and Luxembourg voted against it, as did Japan; most other Western industrialized countries abstained. Caught in internal crises of their own, most industrialized countries were unable to respond to demands for international equity.

Less than one year after the adoption of Charter, the General Assembly again convened a Special Session to debate the new international economic order. The atmosphere on this occasion was clearly more business like and constructive. The rich market economy countries having more carefully analyzed the results of OPEC actions and the potential costs of disruption, seemed to possess a better understanding of the issues and the demands of the Third World and were clearly more prepared some notably the United States were able to present modest proposals for change. The talk among some delegates was about a movement away from confrontation towards conciliation and constructive dialogue. Henry Kissinger, in a speech read by the United States' ambassador to the U.N. went so far as to tell the Third
World: "We have heard your voices. We embrace your hopes. We will join your efforts".¹ What is yet to emerge, however, is concrete evidence to suggest that most rich nations are convinced of the need for structural change. The apparent readiness of the industrialized nations to debate international issues cannot yet be interpreted as a recognition of the need for a new international order. Certainly most privileged nations realize that the demands of the Third World are legitimate and can no longer be taken lightly and that change in international structures is required to come to terms with some of their own pressing problems. But this understanding has in most cases as yet been reflected in little more than a recognition of the need for the selective streamline of the international system.

This reluctance to accept the need for structural change can be traced, not only to inevitable attempts to preserve existing position of privilege and power, but also to two mistakenly held beliefs: firstly, that the international system still basically serves the world well and that the rules of the international game are fair and only require streamline; and secondly, that, for the most powerful nations, independence is, despite repeated references to interdependence still a viable option. Neither of these beliefs can withstand serious scrutiny.

It became apparent at the Seventh Special Session that, with few exceptions, the Western European market economy countries and Japan although they have potentially more to lose than the U.S. from a failure to forge new international structures, were not only reluctant to take the initiative in redirecting the process of change, but were quite prepared to
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take refuge behind the United States' position when discussions became serious. That they are unwilling or unable to take serious initiatives is witnessed by the results of the first meeting of EEC ministers for development cooperation held after the Seventh Special Session. It ended in complete failure; no agreement was reached on any important agenda point. Despite a considerable effort, the 'nine' also failed to formulate a common position for UNCTAD-IV. Developing countries persistently demanded structural changes in prevalent system. But all their efforts which for obvious reasons, were made within the framework of the UN, to create a genuine mechanism for international economic cooperation germane to their needs of economic advancement yielded no meaningful results.

The key factor in the failure of all such attempts has been the callous in difference or evasive attitude of the major industrial powers of the North. Despite the developing countries incessant pleas that the unjust inequalities in existing order ought to be radically restructured, the Western market economy counties, particularly the US, continued to argue, to quote US Secretary of State Henry Kissinger, that "the present international economic system has served the world well" and as such, "future prosperity in the US and throughout the globe depend on its continued good performance."³

In September 1974, at the Seventh Special Session of the General Assembly, the developed countries accepted, with some hesitation the concept of a new economic order. But have not yet faced the broader implications of this concept or accepted the three main points put forward by the Third World "that the
existing system was discriminating against the weakest members of the international community through trade barriers, limited access to technology and capital, and inadequate monetary and financial arrangements; that the developing countries at least deserve an equal opportunity to participate in the world economic system without losing control of their natural resources or their freedom to follow their own priorities or policies. This opportunity could be provided only through a gradual restructuring of international institutions and reorientation of policies governing relations between developed and developing nations.

Many institutions and eminent individuals in the North have now begun to acknowledge the inadequacies of the existing system and have presented many useful proposals for reform in the system. But the official Northern view has remained reticent, for example at the U.N. Conference on Trade and Development in Nairobi, and the two Western Summits held in Puerto Rico in 1975 and in London in May 1977. Both the latter Conferences expressed satisfaction at the degree of success attained in tackling the monetary strains created by the 1974 economic crisis, in evolving contingency plans for energy shortages, and in dealing with the problems of developing countries. In contrast, the Third World leaders, in their meetings in Manila (February 1975), Colombo (August 1976) and Mexico (September 1976) and the UN General Assembly (September 1977) have expressed grave misgivings about the present state of the world economy, the worsening economic situation in many Third World countries and the weakening commitment of developed counties to evolve a new international economic order.
The advent of a North-South dialogue at Paris in 1976 under the simplified title of 'Conference on International Economic Cooperation', soon after the Seventh Special Session, generated hopes that this might be the first honest attempt to translate the concept of a new order into some concrete steps and programmes, but by June 1977, these expectations had disappeared into thin air. The developed countries, having successfully recycled the surpluses of petro-dollars, were no longer interested in a new deal for the Third world. They were in fact seeking assurance of oil supply and stable oil prices for themselves. If they could obtain such an assurance they might hand out one billion dollars to the poorest countries, but only through the existing international framework.

Some of the apparent reasons for the attitude adopted by the developed countries are not difficult to seek. Many of the countries are plagued by growing unemployment and relatively high rates of inflation which have in turn led to serious social and political strains, forcing many governments to plead for inward looking policies in an effort to solve domestic problems, without perceiving links between these two sets of problems.

The Industrial nations, including the Federal Republic of Germany (FRG) have indicated that they have major reservations about these extremely far reaching demands, meeting all of them would imply a dismantling of the market based international economic system and its replacement by a largely dirigistic structure. A change of this kind would particularly affect two groups of countries adversely: the poorest of the developing
nations especially those without their own raw material and countries with extensive foreign economic involvement, such as the FRG, other groups with large natural resources and smaller external economic involvements would definitely benefit for instance, the Soviet Union and the United State to mention only two. Both possess considerable reserves of oil and other raw materials and are less integrated in the world economy than the FRG. But criticisms and the expressions of reservations will not be of much help; nor will simple references to the principle advantages of a marked based system in coordinating the world economy. We have to be frank and admit that market economy principles have all too often been broken in the past by the industrial countries, and still are being broken to the detriment of the developing world.

VI.2 POSITION OF CENTRALLY PLANNED NATIONS

The attitude of the effective group among the Western developed countries has not undergone any marked change to enhance the probability of creating the NIEO. It should be added that the socialist countries have also continued to sidetrack the issue involving the NIEO under the convenient plea that western nations should indemnify the developing countries for their colonial and neo-colonial exploitations. In sum, the response of the developed countries towards the specific goals of the NIEO as well as the idea of NIEO on the whole has continued to be either evasive or hostile.

There is a real danger that negotiation of a new international order will become restricted to a debate between the developing continents and the industrialized market economy.
countries. The real reform of the international system should not be conceived and cannot be realized, however without the participation of the second world, i.e. the centrally planned nations. The assumption that the negotiation of a new world order is an exclusive West-South affair is erroneous both theoretically and practically. For one thing given the nature of global interdependencies, the West-South system does not and cannot exist in isolation, it is part of the international system and, as such, it is intersected by and is interacting with other international sub-systems whether East-West or East-South. Interdependence between various systems or sub-systems does not eliminate the autonomy of each one, and vice versa. Secondly serious inequalities and economic disparities do exist between centrally planned nations. This is why such countries as China, Yugoslavia, Cuba and Romania declare themselves developing countries; and why some of them have officially aligned themselves with the Third world.

The world is too complex and the issues too important for such simple minded viewpoints. The centrally planned nations must be organically included in the negotiation of a new world order. At the practical level, how can substantial changes in the international trade and monetary systems and in the power structure and the U.N. system be seriously suggested without integrating world sub-system which comprises over one and a half billion people and is responsible for over 35 per cent of the world's industrial output?

Whether the centrally planned countries actively participate in negotiating the new order will depend to a large
extent upon the position adopted by the two centrally planned superpowers— the U.S.S.R and the China. Although, for obvious political reasons both have supported the Group of 77, call for a new international economic order, they have so far chosen to exclude themselves from the various activities initiated to that end. The Soviet Union would appear to have to main reservations concerning attempts now underway to reshape international structures. The first concern the nature of existing organizational institutions: all major international economic and financial organizations (GATT, IMF, World Bank etc.) are perceived by the Soviets as institutions created by the rich capitalist nations in order to serve their own interest. The second stems from the well known Marxist thesis that a change of systems transforming dimensions in international economic relations must necessarily affect political international relations, namely the existing world power structure, which is not exclusively set on ideological lines. In international fora, Soviet spokesmen have continually argued that the new world order should in fact represent indemnification for former colonial exploitation and that since the centrally planned countries have not participated in this exploitation if cannot be expected that they should share in the compensation.

Chinese spokesmen have reiterated the indemnification argument. An additional reason, however, would seem to motivate Peking's lack of enthusiasm for current attempts to shape a new world order. It originates in the all too familiar thesis of China. The current international situation is excellent, there is great disorder under heaven.4
As for the Chinese argument, one should never forget that we live in the nuclear era, and too much disorder under heaven may well become a propitious ground for desperate actions and military ventures. Italian Communist leader Berlinguer, in a major report, warned that an exacerbations of all the contradictions of imperialism may push things to a catastrophe of unprecedented proportions, and consequently, a showdown in world politics must be avoided by all means. Indeed the centrally planned nations have shown a high sense of responsibility in safeguarding peace in the post war period, and both the Soviet Union and China have persuasively maintained that peaceful coexistence is a must in the nuclear era. It is now time to realize that, given present conditions, this vital principle requires first and foremost international order based on a more equitable distribution of world incomes, resources and knowledge.

The restructuring of the world economy cannot be confined to the sphere of relations between industrial capitalist countries and the countries liberated from the colonial yoke. The democratisation of the world economic system also requires complete normalisation of East-West relations and elimination of such phenomena as artificial restriction of economic ties between countries with different social systems, of discrimination in trade on political and ideological grounds, and of the deformation of the international division of labour imposed by the policies of the Western powers and their economic alignments. It is with these demands that the socialist countries are seeking to supplement the NIEO concepts.
The practice of international division of labour and cooperation within the CMEA sets an example of balanced and just solution of many of the problems posed by the movement for the NIEO. This is the real experience of restructuring world economic relations on the principles of equality, respect for the interests of all the cooperating countries and friendly mutual assistance for the sake of common progress. This experience is closely watched by the progressive world public. Of special interest for the developing countries in the NIEO context are the methods of cooperation within the CMEA framework aimed at evening out development levels and bringing the economic structures of the member countries closer to one another, as well as special measures of the socialist community aimed at rendering assistance to the least developed countries to overcome their backwardness and to build a modern economy.

In support of the developing countries on the NIEO issue, the socialist states stress the necessity of affecting progressive social transformations, and mobilising the internal potential for economic growth, as the main ways of changing the position of the developing countries. The Soviet Union and many other socialist countries are resolutely opposing all kinds of Utopian projects for world redistribution of wealth, which divert the people of the developing countries from the urgent tasks of the struggle for their national and social liberation and for maximum use, on this basis of internal possibilities for socio-economic progress. Excessive attention to external aspects of development, however important they are, may give rise to illusions about the possibility of overcoming backwardness and of building a modern independent economy largely as a result of
implementing the NIEO demand increasing the inflow of resources from developed states and providing freer access to their markets. The main impulse for development should be determined by the internal requirements of a country, and by mobilising all possible reserves for meeting them. Naturally favourable conditions outside a given country can greatly facilitate and accelerate the process of overcoming backwardness and building a modern economy. It is the formation of such favourable external conditions for the development of all countries, above all the developing countries, that the socialist states regard as the main task of the movement for the establishment of the New International Economic Order.

At present the capitalist powers are pumping out from the developing countries much more resources than their entire current aid intended both for defence and development. The West's aid can and must be increased taking into account its historical responsibility and the scale of its current exploitation of the developing countries resources. The socialist countries have never plundered the developing countries nor do they derive today any unilateral advantages from their relations with them. Therefore, the socialist states do not and cannot regard it as their 'Moral duty' to allot a fixed share of their GNP to them in the form of aid. It goes without saying that alliances with the national liberation movement and every possible support of the young nations in their efforts to strengthen their economies and secure social progress remain most important aspects of the foreign policy of the socialist community. Within the framework of this policy, the socialists countries render on favourable
terms large scale technical assistance to the young national states transfer modern technology to them, grant credits, and assists in training national personnel and qualified workers. The socialist countries declare that they are prepared to increase aid for development purposes, especially if progress is made toward the settlement of the disarmament problem and if military budgets are reduced.

At present the CMEA countries are making increasing efforts to ensure that their bilateral and multilateral cooperation, including joint construction of big production projects specialisation and cooperation in production and scientific and technical integration, is devoted to the solution of the principal scientific and technological problems. In the NIEO context the CMEA countries pay special attention to the expansion of trade and economic and scientific-technological cooperation with the developing countries. Economic ties with this group of states are growing fast on the whole and the developing countries have turned into big trade partners of the CMEA countries.

VI.3 PRESSURE THROUGH ORGANISING VARIOUS INTERNATIONAL CONFERENCES

In a vastly changed environment the developing countries with their collective courage and confidence boosted by the OPEC action adopted more active and aggressive stance in their international economic relationship with the developed countries than hereto fore. The demand for a subsequent adoption of the declaration and programme of action on NIEO in the Sixth Special Session, convened in the aftermath of the oil crisis, was
perhaps the highest manifestation of unified developing countries' attempts to seek a radical amendment of old economic order so as to make it more consistent with the contemporary realignments in international politico-economic relation and create a restructured and reliable global framework for its economic development. Some important political signals emerged from the Conference of UNCTAD-IV. The solidarity of the Third World withstood all pressures, from both within and outside the Conference. The Third World also refused to consider proposals made at a late stage by the United States, France and Japan; it viewed these proposals as diversionary moves rather than as a serious contribution to constructive negotiation. It also demonstrated its determination to go it alone on the financing of the common fund for primary commodities. These are important political signals which simply can not be ignored by the industrialized countries.

Since then it is observed a stream of enlightened statement emanating from the leaders of the rich and privileged nations. An extraordinary numbers of publications, conferences and seminars have increasingly focused attention on the dangers of failing to come to grips with growing global disparities and on with needs to be done. These have contributed towards creating a new sense of urgency among certain groups. It is also observed a 'negotiations explosion' in which serious attempts to hammer out agreements on a range of issues are being made.

VI.3.1 Role of Non-Aligned Countries:

The Non-Aligned countries had begun to realize, particularly after 1973, that the international economic
situation had been deteriorating so rapidly that it would be difficult for them to obtain much assistance from industrialized countries. With this realization the developing countries started putting greater emphasis on changing the purposes, mechanisms and structures of the international economic system. The Economic Declaration and Action Programme for Economic Cooperation at the Algiers Summit had referred to a new type of international economic relation a new and more equitable international divisions of labour and a new international monetary system, the Economic Declaration even degrading to us all possible means to achieve the economic objectives of the Non-Aligned countries, which included "the establishment of a new international economic order".

It was at the Fourth Non-Aligned summit conference held at Algiers September 4-9, 1973, that Non-Alignment took upon itself a new orientation from East-West to North-South preoccupations. This could partly be due to the growing influence of Latin American thinking on development, particularly of the dependency theory; perhaps on account of a number of meetings between Luska and Algiers took place on the Latin American soil. A meeting of the Non-Aligned countries was held at Georgetown from February 17-19, 1972. Following a meeting of the Coordinating Committee of Non-Aligned Countries in New York on July 25, 1972, two more meetings— one of economic experts from the Non-Aligned Countries on July 30 and August 1, and the other of the preparatory committee to conclude the final arrangements for the Algiers Conference, a week before the Conference was to be held were held in Georgetown. The Third Conference of Ministers
of Foreign Affairs, of Non-Aligned Countries was held in Georgetown on August 8-12, 1972. The meeting divided itself into economic and political committees. The main emphasis of the economic committee was on the right of nations to control their own natural resources and on the role of transnational corporations. The political committee emphasized the need to end military alliances to reduce the pace of the arms race, and the need for a world disarmament conference.

The Hawana 1979 declaration states the establishment of NIEO is one of the most important and most urgent task facing the Non-Aligned movement and that democratization of international economic relations constitutes its political substance and called for a new round negotiations of North-South Dialogue.

The developing countries held series of Conferences to give concrete shape to the NIEO. The first step in this direction was the Conference of Southern countries at Dakar in Feb., 1975. The proposal adopted here were subsequently incorporated in the Lima declaration issued by the Second General Conference of UNIDO in Peru in 1975. In Dec. 1975 Conference on International Economic Cooperation (CIEC) started at Paris in which 19 developing and 8 developed countries participated. In view of the growing demand of developing countries U.N. General Conference adopted an resolution in 1979, which has been described as a water shed in the struggle of developing countries for NIEO. Apart from the positions taken at the Summit and ministerial meetings and various fora for North-South negotiations such as the Sixth and Seventh Special Sessions of UN General Assembly in 1974 and 1975. The Paris Conference on International Economic
Cooperation in 1975-76 and the meetings of UNCTAD, UNIDO and other international organizations. Lome Convention of 1975 between EEC and Afro-Caribbean, Pacific-Ministerial Conference of the Group of 77 at Arusha in 1976, and UNIDO - III in New Delhi. At the Cancun Summit the issues of establishment of NIEO again come for consideration and it was again raised in the UN.

At the Sixth Special Sessions of the UN General Assembly in 1974 less developed countries placed the question of a 'New International Economic Order' firmly on the agenda of international politics. In two resolutions passed by the Assembly, LDCs sought reforms in such areas as trade, indebtedness, sovereignty over natural resource, foreign investment, aid participation in international economic institutions, food and agriculture and the transfer of science and technology. Many of these demands also had been raised before through UNCTAD and other forums and through some recommendation for a link between the export price of LDCs and the price of their imports.

What was perhaps most novel was the manner in which the various demands were linked to the general goal of a New International Economic Order based on equity, sovereign equality, interdependence, common interest and cooperation among all states; one which would make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development.

Since 1974, discussions concerning these demands have been held at further Sessions of the General Assembly (most notably the Seventh Special Sessions in late 1975) and at the
Conference on International Economic Cooperation (also known as CIEC the Paris Dialogues or the Paris Conference). The latter met from December 1975 to June 1977, and consisted of 19 less developed countries (including 7 from OPEC) and 8 developed nations. Discussions have also taken place within the framework of UNCTAD, at meetings of the world bank and the IMF within the Commonwealth, the Non-Aligned movement, and in other international forums. Policies and strategies for the New International Economic Order were reviewed at the Fifth Session of UNCTAD in Manila in May, 1979 and are to be considered at a further Special Session of the UN General Assembly.

At the Sixth Special Session, LDCs sought greater scope for their own participation in international economic institutions they recommend a strengthened role for UNCTAD and the Economic and Social Council of the United Nations in which they had a majority of votes and in the case of such institutions as the international monetary fund and the world bank urged greater participations by developing countries and a more equitable pattern of voting rights.

It has not been difficult for the less developed countries to implement some minor changes bearing upon the organisation of the UN Secretariat and ECOSOC. Thus, a Director General was appointed for Development and International Economic Co-operation in 1978 following a request by the General Assembly. The appointee who is apparently to rank immediately below the UN Secretary General is charged with several responsibilities related to the New International Economic Order.
Developing countries have also won a considerable share of votes in the proposed Common Fund and in the International Fund for Agricultural Development. However LDCs have made little progress on changes in the voting patterns of international financial institutional. In the case of International Monetary Fund, the voting power of member nations is basically determined by the size of their quota. The determination of quotas is extremely complex, but it reflects such aspects of economic strength as national income and reserves. This gives great weight to the developed nations, especially the United States.

Some changes in voting strength in the IMF have occurred since 1974, as a result of changes in quotas. When considering the Sixth General review of quotas in 1975 the Interim Committee of the IMF advised that the quotas of all major oil exporters should be substantially increased by doubling their share from (approximately 5 percent to 10 percent) in the enlarged Fund. The share of other developing countries was not to diminish accordingly, the share of the industrialised countries was to fall slightly. A change of quotas to this effect was authorised as from April 1978. However, the industrialised countries are still dominant in the Fund. Further small increases in quota shares for some oil producing countries and for Lebanon, Singapore and South Korea have been recommended and approved recently under the Seventh General Review of Quotas, but these will not significantly affect the distribution of power.

Decisions on important questions such as amendment to
the Articles of the Fund have now to be approved by members commanding 85 per cent of the total voting power instead of 80 per cent. This safeguards the United States against loss of its veto on such matters in the immediate future.\(^{21}\) The day to day operations of the IMF are controlled by the Board of Executive Directors. Less developed countries have improved their position slightly here since 1974, but not as a result of concessions granted by the developed countries. Under existing rules Saudi Arabia became entitled to appoint a Director in 1978, because it was one of the two largest creditors to the Fund in the two previous years.\(^{22}\) It, thus joins the five largest quota holders (the United States, United Kingdom, Federal Republic of Germany, France and Japan) which automatically appoint directors. There are also 15 elected Executive Directors member nations combine themselves into constituencies with enough voting power to be represented. Largely as a result of a realignment of constituencies, with Spain agreeing to be jointly represented with several Latin American countries (including Venezuela and Mexico) the voting power of Latin America on the Board has increased. The voting power of the new grouping is now fourth in the IMF.\(^{23}\)

The most significant broadening of participation in the IMF in recent years actually occurred in 1972, before the less developed countries initiated their drive for a new International Economic Order. In that year the Committee of Twenty was set up to provide advice on restructuring the international monetary system.\(^{24}\) This body was comprised of 20 members and included representatives of developing countries. It was reconstituted as the Interim Committee in 1974, and as previous comments have
suggested, plays an important role in advising member nations on changes in quotas, amendments to the Fund's articles and the like. Before 1972, important changes in the international monetary system had often been negotiated by the Group of Ten (the ten major developed countries in the Fund).

In the case of the World Bank and the International Development Association voting power remains basically linked to capital subscriptions to those organisations. A small number of votes is allocated to each member irrespective of contributions as with the IMF, the largest capital subscriptions come from the major industrialised nations. Indeed capital subscriptions to the World Bank are related to the IMF Quota of the country concerned. Some changes in voting power have occurred in these organisations as a result of changes in quotas. In the case of the World Bank, the Executive Directors proposed a capital increase for selected members in May 1976, with allocations being made to those members which accepted increases to their quotas in the IMF under the Sixth General Review. The changes were formally approved by the Board of Governors of the Bank in May 1977.

VI.4 OBSTACLES IN NEGOTIATING NIEO

The Developed Countries hold the view that, developing countries claim that they are more democratic where as they are not. Because there is widening gap and imbalances within their countries itself. The rulers in these countries are elite group and exist lot of regional imbalances. They also hold the view that they work hard and invent new technology for greater
development and help developing countries, even they are blamed for third world poverty. Therefore often they ask why they should help to the developing countries. Developed Countries say that the facilities available through various international institutions have not been properly utilize by the developing countries and poverty of these countries is not external but internal and therefore no program to eliminate absolute poverty can be constructed and implemented without the necessary degree of commitment of a country's governing elite groups.

The diversity and heterogeneity of interest among the underdeveloped countries is growing each year as certain countries develop the capabilities to effectively participate in, and benefit from, the evolving patterns of world market industrialization and specialization. There are differences between the countries and within the countries. What is relatively new is the enormous differences among societies and changing life styles and self-reliant development.

While delaying negotiations, the developed countries have sought to divide the third world groups to weaken their bargaining positions and it is more over visible that the rich cannot conceal their wealth in a global village because they hold the view that no amount of foreign resources can overcome domestic resistance or indifference to the achievement of the NIEO goal.

Lastly there is no agreed forum for discussion of the NIEO or even a neutral research body to do objective analysis on ways to construct a new international economic system and there is also no consensus on an appropriate new model for world economic organization.
These are some structural obstacles to establish equity, sovereign equality, common interest and co-operation among all states, irrespective of their economic and social system, which shall not correct inequalities and redress existing injustices.

VI.5  HOPEFUL TRENDS

The present world engulfed in a massive disorder (particularly as evident from the collapse of Bretton Woods System in 1971) is bound to move, albeit very slowly and in piecemeals, towards some kind of order or other. The shape of the New World Order to come may not be the same as envisioned in the NIEO-Declaration, but nevertheless vastly differed from what exists today.

Henry Kissinger remarked that: where the world is going depends importantly on the United States, and this is true. It is thus to be regretted that the United States like most other countries has yet to develop the internal mechanisms which make it possible to discern desirable directions. The boundaries between domestic and foreign policies have become blurred by a world in which virtually every international issue has domestic policy consequences and every domestic issue is partly international.

However despite all the hopeful signs, it is difficult to escape from the reality of gloomy prospects for the NIEO at least in the near future. Because the elements of optimism outlined would either take too long a time to prove decisive in
the creation of the New Economic Order or their present impact is too minimal to provide any meaningful breakthroughs in the current impasses.

The fact of the matter is that the developed countries, particularly in view of their continuing advantages in the present order. However, short-lived they might be, would not come forward to translate the growing awareness of the need for structural changes in the world economy and of the increasing interdependence of issue into positive responses on specific questions, relating to the NIEO. Thus, it inevitably leads to the conclusion that with the possible exception of sudden shift in the attitudes of the major developed countries, due to some compelling interplay or international political and economic forces, decisive movements in the directions of achieving the goals of the NIEO are very deem, at least in the foreseeable future.

The scenario is somewhat complicated if we take into consideration that the East and West are not as we have already stated looking back on history - homogeneous units, but have their own internal structures displaying differences and similarities among the constituent countries. Many changes have occurred during the post war period. In the West, there has not only been the long road from Bretton Woods up to the present situation, but also a different array of forces and changes in organisation, of the economic potential in North America, Western Europe and a part of the Asian-Australian areas of the pacific. Different strategies for a possible integrating of narrower groups of interest within the world economy are operating in
parallel. But some common interest and possibilities for common actions have appeared. In the East, we can see without resorting to deep analysis, the heavy weight of the vast economic potential of the Soviet Union and the significance of the difference in the rates of development and production structures among the other CMEA member countries. The growing competitiveness among the Western industrial nations, the erosion of the old blocs led by the Super Powers, and the realignment of economic and political power among the nations of the world have provided the developing countries with far more negotiating options than that were available in the 50s and the 60s. The lessons of Vietnam war and rise of OPEC power have demonstrated the limits to power which can be exercised by the hitherto dominant nations.

There is an increasing awareness, particularly in the West of the approach which highlights the interdependence revolving around the "spaceship earth's" life support system. Further the present era of transition is clearly characterized by complexities of global problem of resources-scarcity, population growth, ecological disorder and armament gallop that have made it imperative for the global interdependence to be organized on a different basis, than that exists today. For instance, the US dependence on foreign trade and investment in developing countries provides increasing scope for maneuverability by the developing countries to forge a revenue two way interdependence between rich and poor nations of the world, or what Ali A. Mazuri calls as the new interdependence.

The developments of the last one decade such as double-digit inflation, rising unemployment and stagnant economies in
the West are indicative of the fact that the dominant position of
the DCs are not going to last either. A spate of studies by a
number of scholars and statements by many statements of the West
have underscored the mutuality of interest between developed
countries and developing countries, in the establishment of the
NIEO and mutual gains bargain or 'non zero sum games' underlying
most of the current negotiations on World trades. All these
have sought to stress that despite short-term sacrifices, the
long-term requirements of "broadly defined national interest"
imply that most of the economic objectives of rich nations are
not mutually conflicting with the goals of NIEO. Thus the
attitude of the effective groups of developed countries has not
undergone any marked change to enhance the probability of
creating the NIEO. Thus, nevertheless the outcome of the Sixth
Special Session has been mostly described in superlatives. It has
become obvious' remarked Geoffary Barraclough, that we stand at
the water shed of history. However, slowly but quite
perceptibly, there has been a growing skepticism about the
prospects of establishing the NIEO as the follow-up action has
apparently failed to measure upto the promise of earlier
euphoria. In sum the response of the developed countries towards
the specific goals of the NIEO as well as the idea of NIEO on the
whole has continued to be either evasive of hostile.

As the Sixth Special Session ended, there was thus
feeling of both optimism and apprehension. The optimism was
born out of the fact that the developing countries had
successfully used the UN in legitimizing the NIEO-based demands
and effectively communicated to the developed countries the
urgency of their speedy implementation. But the apprehension was the due to the sharp conflict of interests and attitudes between the developed and developing countries that was visibly demonstrated in that session of the Assembly.

Seventh Special Session conflict sometimes "helps to decline issues with clarity and creates a basis for accommodation and it has been critical ingredient in the bargaining process between the poor and the rich nations; it has generated greater political pressure on developed countries. In the Seventh Special Session of 1975, in the form debate of NIEO was somewhat recrudescence, but without much political significance of rhetorical accumsations. Though there was no indication of any major agreement on the crucial elements of the NIEO, there was definite shift in the style of the dialogue.
REFERENCES


14. 'Programme of Action on the Establishment of a New International Economic Order', section 2,1d, and 2c, section 9.


21. T. De. Vries, 'Jamaica or the Non-reform of the International Monetary System' Foreign Affairs Vol.54, No.3 (April, 1976) p.598.


23. Ibid. p.305.

24. IMF, International Monetary Reform: Documents of the Committee of Twenty (Washington, DC,1974)


26. According to one estimate in 1975 the total US exports to NODCs was three times the exports to Japan and $ 3 billion more than its exports to Europe. In fact 2 million jobs in the US are dependents on the developing countries exports. International Harald Tribune. 19 June, 1978.


