CHAPTER II

REVIEW OF LITERATURE AND METHODOLOGY
'I can't believe that!' said Alice.
'Can't you?' the Queen said in a pitying tone.
Try again: draw a long breath, and shut your eyes.'

-- LEWIS CARROLL

2.1 INTRODUCTION

The literature on NIEO is burgeoning; these works range from liberal, moderate to radical schools of thought. One school of thought regard the claims, desires and demands of less developed countries as a mere rhetoric. The other school of thought considers the struggle for NIEO as a milestone in the economic progress of the Third World.

A review of literature enables the researcher to identify the crucial areas and problems and the methodology to be pursued for undertaking such studies. An attempt is made in this Chapter to examine the studies undertaken.

concerning NIEO.

2.2 COMMISSIONS ON INTERNATIONAL CO-OPERATION

The growing international inequalities have become major areas of serious concern of the enlightened statesmen and visionaries. In order to evolve an appropriate framework for the international development strategy, 3 important Commissions were constituted to study the past experience, assess the performance and suggest ways and means to the international community with a view to achieving lasting peace and prosperity.

Lester B. Pearson\(^2\), Willy Brandt\(^3\) and Julius Nyrere\(^4\) have headed the respective Commissions to study and recommend on international development strategy.


Many of the policy recommendations by these 3 Commissions were not very different. Interdependence of the various groups of the countries of the world has been recognised as a matter of fact for the very survival, progress and prosperity. Economic progress and a rise in income levels of developing countries generate growth in developed countries increasing their exports and creating employment. Recession in the developed countries depress the export earnings of the less developed countries. Therefore, economic co-operation for international development is regarded as an essential ingredient in the international development strategy.

Trade in primary exports, manufactures and semi-manufactures was accorded due recognition. The Commissions recommended that developed countries should reduce or even eliminate trade barriers - tariff and non-tariff - and establish a generalised non-reciprocal scheme of preference; the South Commission recommended the global system of trade preferences (GSTP).

Foreign aid was another area which the three Commissions have laid emphasis on. The Pearson Commission has recommended that each industrial country to increase resource transfers to low-income countries to a minimum of 1 per cent of its GNP. Specifically, the official
development assistance (ODA) should be increased to 0.7 per cent of the donor country's GNP and it should be achieved in the medium term. Aid should be liberal, untied and be channelled, preferably, through multilateral agencies. But foreign aid, by itself, cannot provide all the succour that is required. Developing countries should strive hard to move forward in the direction of progress. Wider funding be made available for poverty alleviation programmes and food production. Aid to education and research be strengthened.

The flows of foreign private investment should be mutually beneficial. Industrialization of less developed countries should fostered. Trade and industrialization of developing countries should be facilitated as a matter of international policy.

Mounting debt burden should be tackled. International action is required to reverse the present trend in resource transfer.

Population control needs attention to fight hunger, disease, malnutrition and illiteracy.

The Pearson Commission emphasised trade, aid, education, and development; the Brandt commission on
poverty, hunger, food security, disarmament and development, energy, and world monetary order. The South Commission on domestic development, South-South co-operation, collective self-reliance, regional integrations, food security, environment, technology, and international monetary issues.

All the three Commissions have maintained that the enhanced role for the United Nations (UN) is in order. Policies, agreements and institutions in the field of international economic, financial and monetary cooperation should be guided by the principle of universality. Therefore, the UN needs to be strengthened.

The philosophy and sense of urgency for change in international economic relations is reflected in the words of Lester B. Pearson. "No planet can survive half slave, half free; half engulfed in misery, half careening along toward the supposed joys of almost unlimited consumption from unprecedented production with less work; and all in an atmosphere of greater ease and luxury than man has known since the declining days of Rome. Neither our ecology nor our morality could survive such contrasts. And we may have perhaps 10 years to begin correcting this imbalance and to do so in time."  

2.3 INTERNATIONAL INEQUALITY AND NATIONAL POVERTY

This book throws sufficient light on 'multitude of forces' which account for the persistence of poverty and growing inequality. The classical economic theory of comparative advantage assumes that international economic exchanges between two countries, say the rich and poor, is mutually beneficial and improves world allocation of resources, raises average incomes of all and results in faster rate of growth. Contrary to this assumption, this work shows that interaction between these two - rich and poor - countries may accentuate inequality and even increase poverty. Indeed, it has become evident from the experience of last few decades first, that the absolute difference in income between the rich countries and the poor has increased dramatically; second, that on balance the rate of growth of income per head has been positively associated with the level of income; and third, that the level of income of some of the poorest people in the poorest countries has declined absolutely.

It was further maintained that in a world capitalist system composed of nation-states and characterised by rapid technical progress in the developed countries, the poor countries would tend to be deprived of their most valuable resources, namely, high-level manpower and national economic surplus. These resources are extracted in a variety of ways - through trade, through migration, through flows of finance capital - with the result that international inequality is increased and, in some cases, the standard of living of the mass of the poor is depressed absolutely. In other words, underdevelopment is accentuated.7

The distribution of world income is highly skewed. In 1970, the 72 per cent of the market economy countries' population received only 14 per cent of the income. The distribution of income within the world as a whole is unequal as the distribution within any single country.8

According to Keith Griffin, given the diminishing generosity of the rich, the prospects for conventional aid programmes evidently are not bright. It is to be expected, therefore, that the Third World would seek to have the resources transferred through unorthodox ways.9

7. ibid., p.36.
8. ibid., p.100.
9. ibid., p.110.
Pleading for the benefit of the poorest, he argues, "Even if the distribution of income between rich and poor countries were to become more equal, however, it does not follow necessarily that the poorest people in the poorest countries would benefit. Indeed the question arises whether the new international economic order, any new international order, could by itself make a significant contribution to increasing the well-being of those who live in poverty. The answer to why the incidence of poverty has increased has to do more with the structure of the economy than its rate of growth. Structural changes are, therefore, required to alter the high degree of concentration of income and wealth in the hands of a few people. New national economic order is not incompatible with new international economic order. After all, the same economic forces that operate at the world level also operate inside the economies of most underdeveloped countries and the results are broadly similar, namely, a high degree of concentration of income and wealth.

2.4 THE POVERTY CURTAIN

"A poverty curtain has descended across the face of our world, dividing it materially and philosophically into two

10. Ibid., p.115.
11. Ibid., p.115.
different worlds, two separate planets, two unequal 

humanities - one embarrassingly rich and the other 
desperately poor. This invisible barrier exists within 

countries as well as between them, and it often provides a 
unity of thought and purpose to the Third World countries 
which otherwise have their own economic, political and 
cultural differences. The struggle to lift this curtain of 
poverty is certainly the most formidable challenge of our 
time. 13.

The past development effort of the Third World was 
reviewed; though there was some growth in the GNP during 
the First and Second UN Development Decades, it hardly had 
any impact on the poor. What was required, according to 
Mahbub Ul Haq, was a direct attack on the worst forms of 
poverty, malnutrition, squalor, illiteracy. Poverty should 
be tackled for peaceful existence. This book makes a 
valuable contribution to the current debate on NIEO. The 
author argues that there is a striking parallel between the 
conditions of the poor people within the national 'order' 
and the situation of the poor nations within the 
international 'order'.

13. ibid., p.xv.
In the context of global interdependence, the origin of the NIEO is to be perceived in its right perspective: that the emergence of 'trade union of poor nations' is to negotiate a 'new deal' with the North through collective bargaining; that it is a movement, a part of historical process, to be achieved over a period of time and not in single stroke; that the negotiations must balance the interests of the rich and the poor nations - between costs of disruption against the costs of accommodation. Stimulating proposals were put forward for action by the international community.

2.5 POVERTY AND HUNGER

"The world has ample food. The growth of global food production has been faster than unprecedented population growth of the past forty years. Yet many poor countries and hundreds of millions of poor people do not share in this abundance. They suffer from a lack of food security, caused mainly by a lack of purchasing power."

Economic growth, it was believed, will provide income to households (and nations) to acquire enough food. The

development experience, so far, proved that economic growth, by itself, will not do this. The 'trickle down' has hardly had any impact on the poorest of the poor. The study therefore, advocates supporting economic growth with an equitable distribution of income is therefore the first priority, and should continue as the main goal, of economic policy. And to help developing countries improve their food security, the international community should.

a) intensify efforts to accelerate growth, through adjustment assistance, policy reform, and productive investment;

b) further increase the attention given to poverty alleviation;

c) help design, for the short and medium term, cost-effective programmes to alleviate chronic hunger and prevent famines, and pay special attention to the needs of the very young, among whom malnutrition can cause irreversible damage;

d) help countries co-ordinate food aid with other forms of economic assistance.

17. ibid., p.V.
18. ibid., p.V & VI.
The study cited above has drawn data mostly from World Bank and F.A.O sources; the period covered was from 1960 to 1985. Least-square method was used to compute the growth rates. Regression analysis was also used for extrapolations. Graphs, bar and pie diagrams were employed to convey the message in an impressive manner.

2.6 CIRCULAR AND CUMULATIVE CAUSATION

Because of 'circular causation' and backwash effects, trade between underdeveloped and advanced countries, far from tending toward equality of marginal productivity and incomes, results in a tendency away from equilibrium, a vicious spiral bringing increasing discrepancies between productivity of advanced and the underdeveloped countries.

Myrdal maintains that "in the normal case there is no such tendency towards automatic self-stabilization in the social system. The system is not by itself moving towards any sort of balance between forces, but is constantly on the move away from such situations. In the normal case a change does not call forth countervailing changes but, instead, supporting changes, which move in the same direction as the first change but much further. Because of circular causation a social process tends to become cumulative and often to gather speed at an accelerating rate".

20. ibid., p.13,18 and 29.
Economic expansion in developed region generates "spread effects" and "backwash effects". Spread effects are favourable and backward effects are unfavourable to the underdeveloped regions. In underdeveloped countries, the historical pattern of growth reveals that the "spread effects" were weak.

"Generally speaking, on a low level of economic development with relatively weak spread effects, the competitive forces in the markets will, by circular causation, constantly be tending towards regional inequalities, while the inequalities themselves will be holding back economic development, and at the same time weakening the power basis for egalitarian policies. A higher level of development will strengthen the spread effects and tend to hamper the drift towards regional inequalities; this will sustain economic development, and at the same time create more favourable conditions for policies directed at decreasing regional inequalities still further."

The present state of affairs in underdeveloped countries reflect the colonial heritage. For "colonialism meant primarily not only a strengthening of all the forces in market which any how were working toward internal and international inequalities. It built itself into, and gave
an extra impetus and a peculiar character to the circular causation of the cumulative process.²¹

2.7 COMMODITIES AND THE THIRD WORLD²²

One of the basic objectives of the New International Economic Order is to create a World economy where developing countries do not suffer from an 'unequal exchange' of goods and services in their trading relations with the industrial countries because of overpricing of imports and underpricing of exports.²³ His study corroborates the traditional hypothesis that prices of primary exports declined in real terms, particularly for developing countries — a finding that buttresses the Prebisch - Singer thesis.

The study is based on the U.N. Time-series data on export prices, and terms of trade. He has applied linear regression equations to estimate the trend rate of growth. The period covered by the study is from 1954 to 1972.

²¹ Ibid., P.60.
Prebisch\textsuperscript{24} - Singer\textsuperscript{25} thesis explains that the primary commodity exporting countries, particularly the less developed countries, were not gaining and would not gain from expanding their primary product exports. And there is "secular deterioration" in terms of trade of primary commodities.

There are several factors leading to this result: the effects of business cycle on the terms of trade, the existence of different types of market forms such as monopolistic, oligopolistic, technical progress, stronger labour organisations in industrial countries (Central) than in developing countries (peripheral).\textsuperscript{26}

Further, a large number of primary commodities (except metals, minerals, ores and petroleum) exported from developing countries have a low income elasticity of import demand in developed countries. The synthetic substitutes, which have an edge over primary commodities, in terms of price, technological progress and market promotion, have


reduced the markets for commodities like jute, sisal, rubber and leather. Another important factor was the severe protectionism in the industrial world which has restricted the flow of exports from developing to developed countries. 27

2.8 UNEQUAL EXCHANGE 28

A somewhat similar thesis to that of Prebisch and Singer was put forth by A. Emmanuel.

He argues that the price of goods produced in any country is determined mainly by the level of wages in that country. Wage levels also depend on institutional factors — such as trade unions — which are different in different countries. Given the rigidity in the international mobility of labour, international differences in wage rates are not likely to be reduced.

The wage rate in a developing country will be low because of abundant supply and inadequate organisation of labour. It will be higher in a developed country because the supply of labour is scarce and workers are organised. Capital, on the other hand, is relatively mobile

internationally and as a result, profit rates will tend to get equalized. The prices of different goods produced in different countries will, therefore, reflect the wage differential between countries. He maintains that the high-wage countries will benefit from low-wage countries by being able to purchase goods at cheaper rates than if they were produced internally. Similarly, the low-wage countries will lose by trading with the high-wage countries as they will have to pay more than if they were produced internally. This "unequal exchange" will tend to be cumulative in that the surplus for investment in low-wage countries will be low and the low wages will limit the technological innovations and investment opportunities.

It follows that the low-wage developing countries should reduce its trade links with high-wage developed countries. The low-wage country may increase its interaction with other low-wage developing countries or seek the self-reliance as a policy option.

2.9 WORLD MONETARY AND FINANCIAL SYSTEM

An analysis of the factors leading to the demise of Bretton Woods system and the workings of floating

exchange rate was made. In the wake of recession in the developed countries in the early 1980s the economic environment and the mood of the developed and developing countries were dissimilar. The developed countries were worried about the slowdown of growth and high unemployment levels; the developing countries were worried about imbalances in balance of payments and growing size of external debt.

After reviewing the working of the IMF and World Bank, they outline the policy issues like modified voting pattern in the international financial institutions and setting up of a South Bank which was proposed earlier. The period of study is from 1971-1987. The study is an analytical one with accent on policy approach.

Dr. Arjun Sengupta30 opines that even after the demise the Bretton Woods system in the early 1970s the international community has not taken a comprehensive view of the operation of the world economy and devise a new set of rules of behaviour in money and finance to replace the old system. There was no internationally organised systematic scrutiny of different possibilities or attempt to construct any alternative consensus as at the time of the inception of the Bretton Woods system.31


31. ibid., p.3.
The leaders of seven major industrial countries announced, at the end of the Williamsburg Summit of 1983 that the Finance Ministers in consultation with managing director of the IMF will define the conditions for improving the international monetary system. Accordingly the study was undertaken and the report was submitted. Report of the G-10 Deputies for improving the international monetary system was a disappointing one. The changes in the operation of the system as suggested by them are marginal, more in the nature of improvisation, in keeping with the usual approach of the industrial countries to these issues.32

2.10 ARUSHA INITIATIVE33

It recognizes the fact that money is power. It is valid for national and international economic relations. Those who wield power control money. Those who manage and control money wield power. An international monetary system is both a function and an instrument of prevailing power structures34. It calls for the establishment of a new international monetary order that would reflect the employment and development needs of people living in

32. ibid., p.6.
different material conditions, social systems and cultural environments.

Gerald M. Meier portrays a comprehensive account on the search for an international monetary order. He deals with the international code of conduct at Bretton Woods and eventual fall of that system, the management of the floating rate regime after Bretton Woods and the continued quest for monetary order through more formal proposals for reformed international monetary system. He presents an analytical narrative and a set of source material to help readers gain insight on crucial issues; to provide clarification, continuity and interpretation the author lists documents, reports and other source material.

The report by a Group of Experts set up by the Chairperson of the NAM gave its Report in July 1984. It was entitled "Directions for Reform. The Future of the International Monetary and Financial System". The expert group held that the Bretton Woods institutions were created with a view to preventing such problems in the post war period.

35. ibid., p.11.
and they reflected the viewpoints and priorities of the industrial economies. Now things have changed. New viewpoints and priorities have emerged. The expert group, after analysing the problems, made policy recommendations on monetary, financial and trade issues as also on decision-making process.

2.11 DEPENDENCE AND INTERDEPENDENCE

Dependence does not imply equality. It suggests some sort of vulnerability and, therefore, an inequality of relationship, interdependence may be taken as a neutral word. It means that changes in any economy will have its impact on the others. It, therefore, implies mutuality of interests and the benefits that the system of interdependence confers on its constituents.

Jagdish N. Bhagwati has given a very lucid account of NIEO and related North-South issues in his economic-theoretic work. Areas of vital importance like import-substitution and export-promotion trade strategies, foreign assistance with all its ramifications, international migration and the 'Brain Drain' were analysed very critically.


39. Ibid., p.xii.
The OPEC success in collective action inspired many Third World countries and gave rise to a sense of "trade unionism". In his own words, "the OPEC success crystallized the concepts of strength through collective action and 'solidarity rather than charity'. The developing countries also seemed to infer from OPEC experience that their commodity exports, which had traditionally been viewed as a sign of weakness, could be turned instead into weapons of collective action. Thus the notion of 'commodity power' emerged and has shaped not merely the politics but also the economics of the demands for NIEO (as typified by the Corea plan for commodities at the UNCTAD).  

There are two major principles of reform under NIEO: (1) the developing countries must receive an increased share of resources under the NIEO; and (2) bargain must be struck which are mutually profitable and which, therefore, appeal also to developed countries' interests in areas of trade policy, regulation of multinationals, transfer of technology, migration and food policy.

40. ibid., p.20.
41. ibid., pp.30-31.
2.12 ON DEVELOPMENT AND INTERNATIONAL COOPERATION^2

This Report was prepared on the occasion of the Seventh Special Session of the United Nations General Assembly and this was published as a special issue of Development Dialogue under the title "What Now. Another Development".

The Report was a product of a collective effort, involving many people and organisations prepared under the overall directions of Marc Nerfin.

The basic orientation of the Report is that 'another development' is the need of the hour. And this should be designed to satisfy human needs on the basis of self-reliance and harmony with the environment. In the context of the another development, the report discusses the elements of a new international order, and especially those measures which depend either on Third World actions alone or on a set of negotiation between industrial and Third World countries. It then, presents a possible model of reform of the United Nations system, aimed at making it an effective instrument of development and international cooperation.

42. The 1975 Dag Hammarskjold Report on Development and International Cooperation was Prepared on the Occasion of the Seventh Special Session of the United Nations General Assembly and this was Published as a Special Issue of Development Dialogue under the title What Now: Another Development, 1975, No.1/2
The Report is very comprehensive and pragmatic. It makes an appeal to both industrial and developing countries to go in for the NIEO. The report admits that the crises in the existing order are, among others, a result of unequal economic relations, poverty of the masses and of exploitation.

Dr. Manmohan Singh argues that the demand for NIEO is basically a demand for more efficient and equitable management of interdependence of the world economy. The necessity and inevitability of interdependence is accepted; what needs to be accepted is terms of interdependence.

After discussing the external trade, international capital, transfer of technology, international monetary system, he maintains that the progress and achievements of NIEO are meagre and disappointing.

However, there is a ray of hope. It lies in the unity and solidarity of the Third World and the drastic changes in the domestic front. In his own words "the

44. Ibid., p.2.
road ahead is going to be long and difficult...But there is no reason for giving up the struggle for a more just and equitable distribution of the World's productive resources. The developing countries must persist in their struggle. However, the demand for a new international economic order will acquire greater intellectual and moral support if the developing countries take firm and determined measures to deal with inequities and inequalities inherent in their domestic systems and also evolve an effective programme of collective self-reliance based on increasing economic co-operation among themselves.45.

Singer, Hatti and Tandon's work46 covers the following areas of New World Order:

a) Political economy of new world order;

b) Beyond the slogan of South-South cooperation;

c) Global efforts towards new world order;

d) Mutual interest paradigm and the Brandt report;

e) Government surveillance versus market forces;

f) Crisis of capitalism and the periphery;

g) Long-term growth prospects.

45. ibid., p.15.
There cannot be any progress in North-South dialogue until both North and South appreciate and recognize the need for reform. But this seems to be happening rather very slowly.

Jan Tinbergen outlines the main socio-economic policies required to improve the economic conditions of the Third World in the global context.

The main factor responsible for the 'close-to-non-co-operation' by the large and middle-sized industrial countries has been a lack of political will. The lack of political will can be explained in terms of the reluctance of the developed countries to recognize the problems of less developed countries. And it can be seen in the myopia of the conservative governments of the developed countries. This short-sightedness seems to ignore clear common interest of both developed and developing countries in the latter's development.

It was also pointed out that the policies of many developing countries are far from optimal. In a considerable number of developing countries, the governments serve the interests of small groups of the population only, mostly those of big landowners. The

48. Ibid., p.4.
49. Ibid., p.4.
ruling classes of these countries are as myopic as those of the ruling classes in industrial countries, and probably more so. They don't seem to be aware of their living on a volcano.  

He recommends that developed countries should adhere to the ODA target of 0.7 per cent of GNP; there should be less protection in international trade policies and the research should be on the direct use of solar radiation as a source of energy, since it constitutes a potential export item of developing countries.

The Third World countries are advised to undertake policies aiming at reduction in the growth of the population, less unequal distribution of land ownership, less unequal income distribution, more food production and industrialization. The South-South cooperation is a promising area which deserves more attention.

2.13 WORLD ECONOMIC ENVIRONMENT AND PROSPECTS FOR INDIA

This book is a compilation of lectures delivered by the author at various national and international fora.

50. ibid., p.4.
51. ibid., p.8.
during the period 1984-86. The approach of the book is analytical.

The author analyses various aspects of world economy and examines the prospects for India. In the wake of world recession in the late 1970s and early 1980s, the developing countries, especially oil-importing developing countries, were severely affected by the continuation of a deterioration in terms of trade and a weakening export markets and restricted access to the markets.

The author maintains that, though foreign trade and external assistance are not quantitatively significant in relation to our national economy, they are of considerable qualitative importance. Developments in the international economy, especially of a structural character affect the course of our own growth and investment efforts and call for appropriate strategy and policy responses.

2.14 NIEO, INTERDEPENDENCE AND SOUTHERN DEVELOPMENT

This Ph.D work contains a comprehensive account of various proposals of group of 77 and examines their validity; the analysis on multinational corporations and their impact on the 'host' countries is very enlightening. The international commodity agreements and the South's

strategy for economic development are dealt with elaborately. The need for reform in the present international economic system has been stressed.

In support of his analysis, he has drawn data from various resources, mostly UNCTAD, and applied statistical treatment. His study covers the period from 1950 onwards on various important issues.

2.15 SOUTH-SOUTH COOPERATION

Research and Information System for the Non-Aligned and other developing countries has organised a seminar the proceedings of which were published in this book. This presents an overview of the Third World's economic problems arising out of the present global economic system and advocates for South-South cooperation. It then examines the experiences of regional cooperation and examines the prospects for the SAARC. Indian experience with other developing countries on South-South cooperation as outlined in this volume is as much interesting as educative.

2.16 NIEO AND SYSTEMIC REFORMS

R.M. Hanovar and S.V. Bokil trace the history of NIEO, and examine India's major concerns in international relations. The focus is on NIEO formulations and India's stand on these issues. The Bretton Woods monetary disorder of the 1970s and 1980s were explained, the IMF conditionality was examined, the crisis of concessional aid and international debt crisis were analysed and outlined systemic reforms.

The authors provide three cautionary signals. First, the less developed countries should not get disheartened at the limited success achieved in the North-South dialogue. Secondly, South-South cooperation must become a concrete reality in areas of exchange in commodities, capital goods and technology and if possible exchange in securities. Thirdly, South must, without much delay, bring to an end its intra-bloc conflicts.

Their methodology is analytical and accent is on policy approach.

56. Ibid., p.111-112.
2.17 INDIAN POVERTY

The World Bank Country Study reveals India's economic resilience. India could resist the 1987 drought and its potential for higher growth holds promise for future. The policy action aimed at correction of structural issues is required in reversing the slow growth in agriculture, deregulation of industrial and trade policies and upgradation of technology in industrial sector. Reforms in public sector and improving the efficiency in social sectors are also required.

To tap the full potential and to achieve higher growth, the fiscal and balance of payments deficits should be reduced. There should be a 10 per cent real export growth per annum.

India has also to meet the challenge of poverty. Rapid growth of 1970s and 1980s, coupled with massive net-work of poverty alleviation and employment guarantee programmes for the poor, mostly landless, has led to the decline in the incidence of poverty.


58. Ibid., P.xix.
Poverty picture is changing. It is reflected in the concentration of the poor in specific regions and occupational groups. There is a sharp fall in the Southern States but its incidence is heavy in Eastern and Central States. Poverty is more closely associated with landlessness and wage dependency, especially in unirrigated rural areas.59

The ability of the poor to participate in the growth process is limited because of vulnerability, risk and dependency. The provision of social services like health and education should be made available to the poor. Some sort of safety nets in the form of employment guarantee programmes should also be made available. The provision of above facilities will ease the vulnerability, risk and dependency of the poor and enhance their ability to participate in growth process.60

2.18 METHODOLOGY OF THE PRESENT STUDY

The issues pertaining to the establishment of NIEO have been in focus and attracted world-wide attention. The UN, its affiliate bodies, statesmen, leaders of North-South, eminent economists and the citizens of the World have evinced keen interest in NIEO and the issues

59. ibid., pp. 41-78
60. ibid., p. 119.
connected with it are discussed and debated. In the light
of this, there is a need for continuous research on the
various problems connected with it in this fast changing
world.

In fact, drastic changes, with breathless rapidity,
are under way in the global economy; the range, depth and
impact of these on the political economy of the world are
far-reaching. For instance, the fall of Berlin Wall and
the unification of Germany, the sweeping changes in the
political and economic systems of Eastern Europe
disintegration of Soviet-bloc and their move towards
market-economic systems, India's liberalization policies
in industry and trade and the big IMF structural
adjustment loan for India are some of the path-breaking,
and perhaps irreversible, changes.

The developments cited above add another new
dimension to NIEO. In view of this changing political and
economic scenario, the problems of balance of payments,
debt overhang and capital flight, the developing world is
faced with several challenges. It is, therefore, necessary
to examine the case for NIEO, its progress and prospects
and India's stake and role in NIEO.
A) DATA BASE

The present study is based on the published data of national and international agencies/institutions relevant to NIEO. These are the authenticated and internationally accepted sources. Statistical data are used to empirically demonstrate the problem in question, and statistical tools and techniques are applied wherever necessary to buttress the conclusions arrived at and inferences drawn.

The major objectives and hypotheses of the study are:

B) OBJECTIVES

1. To examine the case of NIEO;
2. To review the progress of, and to analyse the prospects for NIEO;
3. To evaluate the performance of Indian economy in 1980s and its prospects in the 1990s; and
4. To assess India's stake and role in NIEO.

C) HYPOTHESES

1. There is no significant change in balance of payments of less developed countries (LDCs);
2. There is no structural change in the trade of, and aid flows to, Less Developed Countries;
3. There is no significant change in economic co-operation (as measured by trade and aid) within the Third World Countries; and

4. There is no significant change in the development performance of Indian economy in the 1980s compared with 1970s

D) SCOPE AND LIMITATIONS OF THE STUDY

The scope of the New International Economic Order (NIEO) is very wide and the literature is burgeoning. It is neither possible nor even desirable in a Ph.D. thesis to cover the entire domain. Hence, the coverage of literature and therefore, contents have been deliberately confined to a few selected economic issues of growing concern from the point of view of international economy. The scope of the thesis is limited to a period of 16 years starting from 1974 and the Third World Countries are grouped into several categories depending upon the availability and reliability of data. The tools and techniques of statistical analysis are also not very sophisticated due to our own limitations in that field. There is no commitment to any political ideology in this work though it is difficult to be free from value judgements.
E) CHAPTER SCHEME

The present study is organised into six chapters.

Chapter one deals with the case for NIEO in the light of changing international events. It tries to capture various elements forming basis of the case for NIEO.

Chapter two covers the review of literature and methodology. A selective scanning of the literature on the subject and the methodology are outlined.

Chapter three presents the progress, prospects and constraints of NIEO. The limited success need not dishearten us; future holds promise.

Chapter four analyses the performance, prospects and challenges of the Indian economy in 1980s and early 1990s. Though India is poised for a 'great-leap-forward' with its new liberalised economic policy, it had to face the challenge of poverty. These aspects are analysed in this chapter.

Chapter five discusses India's stake and role in NIEO. India cannot afford to become a silent spectator to events of international importance. India has, as it has been, to take a lead role in the establishment of NIEO.
Chapter six provides a summary of findings and conclusions.