

# Overview

## Origins and evolution of the concept

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Seldom has a phrase or a symbol associated with the United Nations attracted as much attention as the concept of a New International Economic Order (NIEO). This is true not only for Third World countries whose aspirations it reflects. The phrase has also become commonplace in the developed countries' press and the public in these countries has become acquainted with the idea. The concept has also been given ever greater prominence and coverage in social science journals and academic discussions in the developed countries—circles which for many years had remained aloof from or managed to ignore Third World problems and their linkages with the dominant structures and institutions of international economic relations. Lastly, top decision-makers in these same countries have begun to demonstrate greater sensitivity and concern about North-South economic relations.

The phrase 'New International Economic Order', as articulated at the sixth special session of the United Nations General Assembly and since, itself has no magic power to attract the attention nor engender the controversy it has provoked. However, placed in the context of the processes, negotiations and events of the past two decades, and especially of the last three to four years, it does acquire a rather special meaning and importance. It is our intention here briefly to review some of the highlights in the evolution of the concept of the New International Economic Order—to indicate its origins, its major components, and the continuities and discontinuities it represents.

Any point of entry in tracing the substantive meaning and origins of the NIEO concept is somewhat arbitrary. In chronicling institutional developments, one can go back as far as the abortive United Nations debates over the Special United

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Nations Fund for Economic Development (SUNFED) which took place in the early 1950s. Or, one can choose another, less distant landmark and indeed a turning point in the evolution of development ideas and policies, the 1961 resolution of the United Nations General Assembly which led to the convening of the first United Nations Conference on Trade and Development (UNCTAD).<sup>1</sup> This was the first time that a coalition of the developing countries from the three continents emerged to show its voting strength in the United Nations, eventually overcoming the opposition of the developed countries to the holding of the proposed conference. Equally important was the July 1962 Cairo Conference on the Problems of Economic Development, which brought together representatives and observers from thirty-six developing countries. It recommended that the developing countries should protect their common interests within the General Agreement on Trade and Tariffs (GATT) as well as co-operate to strengthen the economic and social activities of the United Nations.<sup>2</sup> Together with the launching of the first United Nations Development Decade,<sup>3</sup> these events marked the beginning of developments in the United Nations, which eventually made it possible to challenge the basic premises of the established international economic order and of the institutions embodying them.

The 1964 Geneva United Nations Conference on Trade and Development represents a critical event in the evolution of the NIEO. Its Final Act contains most of the basic principles, proposals, measures and problems that have been considered and discussed in international development forums ever since.<sup>4</sup> It enunciated a new set of goals to strive for and a programme that differed from the traditional wisdom and rules of the post-war liberal international economic order including the regulation of commodity markets, preferential access to the markets of developed countries for exports from developing countries, and development assistance targets. Moreover, it recommended the creation of a new institution devoted to the realization of these goals; thus UNCTAD was born.<sup>5</sup> As important as these results of UNCTAD 1 was the emergence of the Group of 77 as the negotiating instrument of Third World countries. Its declaration at the end of the conference indicated both the quest for a new policy of international trade and development, and the intent to maintain and strengthen its unity as an 'indispensable instrument for securing the adoption of new attitudes and new approaches in the international economic field'.<sup>6</sup> A direct consequence of the emergence of the Group of 77 was the *de facto* institutionalization of the group system of negotiating in UNCTAD, eventually to spill over into other United Nations forums and functional areas and to become the standard mode of interaction between rich and poor nations on the global level.

UNCTAD 2 and UNCTAD 3 exemplified the general character of North-South negotiations in the 1960s and early 1970s: few 'serious negotiations'<sup>7</sup> and relatively meagre and non-committal outcomes.<sup>8</sup> But together they did serve to articulate and clarify fresh issues and proposals—including the role of transnational corporations, the transfer of technology and reform of the patent system, the Special Drawing Rights link and reform of the international monetary system, and

the debt burden of developing countries—which were subsequently to impress the international community.<sup>9</sup>

The Second Development Decade Strategy was adopted in 1970. In spite of its weaknesses and inadequacies, it was important because it sought to construct an integrated approach to development, based on a comprehensive strategy. This introduced a more holistic perspective into international economic relations, with potentially significant consequences for the future.<sup>10</sup>

Thus, development diplomacy up to 1970 may be said to have been characterized by a good deal of motion but very little real movement.

During the early 1970s, this context of North-South relations began to change for the following major reasons:

The collapse of the Bretton Woods monetary system, the devaluation of the dollar, and readjustments in the economies of the principal industrial powers of the West introduced general fluidity into the situation.

The series of United Nations conferences, beginning with that on the environment in 1972, and including those on population, food, and the law of the seas, stressed the idea of connectivity and interdependence of problems and solutions. In particular, the 1972 Stockholm Conference on Human Environment (UNCHE) saw the developed countries espouse the concepts of 'space-ship earth' and of 'common heritage', speak about the interdependence of countries and stress the need for conservation and wise management of natural resources for the well-being of the earth's inhabitants and future generations. Here the developing countries seemed to have a potential bargaining lever in their hand. And the developed countries could no longer argue against issue-linkage and comprehensive approaches nor ignore global solidarity and welfare when it came to developmental issues.

Some important advances were beginning to be made in development thinking. For one, the concepts of linear development in the footsteps of the developed countries and of the 'trickle-down' theory came to be questioned, and the idea of collective self-reliance gained currency within the Third World. Moreover, greater attention was being paid to the quality of development, whereas previously the main stress had been placed on quantitative targets and objectives; in certain forums, as at Founex for example, attempts were made to redefine the concept of development and to differentiate it from mere economic growth.

Even so, these changes were largely conceptual and confined to relatively narrow circles, or they represented events over which the Third World had little control. But then, in 1973, two events took place that are largely responsible for the present state of the NIEO debate: the Fourth Summit of Non-Aligned Countries held in Algiers in September, and the so-called oil crisis of October and the emergence of OPEC as a powerful instrument of the oil-producing countries.

Many developing countries had perceived the environment and population

conferences partly as diversions from the crucial development issues that were to be found in trade, monetary and finance matters. And they had become increasingly dissatisfied with development thinking and action. The Algiers Summit responded to this feeling. It called for the convening of a special session of the United Nations General Assembly exclusively to consider the development issue. It also outlined the basic conceptual framework and programme for action to attain what it referred to as a 'new international economic order', although it did not give prominence to the very phrase.<sup>11</sup> The General Assembly thereupon called for the convening of a special session to consider the state of international development and economic co-operation, institutional changes in the United Nations system to make it a more effective instrument for development co-operation as well as expanding concepts and dimensions of development co-operation.<sup>12</sup>

At this very point the so-called oil crisis and the embargo occurred. Initially an outgrowth of the October war, in the Middle East they added a wholly new dimension to North-South relations. For the first time, the powerful developed nations experienced a situation in which decisions vital to their welfare were being taken elsewhere. This demonstrated to developing countries the potential of united action. The oil crisis also triggered the sixth special session of the General Assembly, on raw materials and development.<sup>13</sup> Thus, the sixth special session inadvertently and in a radically different setting took upon itself some of the functions that the developing countries had hoped to assume with their Algiers Summit initiative.

The decisions adopted by the sixth special session represent the formal basis of what has since come to be known as the New International Economic Order.<sup>14</sup> To the Declaration and the Programme of Action on the establishment of a NIEO, adopted by this session, the developing countries sought to add a code of conduct for States in their economic relations, which took the form of a Charter of Economic Rights and Duties of States, called for by UNCTAD 3 and adopted by the General Assembly in the autumn of 1974.<sup>15</sup>

The major portion of these documents and the conceptual framework that they embodied did not in fact represent anything strikingly new or original. Rather, they pulled together into a comprehensive package the principal components of various international decisions, recommendations for action, and declarations worked out in previous years.

However, there were certain new elements which have been in contention ever since:

The explicit linkage of oil with the whole set of unresolved problems on the agenda of North-South relations, and the emergence of OPEC as a negotiating instrument for the Third World.

Emphasis on a new international economic order, implying that the old order was to be discarded and replaced.

Stress on permanent national sovereignty over natural resources and the right to nationalization according to national laws, as a basis of self-reliant action

of developing countries and as a fundamental premise of the new international economic order. Closely related to this was the regulation of the operations of transnational corporations through international agreements and action. Indexing prices of commodities exported by the developing countries to prices of manufactured products they import.

New modes of negotiation for the Third World *vis-à-vis* the developed countries, such as producers' associations.

It is no surprise that these elements encountered the most serious opposition of the developed countries and led to considerable acrimony and less than full consensus.<sup>16</sup> They all implied significant changes in international economic relations. They also indicated that the developing countries sought to enter into closer and better organized and institutionalized relationships with each other. This new trend towards greater common action was quickly demonstrated at the 1975 Dakar Conference of Developing Countries on Raw Materials, which laid down the principal guidelines of their co-ordinated action in the commodity field, and later that year by the Lima Conference of the Ministers of the Non-Aligned Countries, which agreed on a series of concrete measures to give backing to the various decisions taken at the previous meetings of the non-aligned, including the establishment of a Solidarity Fund for Economic and Social Development as well as a Special Fund for the Financing of Buffer Stocks.<sup>17</sup> The OPEC example and OPEC funds made it possible to advance many components of collective self-reliance enunciated in Algiers in 1973.

The NIEO negotiations gained prominence for the industrialized countries as oil diplomacy became progressively entangled with, and linked to, new economic order concerns, and as it became clear that the developing countries would maintain their group bargaining stance and insist on an integrated approach to current problems. The Seventh Special Session of the General Assembly took place in this setting.<sup>18</sup>

The proceedings and outcomes of the seventh special session demonstrated not so much that countries have changed their positions on the economic objectives they pursue and the instrumentalities of economic organization they prefer, but that the developed countries are now willing to address a wider array of problems and possible solutions than in the past, and that the developing countries are prepared to forgo consideration of certain topics which, if raised, were sure to lead to further acrimony, for the sake of reaching consensus on other, less controversial issues.<sup>19</sup> The session, in fact, indicated considerable divergence among the industrialized countries, some being quite supportive of Third World demands. But the major and most powerful among them generally refuted the notion that the world was embarked on the establishment of a NIEO; they maintained as their chief objective the preservation of the essential characteristics of the post-Second World War international economic order and resisted an integrated and structural approach to these issues, preferring incremental, fragmented and compensatory

measures. Yet even these came prepared with substantive and, in some cases, substantial proposals and counterproposals. In short, the proceedings benefited from a commitment to negotiate and acknowledged that the market-oriented international economy needs to be adapted to new circumstances, including the reality of Third World countries' capabilities to create instability and uncertainty in international economic relations. It is this commitment to negotiate that led to the optimism at the close of the seventh special session and to the feeling that, after a standstill of more than a decade, development diplomacy was newly energized.

The seventh special session discussed the parameters of future policy options and established broad guidelines for specific measures to be negotiated subsequently. It is thus one component, or perhaps a threshold, in a more encompassing and longer-term process of negotiations. That this process will be a difficult and frustrating one, and that many of the old weaknesses and characteristics of international development negotiations will persist was clearly shown by the subsequent events at the Paris conference, which has yet to commence concrete negotiations, and at UNCTAD 4. Yet the feeling that things have changed has also been maintained. UNCTAD 4 was a clear sign that a new phase in international co-operation for development and in the relations between developed and developing countries has been entered, one in which it is increasingly likely that operational meaning will be given to the NIEO policy framework.<sup>20</sup>

In concluding, we should note that soon after having been formulated, the concept of a NIEO began to acquire a much broader meaning than that reflected in the resolutions of the sixth special session. It now also subsumes the institutional restructuring of the United Nations system to meet the requirements of building a new international economic order. But if this is to be effective, it also implies certain changes in the Bretton Woods institutions and GATT, which have been at the base of the 'old' international economic system. Moreover, the current state of NIEO negotiations reflects only one aspect of such an order, that concerning the politics and structures of economic relations between the North and the South. Yet the concept must eventually also subsume domestic structural change in the developed and the developing countries alike, without which transition to any new international economic order will be difficult and incomplete. The allocation of power, income and wealth domestically, and even general patterns of development and life-styles are all intimately linked to the structure of the international economy (and vice versa). Because they belong to the sensitive area of 'national jurisdiction' and because they threaten entrenched interests everywhere, they have been touched upon only perfunctorily in intergovernmental debates so far. For example, the seventh special session of the General Assembly skimmed over them, thus not adhering to one of its original assignments, namely, to examine new concepts and dimensions of development. These issues, however, cannot be long avoided. The conceptual foundations for such a global perspective are evolving,<sup>21</sup> and the concerns it encompasses are becoming increasingly politicized and gradually sur-

facing into intergovernmental deliberations. Perhaps the redefinition of the International Development Strategy for the 1980s will offer an opportunity for these new and vital questions to be considered. Only when this issue linkage is achieved will the international community be on the path of a truly integrated and comprehensive approach toward a New International Economic Order.

### Notes

- <sup>1</sup> General Assembly Resolution 1707 (XVI).
- <sup>2</sup> For the text of the Cairo Declaration see UN/Doc.A/5162.
- <sup>3</sup> General Assembly Resolution 1710 (XVI)
- <sup>4</sup> For the Final Act see *Proceedings of the United Nations Conference on Trade and Development*, Vol. 1, p. 3–65 (UN Publications Sales No. 64.II.B.11). In its concluding declaration, the Group of 77 called UNCTAD 1 ‘a significant step towards creating a new and just world economic order’, *ibid.*, p. 66.
- <sup>5</sup> For the decision creating UNCTAD see General Assembly Resolution 1995 (XIX).
- <sup>6</sup> For the ‘Joint Declaration of the Seventy Seven Developing Countries’, see *Proceedings*. . . , *op. cit.*, p. 67–8.
- <sup>7</sup> In the context of development diplomacy the developed countries have used the term ‘negotiations’ to denote processes that result in binding agreements among States and are based on a *quid pro quo*, i.e. exchange of mutually equilibrated concessions. Deliberation, consultation, debate, dialogue, and other such terms have been used by them for standard United Nations processes that result in resolutions and recommendations of a legally non-binding nature. This interpretation was at least partly due to their preference for such ‘negotiating’ and ‘technical’ bodies as GATT and IMF, which were less politicized and where they could better control the situation.
- <sup>8</sup> For the results of UNCTAD 2 see *Proceedings of the United Nations Conference on Trade and Development, Second Session (New Delhi, February 1–March 29, 1968)*, Vol. 1 (UN Publications Sales No. E.68.II.D.14); for the results of UNCTAD 3 see *Proceedings of the United Nations Conference on Trade and Development, Third Session (Santiago de Chile, 13 April–21 May, 1972)*, Vol. 1 (UN Publications Sales No. 73.II.D.4).
- <sup>9</sup> During this time, the work of UNCTAD also resulted in new studies, data, and argumentation supportive of Third World claims and often contrary to the views and outputs of other international economic organizations like GATT, IMF and IBRD. This body of literature was essential for the developing countries for it gave them a systematic basis on which to challenge the postulates and given truths of the established order. Moreover, other forms of joint action by the developing countries crystallized and grew. The documents adopted by the ministerial meetings of the Group of 77 and by the summits of the non-aligned represented statements of their purpose and aims. (For the ‘Charter of Algiers’ see UNCTAD Document TD/38; for the Declaration and ‘Principles of the Action Programme of Lima’ see TD/143. See also the ‘Declaration of Non-Alignment and Economic Progress’, adopted by the Third Summit of Non-Aligned, Lusaka, 1970.)
- <sup>10</sup> See ‘International Development Strategy for the Second United Nations Development Decade’, General Assembly Resolution 2626 (XXV).
- <sup>11</sup> See the ‘Economic Declaration and the Action Programme for Economic Cooperation of the Fourth Conference of Heads of State and Government of Non-Aligned Countries’, A/9330. Note that the summit identified the exercise of national sovereignty over natural resources as well as national control over private foreign investment in developing countries as the principal means for these countries to effect changes in their relations with the developed world. The summit also set in motion an institutional process designed to strengthen the self-reliant action of developing countries and implement certain aspects of the ‘new international economic order’ framework.
- <sup>12</sup> See General Assembly Resolution 3172 (XXVII).
- <sup>13</sup> In the context of manœuvrings concerning the oil price rise, and in a move to neutralize the French initiative to convene a world energy conference under United Nations auspices as well as American efforts to organize the oil-importing countries, Algeria, chairman of

## Notes (continued)

the Non-Aligned, called for the convening of the special session of the General Assembly. (Note that the Special Session called for in the above mentioned General Assembly Resolution 3172 (XXVII) consequently became the seventh special session.)

- <sup>14</sup> See General Assembly Resolutions 3201 (S-VI) and 3202(S-VI).
- <sup>15</sup> For the text of the Charter see General Assembly Resolution 3281 (XXIX).
- <sup>16</sup> While the sixth special session adopted its decisions without a vote, the developed countries expressed a large number of reservations. On the charter, most developed countries felt that it was unbalanced and voted against it or abstained.
- <sup>17</sup> For the Dakar Declaration see UN/Doc. E/AC.62/6. For the results of the Lima Conference see A/10217.
- <sup>18</sup> We discuss this elsewhere in greater detail; see our article, 'On the Creation of a New International Economic Order: Issue Linkage and the Seventh Special Session of the UN General Assembly', *International Organization*, spring 1976, p. 309-45.
- <sup>19</sup> For the results of the seventh special session see General Assembly Resolution 3362 (S-VII). For the follow-up decisions on the review of its results see General Assembly Resolution 3506 (XXX), and on the linking of Paris negotiations to ongoing process in the United Nations, General Assembly Resolution 3515 (XXX). See also the Lima Declaration and Plan of Action on Industrial Development and Co-operation adopted by the Second General Conference of UNIDO in March 1975 (UNIDO/Doc. ID/CONF.3/31).
- <sup>20</sup> For the Manila Declaration and the Programme of Action adopted by the Ministerial Meeting of the Group of 77 in preparation for UNCTAD 4, see UNCTAD/Document TD/195. For the outcomes of the fourth United Nations Conference on Trade and Develop-

ment, see TD/217. In the words of one observer at UNCTAD 4: 'The developed countries now do realize that they must treat development issues in a spirit of enlightened self-interest, and that they must consequently submit concrete and negotiable reactions to the policy initiative of the Third World. The developing countries are now aware that a new meaning and dimension of interdependence has greatly enhanced their bargaining capacity.' The fact that the developed countries felt they could no longer take a passive stance towards the demands of the Group of 77 represented an important break with previous UNCTAD encounters. Moreover, while the major developed countries reiterated their reservations on the integrated programme for commodities, sixteen other developed market economy countries welcomed it as offering a prospect of 'new and more equitable relationships' between North and South. It is of course also the case that the major proposal put forth by a developed country—the natural resources bank idea suggested by the United States—is entirely compatible with a liberal, market rational approach to issues of economic development. Thus, there exists significant discontinuity from the UNCTAD norm in that major proposals were put forward by developed countries and that there was an open difference of view in their group *vis-à-vis* the demands of the Group of 77, but much less so in the character of preferred instruments of international economic organization and management.

- <sup>21</sup> For an example of the new concerns see the Co-coyoc Declaration of the UNEP/UNCTAD Symposium on Patterns of Resource Use, Environment and Development Strategies, in UN/Doc. A/C.2/292; and 'What Now? Another Development', *Development Dialogue*, 1975.



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