

## **THE THIRD WORLD'S ECONOMIC PREDICAMENT AND THE QUEST FOR A NEW INTERNATIONAL ECONOMIC ORDER: A CRITICAL ANALYSIS**

### **Introduction**

The collapse of the socialist system in 1991 paved the way for the complete domination of the world economy by the capitalist system spearheaded by the US. It is a system that confers immense advantage to the developed capitalist countries in the North and penalises the less developed countries (LDCs) of the South. With their superior technology and advanced capital, the developed countries have continued to derive maximum benefits from world trade while at the same time the economies of the South have continued to stagnate or even retrogress.

While the liberal school, mainly made up of Western scholars, believes that endogenous factors such as mismanagement, planlessness, and political instability are responsible for the economic woes of the LDCs, the Neo-Marxist school, popularly known as the Dependency School, argues that the integration of the economies of the less developed countries into the world capitalist system accounts for the economic backwardness of the former. Consequently, the Dependency School, made up mostly of scholars of the South, such as Bade Onimode, Gunder Frank, and Immanuel Wallerstein, initially prescribed that the South should pull out of the world capitalist system in order to arrest the stagnation of their economies. But faced with the realities of the growing interdependence among nations, the Dependency School later took a less radical approach by advocating a restructuring of the international capitalist system in the interest of the less developed countries.

It was against this background that the less developed countries in 1974 came up with a number of demands for creating a New International Economic Order (NIEO). Although the developed

countries have not acceded to a sweeping reform of the present world economic order, the demands provide a food for thought for reforms that may come in the distant future. The problem addressed in this paper relates to the nationalistic spirit that informed the demand for a NIEO on the one hand, and the lack of unity and political will among the Third World states in collectively bringing pressure to bear on the Western powers to make substantial concessions, on the other.

### **Background of the Demand for a NIEO**

It is common knowledge that the bulk of the earth's resources have for centuries remained under the firm control of the developed capitalist countries. The eventual colonization of the Third World countries provided them with a leeway to further tighten their grips on the earth's resources through the forceful incorporation of the Third World economies into the world capitalist system. Under the system, the Third World has been consigned to the periphery from where surplus flows perpetually to the core (advanced) countries. Evidently frustrated about this trend, Gunder Frank, a Third World dependency theorist from Latin America, laments the domination of the whole world by only thirty developed countries<sup>2</sup>.

Indeed, the integration of the Third World economies into the world capitalist system has been largely responsible for the stagnation of the Third World economies and the dwindling of their sovereignty<sup>3</sup>. It has put them in a vicious circle of underdevelopment and poverty. Thus, Onimode argues that the advanced capitalist countries have been able to perpetuate the asymmetrical relationship between them and the Third World through such mechanisms as foreign investment and the so-called free international trade, and even violence<sup>4</sup>.

Besides, the Bretton Woods institutions - the International Monetary Fund (IMF) and the World Bank - have been manipulated to achieve the selfish goals of the developed capitalist countries<sup>5</sup>. Thus, the Third World could be said to have been re-colonized by the bourgeois countries of the West through the IMF and the World Bank. In view of this, Hyland argues that:

... the short run stabilization tools of the type routinely applied by the International Monetary Fund (IMF) and other orthodox practitioners can easily have undesirable effects in poor countries because there are important structural features of their economies that the usual models leave out<sup>6</sup>.

The lending policies of these agencies have been designed to trick less developed countries into a 'debt-trap' so that they will remain subservient to the Western powers<sup>7</sup>. The developed countries have not only been discriminating against the primary products of the less developed countries, they have also formed the habit of dictating prices of these products in the world market.

It is in the face of this dilemma that the LDCs have been calling for a NIEO under which the wealth of the earth will be redistributed equitably. The agitation received the attention of the Sixth Special Session of the United Nations General Assembly in 1974, where the Group of 77, spearheaded by OPEC members, adopted a Declaration and Action Programme on the Establishment of a NIEO. The declaration embodied the following:

- (1) the right of the LDCs to form producer associations;
- (2) linkage of commodity export prices to the prices of manufactured exports from developed countries;
- (3) the right of LDCs to nationalize foreign enterprises and gain sovereignty over their natural resources; and
- (4) the formulation of rules to regulate the multinational corporations.<sup>8</sup>

These objectives were on December 12, 1974 adopted by the General Assembly of the United Nations in the form of a Charter of Economic Rights and Duties of States<sup>9</sup>. Further negotiations between the poor countries of the South and the rich countries of the North culminated in what has come to be popularly known as the "North-South dialogue", otherwise known as Conference on International Economic Co-operation, IEC, in Paris in 1975. Although the dialogue has not been fruitful, it has pointed to the urgent need to review the current international trade and payment system among nations.

The demand for a NIEO underscores the importance of interdependence among nations. Interdependence in this case is not

seen as a means for drawing the sharp teeth of sovereignty since sovereignty cannot be absolute in a world of growing interdependence. Rather, it is meant to enhance the opportunity for obtaining maximum concessions from those states that possess a disproportionate share of the world's wealth and power. Thus the principal purpose of the new economic order as envisaged by the LDCs is not to consolidate an interdependence that progressively restricts the freedom of action of all States. The 1975 Lima Declaration of Non-Aligned Countries asserted that true interdependence must reflect unequivocally the common commitment to build a NIEO for the common good of all States.

### **Globalization and Regional Initiatives**

The collapse of the General Agreement on Tariffs and Trade (GATT) in the later part of the 1990s created room for the emergence of the World Trade Organisation (WTO) to ensure freer and fairer international trade through a drastic reduction of tariffs and the removal of other trade barriers. GATT was doomed from its inception in 1948 since the then Eastern bloc and a number of less developed countries refused to sign the principles setting it up. But like GATT, WTO is already being criticized for being at the beck and call of the USA. The arguments and counter arguments on this matter still rage on.

The economies of the Third World Countries have come under severe pressure as a result of the international competition arising from the globalization phenomenon now sweeping across the whole world. With their poor infrastructure, lack of capital for productive investment, and insufficient skilled manpower, the Third World Countries are more than ever before faced with enormous challenges as the crusading globalization process has completely exposed the vulnerability of their economies. In apparent reaction to this unpalatable development, the Third World Countries have started taking initiatives to cushion the negative impacts of globalization and to work towards achieving sustainable development.

In Africa, the establishment of the African Union in place of the Organisation of African Unity (OAU) is meant to provide an

avenue for pooling resources of the African states towards addressing the peculiar problems of the continent with concerted efforts. The African Union (AU) is purely an African initiative aimed at breaking out of the vicious circle of poverty and underdevelopment that has plagued the continent since the early 1960s.

As if the formation of the African Union is not enough, Africa has proceeded to establish the New Partnership for Africa's Development (NEPAD). NEPAD is a merger of the Millennium Partnership for the African Recovery Programme (MAP) and the OMEGA plan. The initiative dates back to 1999. The main objectives of NEPAD are to:

- (1) eradicate widespread and severe poverty;
- (2) promote accelerated growth and sustainable development; and
- (3) halt the marginalization of Africa in the globalization process<sup>10</sup>.

All these initiatives could go a long way in liberating Africa and the rest of the Third World from decades of marginalization and poverty. The initiatives can also help Africa and the Third World in general to grapple with the challenges of globalization. It is hoped that ultimately, their quest for an equitable world economic order could be achieved.

### **The Specific Demands of the LDCs**

Specific demands were made by the LDCs for fashioning out a NIEO that would adequately take cognizance of their peculiar problems and interests. Gilpin has put these demands precisely as follows:

- (1) Measures that would increase Third World control over their own economies, especially their natural resources;
- (2) Agreements to maintain and increase their purchasing power and to improve the terms of trade for their raw material exports;
- (3) Enactment of a code of conduct increasing their control over the multi-national corporations within their own borders;

- (4) Reductions in the cost of Western technology and increase in its availability;
- (5) Increase in the flow and liberalization of foreign aid;
- (6) Alleviation of the LDCs debt problems;
- (7) Preferential treatment and greater access for LDC manufactured goods in developed markets; and
- (8) Greater power in decision - making in the IMF, World Bank, United Nations, and other international organizations, thus making these institutions more responsive to LDCs' needs<sup>11</sup>.

Judging from the nature of the demands, the goal of the LDCs is not to overthrow the capitalist system, but to bring about drastic structural reforms in the world economy. The demands are geared towards "policy and institutional reforms that would make the international economic system operate to the advantage of the less developed countries and enlarge their role in running the system"<sup>12</sup>. Essentially, the LDCs would want the operations of the world economy to reflect their development needs.

### **Reactions of the Developed Countries to the LDCs' Demand for a NIEO**

On the whole, the reaction of the developed countries to the demand of the LDCs for a NIEO has, predictably, not been favourable. There have been varied and conflicting responses from the Western powers. Some of the Western powers that are favourably disposed to the demand for a NIEO have in collaboration with the LDCs vehemently called for changes in the rules governing international trade, the monetary system, and other matters relating to the world economy that are crucial to the interests of the LDCs. For instance, some developed countries have lent support to the agitation of the LDCs for changes in the composition of world bodies, especially the United Nations, the World Bank, and the IMF, that would create room for the LDCs to exert greater influence on the management of the world economy and its regimes.

Despite the numerous international conferences that were held, especially in the mid - 1980s, to take concrete steps towards reforms in the world economy in favour of the LDCs, no significant

progress has been made. Thus, the world economy anchored on the international capitalist system has remained unchanged. Unfortunately, decades of unsuccessful attempts to persuade the industrial capitalist countries to initiate reforms of the present trade and payments system have kept many millions of people in poverty.

The failure to create a NIEO is not only due to the intransigence of the Western powers; the attitude of various less developed countries is also contributory to the failure. The factors responsible for the break down of the North-South dialogue and hence, the non-actualization of the envisaged NIEO are four-fold.

One is the developed world. Despite the rhetorical acquiescence of some developed countries to the need for reformulating the world economic order, none of them has shown sincere commitment to the goals and objectives of the envisioned NIEO. The United States is in the forefront of the developed countries that are reluctant to make the required concessions that would pave the way for a NIEO. The US has described the demands as unworkable and antithetical to the ideals of a free market economy.

Second, paradoxically, the LDCs that are clamouring for a NIEO are divided on the issue, and therefore, unable to speak with one voice. For example, the Oil Producing and Exporting Countries (OPEC) whose economies are relatively strong have not sufficiently identified with the poorer non-OPEC member countries of the South in the struggle for a NIEO. The OPEC member countries, basking in their wealth, seem to be preoccupied with development programmes at home rather than commit their resources to what may appear to them as an altruistic goal.

Third, the divide and rule strategy of the Western powers is really working against the LDCs on this, as on other issues. Thus, the Third World countries remain divided. A fundamental reason for the persistence of this division is that the ruling elites in most Third World nations find it to their advantage to obey the existing rules formulated by the industrial capitalist countries rather than attempt to forge a new order in the interest of the majority of their population. Not surprisingly, despite their rhetorical denunciations

of the policies of the Western nations, these ruling elites resort to violent repression of their own people rather than accede to popular demands for a fundamental change that would guarantee an equitable distribution of resources among the earth's inhabitants<sup>13</sup>.

Fourth, since the 1970s, astronomical "rise in world petroleum prices [has] had a devastating impact on non-oil producing countries, particularly those in the Third world"<sup>14</sup>. The sharp increases in petroleum prices raised the import bills of the non-oil producing LDCs. This triggered a world-wide economic recession resulting in a drastic reduction in the world demand for the commodity exports of the LDCs. Consequent upon all these problems, the zeal and bargaining power of the LDCs for a NIEO has all but come to a halt.

### **Recommendations**

1. For the foreseeable future, the developed countries are not likely to make any significant concessions for the enthronement of a new world economic order. Therefore, the LDCs must brace up to the challenges of economic and technological development so that they can attempt to catch up with the developed countries.
2. Arising from the above point, the LDCs have to put their "house" in order by eliminating such problems as culture rigidity, outmoded method of agricultural production, and political instability.
3. A stable democratic rule to guarantee peace and order is a necessary condition for economic and technological development. And so, the Third World must drive towards entrenching lasting democracy in their societies.
4. The export-led strategy reminiscent of that of the Asian tigers is what the Third world needs to strengthen their economies so as to be in a position to influence the operations of the world economy.
5. Regional economic groupings should be strengthened among the less developed countries to promote trade among them, and to exert strong bargaining power against the Western

powers. Such regional economic blocs should also help to promote the production of complementary rather than competitive commodity products among the Third World states. This would then provide an avenue for the LDCs to pool resources needed for rapid economic and technological development.

### Summary and Conclusion

The paper traces the economic predicament of the Third World countries to the forceful incorporation of their economies into the world capitalist system at a premature stage. The unequal exchange between the North and the South in the international capitalist system has put the South in a dependent position.

Under the system, the world economy is structured into two: (1) the metropolitan countries which monopolize the earth's resources; and (2) the peripheral countries from where surplus perpetually flows to the metropolitan countries. Through the instrumentalities of free international trade, aid, and multinational corporations, the metropolitan countries have been able to perpetuate this asymmetrical relationship decades after the end of colonial subjugation of the less developed countries.

The dependent status of the LDCs has put them in a serious economic predicament. Among other things, it has put them in a vicious circle of underdevelopment and poverty, making it impossible for them to develop their economies due mainly to inadequate capital and trained manpower requirements. The attempt to augment their domestic resources through external borrowing has only deepened their dependency as they ended up accumulating debts that cannot be repaid in the foreseeable future. This has perpetuated their subservience to the creditor nations.

It was in the face of this predicament that the Group of 77, representing all the LDCs of the world, persuaded the Sixth Special Session of the United Nations Assembly in 1974 to adopt a Declaration and Action Programme on the establishment of a NIEO in the interest of the LDCs. This was a bold step towards getting the Western powers to make substantial concessions in the area of

favourable prices for the commodity exports of the LDCs, and also to strengthen the LDCs' representation in the World Bank, IMF, and the UNO. The response of the Western powers to these demands has been generally unfavourable. Although the effort of the LDCs towards formulating a NIEO has failed, it has nevertheless pointed to the urgent need to redress the imbalance between the North and the South.

Given the uncompromising position of the Western powers, a radical restructuring of the present world economic order does not seem feasible. Much of the task of creating a world economy favourable to the LDCs lies with the LDCs themselves. This would involve undertaking drastic economic reforms in their societies, adopting the export-led strategy to maximize foreign exchange earnings crucially needed for economic development, and most importantly, strengthening regional and sub-regional economic interactions among themselves. All this should go a long way in mitigating the disastrous consequences of the Western dominance of the present international capitalist system for the economies of the LDCs.

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