SUMMARY OF FINDINGS AND CONCLUSIONS
'There comes a time
when one asks even of Shakespeare,
even of Beethoven, "Is this all?"
-- Aldous Huxley

6.1 THE RATIONALE OF NIEO

The case for a new international economic order (NIEO) is based on a variety of arguments that are pertinent to developments in the post-World War II era. The near liquidation of colonialism, the advent of development planning as means of mobilisation of national and international resources for rapid growth with redistribution, the emergence of new groups of nations for collective self-reliance and sustainable development have been the major factors in the changing international economic relations. The growing interdependence of the countries of the World is increasingly being realised. Todaro's schematic framework is useful in analysing the international developmental dependence of Third World Countries. The classical predilections — harmony of interests, laissez faire, and free trade which determine the approach of economists to the theory of trade and development have been found to be far away from the stark
realities of the international situation. Therefore, Myrdal has labelled it as biased theoretical approach and called for cleansing the approach from biases.

The distribution of world income continuous to be uneven and the income gap seems to be widening primarily due to the interplay of market forces and domination of spread effects by the backwash effects. That is why Sub-Saharan Africa has been experiencing retrogression in its share of world trade and income. Out of the nearly 5 billion population of the world about one billion is estimated to be in absolute poverty and it is mostly concentrated in South Asia. Poverty and illiteracy generally go together. It is also unevenly spread across social groups and special programmes are devised for their protection. The challenge of poverty is very real and poses a threat to prosperity everywhere. The earlier growth models have tended to concentrate more on growth of output and assumed that trickle down will take place in course of development. But this did not happen in many cases and growth has proved to be immiserising. Hence, there has been a substantial revision of developmental strategies with provision for direct intervention for poverty alleviation. The mixed economy framework which has been evolved to suit the special historical
circumstances of the Third World countries is also undergoing several modifications in the light of developments in the Eastern Europe and the USSR. A market-friendly approach is increasingly being advocated.

Despite the several strides made in industry and trade the exports of most low-income economies are dominated by primary commodities often with deteriorating terms of trade. The protectionist policies pursued by the developed countries often go against the interests of the less developed countries. The centre versus periphery doctrine proposed by Raul Prebisch went to the extent of delinking the Third World with a view to rescuing it from the economic domination of the rest of the world which constitute the centre. It is realised that sovereign equality and collective self-reliance are possible in a world which listens to voice of poor nations and people.

The dual gap analysis underlines the need for foreign capital at concessional rates of interest. The emergence of international debt crisis also underscores the significance of concessional finance to the Third World. Ultimately the solution lies more in the arena of trade rather than aid for tackling the development problems of the Third World. Hence, the origin of the NICs in 1974.
The literature on NIEO and its several dimensions is burgeoning. A plethora of organisations, governments, N.G.O.s and others are engaged in continuous debate and discussion over the scope, prospects and constraints of the NIEO based on some of the major works of the World Bank and other U.N. affiliates and other official and non-official documents and publications. An attempt is made in the present study to highlight the emerging trends in international trade, payments and financial flows that have a bearing on the NIEO.

6.2 NIEO's PROGRESS, PROSPECTS AND CONSTRAINTS

The NIEO is intended to benefit the Third World. The Third World, however, is not a homogeneous group. Their economic, political structures are as diverse as the world itself. The low-income and the middle-income countries are generally termed as the Third World. The OPEC, the NICS, the SICS, the least developed countries (LDCs) are some of the World Bank groupings based on their structural characteristics. Although the areas of NIEO are diverse, our attention is mainly focused on trade and aid flows in the 1970s and 1980s.
6.3 TRADE FLOWS

The share of developing countries in world exports increased from 24 per cent in 1971 to 34 per cent in 1980 and again declined to 26 per cent in 1989 and this may be attributed to the escalating in oil prices in the mid 70s. Naturally, within the developing countries the benefits of expansion and contraction in trade have been unevenly shared by the different groups of countries due to their differing resource endowments and competitiveness. The commodity composition of exports of the developing world experienced a significant change as the share of primary commodities decreased from 49 per cent in 1965 to 21 per cent in 1989. This may be regarded as the most favourable development. The structural changes in export trade of the developing world have been quite varied between the Sub-Saharan Africa on the one hand and East Asia on the other. The import structure of trade, whose classification is different from that of exports shows that the changes are more far-reaching in the case of South Asia than that of the East Asia or the other parts of the Third World.

The import structure, more than the exports reveals the vulnerability and the dependence of the Third World on the industrial economies.
The developing countries had a modest trade deficit of dollars 4.5 billions in 1971. By 1980s there was an improvement as the deficit was wiped out. However, most countries began to encounter the deficit by 1989. In the case of Asia and Europe the trade deficit persisted throughout the period leading to balance of payments deficits which have become chronic.

6.4 BALANCE OF PAYMENTS

The current account is a partial measure of the BOP situation. The current account balance has tended to be higher for the developing world in the 1970s and early 1980s except for 1983 and 1984. The industrial countries experienced a setback in the 70s due to the escalation in the oil prices. The current account deficit is financed by a multiplicity of sources and in many cases official transfers have tended to decline. Net direct investment has also increased in 1980s. On the basis of the student 't'-test we reject our null hypothesis namely that there is no significant change in the balance of payments of less developed countries in the case of Kenya, Algeria, Indonesia, Pakistan, Singapore, Korea and Chile. In the case of remaining 14 developing countries the null hypothesis is accepted which implies that there is no
significant change in their balance of payments in the 1980s compared with 1970s. While Germany and Japan maintained a consistently favourable balance of payments, the position of U.S.A. and the U.K. is volatile. The overall balance is a broader measure and it reflects the overall situation. Even in this case the position of Africa is critical with the exception of Nigeria and Algeria. Korea and Singapore are closer to Japan and Germany. The persistence of overall deficit in the case of the rest of the Third World countries underlines the structural imbalances in their patterns of development and aid which calls for structural adjustments.

6.5 TRADE POLICY

The trade policy regimes of the developing countries are in a state of turmoil. The developments in the international economies are sudden and unpredictable. The industrial economies have built-in mechanisms for absorbing the shocks and making adjustments at the micro and macro policy levels. They also perform better in their negotiations at the GATT, UNCTAD. For the developing countries as a whole there has been a deterioration in terms of trade in 1980s compared with 1970s, more so in the case of Africa and Middle East which experienced the decline to the tune of 26 and 44 per cent
respectively in 1986. The least developed countries receive favourable treatment in theory but not so in practice mostly due to the protectionist tendencies in the developed world. In the case of food aid to Ethiopia and other Sub-Saharan Countries the picture is slightly better. There has been a gap between the flow of targeted resource transfers usually fixed at one per cent of GNP and the actual which has tended to be 0.3. IMF's facilities have tended to increase in recent years and consequently the proportion of IMF's stand-by credit has been reduced four times. The developing countries have increasingly resorted to GRA credit since the mid 1970s and have exceeded their quota in 1984 and 1985. Here again there is a wider variation in the borrowing levels of different groups of countries.

The cumulative lending operations of the IBRD and IDA reveal the growing importance being attached to infrastructural facilities and rural development in the development strategies of Africa, Asia and Latin America. Energy, transportation, rural development and education are the priority areas of lending both by IDA and IBRD. ANOVA for the data on the lending operations of IBRD and IDA shows that there has been a significant difference across regions and sectors of lending.
6.6 AID FLOWS

DAC aid statistics are being questioned among others by Gunnar Myrdal. He attributes a bias in the flow of aid and our data indicate that the highest level of aid was recorded in respect of Netherlands followed by Norway, Sweden and France. There is also greater variability in the flow of aid from Norway and Sweden.

6.7 DEBT OVERHANG

Between 1984 and 1989 total net transfers were negative at dollars 153 billions are about 15 per cent of Latin American exports. The severely indebted countries according to World Bank criteria encounter debt servicing problems of varying magnitudes and external debt management has become one of the crucial issues of international economic relations with serious political consequences. However, the significance of ongoing schemes of debt rescheduling and debt forgiveness should not be under estimated.

6.8 SOUTH-SOUTH COOPERATION

To supplement North-South cooperation, South-South cooperation has been envisaged and has been made a reality with the formation of several regional bodies/agencies. The
SAARC is a case in point. India has a major stake and prominent place in the affairs of the SAARC and its future prospects. Despite the competitiveness of markets for several commodities in the SAARC there is scope for complementaries in commodity and factor markets. It is hoped that the nations and the people of SAARC will endeavour to realise the potentialities by creating bridges of understanding and cooperation. The aid flows of OPECs are strikingly different from that of the OECDs. Realising the emerging realities of the international situation and the need to improve the levels of living of the SAARC is a challenge and an opportunity.

6.9 PERFORMANCE OF INDIAN ECONOMY IN 1970s and 1980s

The performance of Indian economy has been assessed from a wide variety of viewpoints. Almost all indicators show that there has been a significant progress made on the economic front in the 1980s compared with 1970s. There has been a shift in the growth path of the economy and the notorious Hindu rate of growth of around 3 per cent has been shifted to the so called secular rate of growth of about 5 per cent. There have been considerable structural changes in the patterns of agricultural and industrial production. Green Revolution has been steadily progressing
and industrial diversification is under different stages of progress. Hoffmann’s fourth stage of industrialisation is witnessed. However, there are certain areas of major concern. The fiscal deficit is around 6 per cent and is to be brought down to around 3 per cent. Similarly, the current account deficit, which is around 2 per cent is to be reduced further if our dependence on IMF and other agencies of finance is to be reduced. The inflation rate is around 13 per cent and needs to be reduced to a single digit if the interests of poverty groups are to be safeguarded. Measures of poverty alleviation and human resource development are to be strengthened to improve the levels of living of the disadvantaged sections of society and to create a new internal economic order.

6.10 INDIA’S STAGE AND ROLE IN NIEO

India is a major economic and even political power in the Third World, even though its economic status in the global economy is insignificant. The persistence of mass poverty in the Third World for which India is a major contributor, the demographic explosion, the low levels of human development and the economic and political reforms taking place in Eastern Europe and the USSR; the challenge of development planning in the Third World opens new vistas
and opportunities for India to consolidate and expand her role in international fora and in the promotion of South-South cooperation especially in the SAARC. India is a leader among the equals of the Third World and has a lot of responsibility to be discharged in safeguarding the long-term interests of peace and development through bilateral and multilateral negotiations for the establishment and progress of NIEO.