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Globalizing Embedded Liberalism: Some Lessons for the WTO's 'Development' Round

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Abstract

Over the past four decades, efforts have been made at the United Nations to overcome the asymmetrical structure of world trade and generalize the concentrated distribution of benefits from participation in the trading system. Where previously member governments of the Non-Aligned Movement and the Group of 77 developing countries made use of the genuinely multilateral auspices of the United Nations General Assembly to advance this cause, they must now fully engage the rich nations at the World Trade Organization (WTO). But what does the historical record show of their initial forays to reform the General Agreement on Tariffs and Trade (GATT) through acting upon their declaration of a New International Economic Order (NIEO)? Are there lessons all parties concerned with the fate of the so-called Doha 'Development' Round of trade negotiations can learn from revisiting our old friend? This piece sets out to answer these questions. After analyzing the first United Nations Development Decade (UNDD) and sketching its clear lack of success in terms of achieving its objectives, I explore the Second UNDD and the bundling and re-branding of prescriptions for development into the NIEO package with particular emphasis on its recommendations for world trade. The paper then outlines the general failings of the initiative, and develops a present-oriented analysis of the NIEO that demonstrates its ongoing relevance. In conclusion, an argument is made that the NIEO is not a relic. It can form the foundation of a comprehensive alternative policy frame to reform global governance in the interest of transcending the trading system's evident misery maintenance trends and attaining a more just world order.

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CIEC	Conference on International Economic Cooperation
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
G-77	Group of 77 Developing Countries at the United Nations
G-20+	Group of Twenty-plus Developing Nations at Cancun, 2003
ECLA	Economic Commission for Latin America
ECDC	Economic Cooperation Amongst Developing Countries
ECOSOC	Economic and Social Council
HLAG	High-Level Advisory Group to the Group of 77
ISI	Import-Substituting Industrialization
IPC	Integrated Programme for Commodities
IDS	International Development Strategy
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
IPE	International Political Economy
ITO	International Trade Organization
LDC	Least-Developed Countries
LIEO	Liberal International Economic Order
MFDN	Most-Favoured Developing Nation Principle
MFN	Most-Favoured Nation Principle
MTN	Multilateral Trade Negotiations
MNE	Multinational Enterprise
NAM	Non-Aligned Movement
NIC	Newly Industrialized Country
NIEO	New International Economic Order
NTB	Non-Tariff Barrier
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
TINA	‘There is No Alternative’
TNC	Transnational Corporation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDD	United Nations Development Decade
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
UNY	United Nations Yearbook
USD	United States Dollars
WTO	World Trade Organization

Introductory Context

In 1961 in the midst of the Cold War, the President of the United States, John F. Kennedy, took action to rectify the inequality of opportunity developing states* were experiencing in the post-war liberal international economic order (LIEO). President Kennedy called for a focus on development at the United Nations.[1] The ensuing United Nations Development Decade (UNDD) built upon his call, and demonstrated that developed states** were willing to entertain ideas about changes to the order such as those advocated by UN Economic Commission for Latin America economist Raul Prebisch, Secretary General U Thant, and by many developing world governments. The readiness to accommodate negotiations on the means to economic development evident at the UN was not, however, generalized to a key element of the LIEO that the South sought to restructure: the world trading system. Multilateral Trade Negotiations (MTN) driven by the parties to the General Agreement on Tariffs and Trade (GATT) had failed to produce substantive results on development issues, and this trend continued through the end of the UNDD.

Subsequent to the inauspicious close of the First Decade, a Second UNDD and an International Development Strategy (IDS) for the 1970s were adopted by the General Assembly. Policymakers in the developed world remained willing to engage development issues at the UN. For their part, countries in the South continued to seek an equitable

*In this paper, the term 'developing states' is used interchangeably with the 'Third World' or the 'South'. They were constituted politically at the United Nations in 1964 as the Group of 77 Developing or 'post-colonial' countries. The Third World was also given voice by the majority of the Non-Aligned Movement member states.

**The term 'Developed states' is used interchangeably with the 'First World' and the 'North'. The industrialized welfare states in Europe and North America along with post-war Japan constituted this group. Consequently, these countries are also referred to as the Organization for Economic Cooperation and Development (OECD) states as 'developed' countries were members of the OECD, and 'developing' countries such as Turkey and Mexico had not yet been admitted to the organization in the period under consideration.

footing in the world economy that had been designed and managed by the North through advocating the restructuring of the order and the governance and performance of world trade in particular. In 1973, as the Tokyo Round of MTN was launched and its development foci articulated, the Third World sought to invigorate the development movement and hasten the realization of equitable relations through bundling and rebranding their objectives in a radical package of prescriptions for a New International Economic Order (NIEO). The NIEO package was comprehensively presented in the Resolutions supported by the Group of 77 Developing Countries and the Socialist Bloc at the UN General Assembly's Sixth Special Session of May 1974 concerning the Declaration and Programme of Action for the establishment a New International Economic Order.[2] These Resolutions sought to plan the world economy anew and rectify the shortcomings of the GATT through an alternative policy frame. They came at a time when the Organization for Petroleum Exporting Countries (OPEC) price raises demonstrated the ongoing dissatisfaction in the South with the asymmetrical distribution of the old order's benefits.

The Third World's new understanding that the development issue was indivisible was viewed by developed states as being subversive of the established economic order. This fact, coupled with the impression of Third World power OPEC's moves had fostered, enabled development to be considered as an issue of high politics in the North. Governments there attempted to direct negotiations toward a rapprochement on their own terms in order to contain the demands for a new order *within* the existing regime and maintain the legitimacy of the old order. They believed that this would mitigate the costs of change they would incur while salvaging existing economic structures. The North agreed with ends of the NIEO – reforming global governance – but challenged the means articulated in the all-encompassing NIEO package through their subsequent pursuit of functional, issue-specific negotiations in multiple fora.

Following the NIEO Resolutions of 1974, a further Resolution endorsing *elements* of the NIEO action plan was adopted by consensus at the Seventh Special Session in September 1975. More conciliatory North-South discourses on specific topics in the aftermath of this Session were initially viewed as high points of cooperation in the Second UNDD that was otherwise geo-politically and economically crisis-ridden. Over the remainder of the Decade, however, ideas regarding the specific means to facilitate development in the post-colonial world polarized in the North, and between the North and an increasingly heterogeneous and less overtly powerful Southern bloc. The NIEO package was not attained in the divisive and drawn-out multilateral processes that ensued and as it faded, the momentum for the realization of development objectives it had bestowed on the Tokyo Round was also lost.

At the dawn of the 1980s, United Nations staffers tasked with international economic cooperation and development concluded that short-term crisis management had superseded the multilateral package and processes that had aimed to embed the structures of the world economy in a regime that would function equitably for all states.[3] Shortly thereafter at the Cancun Summit on International Development, President Reagan unilaterally pronounced that the NIEO package had arrived at the dead letter office.

Argument:

This study on ideas and institutions in international political economy (IPE) examines the roots of the NIEO movement to generalize equitable interstate economic relations. It provides an historical account of negotiating positions and progress on the topic. While the NIEO was an all-encompassing development package concerning trade, the monetary system, aid flows, industrialization, agriculture, technological diffusion, and UN reform, particular emphasis in this work is placed on the South's prescriptions for the functioning of the world trading system. Trade was an integral part of the Third World's package for equitable economic relations between states, and here, the NIEO vision for trade is contrasted with the current model for its governance. Through detailing the theoretical and empirical roots of understandings driving the South's objectives on the topic, the understandings and prescriptions themselves, the history of North-South negotiations, and the failure of the GATT to accommodate aspirations for development, the historical context of current debates in the Doha 'Development' Round of the World Trade Organization (WTO) is established, and contrasts with today are enabled. Given the recent multilateral impasse at the WTO's Fifth Ministerial Conference in Cancun, and realities of economic development that in many parts of the Third World fall short of levels that led to their initial foray to restructure the world economy and globalize the phenomenon John Ruggie has coined "embedded liberalism,"[4] it is determined that the NIEO prescriptions for the trading system continue to be relevant components of an alternative governance model.

A brief note on sources: both the documentary record of the NIEO and the scholarly literature related to it are vast. An edited collection of documents produced by the United Nations Institute for Training and Research (UNITAR) on the topic provides an excellent overview regarding the former (Moss &Winton 1976). Texts of NIEO and related Resolutions of the General Assembly are readily available in the United Nations Yearbooks (UNY). Bibliographies of the more analytical output can be found in Jagdish Bhagwati (1977), Robert Cox (1979), and Bhagwati & Ruggie (1984).

Embedded Liberalism, Crises & the United Nations Development Decade

By the dawn of the 1960s, many Third World States had realized that fundamental changes in interstate economic relations and a generalization to all states of the embedded liberal bargain[5] in multilateral negotiations on the world economy were necessary for the levels of economic development evident in socially inclusive welfare states to become the norm. A confluence of factors led to this realization, and to the ultimate articulation of the NIEO policy cocktail to transcend the evident limitations.

This section proceeds by setting the context for understanding the momentum for change that led to the NIEO prescriptions of the 1970s. It briefly describes embedded liberalism and explains how the benefits of this developed world-centric order were not generalized to the developing countries. The failure of the parties to the GATT to effectively accommodate economic development issues in multilateral trade negotiations is then outlined. Subsequently, the pre-eminent theses of the time on Third World economic development and its relation to world trade are detailed, as are the moves that were made to institutionalize these theses in new fora. The 1st United Nations Development Decade is then sketched, including its roots, objectives, and the UN Conference on Trade and Development. The numerous shortcomings of the Decade in terms of realizing its aims and the scant progress on the trade and development nexus evident at the GATT are observed to bring the section to a close.

Embedded Liberalism: **The Developed World's 'International' Regime**

To view the NIEO objectives in their proper context, we must first understand how developing world governments that were not part of the Soviet bloc conceived economic development in general – how did they envision it? In short, the idea that levels of economic development evident in industrialized welfare states were to serve as a model for Third World governments to aspire to was prominent in the immediate postwar period through the early post-colonial years, and was widely shared by governments of the South.[6] Full employment and other equity-oriented goals evident in the domestic policies of developed states were also attractive to governments in developing countries. As time passed, the new social compacts in the North that exuded these goals came to be associated with aggregate economic successes: the 1948-1973 period "saw the most rapid, most widespread and most even rate of economic growth recorded in all modern history" (Kaldor 1989). Per capita incomes grew, and the South sought to emulate Northern achievements on this front.

For developing world governments aspiring to the models, however, the harsh reality was that the developed states were not simply models: they had constructed the post-war international regime for their own benefit. According to Jeffrey Hart, an international regime is a "set of mutual expectations, rules and regulations, plans, organizational energies and financial commitments," that have been built and accepted by a group of states (Hart 1983: 32). Mirroring Hart's definition, the institutions of the international regime for the management of the world economy designed by the major powers at Bretton Woods, New Hampshire in 1944, and its interim trading arm, the GATT, were accompanied by a shared social vision: a political commitment to the progressive, interventionist welfare state (Howse 2002: 97). This explicit bargain was not primarily about the regulation of domestic polities or what today would be referred to as top-down global governance. Rather, it was about embedding a liberal international economic order such that the increasing economic interactions amongst the major economic powers facilitated through the liberalizing order would be compatible with the social objectives their governments defined (Ruggie & Gosovic 1976). What exactly the bargain necessitated was brought home by a group of leading economists in prominent report to the Trilateral Commission (Cooper et al. 1977). For them,

> if a liberal regime of goods, services, and capital trade [was] to be reconciled with social functions of welfare states in interdependence, continuing efforts at cooperation and consultation [were] necessary.
>
> Richard Cooper et al., Toward a Renovated International System

One ideological component of this regime – that mutual gains were to be had by all participants in the order (Bhagwati 1984: 23) – became controversial as Third World states realized that the order's designers and boosters had remained its principal beneficiaries. Developing states did not believe that the LIEO was universally beneficent or even truly international. In particular, Third World actors cited what they deemed to be the highly problematic and exclusive trade liberalization processes under the auspices of the GATT [see below]. Many in the South claimed that there were barriers to their entry in new markets, and that these barriers were to be found in the structures of world trade, and also in the domestic trade policies of Northern states and the governance of the multilateral trading system. They sought reform.

The Failure to Accommodate Development at the GATT

The GATT had been built by the major industrial countries independently of the World Bank and International Monetary Fund, the two pillars of the post-war economy designed at Bretton Woods. It was intended to be a short-term instrument for the governance of the multilateral trading system as it was not as comprehensive in scope, or inclusive of states, as a failed third pillar of the post-war order: the International Trade Organization (ITO).[7] The encompassing nature of the ITO had been set out in the Havana

Charter of 1948. This document mandated the organization to achieve the stabilization of prices and revenues for primary producers and ensure that trade liberalization would serve full employment goals (Drache 2003: 15). Subsequent to the failure of the United States Congress to ratify the ITO, and the demise of the initiative that stemmed from this, truncated governance of the multilateral trading system was realized through the GATT. Socially oriented features of the ITO such as fair labour standards (Charnovitz 1995: 171) and the commodity initiative were jettisoned from the general agreement. However, in the less comprehensive trading regime that was constructed, the embedded liberal goal of ensuring that trade liberalization would not trump expanding social compacts was nearly actualized by the major developed country parties to the agreement. These countries championed two achievements of the GATT: (i) the fact that it introduced the concept of a rule of law in world trade within which states could achieve their domestic social objectives, and (ii) that it provided a forum where trade disputes could be resolved (Prebisch 1964: 27). They also considered the GATT's record on tariff reductions to be notably successful.

The benefits of a trading system that purported to be compatible with social initiatives were, however, largely delimited to parties that were already industrialized. GATT processes were primarily about countries negotiating market access for their goods (UNDP 2003: 3) in other countries on a reciprocal basis and were rooted in a common ideological vision that freer and more predictable world trade would facilitate economic expansion. The GATT itself made no distinction between developed and developing countries, and thus assumed that all countries would equally benefit from the freeing of markets in a rules-based context (Prebisch 1964: 29). Yet the GATT had enshrined many legitimate exceptions to these rules. The assumption of an equality of condition between countries that had recently achieved political independence, and major industrial countries, coupled with a lack of strict compliance with the agreement's liberalizing principles in the North, and the North's protectionist use of exemptions, ensured that the GATT's 'successes' were less efficacious for developing countries.[8] Additionally, many developing countries were not parties to the general agreement or were bit players in MTN, and this too worked against the GATT's usefulness for the South.

By the late 1950s limited efforts commenced at the GATT to improve the trading regime's performance for Third World countries. In November 1958, for example, a programme for the coordinated expansion of trade was undertaken that consisted of moves to reduce tariffs, increase agricultural trade, and address barriers to entry in Northern markets faced by the Least-Developed Countries (LDCs). Beyond the articulation of ideals, further evidence that development issues were to be accommodated in an activist GATT agenda was nonetheless wanting. One GATT committee struck that year – the committee on trade and payments – demonstrated this disconnect. The committee elaborated an inequity in the trading system when they concluded that the foreign exchange receipts of developing countries would continue to depend on sales of primary products for quite some time.[9] Nonetheless, GATT processes were not focussed on rectifying this structural asymmetry. Those seeking change believed that this was the case because the GATT remained wedded to the idea that all countries would benefit from reciprocal liberalizations. In their eyes, this excluded the policies necessary to transcend asymmetries, and they increasingly acted in other multilateral fora to drive development onto the agenda of the world economy as the shortcomings of the GATT were revealed.

Nearly a decade earlier, in his work for the Economic Commission for Latin America, Raul Prebisch comprehensively articulated one of the painful realities. He noted that:

> the price relation turned steadily against primary production from the 1870s through the Second World War. With the same amount of primary products, only 63% of the finished manufactures which could be bought in the 1860s were to be had in the 1930s. In other words, an average of 58.6% more primary products was needed to buy the same amount of finished manufactures.
>
> Raul Prebisch, *The Economic Development of Latin America*, 1950: 8.

The inaction at the MTN on this matter, and development generally, gave impetus to a burgeoning new movement.

Southern Perspectives on Development Come of Age

The above quote from Raul Prebisch summarizes the reality of declining terms of trade and its implications for the economic development of countries slotted into the world economy as primary product exporters. Prebisch and his cadre at the Economic Commission for Latin America sought to describe and change this component of the North-South divide.[10] Ideological accounts have often portrayed these economists as being opposed to trade. In reality, they wanted institutions of global governance reformed to better address the asymmetrical distribution of the trading system's benefits. Subsequent to the initial articulation of their thesis in the early 1950s, it became highly influential within the UN system – so much so that even Secretary General U Thant confirmed Prebisch's position. Thant noted that the declining terms of trade trend in developing countries that relied upon high value-added imports while specializing in the export of primary products had continued through the 1950s, a decade in which prices for commodities had also fluctuated wildly (Thant 1962). In the main, this tendency impeded the ability of Third World governments to earn foreign exchange through trade that was sufficient to balance their current accounts. The Prebisch-inspired School believed that developing countries could transcend their status as 'low value-added ghettos' through raising real income: either by productivity increases, or by facilitating an increase in income per person engaged in primary production relative to the income in the countries that imported part of that production (Prebisch 1950: 43). Political discourse at the international level on asymmetrical world trade that was rooted in economic analysis and aimed at the betterment of conditions in the Third World resulted. The thesis became a significant polemical device in international negotiations (Prebisch 1979), in spite of the assault Harry Johnson and other Northern free trade theorists continued to wage on its 'validity' (Johnson 1967: 249).

One prominent ramification of the Prebisch thesis was the counter to traditional trade theory and the arguments based upon it that its comprehensive historical analysis of the position of developing countries in the trading system enabled. Traditional theory had built upon the works of David Ricardo and it purported to show that states benefited when they specialized at exporting their relatively cheapest good and avoided intervening in the markets they sanctioned (UNDP 2003). Adherents to this idea of specialization based upon comparative advantage believed that trade liberalization worked toward the equalization of factor prices and incomes worldwide.[11] In stark contrast, Prebisch-inspired economists explained that the pursuit of comparative advantage exacerbated inequality. According to Prebisch himself, Ricardian theorists believing in the beneficence of their own theory were erroneous (Prebisch 1964: 6). The economists Prebisch inspired noted that international inequalities of income had been increasing for a long time, and were still increasing despite the ongoing multilateral processes aimed at liberalizing trade (Myrdal: 277). For them, the traditional theory of international trade did not reflect the lived experience of the average person in the Third World. The declining relative incomes these poor people experienced, and the relation of this decline to the poor terms of trade faced by the poor states they lived in, were off the radar of classical trade theorists.

The old theory also did not seek to explain or understand the principal effect of trade on developing countries in colonial times: the promotion of primary product specialization with unskilled labour. Gunnar Myrdal, one of Prebisch's contemporaries, demonstrated that traditional theory was unable to show the reality that international trade bred inequality more strongly when substantial inequalities were already established (Myrdal: 282). Consequently, the historical analysis of inequality that emanated from these two, and their distinguished peers such as Nicholas Kaldor and Stephen Hymer [see below], fuelled advocacy for its redress. Their analysis not only provided a counter to Ricardian theory, but also challenged the political arguments nominally based upon it, through revealing the inherent biases in the progressive liberalization of world trade absent a new policy for development.

These economic theories also opposed the stages model regarding the means to the economic development of states that shot to prominence in the North. Walt Rostow produced the definitive statement of a stages theory of modernization in his work <u>Stages of Economic Growth: A Non-Communist Manifesto</u>.[12] He attempted to demonstrate that developing countries could take-off into a self-sustaining stage of economic growth. Rostow understood that Southern countries could do this if they embraced modernity and integrated with the developed world through mimicking their institutions, expanding their exports, and liberalizing their trade and investment flows generally. Northern governments acknowledged this powerful logic for increasing integration, and many arguments were made in these states in favour of modernization theory forming the basis of a 'beneficent' international policy. Governments in the developing world drew upon historical analyses to counteract the North's newfound interest in their 'well-being'.

For example, the theories associated with Prebisch and the development economists were embraced by Southern states as they pursued the development of their national economies. Economic theories falling under this category were considered to be a powerful explanation of the structural obstacles Southern states faced, and they became implicated in the Third World's growing advocacy for, and frequent adoption of, import substituting approaches to industrialization (ISI). Economists such as Myrdal had noted that all countries that industrialized after Britain did so with the aid of selectively applied protective "tariffs that were high enough to induce a substitution of home-produced goods for imports."[13] For him, countries that successfully industrialized imposed tariffs that were only as high as necessary for the development of viable national industries. Policymakers in the South increasingly followed the Northern example of selectively protecting industries.

A further theoretical rationale for ISI was Myrdal's principle of 'circular and cumulative causation.' He explained that success led to further success in the industrialization of states *and* within particular sectors of industry. Myrdal showed that developed countries had external and internal economies on the basis of a widely diversified industrial foundation, and their established enterprises had firm holds on markets, as well as built up trade connections, and research and development advantages (Myrdal: 66). Consequently, new entrants in individual industries, and at the level of states, would under-perform relative to those already having established strong economies of scale in the absence of policies to overcome asymmetries. The idea that there were increasing returns for established industries and traders fuelled ISI-modelled policy options in the Third World, though the extent to which the application of ISI approaches furthered the cause of economic development or reflected the theories remains contentious today.[14]

Prebisch's impact in the South helped build momentum that led actors worldwide to address post-colonial international relations and the questions of development at the United Nations as the 1960s dawned. Cooperation amongst Southern governments would seal the new understanding that change was necessary.

The Roots and Goals of the 1st United Nations Development Decade (UNDD)

An initial foray to stabilize commodity prices at the UN in mid-1950s was one of the first multilateral instances of the problems of Third World development motivating Northern concern. The General Assembly's adoption of Resolution 1423 on the topic indicated that the major industrialized states would have to deal with a new force in the interstate system: Southern cooperation. Emerging cooperative capacity was also evident in the Non-Aligned Movement (NAM), a multilateral forum not beholden to either the US or Soviet-led blocs, and composed of twenty-nine mainly Third World governments that affirmed "the role of the UN as an engine [for their] political and economic liberation."[15] The teamwork phenomenon stimulated awareness of the South amongst

Northern governments in an entirely new way: it was only in this period that the "very idea that developed countries should show special consideration for [the] welfare and economic development of" developing countries originated (Myrdal 1971).

At the dawn of the 1960s, the interstate system expanded as former colonies attained the independence of their political institutions. In 1960, eighteen of these new states became members of the UN, and this growth trend constituted another inducement for the developed states to think about the redress of the historic injustices they had perpetuated against the Third World. Secretary General U Thant described these wrongs when he highlighted that:

> the primary motive of the colonial power in developing the natural resources of a colony was it's own commercial profit. Consequently, the greater part of the wealth obtained from the colony went into the pockets of colonial investors.
>
> United Nations Secretary General,
> U Thant, William's College Commencement Speech, 1962

Shortly after Thant's accession to the position of Secretary General in late 1961, in the wake of Kennedy's call for a UNDD, the General Assembly enshrined the desirability of economic development in the South with its endorsement of the UNDD proposal. The North was prepared to commence a discourse with the South on 'new' issues and topics that they had previously considered to be peripheral to interstate relations, and on the old understandings and practices in fora such as the GATT.

On 9 July 1962, the UN Secretariat sent a proposal for the specific plans and targets it had formulated for the Decade to the Economic and Social Council (ECOSOC). The two principal aims of the UNDD outlined therein were (i) to increase the rate of aggregate economic growth in all states to a minimum of 5% by the end of the 1960s, and

(ii) to achieve a 1% per annum transfer of the GNP of developed states to the Third World in the form of public aid flows.

Three Resolutions of the General Assembly were adopted to achieve these aims and rectify other impediments to Third World development.[16] Market access barriers developing countries faced when they attempted to trade with Northern countries were the subject matter of Resolution 1707 (XVI). A "prompt undertaking to facilitate the expansion of trade of the developing countries…and [to achieve] the extension by economically developed countries to the less developed countries of advantages not necessarily requiring full reciprocity" of commitments, was mandated by the Secretary General, and codified in this Resolution (Thant 1962: 76). Resolution 1710 (XVI), articulated the programme for economic cooperation for the 1960s – the first International Development Strategy (IDS). In addition to the principal aims of the Decade, 1710 called on members to pursue policies designed to ensure the developing countries an equitable share of the earnings from the extraction and marketing of their natural resources. The Resolution sought self-sustaining growth of the economies of individual Southern states, and social advancement within those states. A third Resolution [1803 (XVII)] expanded on the issue of natural resources, and affirmed the principle of nationalization as means of securing permanent sovereignty over their national (natural) resources.

The Non-Aligned Movement's objective to make the UN the key agency for economic development and reform of the institutional framework of world trade continued to be acted upon by the developing world as a whole during the subsequent UNDD. These states commenced collective work to better their structural position in the world economy at the launch of the Decade. At the Cairo Conference on the Problems of Economic Development in July 1962, Southern governments worked effectively as a bloc for the first time in a major North-South multilateral forum. Their efforts paved the way for the Economic and Social Council to ask the General Assembly to endorse a preparatory committee for the establishment of a permanent arm of the Assembly: a conference on trade and development (Sauvant 1981). A Brazilian document[17] that raised the spectre that export gains would not be generalized within the existing framework of world trade was influential in the lead-up to the General Assembly's endorsement of the United Nations Conference on Trade and Development (UNCTAD) on 8 December that year. Southern solidarity evident during the subsequent preparatory for UNCTAD continued to build as seventy-five developing countries issued a joint statement at the General Assembly in December 1963 (UNY 1963). This statement emanated their new understanding to cooperate and stand together in the service of development.

As the first UNCTAD played out in the spring of 1964, the South affirmed their collective solidarity[18] and its purposes in the Joint Declaration of the 77. They noted that the UNCTAD was an event of historic significance in the quest to reform the GATT and establish a new international order. In their view, the Conference had only been an initial step toward "an international endorsement of a new trade policy for development."[19] They considered the Conference to be only preliminary, as they believed that its progress in each of the major fields of economic development was inadequate or incommensurate with their essential requirements. What was remarkable about their political cohesion was that it was constructed notwithstanding the different economic performances, political systems, approaches to the issues, and varying needs exhibited by individual countries

(Sewell 1977). While only 5 of 27 principles were agreed unanimously at UNCTAD, and Southern solidarity was tested, "they emerged from it with greater unity and strength" (Joint Declaration, Section V.7). The group regarded this unity as the outstanding feature of the Conference, though another exceptional feature was US intransigence. The United States alone voted against the principle of sovereign equality, the pledge to narrow the gap between standards of living in the North and South, and the objectives of increasing export earnings of developing states and diversifying their trade (Johnson 1967: 251). Though clear divergences in North-South positions on reforming the trading system led to the lack of unanimity on the rest of the general and specific principles, one major concession was garnered largely through Third World solidarity. Proceedings aimed to achieve non-reciprocal duty free access to Northern markets for designated Southern products within a Generalized System of Preferences (GSP) were initiated. More intensive functional international cooperation on the trade and development nexus had been launched. The Joint Declaration summed up this fact, and their general aims. It stated:

> [The Conference] marks the beginning of a new era in the evolution of international cooperation in the field of trade and development. Such cooperation must serve as a decisive instrument for ending the division of the world into areas of affluence and intolerable poverty. This task is the outstanding challenge of our times. The injustice and neglect of centuries need to be redressed. The developing countries are united in their resolve to continue to quest for such redress and look to the entire international community for understanding and support in this endeavour.
>
> Joint Declaration of the 77, Section VI.10, 15 June 1964

In the wake of UNCTAD, institutions to accommodate development objectives continued to be built through mid-Decade. An activist UNCTAD Secretariat under the helm of Raul Prebisch built its network from Geneva, and the UN Industrial

Development Organization (UNIDO) and the UN Institute for Training and Development (UNITAR) were established. Additionally, in the October 1967 lead-up to the second UNCTAD, the Group of 77 developing countries of the General Assembly articulated their programme of action on North-South issues through the Charter of Algiers, further fuelling the move to address development outside of GATT auspices. It seemed that development was to be the subject of a new and highly prioritized international architecture.

The UNDD's Shortcomings: Unrealized Objectives

The success of the new institutions for development was decidedly mixed based upon the processes and results in terms of enacting changes they set out to effect. For example, the Second UNCTAD Conference in New Delhi was regarded as a failure by observers from the North *and* South. However, momentum for development continued to be built despite discouraging outcomes. Yet even this apparently strong drive for change had failed to speed progress toward development objectives: the UNDD's targets were not met, and substantive changes to GATT norms continued to be precluded to the detriment of the economies and peoples of the Third World.

First, advances on the UNDD's objective to increase levels of aggregate growth in the South were qualified. Aggregate growth did occur, but its impact in terms of stimulating economic development was reduced by an extensive population boom in the South; ongoing barriers to Southern imports in the developed world; and the fact that increases in per capita incomes in Northern countries continued to outperform similar increases in the South relatively, and absolutely (Thant 1966: 20). An example on the latter point was identified by Thant in his mid-decade report: between 1960-1962 per capita income in the developed countries increased by almost $100, while in the developing countries it increased by barely $5 (Thant 1966). The Secretary General believed that the self-defence of workers and the enlightened self-interest of employers that had progressively lessened the gap between the rich and poor in the developed world had to occur in the South, and he noted that planning had been ill-executed to service this objective *and* the first principal aim of the Decade generally.

As regards the second principal aim – increasing public financial aid flows – this objective fell short of the 1% of GNP expectation and was consequently declared a failure. U Thant identified developed states as the culprits: they had not used their wealth to facilitate the necessary financial transfers in his view. Other factors impeding the realization of the agenda included the ongoing crisis of financial resources at the UN; the proliferation 'hot' wars in the Third World during the so-called Cold War[20]; and the crisis in Vietnam – phenomena that Thant based his near-refusal of a Second term as Secretary General upon in 1966.

Scant Progress at the GATT

At the GATT, the development orientation for trade that was articulated in Resolution 1707 of the General Assembly in 1964 was formalized in a new chapter to the original articles of agreement concerning trade and development. GATT Article XVIII concerning Governmental Assistance for Economic Development recognized that developing countries needed to deviate from some trade disciplines to support their embryonic industries and rectify balance of payments difficulties. Despite this effort to accommodate development, non-reciprocal Northern reductions to the tariffs they imposed on Southern exporters attempting to enter their markets proved difficult for developed countries to implement through the GATT's Kennedy Round. This was the case as the trade issues that spilt into 'high' policymaking realms and preoccupied departments of international trade in the North were characteristically 'intra-North'. Disputes regarding the erosion of a ban on export subsidies, and reversions to discriminatory non-Article I [Most-Favoured Nation] compliant practices by major signatories, were prominent examples of this trend (Cooper 1972). Developed countries were engaged with their major trading partners on questions of compliance with the principle of reciprocal obligations. They were either unwilling or unable to apply similar vigor when addressing concessions on the applicability of the MFN principle to smaller trading partners, or non-parties to the agreement. As a result, progressive liberalization within the GATT failed to meet its objective of increasing access for exporters in the developing world to markets in the developed world. One consequence of this disappointing outcome was that the growth rate of poor countries' exports failed in all but one year to best the rates exhibited by the industrial countries or the world as a whole [see Figure 1].

Figure 1: Growth of World Exports, 1960-1970
Value of Trade, millions of $.

Year	World Exports	% Increase on Previous Year	Industrial Countries	% Increase on Previous Year	Developing Countries	% Increase on Previous Year
1960	119 199	-	73 168	-	28 572	-
1961	118 200	4.5	77 022	5.2	29 567	3.4
1962	124 400	5.2	82 184	6.7	29 284	-0.95
1963	135 500	8.9	90 581	10.2	30 649	4.7
1964	151 900	12.1	99 128	9.4	31 430	2.5
1965	164 700	8.4	107 620	8.6	33 329	6.0
1966	181 023	9.9	119 059	10.6	36 157	8.5
1967	190 261	5.1	126 188	6.0	36 767	1.7
1968	212 885	11.9	143 433	13.6	40 670	11.1
1969	244 059	14.6	171 150	19.3	49 150	20.8
1970	279 721	14.6	197 342	15.3	55 041	12.0

Source: Scammell 1980: 126. From OECD, 'The Growth of Output, 1960-70 (Paris: 1976)

Moreover, intra-sectoral trade and total trade volumes in general between the rich industrialized countries expanded to such an extent that the share of developing countries in world trade actually *shrunk* in the UNDD despite the GATT agenda that had been articulated. Developing countries, especially the poorest countries, experienced "a shrinking demand for their exports relative to the development of world trade" (Myrdal: 51). The following chart portrays the bleak reality that Myrdal observed:

Figure 2: Percentage Distribution of World Trade, 1955-1969

Exports to:		Developed Countries		Developing Countries		World	
From:	Commodity Class	1955	1969	1955	1969	1955	1969
Developed Countries	Primary Products	22.0	16.9	3.6	3.1	25.6	20.0
	Manufactures	33.6	48.4	17.7	13.1	51.3	61.5
	All Commodities	55.6	65.3	21.3	16.2	76.9	81.5
Developing Countries	Primary Products	16.7	12.3	3.2	2.2	19.9	14.5
	Manufactures	2.3	2.9	0.9	1.1	3.2	4.0
	All Commodities	19.0	15.2	4.1	3.3	23.1	18.5
World	Primary Products	38.7	29.2	6.8	5.3	45.5	34.5
	Manufactures	35.9	51.3	18.6	14.2	54.5	65.5
	All Commodities	74.6	80.5	25.4	19.5	100	100

Source: Scammell 1980: 128. From UN Monthly Bulletin of Statistics

An example on this point not captured by the above table was evident in world trade in clothing. The role developing countries played in this trade 'switched' over the course of the Decade and into the next. Poor countries moved from producing an export surplus of $0.14 billion in 1960, to purchasing $4.04 billion of net clothing imports in 1974, to the detriment of their domestic producers.[21] Based upon the empirical evidence, developing countries did not share in the benefits of trade liberalization under GATT auspices. They under-performed while flows within the North intensified.

Despite the misery maintenance the failings of the first UNDD and the multilateral trade negotiations fostered through leaving Third World peoples to navigate the biases of the old order, an institutional process supported by the majority of governments worldwide had been launched in the Decade. The international community had been shaken, and the ongoing development movement stirred things up yet again as the Decade closed and an International Development Strategy (IDS) for the 1970s was adopted.

The Second United Nations Development Decade

> Commercial policies of the developed countries are almost systematically rigged against the efforts of underdeveloped countries to rise out of underdevelopment.
>
> Gunnar Myrdal, *The Challenge of World Poverty*, 1970: p.294

As the rules Myrdal identified as “rigged” persisted into the 1970s, so to did the Third World’s movement to transcend them. This section outlines the principles of the Second United Nations Development Decade and the progress of international cooperation for economic development along two tracks in the Decade: the Southern-fuelled UN processes, and the Tokyo Round of the GATT. It commences by briefly sketching the objectives of the Second IDS, and then recounts the economic crises of the early decade. Subsequently, the re-branding and bundling of the South’s objectives into a complete package for a New International Economic Order (NIEO) based upon the central principles of equity, sovereign equality, interdependence, and common interest and cooperation amongst all states is elaborated (UNY 1974: Resolution 3201). The issues and the objectives that constituted the NIEO are then detailed. Next, a presentation is made of the objectives and issues that arose at the Algiers Non-Aligned Movement (NAM) Conference of September 1973 (Belovski 1973); at the launch of the Tokyo Round (Moss & Winton 1976); in the NIEO Resolutions of April-May 1974 and in the Charter of Economic Rights and Duties of States adopted that December (UNY 1974); and during the September 1975 Seventh Special Session[22] of the General Assembly. Following upon this, the focus is narrowed to provide an in-depth account of three issue-areas in the trading system that taken together were one component of the NIEO package for a more just world order.

The Second UNDD, Crises, and Two-Tracks for 'Development'

With the adoption of Resolution 2626 (XXV) by the General Assembly on 24 October 1970 the Second UNDD was launched. The IDS[23] articulated specific objectives for eliminating problems that had plagued the first Decade. It sought the reduction and elimination of duties and other non-tariff barriers (NTBs) in industrialized countries to imports in processed and semi-processed forms; called for a new order in the commodity trade; and made patents and the diffusion of technology a priority area for development discourse. Equitably functioning interstate economic structures were deemed to be preconditions for higher aggregate economic growth and development in Southern states. An implicit understanding running through the IDS was therefore evident: the world economy was not yet embedded in a regime that would allow Southern aspirations to be realized.

As the ink was drying on the IDS, the world economy was thrown into crisis through a unilateral move by the United States to sever the link between their dollar, which anchored the post-war monetary system, and gold. On 15 August 1971 the Nixon Administration abrogated the fixed dollar-gold parity as the amount of dollars (USD) out of the control of the US Federal Reserve System in Euro-currency markets had undermined confidence in the parity, and the value of the USD specifically. This forced a devaluation of USD holdings around the globe. The reality was that economic stagnation coupled with high inflation (termed 'stagflation') was rampant in the developed countries, and the consequences of an attempt to facilitate economic development [see below] were being felt around the globe. Monetary crises were afoot. Nevertheless, in this adverse context, the Group of 77 developing countries re-affirmed their approach to achieving the principal objectives of the IDS at UNCTAD III in Santiago, Chile in May 1972.[24] Third World governments considered monetary instability to be an unacceptable reason for progress on development questions to be precluded.

Jagdish Bhagwati has highlighted that subsequent to the Nixon shock the story of North-South relations in the Second Decade can be written in oil (Bhagwati 1984). Moves by a producer association, the Organization of Petroleum Exporting Countries (OPEC), to secure stable and more remunerative prices in 1973 thrust the political economy of oil to the centre of the development debate *and* high policymaking circles in developed countries. The OPEC strategy in 1973 was to emulate on an international scale the quotas that the US state of Texas had previously imposed on producers located there (Hart: 11).

While OPEC production quotas did not follow the Texas strategy in practice, what was clear by the end of that year was that world oil production was down, and the oil price had quadrupled.[25] As a result, the current account surpluses in major oil exporters increased over ten-fold on average. The combined impact of the redistribution of economic surplus to the major oil exporters, price inflation, and ongoing stagnation, slowed real aggregate growth in the industrial countries: it dropped to almost zero the following year (Hart: 12). OPEC's effect was so impressive that even cautious and meticulous observers in the developed world such as C. Fred Bergsten were alarmed that the "oil situation" was the prototype for future international relations (Bergsten: 1973: 110). Nonetheless, according to Sir Hans Singer, the inflationary effects of OPEC were short-lived, as prices declined and revenues for major exporters fell through 1975 (Singer: 1989).

OPEC embodied the Prebisch thesis, and beyond these impacts, its influence was evident amongst governments that had embraced the thesis, and in the space that it had opened for developmental considerations to be addressed multilaterally. In its wake, Third World elites moved to support a "globalization of OPEC" (Hart: 12) – not the commodity 'cartels' feared by northern observers – but producers' associations aimed at achieving stable and remunerative prices for all commodities of export interest to them. Southern leaders had directly benefited from OPEC's rapid successes. For one, OPEC had established a development fund for needy non-oil exporting countries through the World Bank.[26] In the South, OPEC infused the Decade with a new hope. Its role in terms of speeding the development agenda was pivotal.

A thrust for change emanated from the oil situation primarily because developed countries were divided in their responses to the oil shocks in 1973. The US preoccupation with subverting OPEC through a concerted strategy of non-OPEC solidarity, and the French desire for a more multilateral solution to the energy crisis, constituted a transatlantic rift in Northern unity on the matter (Ruggie & Gosovic 1976). In this context, it only took a gutsy move by a 'radical' OPEC leader and the Non-Aligned

Movement's President in 1973 to launch the energy debate into a full-blown review of raw materials and development at the multilateral level: Algeria made a request to UN Secretary General Kurt Waldheim for a Special Session of the General Assembly on the topic.[27] The divided Northern response to OPEC had allowed space for the interest of the majority of states to be asserted.

When the President of Algeria made his request to Kurt Waldheim in September 1973 it was evident that OPEC's moves had stimulated renewed concern with development along two distinct tracks: the UN-based multilateral processes, *and* at the GATT.

On the first track, the request of the Secretary General culminated the Non-Aligned Movement Conference of Heads of State and Government in Algiers (NAM IV). At Algiers (Belovski 1973), the Conferees sought a new beginning for the development movement. To make this movement more effectual they articulated a comprehensive new strategy. Conferees brought their objectives for development together in a single action programme for a New International Economic Order (NIEO). The NAM specified the principal organ through which Third World negotiating positions on the programme would be articulated: the Group of 77 (Sauvant 1981). In their eyes, the UN system was to be the primary site of agitation and negotiation for development. The action programme for the Group of 77 sought to transcend the shortcomings of the First UNDD; what the NAM deemed to be the "unsatisfactory implementation" of the prescriptions articulated at UNCTAD III; and importantly, the failures of the GATT to accommodate development. They believed that the second IDS could be salvaged and built upon through the progressive realization of a package that focused on each of the following issue-areas: trade, the monetary system, aid flows, industrialization, agriculture, the diffusion of technology, and reform of the UN's social and economic architecture. The NIEO thus mirrored objectives in the IDS and aired at UNCTAD such as the sovereignty of nations over their natural resources and control over foreign investment in their territories, and aimed to rise above ongoing impediments to development.

That same month, the Tokyo Round of the GATT was launched to re-legitimize the multilateral system of trade liberalization. In addition to the usual aim of increasing world trade, one of the principal foci for this Round of trade negotiations was development. Trade experts have often neglected this focal point in their accounts of Tokyo. The Tokyo negotiations were meant to be about 'development' insofar as they were open to countries that were not parties to the GATT, and according to one leading observer, the Round principally set out to achieve *fair* as opposed to simply 'free' trade (Winham 1984). In this light, the MTN were the second track of multilateral processes on development in the Second UNDD. Tokyo's development orientation was evident in six of the Declaration's objectives. These six objectives [see Box 1] were adopted unanimously and formed the foundation for evaluating progress on development in the Round.

Box 1: The Tokyo Objectives

#1 – Diversify Third World exports to improve terms of trade
#2 – Reduce or eliminate non-tariff barriers in the North to Southern imports
#3 – substantially increase the foreign exchange earnings of developing countries
#4 – improve the Generalized System of Preferences (GSP)
#5 – Accelerate and grow the South's share of world trade
#6 – The realization of **non-reciprocity** in conditions of trade between developing and developed countries

Source: Tokyo Declaration (1973)

Of note amongst these objectives was the principle of *non-reciprocity* in conditions of trade between developing and developed countries. Developed countries made a commitment to *not* expect reciprocal Southern concessions for any development-oriented concessions that they would be undertaking. The major trading partners agreed that their intention should be to reduce or remove their tariff and non-tariff barriers to developing world manufactures and agricultural produce. These states agreed in principle that the practice of tying development concessions to their own market access requests of developing countries was to be off-limits.

While the principle of non-reciprocity and the six objectives in general resonated with the Third World's NIEO discourse and built upon several points articulated in the Kennedy Round, some believed that they contradicted an existing GATT principle. As Martin Wolf described it, the GATT regime allowed the commercial policies of participating states to have four fundamental attributes: "non-discrimination, liberalism, stability, and transparency" (Bhagwati & Ruggie 1984: 204). The old policy frame's emphasis on non-discrimination was particularly difficult for free trade fundamentalists to square with the means to development sought in the Tokyo Declaration, and this worked against Tokyo's realization. These fundamentalists were predisposed to view development-oriented helping hands as illiberal, discriminatory wrongs, and their vociferous advocacy of GATT Article I was a strong counter to those seeking redress of asymmetries through differential and more favourable treatment.

As well, the regime governed by the old principles remained imbued with weak rules and structural biases that impeded the Tokyo objectives. As a system of rules for trade, the GATT's effectiveness was qualified by the existence of many exceptions to trade disciplines. Rules themselves were often only selectively adhered to by states, and while the GATT provided a forum for the redress of trade grievances arising from compliance issues, its prolonged negotiations were not conducive to the establishment of rules that would achieve universal adherence. New issues brought to bear by Southern states that were themselves marginalized at the MTN were thereby impaired. The pattern of international trade that had been established under the GATT in which developed states with similar demand structures [income] had become the best and the fastest growing trading partners was also a principal obstacle to the objectives.[28] Incentives for Northern-based firms to expand their trading relations to new frontiers were lacking in this context. Commitments to reform the GATT regime and trading practices that would allow for a generalization of embedded liberalism in the interest of the economic development of Southern states were thus encumbered at the outset of the MTN.

1974-1975: Bundling & Re-Branding Development Objectives into a NIEO

> Freedom of trade has been shown by both economic theory and economic history to be a powerful instrument for the generation of economic growth and the diffusion of capital accumulation and technical progress.
>
> Harry Johnson in J. Bhagwati (ed.) 1972: 171

Southern states understood that beliefs in free trade such as those Harry Johnson posited in the example reproduced above did not accurately represent the consequences of their interactions with the trading system. They sought a NIEO to overcome the evident disconnect between liberalizing beliefs and the actual practice of trade that they typically experienced as *illiberal* in their relations with industrialized states. The Third World also wanted to address the underperformance of development that had been facilitated through asymmetrical monetary relations, and missed targets for concessional aid flows. Additionally, they desired an improved diffusion of technologies and the benefits of science, as well as a greater share of industrial production that would not be a drain on their limited foreign exchange earnings, food and agricultural modernization, and reform of the ECOSOC.[29] Through bringing their objectives on these issues into one NIEO, the Third World asserted a new dawn. In today's terminology this move was a bundling and re-branding of Third World policy prescriptions for a more just world order.

The Group of 77 took the NIEO package from the Algiers NAM to the UN and declared the South's common cause for change. The package was articulated in a deliberately broad programme focusing on each of the above issue-areas at the Sixth Special Session of the UN General Assembly on Raw Materials and Development in April-May 1974 (UNY 1974: 305-357). What was remarkable about the Session was the Third World's solidarity in the face of "gloomy economic forecasts" UN experts disseminated for petroleum product importers in the context of the worldwide recession, declining tourism and aid flows that year (Ryan 2001). OPEC and the non-oil producing developing countries remained united behind the Algiers package, while developed countries and especially the Anglo-American governments stewed over the assertion of a 'new' world economic order. Secretary General Waldheim had previously articulated that the aims of the Special Session were to secure optimum use of the world's natural resources, and facilitate better conditions of social justice throughout the world. The G-77's programme sought to realize his aspirations by going far beyond the limited development agenda evident at the GATT. However, many of the proposals debated in the Session had been brought forward from the first UNDD. This was indicative of a stall in the development movement, as well as the Third World's new confidence that development could be made a top priority of governments worldwide.

At the conclusion of the Session on 1 May 1974, the General Assembly culminated negotiations for a rebirth of development when it adopted without full consensus the Declaration [Resolution 3201 (S-VI)] and Programme of Action for a New International Economic Order [Resolution 3202 (S-VI)]. The overall goal articulated in the Declaration was the elimination of historically structured and politically created socio-economic gaps between developed and developing countries. For its part, the Programme of Action built upon Algiers[30], and the issue-area receiving the most attention in it was the trading system. On this front, the achievement of full and permanent sovereignty of every state over its natural resources and the economic activities occurring in its territories was sought. Developing countries wanted more control over the foreign investments they received that were export-oriented and that relied on local primary resource inputs. As well, the Third World's desire to build associations of primary commodity producers (mirroring OPEC) that would lead to the attainment of stable and remunerative prices for their export commodities was elaborated. Here, an approach that integrated all commodities under one umbrella was advocated. A plan for the indexation of export prices with import prices to rectify terms of trade problems was also codified, along with a slew of other wishes regarding monetary issues, aid, industrialization, agriculture, technological diffusion, UN reform. Overall, the Third World governments sought to increase their foreign exchange earnings, and retain a greater share of those earnings.

As the Session closed, however, it was evident that both the Declaration and the Programme of Action would be of questionable legal force in the international system. They were simply non-binding Resolutions of the General Assembly. The historical record showed that these instruments generally required extensive state-based action if they were to be realized, and in this instance, states were divided on the desirability of the means to change elaborated in the Resolutions.

The following autumn, at the 29th Session of the General Assembly, the NIEO Resolutions were enshrined in a multilateral code of conduct for states regarding their economic relations. This code of conduct, The Charter of Economic Rights and Duties of States, was adopted in Resolution 3281 on 12 December 1974 (UNY 1974). The Charter articulated fifteen core principles that states were to adhere to in their interactions.[31] Rights were to be primarily for developing states, principally including: each state's right to full and permanent sovereignty over its natural resources, the right to regulate economic activities in their territory, and the right of states to form producers associations. Duties to not interfere with the rights of developing states seeking development were placed upon the developed states. According to Northern legal scholars, this disconnect was one aspect of the Charter's general departure from international legal norms.[32] Consequently, the Charter was controversial. Many developed states objected to it as they identified a lack of reciprocal Southern obligations and Northern rights within the Charter. However, four developed states including Sweden, Australia, Finland and New Zealand voted in favour of the Resolution, along with the G-77 bloc spearheaded by Algeria and Mexico. Only seven countries voted against the Charter prominently including the United States, Britain, and West Germany, though the lack of unanimity was enough to preclude the subsequent development of an enabling convention and binding enforcement mechanisms. Even so, the Charter's overwhelming approval built upon a growing impression in the North. In the context of the still-reeling world economy, First World governments and observers increasingly identified the 'power' of the Third World as a new reality. Canada, for example, not only recognized this power, but also agreed with the ends of the Charter.[33] The movement had made a significant impact on international relations.

Two months after the Charter's adoption, momentum for change continued to build as the Dakar Conference of Developing Countries on Raw Materials was convened to plan the implementation of the integrated programme for commodities (IPC), a core element of the NIEO Programme of Action. Proceedings took on an anti-colonial character that the subsequent Dakar Declaration reflected through its forceful manifesto on the shortcomings of the governance of trade, and its call for a counter-hegemonic ideology of collective self-reliance amongst Southern governments to overcome the biases they perceived in the trading system.[34] The Dakar Declaration coordinated the Group of 77's position on commodities [Box 2].

Box 2: The G-77 Commodity Programme

1) The creation of stocking and market engineering arrangements to achieve stable and remunerative prices for commodity exports.
2) The establishment of an agency or special fund for the financing of stocking and market engineering arrangements.
3) Improved compensation for fluctuations in export prices.
4) The establishment of a Council of Associations to oversee and coordinate the developing country producers' associations and exporters of raw materials.

Source: Dakar Declaration, 1975

At the United Nations Industrial Development Organization's (UNIDO) second general Conference held the following month in Lima, energy continued to build. It was to be an issue-specific North-South forum on industrialization. At Lima, however, fractious negotiations were dominated by the bundled development agenda. At its close, a Plan of Action on Industrial Development and Cooperation to create a new international division of labour through the redeployment of industry in the South was declared, but not before proceedings had been virtually monopolized by discourse on the commodity programme. The Third World held to their NIEO vision at the Conference. They had brought their concerns together into a package, and understood (insofar as their actions at Lima indicated) that the success of that package depended upon its indivisibility. The developing world's cohesion at UNIDO II fuelled the First World's perception of the Third World's solidaristic strength that had stemmed from the development discourse of the previous ten months. This impression was furthered at another major conference that April when the Conference on International Economic Cooperation or 'North-South Dialogue' commenced in Paris and the direction and continuity of the OPEC-led G-77 coalition was affirmed.

Changes in interstate economic relations flowed from the rapid succession of conferences subsequent to the General Assembly's adoption of the Charter. Jeffrey Hart has noted that adjustments in trade in commodities and foreign investment were initiated during this time, though there was scant progress on other aspects of the NIEO. Little or no headway was evident with respect to development assistance, debt relief, or trade in manufactures (Hart: 143). On the whole, the new understanding and practice of solidarity had advanced the Third World's cause, but the extent to which this step forward would effect a new economic order remained an open and contested question in the lead up to the September 1975 Seventh Special Session of the General Assembly.

Kurt Waldheim stated that this Special Session was to be about change, not about a smoother management of the status quo, and that the Session was to give political direction to international cooperation for development (UNY 1975). In the preparatory phase, developing countries realized that development issues were firmly on the North's agenda: they sensed that change was on the horizon. The Third World read into the North's more conciliatory stance a willingness to address their concerns, and made the tactical concession of narrowing the Session's agenda. Their cooperative gesture <u>struck</u> the controversial commodity programme from the G-77 working paper, thus unbundling the NIEO. Re-bundling proved to be highly problematic [see below].

Cooperative gestures notwithstanding, developed countries moved to contain the NIEO initiative, and they realized this objective through the limited Resolution on Development and International Cooperation that was adopted at the Special Session. Six issue-areas including non-commodity-related trade issues, aid flows, monetary reform, science & technology, restructuring the ECOSOC, and food & agriculture *were* dealt with in negotiations at the Session. Consensus was hashed out through a back-and-forth between the stripped-down G-77 paper and the US working paper. All states were keen to exert control over transnational economic forces, and all of the developed states – in spite of their differences – found that they could support the vague menu for a plethora of negotiations [Resolution 3362 (S-VII)] in the text: it was adopted unanimously (Ruggie & Gosovic 1976).

Notably, reforms endorsed in the Resolution squared with the US desire to maintain the structures of the post-war economic order. The United States held that they were unable to accept any implication that the world was embarked on the establishment of a NIEO. As the Resolution effectively broke the NIEO into functional bits through its prescriptions for future negotiations that would be designed around specific issues, the US wish appeared secure. While Third World bargaining power had increased, the multiplicity of development problems nestled under the umbrella of the NIEO had become unbundled. Seeds for further delays had thereby been sown.

Embedding the World Trading System

While the breadth of the NIEO programme precludes an in-depth analysis of all its components in the limited space available here, its recommendations for the trading system merit a closer look. OPEC's impact moved trade into high policymaking circles, and the NIEO attempted to transcend the GATT's narrow foci in this context and bring development to the centre of the trading system. Beyond the facilitation of greater South-South trade flows, prescriptions for the trading system brought forward by the Third World are generally understood to have fallen under three categories: those relating to (i) rectifying terms of trade difficulties and the achievement of remunerative prices and price stability for commodity exports; (ii) the achievement of non-reciprocal market-access concessions in developed countries for manufactures and semi-finished goods from the South; and (iii) the implications of Transnational Corporations (TNCs) for development and the creation of an international regime to regulate their activities. The empirical realities and theoretical rationales fuelling NIEO proposals on these three interconnected issue areas are explained below, and brief commentary on the ‘‘Track 1’ negotiating processes on each theme is offered.

While proposals on these topics did not originate at the Algiers NAM, it is useful to consider them in light of the unique context the NIEO provided. As part of a holistic programme to restructure the world economy and globalize embedded liberalism, proposals for the trading system took on an appearance of importance far greater than they had previously enjoyed. As negotiations played out in fractured fora and stalled, however, the realization of the programme as a whole was precluded in the Second UNDD. Credible theoretical and empirical cases for change were not addressed.

Commodities: Stable and Remunerative Prices & Bettering Terms of Trade

Third World states seeking development had to navigate the empirical realities of commodity price volatility and declining terms of trade. Regarding the former, volatile prices for commodities were a principal feature of the world economy. Prices declined precipitously in the 1930s, leading to disastrous implications both for direct producers and for states that relied upon the export of only a few commodities to earn foreign exchange (Singer 1989). They continued to fluctuate within a wide range throughout the post-war era, and in the immediate aftermath of the OPEC price raises in 1973 commodity prices soared. Prices of coffee, for example, went from 140 to 560 US cents per kilo, while copper spiked up to $3000 USD per ton (Sewell 1980: Statistical Appendix). This speculative boom was the result of traders engaging in one of their typical practices in uncertain times: the flight to ‘safety’. They used commodities such as coffee, tea, and sugar as hedges against their exposure in other investments in the context of the US abrogation of the dollar-gold parity and subsequent recession (Kaldor 1983).

Afterwards, commodity prices crashed, and direct producers of staples were once again subjected to the very visible fallout of' 'free' markets.

Realities of price instability and the problems associated with it for direct producers and commodity exporting Third World governments were exacerbated by a further empirical condition: the declining terms of trade of primary commodities. Between 1951 and 1965 terms of trade of primary commodities fell by over 25%. The purchasing power primary commodity exports afforded developing states continued to decline, causing serious balance of payments problems in many of these states. This trend was confirmed at the end of the Second UNDD by the Managing Director of the IMF in a statement to the Fund's Board of Governors that noted "that the deterioration of terms of trade and higher interest charges were the sole cause for the large rise in the current-account deficit of the non-oil [producing] developing countries" (Sewell 1980).

The lessened dependence of industrialized countries on primary commodity imports from the Third World exacerbated the asymmetry outlined above. Specialization in primary products was becoming entirely inconsistent with development, as the major markets imported fewer raw materials including oil during the Development Decades, while increasingly importing manufactures from *each other*.[35] Sources of the developing world's savings included income from non-export sectors, capital flows from the North and OPEC, and profits in exports. A major source of their savings was therefore diminishing in relative terms (Taylor 1987: 173). Kurt Waldheim highlighted the injustice of these declining prospects for the Third World. He pleaded:

> it is not right that the 70% of the world's population which produces a large proportion of the raw materials, should have to subsist on only 30% of the world's available income. All the more unfair is that roughly one hundred of the poorest countries are…becoming poorer…[some] in absolute terms.
>
> UN Secretary General Kurt Waldheim, in the *Challenge of Peace*

Major theoretical rationales for engineering markets to transcend these evident shortcomings were described in the first chapter, though a brief elaboration of some points made by another eminent contemporary of Prebisch, Nicholas Kaldor, are required to set the context for the NIEO proposals aimed at rectifying the commodity issue. Kaldor showed that the efficiency of commodity markets depended upon traders' beliefs in the long run stability in the 'normal price' of each commodity (Kaldor 1989: 88). Based upon this, he argued that the creation of managed buffer stocks for the stabilization of commodity prices was essential for sustained economic expansion and the prevention of speculative price inflation akin to the OPEC bubble.

Kaldor's theory was not simply oriented toward the stabilization of prices; he also sought their improvement. In addition to his economic argument for market engineering, he, like Prebisch, focused on the impact of productivity increases in production chains on the income secured by the original producers. Kaldor explained that the increasing value added to primary commodities by fabrication, transportation, and distribution took up a steadily rising proportion of the final price of the average commodity. In the context of imperfect competition or monopoly conditions amongst processors and distributors, this trend tended to diminish the percentage of the final price reaching the direct producer. Thus Kaldor identified the central causes of declining terms of trade and sought their rectification.

The first widespread action on commodities predated the Prebisch School. It was undertaken in the 1930s, when most countries introduced schemes for securing remunerative and stable prices for producers of their main agricultural crops.[36] These policies for commodity price stabilization at increased levels were not undertaken by states collectively and therefore can not be considered to be a multilateral precedent for action on commodities. Nonetheless, John Maynard Keynes *had* developed a solution to the stability issue that he intended to be the model for multilateralism. He sought an international agency to stabilize the commodity trade and root a global currency based upon the average price of thirty commodities. Keynes proposal was not taken up in the subsequent Resolutions of the General Assembly on the matter, nor during the ensuing decades during which the objectives of these Resolutions were not met, as his scheme did not surface until the mid-1970s. It took the concerted action of the governments of Jamaica, Mexico, Peru, Venezuela, and Algeria, along with the UNCTAD Secretariat, to spearhead a movement for change aimed at overcoming the multilateral stall on commodities. The President of Mexico justified the actions of Southern leaders. He noted:

> a profound change is needed in international economic relations [or we] will continue being captive to international exploitation, being paid for our raw materials, and our exports in general, at extremely low prices. This is the key to the matter.
>
> Luis Echeverria, President of Mexico, from Jeffrey Hart: p.96.

The principal means through which the NIEO leaders sought to improve the issue of stability and declining purchasing power were the aforementioned (i) giant stabilization programme (IPC) for eighteen commodities of special export interest to developing countries articulated at the Dakar Conference concerning the integrated management of commodity agreements[37] that were themselves stockpiling and market engineering arrangements to regulate supply and achieve stable and higher prices; (ii) Common Fund to finance the stocking arrangements of commodity agreements and imbue commodity arrangements with a development focus; and (iii) the indexation of primary export prices to those of imported goods through the direct adjustment of a commodity's price in relation to a group of manufactures or through financial transfers from North to South within a specific commodity agreement.

Each of the means above was highly contested in negotiations that followed the Seventh Special Session. Commencing with UNCTAD IV, when the G-77 attempted to launch the IPC, it was clear that functional international cooperation on these matters would consume vast quantities of time and resources. While there were some points of agreement between the North & South on the need to realize the means, such as the belief the Scandinavian countries, Australia and New Zealand shared and propounded on the necessity of the Common Fund, positions on the *entire package* for stable and remunerative prices and improved terms of trade polarized as the Decade wore on. The North came to view the scope of the IPC as being unwieldy and uneconomic. Understandings about the purpose of the Common Fund diverged to such an extent that New School economist and professor of international cooperation and development Lance Taylor described negotiations on this topic that finally led to an agreement in 1980 as a 'fiasco'. Regarding price indexation, the United States, for one, argued that it would stimulate worldwide inflation and proposals on this front bogged down. Fractal negotiations, and negotiating positions, led to inconsistent, undesirable results [see Section 3].

Market Access Concessions & the Principle of Non-Reciprocity

According to Richard Cooper, by the Second UNDD an empirical reality of world trade was that the commodity composition and geographical pattern of trade had changed: toward manufactures in the former, and industrial countries in the latter. This reality was captured by statistics. Between 1960 and 1977, developed countries increased the manufactured component of their exports from 67.5% to 76.3%, outperforming the developing countries that were only able to increase manufactured exports from 14 to 19.1% (Sewell 1980). All states increased their exports of manufactures relative to primary goods, though they did so differentially, and with the serious developmental implications highlighted earlier. Over this same period there was a tenfold increase in the absolute amount of trade volumes, while *developed* countries increased their share of expanded world trade from 66.7% to 67.1% (Sewell 1980). First World countries were trading more manufactures, and they continued to trade mostly amongst themselves.

Within this highly concentrated milieu a debate about how tariff and non-tariff barriers in the North to Southern manufactures, semi-manufactures, and agricultural products were to be overcome played out. Developing countries noted that the protectionist trade policies of the Rich countries enabled them to take advantage of the economies of scale [discussed below] their structural position in the world economy afforded their firms. The detrimental impact of these policies on the prospects for Southern export development was so extensive that Northern economists such as Cooper noted that "it was difficult to see how growth [in the South could] continue without a rapid increase in exports of manufactures, from the third world as a whole" (Cooper 1971). However, not all Northern voices were as empathetic on this front. For example,

C. Fred Bergsten believed that the "Third World could create additional economic difficulties in the industrialized world by deliberately cutting the prices of their manufactured exports" (Bergsten 1973). Reactionary takes on the necessity of change continued to be aired.

While most states sought to rectify market access problems Southern exporters faced in the North, building upon a general trend in the NIEO debate, the means to a better world were controversial. According to John Ruggie, the disagreement on the way to resolve this issue was a matter of principle. A fundamental building block of the world trading system, the reciprocity principle, was the root of the matter. This principle was classically defended as the guarantor of progressive trade liberalization and economic growth. It purportedly held out a carrot of increased market access to exporters; a carrot that promised to mitigate the painful adjustment to reduced protections through its promise of growth. Many Northern economists and influential trade policymakers stuck with the belief that reciprocal liberalizations would bring gains to all when faced with the evidence of ongoing barriers to market access in the North experienced by Southern producers. To cite Richard Cooper again:

> the Rich may have done a great disservice to the poor by giving up the principle of reciprocity so that the poor can enjoy the benefits of tariff reductions in the rich countries without having to 'give up' anything in return.
>
> Richard Cooper, "Third World Tariff Tangle", *Foreign Policy*, 4, 1971.

GATT Article I enshrined the reciprocity principle, and professionals such as Cooper continued to consider it to be the road to worldwide prosperity.

Many economists in developing countries, and social democratic policy advocates in the North, embraced a fundamentally different principle. They believed that the extension of a principle of *non-reciprocity* in negotiations with the North was a way toward effectively transcending underdevelopment. Gunnar Myrdal referred to this principle as a needed "double standard of morality in commercial policy," for once a "double standard to the advantage of the weak and not the strong" (Myrdal: 294). Those adhering to the principle of non-reciprocity claimed that theoretical defences of the reciprocity principle assumed a level playing field in interstate trading relations. For them, trade was in fact asymmetrical in terms of the distribution of opportunities it afforded, and the benefits that it made available to participants. In their understanding, preferential and more favourable treatment was not simply desirable, but a necessity mandated by the Tokyo Declaration.

Disagreement on the need for reciprocity did not, however, preclude agreement between the North and South on the need to increase market access in the North to exports from the South through building upon the Generalized System of Preferences. While Northern states were generally wary of a "Most-Favoured Developing Nation principle" or the idea that 'reciprocity' should not govern negotiations amongst non-equals such as Jan Tinbergen advocated in his Report to the Club of Rome in 1977, they found the GSP to be desirable (Tinbergen 1977). One possible explanation is that the GSP did not present a fundamental challenge to the centrality of the reciprocity principle to the trading system. This preferential arrangement was contained within existing economic structures: the entire system of trade flows and barriers and their ramifications. Thus, the GSP constituted much less of a 'threat' to established, protected interests in the major partners than the development-positive structural adjustment that would result with the adoption of the principle of non-reciprocity.[38]

In the aftermath of the Seventh Special Session positions on which reciprocity principle was to be adhered to diverged further, and this led subsequent negotiations to emanate compromise wording on the topic (Ruggie & Gosovic 1976). The developed countries claimed that they were not prepared to go beyond the objectives articulated in the Tokyo Declaration (Hart: 55). It must be noted, however, that one of the Declaration's specific objectives was to achieve preferential and more favourable treatment. Developing countries had the backing of multilateral mandates to continue to press for non-reciprocity. Yet conflict on this matter did not preclude one minor agreement. All embraced the principle of 'standstill' on the intensification of non-tariff barriers to Southern exports in the North. Divergence on the larger issue of principle continued through the end of the Second UNDD, impeding the realization of the Tokyo objectives and Southern aspirations articulated in the NIEO and elsewhere.

Toward the Global Governance of Transnational Firms

According to the United Nations Institute for Training and Research, the principal point of contention between transnational corporations and Southern states in the Second UNDD was *control*. Specifically, who was to exercise it? Was it to be sovereign states, or nominally private, foreign entities?

The empirical reality was that governments in developing countries relied upon the activities of Northern-based TNCs to a large extent in their quests for savings and economic development. Virtually all facets of foreign exchange procurement – the road to savings and economic development as it was defined at the time – involved interaction with powerfully positioned transnationals. These firms controlled markets, technology and access to technology, the means to transport goods, and access to credit & other financial products (Lozoya & Green 1980). At UNCTAD III, the Mexican leadership provided a succinct articulation of the necessity of TNCs, and also the problems with them, demonstrating their grasp of a topic of central importance to the Third World.[39]

In the context of reliance, Southern governments also understood that the operations of TNCs invariably threw-up barriers to the entry of their firms in new markets. Transnationals were more than simply tough competitors for Southern corporations, in addition to their position of control, TNCs had scale-economies, high technological capacities, and the ability to avoid taxation through making below-cost intra-firm sales to subsidiaries in low-taxation zones thus avoiding taxes in areas of higher taxation through a transfer of prices (Helleiner 1987). These facts worked against competition from new Southern entrants. Further barriers to Southern participation in the world economy included the phenomena of price fixing and price manipulation that were evident in the discriminatory shipping rates and access to credit Third World governments and their firms faced (Streeten 1987).

Whether they were trying to develop their economies domestically through buying abroad, or through trying to increase their aggregate sales in the world economy, governments in the South could not claim to have reasonable control over the process. The independence of political institutions in the South had clearly not fostered economic independence their on this front.

Beyond the issues of reliance and the access barriers oligopolistic TNC control presented, TNC investments in the South tied to international trade were also problematic. Trade-oriented investments by firms led to the leakage of foreign exchange earnings out of host states as these firms repatriated profits to their home bases, compounding balance of payments crises in the South. Many Third World leaders sought to regain control over the path to economic development during the Second UNDD and followed the letter of the NIEO Resolutions and the Charter when they opted to nationalize industries.

Another issue that was not analytically separable from the practice of international trade faced by developing countries was their lack of bargaining power in negotiations with capacity-rich TNCs. The detrimental impacts of regulatory concessions resulting from this asymmetry have since been well documented.[40]

Nevertheless, defences of TNCs were prominent in the Second UNDD. Andrew Shonfield, for one, argued that TNCs provided profound marketing and production advantages, and that they were the most efficient instrument for achieving a worldwide division of labour (Winham: 52). He sought the performance of Raymond Vernon's product cycle hypothesis, whereby TNCs would facilitate the dissemination of low cost production to new locations in the interest of greater efficiency. This rationale for a growing role for TNCs in the world economy assumed the beneficence of the activities these firms engaged in, and did not interrogate the empirically verified asymmetrical processes and outcomes outlined above.

Based upon the uneven realities, theoretical rationales for the multilateral, binding regulation of firms contested with the market fundamentalism of the TNC defenders. For example, one of Canada's eminent economists, Stephen Hymer, focused attention on how the relationship between the profit margins of these non-internally democratic entities varied with the level of host-state investments in infrastructure and human capital (Hymer & Resnick 1970: 133). Hymer showed that firms invested most heavily where government expenditures were the highest so that they could minimize their outlays and operate more profitably. TNCs struck export-oriented investments from infrastructure-poor locations. A regulatory rationale based upon Hymer's understanding was that the control exercised by firms through their structural position & investment patterns had to be reigned in if foreign investment was to be squared with development objectives.

Hymer also demonstrated that the idea of lowering costs was itself often less important to TNCs than keeping control of their investments. While transnational firms had strong bargaining power in negotiations with Southern states, in the Second UNDD they were threatened with a loss of control over their mines, wells, plantations and other investments by what Theodore Moran described in *Foreign Policy* as "nationalistic independents." Moran, for one, inadvertently made a fine case for the regulation of TNCs when he applied Hymer's work from a Northern perspective. He sought to justify increasing vertical integration amongst TNCs as a risk avoidance measure in the service of ongoing TNC control:

> [Vertically integrated TNCs] have the ability to shift the greatest benefits of various industries away from the production stage over which they are losing control, to stages over which they exercise more influence, [TNCs] can also shift the greatest burdens and costs of the industry onto nationalistic independents.
> Theodore H. Moran, 'New Deal or Raw Deal in Raw Materials,"
> Foreign Policy, 5, 1971–72

Moran effectively argued that TNCs could move the best benefits of industries away from production stages to processing stages, thus throwing a greater percentage of the burdens and the costs of industry onto actors in the Third World. With this, he confirmed the control transnationals exercised over outcomes, and their potential to develop an even more powerful position absent regulation.

Gunnar Myrdal's previously detailed principle of circular and cumulative causation was also a theoretical rationale for the regulation of TNCs. He showed that success bred further success in manufacturing and in trade, as there were increasing returns to scale (Kaldor 1981: 596). To anachronistically use today's terminology, he illustrated that TNCs had network effects or linkages that lowered transaction costs and fuelled their increasing returns. Absent regulation, an anti-competitive trend toward concentration amongst market players would continue. Richard Cooper made this point:

> Just as the increasing national mobility of firms during the past century evoked an extension of federal authority in the regulation of business activity in the US, in the long run, the higher international mobility of business establishments calls for a parallel extension of governmental jurisdiction.
>
> Richard Cooper, "Issues for Trade Policy in 1970s"

Based upon these realities and theoretical justifications, the NIEO Programme of Action sought to deal with the TNC issue. It targeted intra-corporate transfer pricing practices, restrictions on the availability of technology and its costs, price fixing, market manipulation, and monopolies. Subsequent to the Sixth Special Session, the UN Centre on TNCs was created and tasked with producing research on these matters (Hart: 35). The Group of 77 continued to demand a mandatory and effective multilateral code of conduct for firms through this period. According to Gerry Helleiner, the principles, rules, and codes for the governance of anti-competitive practices that the G-77 advocated as one part of their plan were very much in the spirit of the GATT paradigm.[41] Actors in the North and South recognized this fact, and the desirability of change generally, through the willingness they demonstrated to control transnational economic forces in the aftermath of the Seventh Special Session.[42] Consequently, the plan for a code of conduct was aired extensively in the North.

A binding code to regulate TNCs was *not*, however, effected through genuinely multilateral auspices in the Second UNDD. The exclusive OECD established voluntary codes for TNCs through their Declaration on International Investment and Multinational Enterprises in 1976. It appeared that the multiplicity of negotiating fora including UNCTAD, the General Assembly, and the rich country club OECD coupled with a concerted strategy amongst developed countries to break the NIEO into functional bits[43] had in this case pre-empted one of the components of the Third World's bundle of goods.

The NIEO Fails: Polarization, Functionalism, Crisis Management & the Fallout

Developmentalists concerned with reforming global governance and producing balanced outcomes lost out to 'high-church' free traders. Their set of objectives for the restructuring of the old political and economic order (Hart 1983) and a renewed trading system specifically, exemplified in the NIEO, ultimately failed to be fulfilled through multilateral negotiations in the 1970s. Its failures to effect change at the GATT, and to meet specific objectives of the Second UNDD, are presented in this section. First, the shortcomings of the GATT through the Multilateral Trade Negotiations in terms of the ambitious programme of principles articulated in the Tokyo Declaration are documented. Then the inadequacies of the NIEO movement that were identified by major thinkers of the era are presented. Problems in the world economy that were not addressed as a consequence of the failures, and that were exacerbated in the context of a newly ascendant policy frame in the Third UNDD, are then briefly detailed.

Particular factors that led to these shortcomings are not privileged at the expense of others in this section, or filtered through an ideological lens. Failures and factors are principally recounted as they were documented at the time. Assessment and commentary on their relative importance has been left to the experts that lived through the era. For this author, it makes sense to state that a confluence of factors was responsible for the NIEO's non-realization.

Failures in the Tokyo Round of the GATT

Development objectives that had first been aired in the Kennedy Round were enshrined in the Tokyo Declaration [see Figure 1 above] in 1973. It can be said with confidence that there was not only *a* development objective in the Tokyo Round: *there were at least six*. Nonetheless, the Tokyo Declaration's objectives for the facilitation of economic development in the Third World were not realized during the Round of multilateral trade negotiations that concluded in April 1979. For example, on one major objective, the extension of differential and more favourable treatment for developing countries, the Round achieved only nominal success. Three years into negotiations in 1976, the Trade Negotiations Committee of the GATT established a Framework Group to develop this objective as well as the objectives of increasing foreign exchange earnings in the South, and diversifying their exports, into substantive trade law. The Brazilian-led group designed a clause that was to enshrine the valid use of infant industry measures; trade measures to cover for and correct balance of payments deficits in the interest of economic development; and measures that deviated from most-favoured nation treatment (Winham 1984). The 'Enabling Clause' on this matter that was adopted at the conclusion of the Round exuded the gap between objectives and outcomes at the MTN. While the principle of non-reciprocity in the service of development was advanced within the Clause, the Clause itself was a non-binding instrument that gave developed countries the option of extending 'privileges' such as preferential market access. It was entirely voluntary, and allowed developed states to select the concessions they would or would not be making.

This mal-development was possibly less nefarious than surface appearances indicated, but it reflected a general trend that has not been resolved to this day.

Objectives for the redress of Third World problems succumbed to the domination of the MTN by *intra-North* issues. According to both Cooper and Bergsten, time-consuming problems in the Tokyo Round stemmed from difficulties amongst the developed countries, *not* from divergence between countries in the North and South (Lozoya & Green: 1980). It is not a stretch to assert that Northern negotiators were more comfortable focusing on their own problems to the exclusion of Third World concerns. The redress of Southern interests challenged principled beliefs in the GATT objective of freer and more predictable trade through reciprocity in the North, and undermined the established [protected] interests that developed world negotiators represented at the table. Hans Singer has documented that GATT liberalizations have historically been driven by the major Trilateral trading partners, and while there is no evidence that a concerted strategy was implemented to avert the set development issues right through Trilateral bickering, in hindsight it is noteworthy that even the limited Generalized System of Preferences through UNCTAD has been more useful to the non-OECD world than all trade liberalizations under the GATT in the post-war period combined (Singer 1989). Intra-North problems conveniently sidestepped substantive change in North-South trading relations, an old and ongoing story.

The painful ramifications of change avoidance were most apparent as regards the Tokyo objective to grow the share of world trade engaged in by the poorest countries. As the Staff of the US Overseas Development Council documented at the end of the decade:

> the share of the Least-Developed countries in World Trade
> shrunk from 3.6% in 1960, to 2.2% in 1970, and 1.5% in 1977.
>
> John W. Sewell, Statistical Appendix, (1980)

Bearing this fact and the rest of Tokyo's outcomes in mind, it is evident that the Declaration's initial promise had not been realized. The NIEO movement did not bring development to the centre of the multilateral trading system.

Some General Reasons for the Failure of the NIEO

Several factors worked against the NIEO's realization through UN-based multilateral processes and at the GATT. Subsequent to the Seventh Special Session, between 1976 and 1979, hopes for a NIEO dimmed as Northern states no longer perceived OPEC and the assertions of commodity power it inspired to be 'threats'. In this period, non-oil producing countries that had previously been strong advocates for a *new* order were integrated more thoroughly into the existing economic order as debtors through the recycling of petrodollars (Bhagwati 1984). According to Jeffrey Hart, some North-South agreement on the necessity for change remained in this context, but absent the idea of Southern power, one of the principal stimuli to the launch of comprehensive negotiations, the South's desire's for a restructuring of industrial production, greater market access, increased financial transfers, and new rules had *not* materialized. The President of Tanzania evaluated this adverse turn of events when he later reflected:

> Since then, OPEC has learned (and we all have learned) once
> again, that however powerful it is, a single trade union which
> only covers one section of a total enterprise cannot change
> the fundamental relationship between employers and employees.
>
> Julius Nyerere, using the trade union metaphor
> to describe the requirement of a unity of nationalisms
> in the G-77, reproduced in H.W. Singer et al., p.233.

The Third World suffered as the "globalization of OPEC" did not materialize. In Hart's view, after the conclusion of the North-South Dialogue in Paris in 1977, Northern governments realized that they had exaggerated the 'threat' posed by the Third World, and they prioritized other areas of international cooperation. Drawing upon this condition, John Ruggie was later able to state with confidence that "the distribution of state power may be said to determine whether an integrated international economic order can exist."[44]

An increasingly heterogeneous Third World was one of the roots of the changing perception in the North. Major observers such as Hart noted that Third World solidarity had declined as the more industrialized Southern states focused on gaining market access for their industrial output, while LDCs focused on achieving stable and remunerative prices for their export commodities (Hart: 145). Heterogeneity in policy directions undermined the G-77's already limited capacity in negotiations, and was associated with differential economic results. Southern states had been unable to build stronger flows of goods and know-how between themselves and the Group of 77's goal of achieving Economic Cooperation amongst Developing Countries (ECDC) suffered as a result. The pursuit of different strategies for economic development fuelled disunity.

Another factor that pulled policy unity in the G-77 apart was the shift to more austere, conservative, and less NIEO-focused governments in countries that had formerly been movement leaders.[45] Fewer elites in the South were willing to espouse post-Keynesian developmental ideals or beliefs in the theory of dependent development. Nonetheless, Tanzania's Julius Nyerere proved to be an exception to this trend as he continued to advocate the position that:

> Each of our economies has developed as a by-product and a subsidiary of development in the industrialized North. We are not the prime movers of our own destiny. Economically… we are dependencies.
>
> Julius Nyerere, Address to Fourth G-77 Ministerial (Ryan 2001)

Nyerere was increasingly isolated as the Decade wore on. The shifts in leadership that led to his lonely calls also hampered the role of the NAM as a forum to provide direction for the collective positions of the G-77. Divergent elites representing increasingly heterogeneous political economic units were unable to advance the cause of Third World solidarity to the extent that they had in the pre-1976 period. The movement went into retreat, but there are further explanations as to why it did so.

Positions polarized along North-South lines during the Second Development Decade to the detriment of the realization of the NIEO objectives. This was the case even though divisions within the North that had been evident in the aftermath of the CIEC were spanned and Southern solidarity faded.[46] According to Hart, negotiations that formerly featured debate and compromise had turned toward confrontation and a pre-occupation with procedures.

Two theoretical concepts were often offered to help explain the evident intransigence. Realist and mercantilist scholars did not generally air these concepts in their commentary. Based upon their model of the international system, realists expended most of their energy considering the NIEO 'demands' to be an unacceptable intrusion into national affairs. Similarly, economic liberals typically vented their disagreement with the means to economic development the programme sought to the exclusion of an analysis of polarization. Paul Streeten, by contrast, identified the lack of progress with the free rider problem: countries had no incentive to be the only contributor or one of few contributors to something that would benefit all states. Likewise, the playing out of the prisoner's dilemma in international relations – whereby each country rationally promoted its own national interest – contributed to competitive protectionism and a situation where all countries were worse off (Streeten 1987). Consequently, he noted an undersupply of changes based upon the interests of a global public.

Beyond theorizations on causality, the reality of the stall was clearly evident by the end of the Second UNDD when 'renewed' Global Negotiations were launched on the NIEO, and at the subsequent [1st] Cancun Summit on International Development. According to Bhagwati, these negotiations were stalemated from their outset (Bhagwati 1984: 21). The preparatory committee for the 11th Special Session on the NIEO that was to launch the Global Negotiations, for one, became deadlocked on questions of agenda and procedure. The Chair of the Committee stated "the responsibility for lack of agreement lied with the states that held the steering wheel of the world economy" (UNY 1980) Afterwards, the efforts to transcend divergences and convene a successful summit at Cancun made by the Brandt Commission, Canadian Prime Minister Pierre Elliot Trudeau, and Southern Heads of State and Government were lost. The impasse was formalized at Cancun when US President Ronald Reagan unilaterally pronounced the death of the NIEO, and proceeded to renew Cold War tensions.

One factor in the NIEO's demise stands out: the parallel failure of "the mutual interests thesis. Jan Tinbergen advocated the thesis in his RIO report, as did Willy Brandt in the two reports of the Independent Commission on International Development Issues (1980, 1983), Jan Pronk through his efforts as Dutch Minister for Development Cooperation, and other Northern social democrats. Their shared position highlighted the mutual benefits that would accrue North and South if the linked issues of debt, commodities, and market access were substantively redressed. These policy entrepreneurs' echoed NIEO demands of the time through bringing attention to the fact that poor people paid dearly for the operation of the world economy, especially when they were excluded from participating in it. The Brandt Commission showed that the

South needed to buy from the North, and to repay its debts, but to do these things, it had to earn foreign exchange in the North by selling its goods there (1980: 32). The moral imperative for change the Commission presented was that there were growing numbers of people suffering from absolute poverty.[47]

While proponents of the thesis identified with the NIEO cause, their programme aimed to legitimate the post-war LIEO by reshaping it. They focused almost exclusively on changes that slotted within the existing institutional framework in which world economic relations were conducted, and not on changes in the institutional framework itself (Maizels 1987). Their initiative also did not seek to transcend all existing structural asymmetries between the First and Third World and was thus limited, and limiting for the NIEO movement (Singer 1987). Policy prescriptions based upon the thesis were not, however, supported by strong domestic constituencies in the North, and the strain of development policy it inspired also lost steam as the Third UNDD dawned. Ultimately, the Northern 'NIEO-lite' programme failed due to lack of support amongst Northern governments and citizens. As this programme had been more acceptable to Northern leaders than the NIEO, its failure did not bode well for the success of the Third World package that it had sought to moderate.

Other explanations of the NIEO's demise identified the unwieldy character of the multilateral negotiating agenda that had preceded Cancun. UNCTAD's huge agenda had bogged down, and the [then] ongoing negotiations on the law of the sea, the Geneva Conventions, environmental standards, and the multilateral trade negotiations, over-stretched Southern capacity and diverted scarce resources from development questions (Hart 1983).

A corollary to the above story is necessary, as the large negotiating agenda was fuelled by a well-documented functionalist strategy Northern states had been advised to adopt. According to Jan Tinbergen's report, following the 6th Special Session the United States sought to block Third World solidarity with a powerful united front that would facilitate protracted negotiations and divide the bloc through offering selected countries preferential tariffs, aid promises, concessional loans, and the postponement of debt repayments. The 1977 Report to the Trilateral Commission authored by Richard Cooper, Karl Kaiser, and Masataka Kosaka, articulated this tactic as an escape clause from the NIEO 'demands'. Cooper and his co-authors believed that global processes would be more manageable for established non-developing country interests if a policy of piecemeal functionalism, rulemaking, and decentralized management were adopted (Cooper 1977: 28). This approach resonated with Northern protectionist rent-seekers.

While debate persists about the extent to which this policy option was consciously adopted in the United States or elsewhere, the management of short-term world economic crises occurred separately from the processes oriented toward restructuring the world economy, and this constituted another source of the NIEO's failure. In his review of the shortcomings of international cooperation since May 1974 presented at the 11th Special Session, the Director General for Development and International Economic Cooperation highlighted that this trend was problematic and that it needed to be transcended. For him, the international community should not simply "manage the crisis, but manage the world economy and thereby resolve the crisis" (UNY 1980). The short-term focus of organizations such as the Group of 7 advanced industrialized nations had taken precedence over ongoing multilateral negotiations, and this was detrimental to the Third World's programme.

Multilateral crisis management itself was not well coordinated globally. National governments in the North came up with individual solutions to stagflation and recession. Their revamped policies more often than not dumped the economic goal of full employment in favour of a monetarist orientation. Third World governments, and especially OPEC, were fingered as the root of economic woes by crisis managerial OECD governments, and this idea regardless of its validity worked against the NIEO.[48] The propagation of an explanation for mal-governance that scapegoated the Third World in the context of the monetarist challenge to the hegemony of the embedded liberal policy frame made the NIEO appear increasingly anachronistic to developed world policymakers. These actors were operating under the renewed influence of laissez-faire, and thus constituted another source of the programme's failure. Willy Brandt perceptively spelt out the consequences for poverty eradication of this shift:

> there is a real danger that in the year 2000 a large part
> of the world's population will still be living in poverty.
>
> Willy Brandt, in *North-South: A Programme for Survival*,
> Independent Commission on Development Issues, (1980).

Market Fundamentalism and the Fallout from the NIEO's Non-Realization

As the NIEO wish list was averted through stagflation, recession, a co-ordinated developed world response to break it down into functional components, and the accompanying North-South polarizations amongst other factors outlined above, by the end of the 1970s, advocates of market fundamentalism were taking the helm in the Anglo-American industrialized world. Embedded liberal goals were subsequently jettisoned in Thatcher's Britain, and in Reagan's USA, and were questioned elsewhere.

At UNCTAD, where the "intellectual heritage [of the organization] was the embedded liberalism of an earlier age," (McBride et al. 2003: 78) defeatist attitudes were fostered.

As it turned out, with respect to the trading system, market fundamentalists in Northern states were practitioners of a 'do as I say, not as I do' approach to free trade. Policymakers constantly advocated the beneficence of liberalizations, yet they selectively adhered to their own policy mantra. Protectionist policies in the major trading partners were sustained under their watch, precluding the necessary increase in the South's foreign exchange earnings. Contrary to the NIEO's prescriptions for the trading system, the new understanding spread in the North was that unlimited liberalization in the South, including the liberalization of trade, was desirable.[49] This was a renewed instance of what Myrdal had referred to as the trading system's traditional "double standard" in favour of the rich. Nonetheless, there was no evidence available at the time that showed that trade liberalization automatically led to economic growth or development. According to Harvard's Dani Rodrik (2001), this remains the case in the new millennium.

The ascendant policy frame was at the root of moves to push hyper-liberal policies upon the Third World. Petrodollars had been recycled into cheap loans for developing world states and firms in the Second UNDD, and as a recession hit the North, multilateral and private lenders came calling for debt-burdened Southern states to commence repayments. The ensuing tale of defaults, structural adjustment programmes, and the imposition of conditions involving liberalization on further financing for indebted states by the International Financial Institutions (IFIs) has been well-documented elsewhere (Stiglitz 2002, Greider 1997).

There were undoubtedly *positive benefits* accompanying the expansion of the truncated trading system and world economy in the largely market fundamentalist, developed country-driven form it took on in the wake of the NIEO's failure. For example, in its trade report, Rigged Rules and Double Standards (Oxfam 2002), Oxfam highlights that four-hundred million people were lifted out of poverty primarily in the newly industrialized countries [NICs] in East Asia that were able to transcend Northern biases and achieve export-led growth. As the final section shows, these benefits were nonetheless the exception, and not the rule.

The Vision's Legacy: Historical Imperatives for Development

> There is no credible alternative model of global governance in trade out there.
>
> Peter Sutherland, CEO British Petroleum, Tacitus Lecture, 2003

The above statement by Peter Sutherland indicates that the idea that 'there is no alternative' (TINA) model for the governance of the world economy and trade specifically remains legion, notwithstanding the recent outpouring of work by policy entrepreneurs on the topic.[50] An answer to why exactly the dead-ender TINA discourse is still with us is beyond the scope of this conclusion. What will be entertained, though, is a question about the NIEO's ability to add to the theoretical and empirical slaying of TINA discourse and its circular, system legitimating (ir)rationality. It is evident that the NIEO package can actually be useful in 2003 for quite a lot more than simply punching holes in polemics: it can be the starting point for an alternative policy frame.

This section outlines the NIEO's ongoing relevance and its institutional heritage. It shows that the NIEO concept cannot be anachronistically interrogated for what it lacked, and that the achievement of equitable economic relations between states can be gelled with ecological and socio-cultural considerations prominent in development discourse and in the global justice movement in 2003. The NIEO's historical frame of reference is relevant to the 'Development' Round debates after the failure of the WTO's Cancun Ministerial on the governance of the trading system. Several lessons based upon the NIEO and this understanding are offered in the interest of achieving a more substantively developmental 'development' Round. A brief case study example of the political economy of one important commodity, coffee, demonstrates the potential viability of several NIEO prescriptions as renewed policy options. It brings home the argument that the NIEO is a foundation upon which many evident limitations of the trading system can be addressed, equitable economic relations between states achieved, and greater global justice built.

The Heritage of the NIEO

Taking just a small slice of the world economy for the sake of brevity – the trading system and the role of Northern protectionism – empirical realities indicate the ongoing relevance of the NIEO policy frame. In twenty-nine of thirty-nine of the Least-Developed Countries (LDCs) for which data are available, trade accounts for half of aggregate growth as measured by GDP (New York Times 2003). Yet these countries continue to suffer extremely high trade deficits and acute levels of poverty. Foreign exchange crises have not simply been brought about through LDCs buying more than they sell abroad, however. Poor countries continue to experience shrinking demand in the developed world for their exports of primary commodities. The terms of trade of primary exports continue to decline. Regarding agricultural produce, for example, the *New York Times* summer 2003 editorial series "Harvesting Poverty" has shown that reduced sales are not only due to developed countries purchasing fewer commodities abroad.[51] Northern governments often subsidize over-production of commodities at home, and dump the surpluses resulting from subsidies at cut prices onto global markets. This too has undermined the viability of the developing world's production. Rich countries have engaged in this practice behind high tariff walls and non-tariff barriers to the entry of goods from the South. In general, these barriers for agricultural produce, and for semi-manufactured and manufactured goods, cost developing countries over $100 billion USD per year in foreign exchange earnings.[52] The Third World has been lobbying for over forty years to gain access to these markets. Countries operating at the greatest structural disadvantage such as the LDCs are the most adversely impacted by ongoing Northern protections. Other empirical examples, too numerous to recount here, bear out the claim that the NIEO is not anachronistic, but exceedingly relevant.[53] A recent United Nations Development Programme Office of Development Studies Publication alluded to its ongoing significance:

> mechanisms are lacking to deal with terms of trade shocks to commodity exporting countries…industrial country markets are heavily protected; developing countries do not receive adequate capacity building support to interface more effectively with the multilateral trade regime.
>
> Pedro Conceicao, UNDP (2003): 166.

By way of introduction to the NIEO's institutional heritage, it is useful to offer a general comment on the issue of publicness and the trading system. The governance of the trading regime by the GATT-centric World Trade Organization (WTO) is currently struggling to meet the criteria for being a global public good. To be considered such a good, it must be public in consumption, be based on participatory decision-making, and offer a fair deal for all in terms of facilitating a genuinely public distribution of its benefits (Kaul 2001: 256). A recent United Nations Development Programme Global Public Goods network debate on the matter indicated that the struggle to determine the

WTO’s performance on these standards is far from over: decisive answers are not apparent (www.gpg.net). What is clear, however, is that trade relies upon sets of goods that it cannot itself provide, including “property rights, predictability, safety, and nomenclature” (Kaul 1999: 53). Trade in this definition is therefore public, and it seems that the issue is about *who’s* public is to be served through the management of the system. The NIEO directed attention to this question, through exuding and seeking to enshrine the role of the global public in the trading system, and its legacy continues to this day.

Institutions through which NIEO ideals were propounded still advocate development-oriented policies in the new millennium, but they have lost their role as the central sites and drivers of the trade and development nexus. For example, UNCTAD’s agenda in the 1970s was so extensive that Jan Tinbergen had pegged the Conference to become a world organization for negotiating trade and development. Now, the WTO’s Doha Round is inadequately fulfilling the function that Tinbergen foresaw for the Conference. Consequently, the UNCTAD Secretariat advocates policies, produces research, and builds capacity within a trade and development agenda not as a centre of power, but as the GATT-centric order’s helpmate.[54]

For its part, the Group of 77 has been less unified and less influential. It now takes its cues from a High Level Advisory Group [HLAG] of eminent personalities and intellectuals, and not the Heads of State and Government of the NAM. The HLAG has called for a review of the basic design of the trading system in a way that NAM leaders had been reticent until recently to advocate collectively. The NAM itself has receded from its former role as an energizer of common Third World positions in the post-Cold

War era. Leaders of the NAM are now seeking to recharge the movement and its influence amongst the G-77, though their initiative is only embryonic (IPS News 2003).

Despite these shortcomings, the intellectual heritage of Third World solidarity and the NIEO proposals lives on at the WTO. The Like-Minded Group[55] of developing states advocates a framework agreement for special and differential treatment, and is bringing the unresolved trade and primary commodities issue back to the table. At the recent Cancun Ministerial, developing countries led by Brazil, India, China, and South Africa came together in an Alliance (termed the G-20+) to block negotiations and the adoption of the draft text until the issue of Northern protectionism particularly with respect to agriculture was redressed.[56]

Regarding the evident inadequacies of the NIEO package itself, it would be anachronistic to ask of the NIEO what its proponents could not ask of themselves when they developed the programme. Surely it *can* be faulted for not addressing the issue of redistribution *within* states. This point was highlighted as one of the NIEO's insufficiencies during the Second Decade. Whether the NIEO actually set out to achieve a 'new' order can also be questioned as it was known that the ritual of negotiations provided a useful instrument in the struggle to legitimate world orders (Cox 1979).

Nevertheless, that the NIEO failed to include many of today's concerns with development does not preclude the relevance of the package. An observation that the programme appears incomplete today based upon its ignorance of gender and development questions; lack of orientation toward rectifying capability deprivation amongst individuals; inattention to the regulation of cross-border financial flows; and ignorance of the ecological rootedness of the world economy is simply that: an observation. This must not be spun into a final judgment on the NIEO's significance. Similarly, the NIEO was designed at a time when regional international economic organizations were not dominant, and when the ECOSOC and UNGA were not marginalized. However, the altered global context cannot trump the reality that the central components of the package have not been substantively addressed. The package is not dismissible based upon what it was short on or failed to foresee, but it is clear that the NIEO is inadequate and can no longer be considered to be a stand-alone initiative.

Raising Historical Awareness in the 'Development' Round Debates

The history of unresolved North-South matters was often relegated to George Orwell's memory hole in mainstream Northern accounts of the governance of the multilateral trading system during the 1990s. Political choices that had been agreed by or imposed upon actors in the international system that led to a GATT-centric regime often went unacknowledged in these tellings, just as the ramifications of these choices in terms of their impacts on economic development and peoples' lives did too. For example, even the excellent analyses provided by Martin Wolf for the *Financial Times* continued into the new millennium to fail to balance what he termed the "extraordinary successes" of the trading system such as the absolute increases in the volume of exports worldwide and a sevenfold expansion in world gross product with the reality of absolute growth in the numbers of impoverished people and the escalating opportunity, income, and wealth gaps experienced by the global majority.[57] Moreover, an analysis of how this polarization related to trade was lacking in his presentation. When accounts of the trading system like this one failed to provide historical references, or were persuasively presented absent context and alluded to being *the* true story, those seeking to understand the issues did not, generally speaking, get the goods. Audiences were instead directed to take the evident norms, practices and the actions of the WTO and its members as *given*, rather than as phenomena that were assuredly political, highly contingent, and inherently changeable. Harvard's Dani Rodrik has elaborated the dangers of viewing the beneficence of trade through the lens of trade maximization. He notes that this view potentially trumps the correct historical context: an understanding that the principal purpose of trade is to raise living standards (Rodrik 2001: 9).

The NIEO exuded the proper perspective Rodrik defended. As this paper has demonstrated, an understanding of the empirical realities and theoretical rationales fuelling NIEO processes, and the processes, prescriptions, and outcomes themselves, sheds light on the specificity of Northern commentary. It also allows for a more thorough interrogation of the current 'Development' Round of multilateral trade negotiations, opening questions about the ability of Doha to address 'development'[58] Moreover, this knowledge provides context for the ongoing realities of asymmetric trade. As an historical process and the potential root of an alternative policy frame, the NIEO presents several lessons about development relevant for Doha, and the world economy's policy community in general.

A Crash Course in Equity: Lessons from the NIEO Policy Frame

The first lesson to be gleaned from the NIEO today is that asymmetrical trade has yet to be transcended. Prices of commodity exports from the Third World continue to decline relative to the costs of technology and capital goods inputs firms in these states must purchase in expensive dollars or euros from established Northern firms. Foreign exchange crises remain rampant in the LDCs, and the commodity situation has not helped. A chronic oversupply of many primary commodities in global markets that was partially induced by the introduction of synthetic replacements by transnational firms has been accompanied by lower and unstable commodity prices. These empirical realities have hampered economic development, however the concept of 'development' is itself defined. The current actuality demonstrates the relevance of theoretical rationales for engineering commodity markets offered in defence of a NIEO. Theorists such as Kaldor showed that this was the only way commodity prices could be stabilized and more remunerative incomes could be derived by direct producers. Today, Oxfam and other NGOs are renewing this primary NIEO objective with their call for a new institution to oversee global commodity agreements and prices.

Another lesson the NIEO frame provides is that the pursuit of autonomous policies can lead to growth upon which economic development can be built. As Rodrik has shown, there is no single model for a successful transition to a high growth path, and in general, openness to trade does not necessarily lead to growth (Rodrik 2001: 21). For example, the unorthodox approaches used by the East Asian developmental states facilitated their exceptional economic growth in a manner that was totally inconsistent with the tenets of market fundamentalism or 'high-church' openness to trade.[59] Such policies, on the other hand, have been implicated in the two 'lost' decades of economic stagnation in Sub-Saharan Africa and Latin America. The NIEO prescribed that states should de-link from North-South flows in the interest of retaining foreign exchange in the South either through industrializing autonomously or engaging in greater South-South flows. While this policy was never actualized amongst states to a large extent, it must once again be considered to be a worthy policy option.

Thirdly, the non-reciprocal removal by developed countries of the barriers to entry they have maintained against developing world agricultural, manufactured, and semi-manufactured products has not been achieved. Over forty years have elapsed since the need to rectify this problem was articulated at the launch of the First UNDD in Resolution 1707 of the General Assembly. While some movement is now occurring on this principal NIEO issue through the auspices of the Group of Eight countries, and through the European Union's 'Everything but Arms' package which affords LDCs duty-free and quota free access to their markets, progress on the matter is in jeopardy as the Doha Round stagnates. In this context, leaders in the South continue to call for "access without discrimination to the markets of the wealthy countries"(President of Brazil 2003: Evian). The G-77's High-Level Advisory Group has renewed the organization's advocacy for a renegotiation of the reciprocity principle and the adoption of a Most-Favoured Developing Nation principle. More than any other lesson, this lesson demonstrates the historical imperative for redress.

The NIEO programme recognized the necessity of subjecting TNCs to binding, multilateral disciplines. This fourth lesson is relevant in 2003 as transnationals continue to repatriate profits, avoid tax, and predominantly invest in infrastructure rich, concession-wielding Southern states and in the export-processing zones (EPZs) scattered amongst them. They also exercise their 'rights' through lobbying trade negotiators for the policies they prefer while they can avoid assuming 'responsibilities' for their activities as they are subject to no mandatory disciplines. On this point, it is clear that firms are currently not subject to binding enforcement, as codes of conduct are largely voluntary or 'opt-in' as in the UN's Global Compact initiative. TNCs are nevertheless adopting various corporate social responsibility ethics, partly due to the new pressures exerted by non-governmental organization (NGO) awareness raising campaigns, shareholder campaigns, and the spectre of class action lawsuits. As well, the UN Commission for Human Rights is now discussing the establishment of a more comprehensive and binding code of conduct for transnationals.[60] It appears that the UN is poised to finally take this NIEO lesson to heart and regulate the activities of these firms. Experts such as Picciotto have noted, however, that the establishment of a single "global code comprehensively covering the complete range of business responsibilities would be an impossible undertaking" and that binding codes are difficult to monitor and induce compliance with (Picciotto & Mayne 1999: 16). Notwithstanding the complexities, the NIEO directs attention to the sluggish reform of the global governance of firms over the past generation and the need for change.

The four principal lessons above can be complemented by many other lessons if the NIEO is viewed as an historical experience and a set of policy options to learn from. For example, recalling the failure of GATT in the 1970s, the NIEO experience shows that intra-North divisions on trade issues detracted from efforts to restructure the world economy. This lesson seems especially relevant for today's Doha negotiators, as acrimonious relations between the US and the European Union on the agriculture issue have dominated the past six months of proceedings, to the detriment of Doha's supposed focus.[61] As well, the UNCTAD-GATT dual-track negotiating experience of the NIEO era, whereby UNCTAD became the 'conscience' of the 'serious' negotiating forum at the GATT contrary to Prebisch's vision for an empowered Conference, offers another lesson for those seeking to engage today's WTO, and also regional, and bilateral agreements. The NIEO experience shows that trade's asymmetries must be aired and addressed comprehensively in all trade negotiations if reform is to be realized. The site of struggle for renewed global governance cannot, therefore, be delimited to a single institution.

Past mistakes can certainly be learned from too, as one shortcoming of the NIEO is in the process of being transcended. Recall that the NIEO did not have the support of a critical mass of citizen activists in the North during the Second UNDD, and the Northern social democratic initiatives it inspired similarly fell flat amongst the Northern populace. These conditions led Bhagwati to posit a law regarding the human race's response to increased polarization in incomes. He believed that it was not entirely implausible to argue that there was "a law of diminishing marginal discontent to increasing disparities in income levels across countries" (Bhagwati 1972: 8). What he could not possibly have foreseen was the development of the global justice movement amongst non-corporate actors *in the developed world*. With development-oriented discourse becoming evermore mainstream in the North Post-Seattle, the NIEO's failure to achieve similar results is a stark reminder of the essential role domestic constituencies within industrialized states must play to bring the development agenda forward.

Box 3 presents a brief case study example of world trade in coffee today to bring the relevance of the NIEO message home. Globally inclusive *fair trade* in coffee cannot be equated with the current micro-level embryonic alternative regime for 'fairly traded' coffee. While fair trade coffee initiatives supported by charities such as café direct in the UK have successfully implemented programmes to build the capabilities of farmers[62] and offered them price premiums, benefits have not been generalized. Only a comprehensive multilateral solution such as the implementation of an alternative policy frame rooted in the NIEO can ensure a globalization of fair trade for coffee producers.

Box 3: Transcending the Global Coffee Crisis Through the NIEO

What is world trade in coffee fundamentally about, beyond the gratification of its consumers? For starters, the **lives** of twenty-five million small producers the world-over that rely on coffee as their only source of income and the over 500 million people that are directly or indirectly involved in the industry. For producers, the fall by nearly 50% in the price of coffee from the already anaemic level it was at when the new millennium dawned in the year 2000 has imposed serious hardships. Due primarily to the unsustainably produced over-supply of beans, green coffee now fetches just above 60 cents (USD) a pound, a level *well below production costs* and down from $3.30 a pound in the late 1980s. An effective international commodity agreement for stabilizing coffee prices has not been reached, despite multilateral forays dating back over forty years. UN agencies such as UNCTAD, and the International Coffee Organization which is tasked with mitigating negative effects of this trade and bettering the peoples lives' directly impacted by it have been less than successful in this regard. Private and third-sector solutions including fair trade certification, which seeks to ensure sustainable practices such as organic or shade-grown techniques and a minimum level of remuneration for direct producers pegged at two to three times market prices, and the less-comprehensive Rainforest Alliance 'sustainable coffee' initiative with no minimum price guarantees for producers, both remain embryonic with miniscule market shares. Nonetheless, these initiatives are growing and the world's largest coffee brokers have embraced the latter. Still, according to Oxfam's Report, price drops since 1997 have offset foreign exchange earnings for developing country coffee exporters by over $8 billion US.

If enabling the trading system to function as a global public good and not as an impediment to sustainable social inclusion is indeed desirable, two trade-related pillars of the NIEO are highly relevant to prospective governance solutions or multilateral programmes of action aimed at transcending the crisis. First, stocking arrangements and other means of engineering markets to improve prices, while out of fashion, are certainly an option to be considered, as so many lives are made more precarious by the current anti-social realities of undirected and glutted markets. The declining purchasing power of this primary commodity relative to the inputs from the advanced industrialized countries that are relied upon in its production, or the imports relied upon by its producers in their daily lives, is a primary stimulus to re-visiting public power, market managerial rather than ad hoc approaches. Secondly, a code of conduct for the major players in the coffee trade that is multilaterally designed and agreed upon through a tripartite public-private-civil society forum would move beyond the evident piecemeal approach to ensuring sustainable process and production methods and avoid exclusively intra-industry-based standards development.

Sources: Sara Silver, FT, May 13, 2003 & Sonia Furstenau, Toronto Star, May 16, 2003

In sum, elements of the NIEO can be part of a fundamentally more inclusive frame for the trade and development nexus than has been evident in the Doha Round. The resurgence of Southern power at the Cancun Ministerial is clear step toward a potential future in its image. The NIEO frame allows for the articulation of policy options that can counteract the now disproved "growth as trade maximization" ideology, and infuse multilateral negotiations with a more comprehensive development agenda that embraces the importance of trade *and* social inclusion. Prior to Cancun, the language of the NIEO itself had been resurrected amongst Third World leaders including the Brazilian President who called for a NIEO at the World Economic Forum in Davos this past February, and the leaders who echoed his sentiments several weeks later at the NAM Summit of Heads of State and Government in Kuala Lumpur (IPS News 2003).

The NIEO remains a necessary though not a sufficient component of current global justice discourse aimed at producing a holistic programme to achieve economic growth, transcend capability deprivation, and eradicate poverty. Its prescriptions focus solely on the redress of historically structured inequities in *interstate* economic relations to the exclusion of considerations about economic redistribution within states, within households, and interactions with the biosphere upon which everything depends. Nevertheless, exclusivity did not – and does not – imply incompatibility. As a policy frame, the NIEO is indeed 'one to grow on.' Its comeback at the centre of an inclusive and globally just policy frame is within the realm of distinct probability.

1948 More than 50 countries sign the Havana Charter to establish the ITO.
1950 The Charter is withdrawn from the US Congress and President Truman signs the GATT. Raul Prebisch articulates his terms of trade thesis in a report for ECLA.
1952 The UN affirms that each state has permanent sovereignty over their resources.
1958 Efforts begin at the GATT to assist developing countries.
1960 Decolonization shifts the balance of power in the General Assembly to the South.
1961 President Kennedy makes development a policy priority for the United States.
1962 UNDD is launched to accelerate growth in the South & ODA to developing states.
1964 The G-77 stands together and is established at the first UNCTAD.
1966 UN Secretary General U Thant issues an appraisal of the UNDD: progress is slow
1968 The 2nd UNCTAD is torturously divisive, leading Prebisch to step-down as the Conference's Secretary-General.
1970 The Second UNDD is launched, building and expanding upon the old objectives.
1973 OPEC raises the price of oil. In September, the Tokyo Round is launched, elaborating six development objectives; the NAM Heads of State and Government meet to articulate their vision for a NIEO; and Chile's President Allende is overthrown in a bloody coup supported by the United States.
1974 On May 1 the Six Special Session of the UNGA adopts the Declaration and Programme of Action for a NIEO, and in December, the Charter of Economic Rights and Duties of States is adopted by the General Assembly.
1975 The Seventh Special Session of the UNGA unanimously adopts a Resolution endorsing elements of the NIEO Programme of Action. Activist Southern leaders begin to fade into history
1976 The OECD adopts the Declaration on Multinational Investment and MNE.
1977 The North-South Dialogue in Paris ends, having made little headway on the NIEO
1981 Subsequent to the launch of the 3rd UNDD and the 11th Special Session of the UNGA on the NIEO, President Reagan comes to power and declares the NIEO's death unilaterally at the Cancun Summit on International Development Issues.
1983 A UN code of conduct for TNCs is again propounded, but is not adopted. Hyper-liberalizing structural adjustment programmes are imposed by the IFIs on states already starved of foreign exchange as a condition of further finance.
1994 Uruguay Round of Trade Negotiations is completed and the WTO is born.
1999 The WTO's Third Ministerial is derailed and attention shifts to the negative developmental impacts of the high-church free trade ideology and the need to overcome them through a more socially and ecologically inclusive programme of trade liberalization.
2001 The WTO's 'Development' Round is launched in Doha, Qatar amidst much controversy over the content of the Declaration.
2003 The WTO's Cancun Ministerial fails as developing countries stand together in the G-20+ in the interest of overcoming Northern trade barriers and actualizing a more substantively developmental Round of trade negotiations.

Notes

[1]See the index of the *United Nations Yearbook: 1961*. Kennedy actually made 'development' a foreign policy goal of the United States. The meaning of the term 'development' has varied over time and the paper reflects this fact. In this instance, development was defined as increasing the aggregate economic growth and viability of states. UN Secretary General Dag Hammarskjold provided impetus to Kennedy's call in August 1961: "[to] restate the basic democratic principle of equal political rights – rights must be considered as going further and imply an endorsement as well as a right to equal economic opportunities." From "Charter Purposes and Principles," the Introduction to the Annual Report, reproduced in Wilder Foote (ed.): 356.

[2]For the full texts of the NIEO Resolutions [3201(S-VI) and 3202 (S-VI)], see the *United Nations Yearbook: 1974*: pp.305-357.

[3]See the account of the Secretary General for International Coooperation and Development in the *United Nations Yearbook: 1980*: pp.485-567.

[4]See the description of the embedded liberal bargain offered in note 5 below. Drache and Froese (2003) have produced a thorough report on the academic and institutional debate about the relation of the trading system to ongoing poverty and anemic levels of growth and development in the South.

[5]As John Ruggie describes it, the bargain oriented multilateral processes and governance toward insuring the stability of growing post-war social compacts in the industrialized states. See John Gerard Ruggie, and Branislav Gosovic "The 'New International Economic Order': Origins and Evolution of the Concept," *International Social Science Journal* 28, UNESCO, Oxford: Blackwell (1976).

[6]For developing countries not under the direct rule of the Soviet Bloc, this understanding was widespread. It was evident in the documentary record of the United Nations General Assembly, and in other UN specialized agencies in which developing

Table 2. Unweighted regional GDP per capita levels and growth rates, 1960-1998

	GDP per capita (in 1995 international prices)			Growth rate of GDP per capita (%, p.a.)	
	Year 1960	Year 1978	Year 1998	1960-78	1978-98
Africa	1514	2147	2432	2.0	0.6
Asia	1971	5944	7050	6.3	0.9
Latin America	3458	5338	6329	2.4	0.9
E. Europe/FSU	2093	5277	4851	5.3	-0.4
WENAO	8257	14243	20990	3.1	2.0
World	*3277*	*5972*	*7456*	*3.4*	*1.1*

Note: Each country is one observation.

Source: Milanovic 2002

states were prominent. It was also implicit in many calls for change made by Southern states. Branko Milanovic (2002) showed that while this aspiration was not attained, growth rates in the post-war period indicated a convergence between North and South. Steps toward a generalization of the levels of economic development evident in the Western European, North American and Oceania states (WENAO) were evident. The above table from Milanovic (2002) illustrates the trend and also usefully spells-out the rates of aggregate economic growth evident in the aftermath of the NIEO's failure.

[7]According to Jeffrey Hart (1983), developing countries had virtually no input in the negotiations concerning the development of the GATT.

[8]Prebisch (1964): 28. See p.6 in the same work where Prebisch explains that it was not only the selective adherence to rules that was the root of the problem, but that these "rules and principles [were] also based on an abstract notion of economic homogeneity which conceal[ed] the great structural differences between industrial centers and peripheral countries and all their important implications."

[9]The GATT document, "General Trends in International Trade: Report by a Panel of Experts," Geneva, (1958) demonstrates an abundance of knowledge about trade and its trends and effects. It was the lack of action on this knowledge that was problematic for those seeking to address development.

[10]The following table shows the reality of declining terms of trade:

Ratio of prices of primary commodities to those of manufactured goods
(average import and export prices, according to data of the Board of trade)
Base: 1876-1880 = 100.

Periods	Amount of finished products obtainable for a given quantity of primary commodities
1876-1880	100
1881-85	102.4
1886-90	96.3
1891-95	90.1
1896-1900	87.1
1901-1905	84.6
1906-10	85.8
1911-13	85.8
------	----
1921-25	67.3
1926-30	73.3
1931-35	62.0
1936-38	64.1
------	----
1946-47	68.7

Source: Raul Prebisch, *The Economic Development of Latin America,"* p.9. Prebisch obtained this data set from "Post War Price Relations in Trade between under-developed and Industrialized countries", document E/CN.1/Sub.3/W.5, 23 February 1949.

[11]Myrdal (1971): 277. See also UNDP, (2003) for a note on the assumptions of free trade theory that many of the original critiques (and today's) are based upon.

[12]Walt Whitman Rostow (1960). Neo-Marxist theories originated in Latin America around this time, and contrasted with Rostow's vision. These theories identified the Third World's dependency on the 'core' or colonizing countries in the world capitalist system. The articulation and expansion of this work later in the decade through Andre Gunder Frank's thesis on the "Development of Underdevelopment" inherent in a capitalist world economy in the non-core or 'peripheral' zones became an influential counter to Rostow's vision. See Andre Gunder Frank (1967).

[13]Myrdal: 66. States that protected their economies to industrialize in this manner prominently included Germany & the United States. According to Jeffrey Hart (1983), policies favouring infant industries arose in the US and then in the West, when the founding fathers developed tariff policy based upon the perception that free trade sought to be mutually beneficial in the long run, but that it was not in the national interest of the US to remain dependent on British manufactures in the short run.

[14]Prebisch explained the ramifications for trade of an ISI focus [(1964): 29]. For him, if protectionism was kept within certain bounds, i.e., if it was applied only to the extent necessary to counteract the disparity in demand, there was no reason why it would have a repressive effect on the dynamics of world trade. ISI itself, however, was never fully realized by developing countries. On the whole these states continued to rely on imports of capital goods in their quest to diversify their exports and industrialize. They faced stiff Northern barriers to trade their manufactured and semi-manufactured output, while their reliance upon increased export volumes to procure foreign exchange was hampered by declining terms of trade: capital goods imports continued to cost more relative to primary commodity exports. Moreover, protected firms often failed to be competitive in the world economy. This was the case insofar as protections were not as a rule about facilitating exports, they enabled rent-seeking behaviour; firms continued to be externally reliant; and the economies of scale, trade connections, and research and development advantages of established exporters in the developed world rendered them more competitive than new Southern players in markets. Nevertheless, in hindsight the limited variant of ISI that was achieved led to levels of economic growth and development that were superior to what Sir Hans Singer has described as the 'immiserizing growth' of the two 'lost' decades that closed the Twentieth Century. As Harvard's Dani Rodrik (2001) has noted, "ISI actually did quite well for a substantial period of time in scores of developing countries."

[15]See Asian-African Conference (1955). See also, Bernard J. Firestone, (2001).

[16]See the *United Nations Yearbook: 1962* for the full texts of the Resolutions.

[17]*United Nations Yearbook:* 1962: 174. The Brazilian document was entitled "The Institutional Framework for the Expansion of World Trade." It noted that the share of developing countries in world trade continued to decline, and that if there were gains to be had, they would not be generalized within the current order.

[18]A copy of the Joint Declaration of the Group of 77 is available online from the G-77's webpage: http://www.g77.org/Docs/Joint%20Declaration.html.

[19]In Section III of the Joint Declaration, the G-77 cited an inadequate appreciation of the 'trade gap' of developing countries; a limited approach regarding trade in primary commodities; and little progress on the issue of preferences for exports of manufactures at the Conference. They also noted "only preliminary steps were possible relating to schemes for compensatory financing to meet long-term deterioration in the terms of trade."

[20]Streeten (1982) According to Streeten, of 120 wars fought between 1946 and 1976, 114 were fought in the Third World.

[21]Sunanda Sen, in Singer et al. (1987): 261. This switch in these statistics indicates a trend toward de-industrialization.

[22]The consensus Resolution adopted at the Seventh Special Session of the General Assembly see *United Nations Yearbook: 1975*: pp.325-383. As well, see Ruggie & Gosovic's *International Organization* piece for a detailed account of the Session's proceedings.

[23]The Second International Development Strategy can be found in the *United Nations Yearbook: 1970*. These objectives were echoed at UNCTAD III in Santiago Chile in April 1972, and included the transfer of benefits from participation in the world trading system through North-South compensation; increasing South-South trade; and achieving the extension of North-North trade concessions to North-South based upon the principles of non-reciprocity and preferential treatment in the areas of market access and the facilitation of technological capacity development.

[24]See note 55. The Mexican government mirrored the objectives for the Decade through its initial articulation of objectives for a Charter of Economic Rights and Duties of States at UNCTAD III in Santiago Chile on 19 April 1972 and it held these objectives in common with its Third World partners. For them, "el econocimiento de la comunidad de naciones a las justas demandas de nuestros pueblos, permite delinear algunos de sus principios: Libre disposicion de los recursos naturales. Respeto irrestricto del derecho que cada pueblo tiende a adoptar la estructura economica que le convenga e impimrimir a la propiendad privada las modalidades que dicte el interes publico. Renuncia al empleo de instrumentos y presiones economicas para reducir la soberania politicia de los estados. Prohibicon expresa a las corporaciones tranacionales de intervenir en los asuntos internos de las naciones. Abolicion de las practicas comerciales que discriminan las exportaciones de los paises no industrializados...." Manuel Tello (ed.), *La Politica Exterior de Mexico* (1970-74), Mexico: Fondo de Cultura Economica.

[25]OPEC increased its control of prices over the course of the year, and many industrial countries were convinced that oil prices rose because of the monopoly power they attributed to the organization. The idea that price rises reflected increasing scarcity was not prominent in the North. Many Northern states had been targeted by OPEC when the organization articulated a threat to cut-off oil to nations that re-supplied Israel during the Yom Kippur War. These states were predisposed to view OPEC price raises as monopolistic in character, and not reflecting genuine supply considerations. See the works of Jeffrey Hart and Firestone.

[26]James Daniel Ryan (2001). In December 1974 Saudi Arabia additionally granted the World Bank the largest loan in its 25-year history.

[27]See the 1974 Yearbook, and Belovski et al (eds.) Non-Aligned 4th Summit: Algiers 1973.

[28]Winham (1984): 52. The growth of intra-industry trade including trade in similar manufactures between the major partners was itself contrary to the theory of comparative advantage. World trade amongst the major partners did not reflect this theory, just as the structure of world trade precluded its applicability for Third World states.

[29]Principal objectives of the NIEO package in 1974 were to achieve sovereignty over economies and natural resources; to increase the purchasing power of raw material/commodity exports and achieve stable and remunerative commodity prices; to increase control over the level/nature of FDI through codes of conduct for transnational corporations [TNCs]); to increase access and preferential access of Third World manufactures, semi-manufactures, and agricultural produce to markets in developed countries; to reduce costs of technological transfers; to secure a growing share of industrial production; to increase concessional aid flows; to alleviate debt burdens; and increase decision making power in monetary management. See the *UN Yearbook: 1974*, Moss & Winton's collection for UNITAR, Jeffrey Hart (1983): 33, and Paul Streeten in Singer et al.

[30]John Ruggie has noted that the Programme built upon Algiers but that the Resolution adopted was limited. Each substantive section contained the qualifying phrase "all efforts should be made," seemingly downplaying the obligation of governments in the developed world to act upon the 'action programme' or 'get with the programme'.

[31]Several of these principles were especially relevant to the objective of transcending inequitable interstate economic relations to allow for the realization of the goal of generalizing welfare states, including the principles of: "equal rights and self-determination of peoples'; 'remedying injustices that have been brought about by force'; 'no attempt to seek hegemony and spheres of influence'; 'promotion of international social justice; 'international cooperation for development'; and 'fulfillment in good faith of international obligations'.

[32]K. Venkata Raman, (1978), (1980). According to Raman, Professor of Law at Queen's University, it was simply not enough to assert that the resolutions were or were not legally binding instruments. At their core, they were political prescriptions, couched in terms of the demands and expectations of developing countries to overcome the limitations of three fundamental principles of the international law of the old economic order: the institution of corporate personality; the inviolability of private property; and the binding character of contractual obligations (1978: 49). Arbitration in the Texaco-Libya oil companies dispute brought forward by the United States at the International Court of Justice (ICJ) after Libya moved to nationalize their oil production and implement the OPEC price raises concluded that the Charter "must be recognized as a political rather than as a legal declaration concerned with the ideological strategy of development, and as such, supported only by non-industrialized states" (1978: 43). Raman noted that the majority of Southern leaders projected the NIEO as a demand for change from international law, which they viewed as a law of laissez-faire favouring the developed states. Consequently, their rejoinder to the arbitration's conclusion was that the status quo of international law was itself political, as major developed world governing partners had built it in isolation from the global majority.

[33]Manuel Tello (ed.) (1975): pp.197-198. "Comunicado conjunto expedido al termino de la visita de estado a Canada, el 2 de abril de 1973." El Presidente y el Primer Ministro consideraron que la formulacion de una Carta de Derechos y Deberes Economicos de los Estados tiene una importancia primordial para el logro de la paz y la seguridad internacionales. Al expresar las razones para proponer tal Carta, el Presidente explico que dicho insturmento deberia contener los principos que normen las raelaciones economicas internacionales basados en la euidad, la justicia y el derecho inalienable de todos los pueblos de alcanzar mejores niveles de vida, en los que priven la dignidad y la libertad tanto individual como colectiva. Para el logro de estas metas sera necesario que todos los estados ajusten su conducta a los principos que la communida internacional plasme en un instrumento de alcances universales. Al recibir con beneplacito la iniciativa de estadista, tomada por el President, el Primer Ministro hizo hincapie en que el gobierno canadiense comparte estos objectivos basicos y que el interes del Canada se refleja en su activa participacion en el Grupo de Trabajo de la UNCTAD. Los dos govbiernos acordaron cooperar plenamente en la preparacion de una Carta que pueda ser considerada y adoptada por la Asamblea General de las naciones Unidas, lo mas pronto possible.

[34]The Dakar Declaration highlighted the ways in which transnational corporations specifically had transferred the gains from improved productivity to the North through profit repatriation, inflated costs of technology, capital equipment, and freight rates, and introduced natural resource replacing synthetics that had adversely affected products such as rubber. The critique of TNCs was central to the more general critique of trade. For the original text, see the documents compiled by Moss & Winton (eds.) (1976).

[35]Sewell (1980): Statistical Appendix. From 1960 through 1977 developed countries imported fewer primary products including fuels. Commodity imports fell from 49.1% of the total in 1960, to 41.7% in 1977.

[36]Kaldor (1989). In today's Doha Round, the heritage of these moves remains highly controversial. Negotiations on the WTO Agreement on Agriculture have stalled, and the issue of domestic price supports (in addition to barriers to entry) in the European Union and the United States is a key point of contention in the Round. The Like-Minded Group of developing countries would like to see access barriers come down, and a global system of price supports.

[37]G.K. Helleiner, in Singer et al., (1987): 72. The commodities in the IPC were: bananas, bauxite, cocoa, coffee, copper, cotton, hard fibres, iron ore, jute, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin, vegetable oils.

[38]Other policies advocated by the Third World on this matter included also threatened established Northern interests such as: reciprocity trumping tariff concessions and non-tariff concessions such as the reimbursement of customs duties, taxes, and the removal of other Northern protective barriers such as quotas. While the North limited its concessions to the GSP, Hans Singer has argued that even the limited concessions taken under its auspices have been more useful than all trade liberalization through the GATT for developing countries, largely due to the unfinished business of the Tokyo Round.

[39]Manuel Trello: 155. "Las empresas multinacionales podrian contribuir significativamente a la modernizacion de nuestras economias. Disponen de una capacidad tecnologica acumulada que les permitiria alejarse de los viejos esquemas de explotacion de recursos humanos y materiales, caracteristocs de las empresas petroleras y mineras que tan amargas secuelas han dejado en nuestros paises. (discurso ante a III conferencia de las naciones unidas sobre comercio y desarrollo (UNCTAD) 19 de abril de 1972 en Santiago Chile.

[40]See William Greider, *One World, Ready or Not: The Manic Logic of Global Capitalism*, New York: Simon & Schuster, (1997) and Naomi Klein, *No Logo,* Toronto: Random House, (1999).

[41]Helleiner (1987): 68. Note that Southern states set out to reform the GATT paradigm with their assertion of a NIEO.

[42]Ruggie & Gosovic (1976). While the willingness to control economic forces had been generalized, Northern governments tried to contain the NIEO within the existing structures of the world economy.

[43]This strategy was advocated in Cooper et al. (1977). The strategy is further detailed in the 'Failures' Section below. Robert Cox [(1979): pp.376-420] described the Trilateral approach elaborated in Cooper's report as an instance of classic functionalism in the international system. The Report advocated policy co-ordination amongst the developed countries, the exclusion of small countries from negotiations, and the division of issues the better to remain stability and continuity in the international system. The approach was to divide and conquer NIEO demands.

[44]An integrated order should not be confused with an interdependent international economic order. John Ruggie, in Bhagwati & Ruggie (eds.), (1984): 36.

[45]Hart (1983). This period saw the end of Echeverria in Mexico, and Velasco in Peru, to name just two NIEO stalwarts that passed into history.

[46]Hart: 66. A wide split had been evident in the North at the end of the CIEC in Summer 1977. The Netherlands, Norway and Sweden supported some specific proposals like the Common Fund and IPC, while Germany, Japan, Britain and the US did not. Gaps within the North decreased over the next few years, while those within the South increased as OPEC and NICS greatly increased their shares of global reserves.

[47]Independent Commission (1980): 69. Rising poverty was not the only problem identified at the time, as incomes were also polarizing between the North and the South. From the economistic standpoint of per capita incomes, the income gap evident between the developed and developing countries over the two Development Decades had increased. Per capita incomes rose in the developed countries from $1407 at the dawn of the first UNDD, to $6468 near the close of the Second. Over the same period, per capita incomes in developing countries increased from only $132 to $597. Per capita incomes relatively under-performed in the Third World over the course of the two Decades. See the statistical appendix in John W. Sewell et al. (1980).

[48]Interestingly, Paul Volcker's monetarist management of the Federal Reserve reciprocated the supposed crisis the Third World 'induced'. Under his leadership the Fed raised the value of the USD to such an extent that it caused balance of payments crises in many Third World countries. See William Greider, *Secrets of the Temple: How the Federal Reserve Runs the Country*, New York: Simon and Schuster, (1987).

[49]Liberalization of investment and finance, the deregulation of industry, fiscal discipline, and the privatization of state enterprises were also components of the market fundamentalist cocktail that was variously embraced by, or imposed upon, Third World governments.

[50]See, for example, the work of the International Forum on Globalization (2002). The Worshipful Company of World Traders *Tacitus Lecture 2003* delivered by Peter Sutherland can be found at http://www.world-traders.org/tacitus%202003/.

[51]New York Times, "Harvesting Poverty," (Summer 2003). An exceptional case of the practice of over-production and dumping is evident in the US Government's programme to extensively subsidize ten thousand cotton producers. Dumping of subsidized cotton onto global markets has undermined the ability of the most efficient cotton producers in the world in Burkina Faso to earn a living, and sometimes, even to physically survive.

[52]Joseph Stiglitz (2001). Stiglitz notes that there are still huge tariffs in areas of interest to developing countries like clothing and agriculture.

[53]Further examples include: the international diffusion of industrial production, which has not fostered the development of industries (including capital goods industries) but has effectively incorporated many of these countries into global production structures as “low value-added ghettos” according to Oxfam; slow and stagnant growth for two decades in Latin America, Sub-Saharan Africa, South Asia, and the Countries in Transition subsequent to the adoption of a market fundamentalist policy frame; stagnation and decline in terms of the relative wealth and incomes of the global majority of people in the developing world (with regard to incomes, the International Labour Office has noted that income gaps between the wealthiest 20% and poorest 20% of the global population has grown from 30 to 1 in 1960, to 74 to 1 in 1999); and high ongoing levels of absolute poverty: 1.1 billion people still struggle to survive on less than $1 a day, the same number as the mid-1980s. See Robert Wade (October 2002) for an extended discussion on the later point, and the comprehensive report by Drache & Froese (September 2003).** These points constitute just some elements of the over-all non-realization of the NIEO, and demonstrate its relevance insofar as its objectives in these areas have failed to be achieved. See, United Nations Development Programme (2003).
**The NIEO did not explicitly address the wealth, income, and poverty front *within* countries, though the financial resource transfers it sought to effect (including increased aid flows and the procurement by direct producers of a greater share of the final price of finished products) implicitly recognized the necessity of achieving a more just global distribution. However, according to Ed Dosman, domestic reform within countries to achieve more just societies was implicit in the NIEO.

[54]The excellent work of UNCTAD’s Secretary General and the ongoing relevance of the GSP notwithstanding, the WTO has pre-empted the role that was envisioned for UNCTAD in the 1970s.

[55]The Like-Minded Group consists of Kenya, Uganda, Tanzania, Zimbabwe, Cuba, Honduras, the Dominican Republic, Jamaica, India, Pakistan, Sri Lanka, Malaysia, and Indonesia. It was opposed the extension of the WTO agenda and resisted the launch of a new Round at Seattle in 1999.

[56]Guy de Jonquieres and Frances Williams, “Reports from Cancun,” *Financial Times*, 10-12 September, (2003). This group expanded well beyond twenty and even into the seventies when the Singapore (investment) issues were discussed at the Ministerial. According to their article, “Risk of Failure at Cancun trade talks,” Canada’s WTO Ambassador Sergio Marchi said that there was a danger of the Doha Round establishing a North-South divide, as developing countries increasingly organized themselves into a bloc aimed at countering wealthy nations’ positions. He was alarmed with the political atmosphere of the negotiations. In their article, “Third World Alliance hits at Trade Rules,” South Africa’s Alec Erwin was quoted as saying that “this is truly a historic moment when we have been able to unify our positions across economies.” However, this article, as with many other popular analyses of the Ministerial, goes on to describe the unity as being “newfound.” Within the context of the WTO unity is indeed “newfound,” but viewed historically, it is simply a renewed instance of Third World solidarity, reflecting the NIEO vision for a more just world order.

[57]Martin Wolf, *Financial Times*, (22 April 2003). Only in the aftermath of the WTO's failed Seattle Ministerial has some historical sensibility been re-inserted into mainstream Northern discourse on the trading system (the New York Times feature springs immediately to mind). For an extensive look at the numbers of people existing in poverty, and how they have varied over time, see Robert Wade (2002).

[58]These questions are derived from the historical understanding that developing countries have been unable to achieve substantive developmental concessions through the GATT and its developed country-driven agenda over the past thirty years. Doha itself seeks to improve development through the provision of enhanced market access for developing countries in Northern markets, and a phase out of support, export subsidies, tariff peaks and escalations in the North.

[59]Rodrik (2001): 28. These unorthodox approaches included export subsidies, domestic-content requirements, import-export linkages, patent and copyright infringements, and restrictions on capital flows and FDI. These measures are largely precluded by today's rules, and rules the North seeks to write on investment in Doha (the Singapore issues). It should be noted that states adopting these policies were not solely inconsistent with market fundamentalist tenets; their social policy was often inconsistent with human development as well.

[60]Jonathan Birchall, "UN Aims to Scrutinise Multinationals," *Financial Times*, (12 August, 2003).

[61]The President of the World Bank, James Wolfensohn, has publicly called for Northern trade Ministers to break the deadlock in the interest of development. Wolfensohn notes that to do this "will require action from all countries, (and) rich countries must show leadership by reducing protection and abandoning policies that lower growth prospects in developing countries. On average, those living on $2 a day or less - more than 2.7bn people - face double the trade barriers confronting the wealthy. Yet many rich countries continue jealously to guard trade-distorting policies. Rich countries' total farm subsidies, for example, are greater than Africa's gross domestic product." On the last point, Raul Prebisch noted nearly forty years ago "the first question to be asked is whether, in the industrial countries, excessive agricultural protectionism aiming at self-sufficiency is consistent with [the] spirit of the GATT, with the objective of expanding trade and not restricting it." The comments offered by the President of the World Bank indicate that Prebisch's concern is still salient today. Sources: Wolfensohn, "Rich Will Pay if WTO lets Poor Down," *Financial Times*, (7 September, 2003); Prebisch (1964): 31.

[62]Tim Harford, "Fair Trade Coffee has Commercial Blend," *Financial Times*, 11 September, (2003).

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