

Routledge Studies in Modern European History

THE BRANDT COMMISSION AND THE MULTINATIONALS

PLANETARY PERSPECTIVES

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4 The G77 and the NIEO: The Contours of a New World Order

The oil and the power and powerlessness of the poor

Chapter 1 described the collapse of the Bretton Woods order in 1971 and laid out the global scenario that followed. Those who held dollar reserves could no longer change them for gold. The decision to cut ties to gold enabled the United States to print as many dollars as it wanted, and in 1973 the dollar was not only floating alongside gold, but its value decreased against every other currency while inflation accelerated. Since no other currency was strong enough to replace the role of the dollar, it continued as the peg despite its volatility. The floating dollar was the new standard of value. Exchange rates began to fluctuate on the money markets, and the fluctuation soon influenced commodity and labour markets.

Spiking inflation and currency chaos caused by growing fluctuation in exchange rates prompted investors to look for safer havens. They began to invest in commodities rather than floating currencies. Commodities became a hedge against inflation, but the growing demand for secure investments maintained inflation. Grain prices quadrupled, which benefited the United States with its vast industrial production of wheat and grain, but which hit food-importing Third World countries. American producers traded in dollars. Nixon's Treasury Secretary described the situation bluntly: "The dollar may be our currency, but now it's your problem."¹

Oil traded in dollars fell heavily in price in real terms. Oil-producing countries in West and Southeast Asia, Africa, and Latin America considered how to react to the declining incomes. Since 1960, they'd organised themselves into a price and production cartel, which was dominated by the Arabian oil producers. Oil was the key energy source of industrial economies, and there had been a continuous expansion of oil sources since the 1950s, but, in 1960, there was a surplus of supplies in the world market and, as a consequence, the Organization of the Petroleum Exporting Countries (OPEC) was formed. The declining dollar deepened the already precarious situation of the oil producers. The opportunity of the cartel to react to the decline in prices came from an unexpected quarter. The Arab-Israeli Yom Kippur War in October '73 triggered an oil embargo on shipments from the

Arab states to Israel's Western allies. It was a weapon that hit the West hard, surprising and amazing those affected. In a few months, the price of oil on the world market increased by 400 percent. The war was a catalyst, but the causes were deeper and connected to the fall of the Bretton Woods' system.

As we saw in Chapter 1, poor countries suffered from increases in the price of grain while rich countries suffered from increases in oil prices. Algeria was both an oil-producing and a poor country, and its leader, Houari Boumediene, explained the conflict of interest he felt, and his solution for it, in a speech in February 1974:

We do not find oil too expensive. For us it is machinery, technicians, the cost of knowledge, studies and money which are too expensive. The man who goes hungry, who rides a donkey, who wants to learn to read, does not have the same preoccupation as the one who goes for a drive on Sunday, and for him the price of wheat is more important than the price of asphalt. The price of wheat has quintupled. For a long time the price of iron has not moved, but by how much has the price of a tractor increased? The problem facing the world is much larger than oil alone or even raw materials: it concerns the relations between the developed countries and the others in every field. This is the heart of the question.²

The North and the South were stuck in a mutual food and energy crisis. The voices of the rising South argued that decolonisation had mutated into neocolonialism through private investment by the rich world and the subsequent expatriation of the profits. The decolonial promises of independence and development were never fulfilled. The leaders in the North complained that the oil producers in the South blackmailed them.

As we saw in Chapter 1, during 1973–74, the Third World seemed to be on the point of revolution, not in the sense of a violent revolution, but a *kairotic* situation in which everything could be won or lost. What was cause for pessimism in the North created optimism in the South. Seemingly independent events from each other, like the dollar collapse in August 1971 and the Yom Kippur War in October 1973, triggered reactions that made them look synchronised. Developments in the 1950s and 1960s had built up structures that were now ready to explode. The average annual GDP growth rate during these decades in the Western part of the industrialised North was 4.5 percent. Much of this growth could be accounted for by an increased level of mass consumption in one small part of the world through the rebuilding of what had been destroyed in the Second World War, which created employment and spending power. But the rebuilding had been done to a higher standard, and this had changed the world in fundamental respects. In particular, the transformation provoked new kinds of expectations in both the North and the South, and they were not necessarily compatible.

Surging oil prices hit the industrial economies in the North and the oil-importing poor countries in the South. However, in the Third World, the

reaction was different from the North. Third World producers of other raw materials believed that in the oil price hike they had found an example to emulate. They saw the potential in cooperating over prices and production volumes and standing up for better terms of trade, tariff reductions, and more development aid. They reflected on the collapsed Bretton Woods system that had benefitted the rich industrialised North, particularly the United States. The South called for a revision of the international economic system.

What happened in the years between 1971 and 1973 did not come suddenly, even though it appeared to. In the industrial North and the developing South structures that had built up for decades were undermined in the 1960s and imploded at the beginning of the 1970s. In the North, the structures were tied in with Fordist production, which saw its beginnings in the 1870s and the Industrial Revolution. These structures had to do with labour relations, rationalisation of manufacturing production through time measurement, piece work, and conveyor belts in large factory systems with homogenous labour markets, benefiting from hierarchical and national organisation that looked after the interests of capital and labour. They maintained the mutually reinforcing dynamics between mass consumption and mass production. Free trade, which was sometimes more a goal than a reality, was also an important part of the system. Since the 1950s, Fordism provided the material basis of politically managed national welfare in the United States and Western Europe, legitimised by Keynesian economic theory, though both public welfare and the role of the state were defined in widely different ways between countries. We saw in the previous chapter how multinational corporations began to undermine this order in the 1960s by escaping and circumventing it. It collapsed with the fall of Bretton Woods.

The challenge that faced the world dealt with development in the South. As we saw in Chapter 2, development had been the galvanising watchword accompanying decolonisation since the 1950s. Simultaneously with the rise of the MNCs, the development discourse shifted to the dependency discourse, and neocolonialism became a new watchword to describe the situation. In the mid-1960s, radicalisation, and growing disappointment with what decolonisation had failed to deliver, coincided with the Bandung movement of non-aligned countries that had been born in 1955. The movement challenged the emerging situation in which the two superpowers required decolonisation but practiced neocolonialism.³

The first UN conference on Trade and Development (UNCTAD) in Geneva in 1964 gathered over 4,000 delegates from over 120 countries. Unlike the Bretton Woods institutions (the World Bank and the International Monetary Fund), in which influence was based on economic power, UNCTAD, like the other UN institutions, comprised all nation states that were recognised by the United Nations and gave them one vote each. After its initial success, the Conference became, as we saw in Chapter 2, institutionalised with a secretariat in Geneva and a major intergovernmental meeting every four years. In this

context, the developing countries established the Group of 77 (G77) through which to articulate their concerns and claims.

The G77 was based on a collective belief that development problems affected all its members and were mainly derived from the prevailing inequitable pattern of international economic relations. The aim was to create an effective and dynamic negotiating body whose expertise and bargaining power would be taken seriously by developed countries. Supported by the Soviet Union, they argued that the rich industrial countries exploited raw material and commodity exporters in the South through the low prices paid for their products.⁴

An early step between Bandung and UNCTAD on the path towards the new international economic order (NIEO) was the nine-country commission on Permanent Sovereignty over Natural Resources that the UN General Assembly appointed in 1959. The Soviet Union expected that the commission would report on sovereignty violations and demonstrate the existence of neocolonialism. Western governments were afraid of nationalisation and the circumvention of international law. The South was worried about exploitation by the North. Everyone was concerned about the situation but diverged when it came to identifying what those concerns were. The report led to a UN resolution in 1962, but it was hobbled by an attempt to disguise the explosive force of the problem, and it hid the issues in generalities and technicalities. In the light of the lack of development, the problem would become the core of the NIEO's demands a decade later when the expansion of the multilateral corporations forcefully threw the sovereignty and resource issue onto the fire of growing North/South tension. During nine days in July 1962, a conference on economic development problems under the auspices of the UN Economic and Social Council and the UN Economic Commission for Africa met in Cairo and adopted a Declaration of Developing Countries. The declaration drew attention to the growing disparity in standards of living prevailing in different parts of the world. Despite universal acknowledgment of the necessity to accelerate development in less developed countries, few workable proposals existed to enable them to attain a reasonable growth rate. The declaration stated that terms of trade continued to operate to the disadvantage of the developing countries, accentuating their unfavourable balance of payments.⁵ The statement was an important milestone in the establishment of UNCTAD. In 1963, a year before his appointment to the post of secretary general of UNCTAD, Raúl Prebisch talked about a new international economic order.

In an article on the origins of the NIEO, Daniel Whelan describes how, in 1966, the Senegalese foreign minister Doudou Thiam reflected on the previous twenty years of UN history in an emotional speech he gave in the UN General Assembly. Thiam's main concern was the United Nations' failure to fulfil its goals during its first development decade. Instead of development, a growing inequality in the share of global income between developed and underdeveloped countries had enlarged. In 1938, the income disparity had

been 15:1; by 1966, it was 35:1, and projected to be 40:1 by 2000. Thiam provided a historical perspective, investigating inequality through factors such as geography and race, concluding that no single factor could explain the phenomenon. Compared to India and China's historical dominance, Western prosperity was recent and short. So-called poor nations were not as poor as they seemed. In 1963, they held 50 percent of the world's petroleum, copper, and manganese ore and 70 percent of its diamonds. The situation was similar in terms of agricultural commodities. The problems were caused by the world's inequitable division of labour and the deterioration of terms of trade since 1950. Even though a formal process of decolonisation was underway, developed countries were still pillaging developing countries, and on a global scale. Thiam called upon an economic Bandung conference to formulate a new world economic charter in which developing countries would not present a list of complaints but rather lay claim to and demand what was rightly theirs, what was "due to man, whatever his nationality, his race, or his religion." This imagined Bandung-style conference should not be filled with hatred, but "justice, balance and reason," yet it should define a new revolutionary attitude.⁶

Prompted by these historical factors, a summit of the Non-Aligned Movement, with roots in Bandung, took place in Algiers in September 1973, just a few weeks before the Arab-Israeli war triggered the oil price shock. The chair, Algeria's President Boumediene, persuaded the meeting to prioritise the struggle against economic neocolonialism by demanding the right to nationalise strategic industries and set fair prices for raw materials. Ever since the 1950s, the prevailing Cold War obsession had been the nuclear terror balance. The meeting's slogan broke with that: "The real nuclear bomb is the billions of human beings in the Third World."⁷ The summit redefined the conflict: from East/West to North/South. Boumediene called for a special session in the UN General Assembly to present the demand for a New International Economic Order. In April 1974, the special session gathered.

Tiersmondisme born in Bandung in 1955 gained strength through the G77 and UNCTAD's campaigns for fairer world trade. The movement expanded to yet another policy area: the environment. In June 1972 in Stockholm, the United Nations organised a global conference on the "Human Environment," which attracted much attention worldwide. It was the first time that the environmental issue became the subject of a major, global, political-academic gathering. Eighty-one participating countries came from the Third World and twenty-seven from the Western First World. There was no representation from the communist Second World. China was still considered part of the Third World. In the discussions and resolutions, development was entangled with the environment. There was consensus that the most urgent environmental problem in the Third World was the lack of development. The Third World's first ecological goal must be better food supply, housing, health care, and education. Environmental considerations had to be incorporated into

national development strategies, and vice versa. Any clash between environmental and developmental concerns could and should be avoided. Support for the environment could be no excuse for reducing development. There had to be a “substantial increase in development assistance with due consideration for environmental factors.” There was a general agreement that “a philosophy of ‘no growth’ was absolutely unacceptable.” This was a comment on the Club of Rome’s report from the same year which required a general stop to growth (see Chapter 1 and this chapter below). The conference served as a platform for the Third World. Its leaders dominated the debates and used the ten-day gathering to galvanise support for the development issue. Many of the NIEO’s later ideas were born and developed in discussions and informal meetings that occurred between sessions and either side of committee work. The Third World leaders saw that greater strength lay in combining development and environmental issues.⁸ The optimistic mood created by a renewed commitment to both environmental protection and development that prevailed in Stockholm in the early summer days of 1972 foreshadowed the sixth and seventh special sessions of the UN General Assembly in April 1974 and September 1975, which heatedly debated the NIEO against the background of growing North/South tensions.

The 1974 notion of an NIEO had thus been around for more than a decade. UNCTAD and the G77 carried forward the spirit of Bandung in the struggle for better terms of trade, and for turning dependence into development. In the mid-1960s, doubt grew that the United Nations’ proclaimed goals for its first development decade would be fulfilled, and with doubt grew incitement to action.

The G77 argued for the nationalisation of raw material extraction, which later would be a key idea of the NIEO. Demands for nationalisation went hand in hand with arguments for the preferential treatment of poor countries in global free trade. The G77 and UNCTAD prepared for the NIEO with their demand for a global economy with political control of transnational corporations.⁹ In 1974, the G77’s ideas became more precise when it refined the scope of the NIEO and hashed out the details.

However, in the North, too, discontent spread, and a general wave of radicalisation and social protest grew. Things were not changing fast enough in social life, politics, and business, where old-fashioned ways of doing things still held sway. The movement there had dimensions of a generational revolt, but it also dealt with labour relations and a more general confrontation of authority. At the end of the 1960s, labour representatives in the industrialised countries did not imagine that a decline in wealth lay around the corner, but instead interpreted what in retrospect proved to be the growth and welfare model’s culmination as an opportunity to claim a more significant share of the pie. Also, they claimed the right of co-determination within industrial enterprises, such as influence in decision-making and representation on management boards. One can epitomise the North’s radicalisation in the second half of the 1960s as a general questioning of authority, and we will explore its implications in the next chapter.

The South's radicalisation challenged the North's authority. The strains and fissures created by waves of radicalism in the North and South led to cataclysmic failures in the sequence of events that occurred between 1971 and 1975. The North/South division shifted character, becoming entangled in an argument about inequality rather than separated by it. Crisis in industrialised countries and a sense of new opportunities emerging in developing countries became intertwined, two sides of the same coin.

Twenty years of two parallel, although connected debates – in the North (and West) on economic growth, full employment and public welfare, and in the South (and the radical North) on development and dependence – disintegrated into a chaos of complicated entanglements in 1973 and 1974. The tangle of problems soon became structured around the twin issues of food and energy intertwined in a planetary perspective (though unfortunately not a shared perspective like the one on the development-environmental problem which had pertained in Stockholm in June 1972).

To understand what was ominously called the food and energy crisis, which in reality was a crisis of prices and money, and to understand the prevailing political uncertainties, one had to look beyond the previous year and place the oil price shock in a wider context. In an essay in the *New York Review of Books* in 1975, British historian Geoffrey Barraclough debated the issue.¹⁰ He was Arnold Toynbee's successor as chair of international history at the London School of Economics. In 1964, he had attracted attention with *An Introduction to Contemporary History*, in which he asserted that the modern era was giving away to a new age, still unnamed though he tentatively called it the contemporary or the postmodern era (fifteen years before J.-F. Lyotard's famous articulation of postmodernism). 1890–1961, Barraclough explained, was a transition period during which the old world died and the new came into life. There was a transition from nation and empire to a world of great geographical blocks, the dwarfing of Europe and the break-down of liberal democracy from the pressure of mass society. It centred on the revolt of the non-Europeans against the West and resulted in the decline of the humanist tradition. The pivot of the transition was decolonisation, which was a revolutionary reversal. The rise against the West between 1945 and 1960 overshadowed the world wars and the Great Depression. Decolonisation changed the time and the world. The emancipation of Africa and Asia was the other side of the European crisis.¹¹

Ten years later, Barraclough had crucial aspects of his historical prognosis confirmed. Of course, he had not been able to see the details of the revolt in 1964. Current events were chaotic and amorphous and his attempt to sort them out and make them fit into his thesis provoked the essay. He wrote on something he had foreseen, and the general outline he had presented seemed correct. The crisis was not a brief emergency but “a last desperate attempt by industrial society,” as it had been known since the 1950s, “to climb out of a crisis of its own making,” Barraclough argued. It was about more than oil prices and the global distribution of oil consumption. The Green Revolution,

for instance, had had a huge impact on multinational agribusiness, but instead of producing a general improvement of living standards, the benefits had flowed to a privileged minority of rich farmers. Unlike the 70 percent of poor peasants who owned less than an acre of land, the rich farmers could afford chemical fertilisers and machinery. They received bank credits for irrigation projects. Modernisation had driven large numbers of poor peasants off the land to unemployment in the city slums, Barraclough maintained, in what looked like an echo of Myrdal (see Chapter 2). The situation was the same in booming oil-rich Nigeria and Venezuela, where the multinationals flourished, the upper classes prospered, and the masses starved. The lesson to draw if you wanted to get out of the crisis was that there could be no sustained agricultural development without social progress, and vice versa. There was a connection between the oil famine in the rich North and the food famine in the poor South, and this connection had to be redrawn in fundamentally new ways. To solve the oil crisis, one had to solve the famine crisis. Barraclough quoted an Iowan senator, who reflected on discussing food shortages in 1985 at a conference at FAO in Rome, the United Nations' Food and Agriculture Organization: "It's absurd to sit here talking about a problem of hunger ten years from now, and ignoring the fact that millions are going to die this winter." A feeling of urgency and a world out of order filled people with horror in the rich North, while the expectation of change for the better grew in the South.¹²

The 1970s was a catalyst, merging a condensed confluence of trends and tendencies, or diverting them in new directions, reinforcing or exhausting them. It was a time of criticism and crisis, of reflection on recent experiences. It was clear that the North's old value systems no longer provided reliable guidance, but it was difficult to discern which new one would lead the way any better. The North had suffered a series of shocks: the dollar collapse, the oil price shock, mass unemployment, soaring state debts, high inflation, and the shock of the NIEO's demands. It was a time of improvised reactions to crises which just kept on unfolding.

The components of the catalyst emerged in the 1960s. In the North, the representatives of capital recognised the limits of Fordist production. The radicalisation of organised labour emphasised the point. The capitalists realised that it was the national framework of the political economies within which they operated that was holding them back, and so they looked for ways to escape. The road to sustainable profits lay in developing intensified trans- and internationalisation of capital to create and exploit new markets beyond the rich North.

At the same time, the southern developing countries' expectations that development would go hand in hand with decolonisation were disappointed. For the South, the moment of take-off never seemed to arrive. They found themselves trapped and snared in dependencies they could not escape or influence, stuck in the stage of developing. Dependence and neocolonialism were to be their future.

The two trends ran in parallel: capital's confidence in transcending its national constraints in the North mirrored the Third World's growing despair about being stuck in dependence. Through a series of political convulsions, northern governments, struggling with the crisis in the wake of the breakdown of the Fordist production regime and loss of legitimacy, began to invest their hopes in the success of the multinationals and their new, still unclear production regime which promised to lead them towards a prosperous future.

The frictions between the trends and their connectedness became ever more apparent. However, the potential head-on clash between them was not envisaged at the time. Beyond the network of determined representatives of capital working on the planetary border-transcending enterprise, few saw the end of Fordism or state-monitored free trade. The managers of the multinationals had seen the end for years, of course. In retrospect, we see how the two connected trends diverged from each other and their previous shared belief in development, as they simultaneously became heavily entangled in opposition and hostility.

The new international economic order

Houari Boumediene, acting chair of the Non-Aligned Movement, who requested the special session of the UN General Assembly to discuss the global situation, emerged as a key spokesman for the Third World and the G77 movement. In 1965, he led a bloodless coup against Ahmed Ben Bella, the hero of the independence war who had given voice to the idea of a global revolution against imperialism but had failed to implement the idea. Boumediene was not necessarily less radical but matched his radicalism to political reality with more precise and concrete goals. As opposed to Ben Bella, he did not agitate the masses. He was more of a technocrat who preferred collegiate decision-making, which fitted perfectly with what the G77 required of its leader.¹³ Houari Boumediene, also spelt Boumedienne, was a *nom de guerre* adopted during Algeria's independence war against France. His original name was Mohammed Boukharouba.

Boumediene was probably the single most prominent protagonist on the Southern side.¹⁴ He was the embodiment of a conflict that could draw a line directly from the Battle of Algiers in 1956–57 to the NIEO proclamation of 1974, and he represented both an oil-producing and a poor country that had been shaped in a bloody war of independence. He was perhaps the most militant of the Third World leaders in the limelight as a spokesman for developing nations in the non-aligned movement.

On 9 April 1974, the special session met, and on 1 May, it adopted a resolution on a New International Economic Order that was to be based on equality of partnership, cooperation, justice, and non-interference in the sovereignty of recognised states.¹⁵ This last point was important if, for instance, a member state was to nationalise foreign-owned private property. Half a year after the oil price shock, it was easy to see that the power of the

global economy was shifting towards the South. A new North/South division was superimposing itself on the East-West division of the Cold War. From early on, the Cold War had a North/South dimension as we saw in Chapter 2. The domino theory was one illustration of this situation. The Vietnam War was the most recent example. However, the division became much more visible under the label of neocolonialism, which mobilised the South. Third World leaders saw the possibility of a new world order based on an increase in the prices of raw materials. For the first time, Europeans were challenged by the poor South. To the Northerners, the fact that European wealth was threatened was confusing and devastating.

By the time Houari Boumediene as the initiator of the gathering, took the floor to open the General Assembly's special session, the usual Cold-War framework of the United Nations' New York meetings had shifted. The collapse of the dollar, the end of cheap oil, the Watergate scandal, growing pressure on Richard Nixon's authority, and perceived American loss of face after its exit from the Vietnam War in 1973, all contributed to create a collage of chaos – a crisis of world leadership and a power vacuum which the Soviet Union was not capable of filling and Western Europe not ready to, but which the Third World wanted to. The world was in a ferment of dissatisfaction, frustration, disorientation, and uncertainty, and the Third World tried to catch the wave of chaos and surf to a new and better order.

The developing countries held a majority in the UN General Assembly. The MNCs were identified as a major target of the NIEO resolution, which claimed that developing countries must be allowed to regulate and control the activities of multinational corporations operating within their territory. Developing countries should furthermore be free to nationalise or expropriate foreign property on conditions favourable to them and be permitted to set up cartels like OPEC. Next, international trade should be based on non-reciprocal and non-discriminatory tariff preferences. The declaration also contained demands for technology transfers and economic and technical assistance without restrictions or conditions. The ideology behind the NIEO was central planning which consciously opposed the principles rather than practices of the liberal free-market ideology. Such planning was linked to the idea that international trade rules must prevent trade benefits from flowing to the affluent northern countries at the expense of their poor southern trading partners. The South requested preferential treatment in trade relations in light of the fact that, through imperialism and colonialism, they'd been exploited for centuries.¹⁶

After the collapse of the dollar and the Bretton Woods system, the oil price shock looked like the beginning of a new international world order. It was signalled by the old European industrial economies' decline in power and a failure in the engine of postindustrial America, as well as a growing scope for action through the Third World's exploitation of its own raw materials. "Decolonial" had come to mean "neocolonial" through the rich world's



Figure 4.1 The opening of the UNGA Sixth special session on raw materials and development on the 9 April 1974. Houari Boumediene and UN Secretary General Kurt Waldheim at the dinner after the opening.

Source: UN Photo/MB.

private investment and its repatriation of the profits, the Third World leaders argued. Conventional thinking had been that the relationship with rich nations created benefits for the poor because the multinational corporations' investment provided employment, incomes, and technology transfers, but that proved to be wrong. On the basis of this insight the establishment of a new world order was urgent, the Third World leaders claimed.

In fact, the links were detrimental to the poor South. "Integration of the developing countries in the international economy leads to their domestic



Figure 4.2 Top diplomacy in the *chairotic* spring of 1974. Henry Kissinger meets Willy Brandt in the chancellor bungalow in Bonn 4 March 1974 and Brandt visits Houari Boumediene in Alger 20 April 1974.

Source: © Bundesregierung.

disintegration,” was a conclusion that echoed Myrdal’s thesis of “growing disequilibrium and exploding sequences rather than the classical notions of equilibrium.”¹⁷ The proponents of the NIEO argued that Europe and the United States could no longer unilaterally determine the global terms of trade in the established neocolonial way.

The NIEO adopted by the UN General Assembly’s special session on 1st May 1974 produced a series of specific demands and became a negotiation process between northern and southern countries, and one of its legacies was

a multitude of official documents that were adopted by a significant number of subsequent international conferences.¹⁸ The NIEO triggered an intense debate on the preferred organisation of international economic relations. For those who made the demands, “international” was a better term than “world” or “global.”¹⁹ To them, “international” connoted both independence and interdependence, whereas “world” and “global” connoted colonialism, imperialism, multinational companies, and neocolonialism. The forum of negotiation between states was the United Nations, where the developing countries held the majority.

The NIEO was an intellectual reformulation that saw North and South as antagonists and, from the South’s point of view, aimed to overcome opposition in new ways. The struggle for independence turned into a battle against economic imperialism. From the NIEO’s perspective, strong state control was necessary to protect developing nations against lingering imperialist forces. When development failed to follow independence, there had been a sense of resignation, even paralysis. Now there was new hope and expectation. Economists for global redistribution such as Mahbub ul Haq and Jan Tinbergen, and social-democratic leaders in the North such as Willy Brandt, Bruno Kreisky, Olof Palme, Jan Pronk, and Kalevi Sorsa took the southern protest seriously. They worked to create a fresh start for the North/South relationship. However, the situation also provoked the multinationals who’d been waging a campaign for a planetary enterprise since the 1960s. The NIEO confronted them, challenging their use of international law to justify their claim to property rights in the Third World.

This legal confrontation was a core dimension of the NIEO’s ambitions. The NIEO rejected the way international law was being used as a colonialist project, so attacking international law was attacking the multinationals. The NIEO criticised the way MNCs operated in developing countries and the way they justified their activities through the courts. Focusing on interstate relationships and agreements, the MNCs reduced any states’ domestic interior to a black hole outside its own jurisdiction. The NIEO demanded policies and rules that, when it came to foreign investment, would ensure the primacy of national law. It wanted the right to nationalise national resources that were owned by foreign interests, and it offered reasonable compensation in return. The meaning of international regulation had to change to remove the MNCs free rein and guarantee a revised trade regime in which fair commodity prices would be offered and financial transfers would be given for the right to operate in developing countries. The Third World wanted to expand the reach of international law to help Third World nations regulate their own power over the private sector, which would include property, contracts, and the MNCs’ activities.

Naturally, the MNCs’ response was to internationalise the issue and argue that international law protected their rights. They refused to recognise that the International Court of Justice had rejected this claim in 1951 when it asserted that international law only governed relations among states (after

the British government challenged Iranian nationalisation of the Anglo-Iranian Oil Company). By this verdict, a contract between a sovereign state and a private party could be regulated only by the sovereign state's national law, which was exactly the NIEO's position. But imperialism "was too deeply entrenched in international law to be reformed by that very same law."²⁰ In a strategic move, the Third World used its majority in the United Nations to drive through a resolution to establish the UN Commission on Transnational Corporations and gave it the task of establishing an international code to regulate MNCs, as we saw in Chapter 3. The NIEO went further in its claim for the priority of national law.

The launch of the NIEO envisioned the establishment of a new world order that would reverse western power and replace it with the power of the new nations. The vision in the South and among the Left in the North was, of course, not shared by the multinationals who refused to acknowledge that the South had achieved any kind of breakthrough and stuck to the claim that international agreements, also those that involved non-state actors, was the basis of a functioning world economy.

The NIEO's demands did not want a revolutionary disruption of the old order. Through forging a healing dialogue, they wanted to appeal to the North to accept the moral necessity of abandoning its privileged position.²¹ Third World leaders talked about a shared interest in a world order defined by equality, not in an absolute sense but in terms of equal opportunities. The concept of interdependence emerged entwined with independence. The multinationals, too, used the term interdependence to justify their planetary enterprise project with the argument that they brought employment and wealth.²² To distance themselves from the multinationals, Third World leaders wanted to give the term their own twist with the moral appeal.

The programme of action adopted on 1st May 1974 was "of unprecedented scope" and aimed at bringing about "maximum economic cooperation and understanding among all States, particularly between developed and developing countries, based on the principles of dignity and sovereign equality."²³ It did not aim to substitute the power of rich countries with the power of poor countries in a kind of Marxist class struggle dynamic, but to secure for poor countries a fairer share of power over global resources and earning potential. Regarding raw materials, the aim was the same: to end alien domination and exploitation by transferring to developing countries sovereignty over their own resources in and on their own grounds. The question of the expropriation of foreign property and nationalisation was dealt with similarly. Recovery, exploitation, development, marketing, and distribution of natural resources should serve developing countries' national interests and promote their collective self-reliance. The aim was also to encourage producers' associations and joint marketing arrangements, that is, through price and production cartels. Just and equitable relationships should be established between the prices of goods exported and imported by developing countries. This aim dealt with the old terms-of-trade problem. The aim was to reverse the trend of stagnation and

decline in the real prices of commodities exported by developing countries and expand the markets for natural products related to synthetics. Processing of raw materials in developing countries should be promoted.

The approach was, as just stated, not that of a Marxist revolution. The class struggle that accompanied and drove industrialisation in the North was nevertheless a loadstar. Third World leaders saw themselves as a trade union for the developing countries, gaining growing influence and respect through resistance to labour exploitation. Increasingly owners of capital and the ruling elites had to make concessions to the workers. Increasingly they found that the integration of workers in the modernisation process benefitted everyone, including them. Social democratic reformism rather than a Marxist revolution was the model they wanted to raise to a global level.

This approach would in a few years become the Brandt Commission's approach, too. Developed countries had to take full account of the interests of developing countries, both those who could not afford high import prices and those that needed expanding market access for their exports. Developing countries' chronic trade deficits had to be eliminated, and commitments already undertaken in UNCTAD had to be fulfilled. There were also demands for improved market access into developed countries through the progressive removal of tariff and non-tariff barriers and restrictive business practices. Pricing policies had to achieve satisfactory terms of trade. There were several other demands on the trade list, such as preferential trade and buffer stocks, the latter designed to control price fluctuations. Developing countries required a bigger share of global shipping tonnage and lower freight and insurance costs.

Because the Bretton Woods system had collapsed, there was also a requirement for a new international monetary system. Whatever system was instigated, a major task for it would be to prevent the spread of inflation in developed countries that had been triggered by the breakdown of the Bretton Woods system. Uncertainty about exchange rates had to be eliminated and the real value of currencies maintained. The declaration did not define what "real value" meant and how it should be maintained. This was a very difficult problem and the declaration circumvented it. If an equitable and durable monetary system were to be developed, then developing countries would need to fully participate in the decision-making process. The system moreover would have to provide additional liquidity to satisfy developing countries' needs. One useful method here would be special drawing rights that would be based on the concept of world liquidity. The IMF's conditions of credit repayments and compensatory financing, as well as the funding terms of commodity buffer stocks needed to be reviewed. Finally, there needed to be an increased net transfer of real resources from the developed to the developing countries, that is, a redistribution of resources.

The achievement of these monetary goals required an acceleration of financial resource transfers to developing countries; more effective participation by developing countries in both the World Bank and the International

Development Association; promotion of public and private foreign investments in developing countries; debt renegotiation on a case-by-case basis; reorientation of lending policies to better fit the urgent needs of developing countries; and priority to be given to the least developed developing countries and those most afflicted by the economic crisis and natural calamities. Initially, the World Bank focused on the Marshall Plan's work of reconstruction in Europe, lending mainly to Western Europe, but in the 1960s it turned to developing countries and the global South, where it provided technical assistance and capital, initially in Latin America. It became a key player in the international development project and was therefore an obvious target for the NIEO.²⁴

Industrialisation of the developing countries had to be encouraged, the NIEO argued. Developed countries should respond favourably to requests to finance industrial projects and encourage investors to finance particularly export-oriented production through official aid and international financial institutions. Developed countries should offer developing countries technical assistance, vocational training, and personnel development. The transfer of technology required a new international code of conduct which should consider the needs of developing countries. The code would allow modern technology to access improved terms; increase assistance in research, product and production development; and create appropriate home-grown technology. Technology transfer was also needed to promote research and development in exploration and exploitation, conservation, and legitimate utilisation of natural resources and energy sources. A new code of conduct should be established for transnational corporations to prevent them interfering in countries' internal affairs or collaborating with racist regimes and colonial administrations. Repatriation of profits accruing from their operations needed to be regulated in a way that also took account of the legitimate interests of developing countries.

Other requirements included a charter of states' economic rights and duties, and a programme to promote cooperation among developing countries. Attempts to prevent the full and permanent sovereignty of any state over its natural resources needed to be prohibited, and the United Nations should assist developing countries to nationalise their means of production. The United Nations should also be given a more significant role in the field of international economic cooperation.

In terms of food and hunger, the vast potential of un- and under-exploited land resources had to be considered. The transformation of fruitful land to deserts ("desertification"), salination, and damage by locusts and other harmful animals had to be stopped. The commitment made at the Conference on the Human Environment in Stockholm in 1972 to fight against pollution and resource exhaustion and to establish environmental protection became more complicated after the publication of the Club of Rome's report, *The Limits to Growth*. As well as in Washington, the ideas in the report were presented in Moscow and Rio de Janeiro in 1971, a few

months before the Stockholm conference. The lively debate on the report accelerated after the Stockholm conference and soon overshadowed the conference results. There was one big difference between the conference report and *The Limits to Growth* with its motto of "One World." Whereas the United Nations gathering in Stockholm was unanimous in seeing development and environmental politics as mutually reinforcing, *The Limits to Growth* emphasised that pollution and resource exhaustion required global growth to cease. The challenges soon to emerge in the areas of environment and pollution were so big that there was no place for further growth. The report circumvented the North/South problem and the Third World's demand for redistribution of wealth and development through growth. The NIEO, with inspiration from the Stockholm conference, did not prioritise environmental problems, but it saw that their solution lay in an acknowledgement of the fact that the world was not yet one, but remained divided. An effective campaign on behalf of the environment first required the healing of the division. The Stockholm conference agreed that development and a fight on behalf of the environment went hand in hand, but the report to the Club of Rome demurred. In the Third World, this dampened enthusiasm for the environmental commitment of Stockholm.²⁵ We will come back to *The Limits to Growth* in the next section.

Finally, a special programme needed to be established that would respond to the emergency in those developing countries that had been most seriously affected by the economic crisis. Its measures were a reaction to a sharp increase in the price of the developing countries' essential imports, such as food, fertiliser, energy products, capital goods, equipment, and services. Beyond emergency assistance, steps were also needed to promote the capacity of these countries to increase production and earnings. The factors used to define the poorest countries were low per capita income; a sharp increase in the cost of essential imports relative to export earnings; high ratio of debt servicing to export earnings; insufficiency of export earnings; comparative inelasticity of export incomes; an unavailability of exportable surplus; low level of foreign exchange reserves; the adverse impact of higher transportation and transit costs; and an over-reliance on foreign trade in the development process. The response of the developed countries to the urgent situation needed to be commensurate with their moral responsibilities and existing levels of aid.

The list of demands included one hundred items covered by ten headings, all well developed and woven together into a coherent declaration. If it had been implemented, it would have resulted in a new economic world order that could have decreased if not eliminated the division between rich and poor countries. The list was both brave and transparent. Indeed, it represented the outline of a new international economic order involving a considerable transition of power – power which would be voluntarily surrendered by developed countries. It was based on the moral argument that through colonialism rich countries had earned their wealth at the poor countries' expense. The latter now required their fair share of the world's

wealth. The appeal was difficult to reject on moral grounds and met with great public sympathy in the West, especially on the Left which had been sympathetic to the South since the 1960s.

The thrust of the NIEO's demands was an egalitarian global economy; the break-up of neocolonial dependence; and the implementation of world welfarism of the kind Myrdal envisioned. The first step to be taken was to prop up postcolonial states' bargaining power, instituting their "international planning and coordination to generate equitable redistribution, and ensuring democratic decision-making."²⁶

The agreement that on moral and historical grounds the existing world order – or world-disorder since 1971 – was wrong was one thing. To voluntarily agree to a new world order was quite another. After the opening plenum meeting of the special session of the UN General Assembly on 9th April 1974, negotiation on the demands took place in various working groups. The demands were enumerated and articulated in categorical and absolute terms. The demands and the measures needed to meet them were listed, one after the other. After three weeks of negotiation the wording was changed to "all efforts should be made," repeated under each demand in the adoption of the NIEO resolution on 1st May. This reformulation provided considerable room for movement in the continued negotiations on the implementation of the resolution. In September 1975, working from the mantra "all efforts should be made," a slew of working groups presented their results at the next special session of the UN General Assembly. The question was, how far would the goodwill of the rich countries go? Few Western statesmen or representatives of capital were prepared to share their power and wealth to the extent the NIEO required. The conversation revolved around "how much" and a search for face-saving compromises.

Despite the radical demands, the NIEO's proposal emphasised that its implementation would be built on the identification of mutual dependence and shared interests in a functioning world order that dealt with everyone's needs. On these grounds, the proposal hoped for and searched for consensus. The G77 was not unaware of its considerable power if it cooperated by coordinating its demands. It believed that the North could not behave as if the South did not exist or was irrelevant. After all, the South owned, for instance, a considerable portion of the world's raw materials and energy sources.

Opposing nationalisation with threats or violence would be counter-productive. The North had good reason not to withdraw from the negotiations. With its supreme powers – the United States, the European Economic Community (EEC), and Japan – the North had been in a state of disorder since the dollar collapse in 1971 with high unemployment (except in Japan), high inflation, and growing state debts. After American withdrawal from the Vietnam War, the peace agreement with North Vietnam threw a long shadow over the United States' prestige.

The G77 insisted that the UN system should be its framework because UN voting is based on the principle of "one nation one vote." With the nation as

its foundation, the NIEO was handicapped by the fact that several of its demands required strong international institutions for monitoring and implementation, and because the United Nations comprised nations and lacked supranational powers, it lacked such institutions. Rich countries drew on other kinds of international institutions that reflected their interests and power, like the IMF and the World Bank. It was difficult for the western North to imagine what it must be like to have foreign investment as your enemy.

On 1st May 1974, the declaration and the action programme of the NIEO reinforced the pressure that the oil price shock had caused. And the G77 maintained the initiative. From 9th August, the new American administration under President Ford seemed disorientated and, in any case, found itself on the defensive in the wake of the Watergate scandal and the humiliation of the Vietnam War. Secretary of State Henry Kissinger had no intention of complying with the demands of the G77 but, on the other hand, found it difficult to make his position explicit. He did not oppose the NIEO openly but argued that the Bretton Woods/GATT system had served the Western world well. He remained quiet on the extent to which it had served the South. His tactical response was to be generally positive but refrain from giving commitments, and to try and split the G77 by dividing the oil-producing from the non-oil-producing countries. Diverting, diluting, dividing, and blunting the momentum with a mixture of direct opposition and limited concession were the means that guided the US response.²⁷ In order to achieve agreement in the committee work, the United States' negotiators persuaded the G77 to make concessions, and there was considerable frustration among G77 members when, according to them, the United States failed to stick to the deal by tweaking the agreements made at the committee stage before making the final proposal for a decision. On principle, the EEC followed the same approach, though they exercised more discretion about it. The G77 felt that little by little they'd been cajoled into abandoning their original position. Some wanted to formally object to the United States' negotiating strategy, but there were not enough of them to win the day.

Mahbub ul Haq was a Pakistani economist and leading name in the World Bank between 1970 and 1982. He wrote about Roosevelt's New Deal in *The Poverty Curtain: Choices for the Third World* (1976). "The Western societies learned a useful lesson through the depression of the 1930s, that every extra dollar going to labor was not a dollar taken away from profits but would come back twice over through effective demand and really grease the wheels of prosperity." The outcome was the birth of enlightened capitalism, the New Deal at the national level. It was a model to translate to the global level.²⁸

Mahbub ul Haq wrote the book after the United Nations' seventh special session in September 1975. Reading his book, one can still discern in his comment hope, if not optimism, about the negotiations, but, tellingly, he places much more emphasis on the negotiations than the demands. The NIEO was the birth of a new trade unionism allowing the Third World to negotiate with the developed countries through collective bargaining. The

Third World realised that the North/South debate was basically a political struggle that needed to end in a compromise. At some point, the trade unions had to “send in their negotiators to the back rooms to hammer out tough agreements and delicate compromises.” The Third World needed to be prepared for that. The demand for a new order was still being seen as a “set of specific concessions which the rich had to make to the poor.” If one believed that all the NIEO’s demands would be met, one was suffering under a misunderstanding of both “the inherent nature of the demand for fundamental restructuring” and a misreading of historical forces. What was at stake was equality of opportunity, not equality of income, and with equal opportunities, the Third World would have to find the way itself. Ul Haq referred to a parallel with the historical compromises during nation building in the North and envisaged a long negotiation process ahead. In his argument, there was a shift of focus from the substance of the negotiations to the procedure of the negotiations themselves, from demand to appeal and compromise.²⁹ Most strikingly, the list of appeals did not mention the multinationals. It was not difficult to see Keynes in ul Haq’s reference to the New Deal. It was Keynes translated to a world-scale. However, the Keynesian approach required some kind of political monitoring and management of capitalism, and this was precisely what the multinationals wanted to abandon.



Figure 4.3 World Bank economist ul Haq whose ideas the Brandt Commission would connect to.

Source: Courtesy of the World Bank Group Archive 1529284-001-P.

We know now that the claims for the NIEO failed. We know that the protest tried to invoke unity and a sense of shared interests despite the economic diversity of the South and the huge gulf that separated the oil-producing countries from the rest, such as those who hoped to take the example of oil and apply it to other raw materials. We know today that the movement for the NIEO miscalculated the situation. Oil was not a commodity like any other. It was the foundation of the whole industrial global capitalist economy. The oil price shock triggered much stronger resistance in the industrial North than any other price shock would have done. Any other raw material would, to a considerable extent, be replaceable with another material or technical innovation. With the wisdom of hindsight, we know that the oil price shock was a unique event, unable to serve as a general fulcrum for the demands of the NIEO. However, this circumstance does not explain how and why, within a few years, the NIEO – like the Brandt Report (see Chapter 9) – completely vanished into oblivion, where it cowered, invisible and mute, repressed by the hegemonic globalisation narrative.³⁰

The limits to growth and reshaping the international order: Arguments for one world

There were several reports that catalysed the emergence of a planetary perspective in which the North and South would be seen not in the usual entanglement of development and dependence but sharing a destiny. It was a different planetary perspective than that of the global corporations. The prime example is the Club of Rome's report, *The Limits to Growth*, which in 1972 attracted a great deal of public attention and debate.³¹ In 1969, the entrepreneur and business manager at Fiat, Aurelio Peccei had initiated the Club of Rome by inviting people from business, politics, and academia to Rome's Accademia dei Lincei for a conference on the grand theme of the prospect for humankind. The backdrop was the recent wave of radicalisation and the erosion of authority that had swept across the world. A series of meetings led to the launch of a project about the "Predicament of Mankind" which was initiated to examine a complexity of problems that troubled men of all nations: "poverty amid plenty; degradation of the environment; loss of faith in institutions; uncontrolled urban spread; insecurity of employment; alienation of youth; rejection of traditional values; and inflation and other monetary and economic disruptions."³²

Dennis and Donella Meadows gathered a research team at MIT in Boston. In the summer of 1970, they set out to examine the five basic factors that determined and ultimately limited "growth on this planet": population, agricultural production, natural resources, industrial production, and pollution. Already in the Introduction of its report in 1972, the group laid out its conclusions: If the present growth trends in world population, industrialisation, pollution, food production, and resource depletion continued unchanged, "the limits to growth on this planet will be reached

sometime within the next one hundred years.” The most probable result would be a sudden and uncontrollable decline in both population and industrial capacity. However, it would be possible to alter the trends and establish ecological and economic stability “sustainable far into the future.” One could design and develop global equilibrium so that the basic needs of each person on earth could be satisfied and each person have an equal opportunity to realise “his [or her] individual human potential.” If “the world’s people” decided to strive for the latter outcome, the sooner they began working to attain it, the greater the chances of success.³³ In statistics, graphs, tables and diagrams covering 200 pages, the report demonstrated how, within a century, the world would face a tragic end unless growth was stabilised, with change beginning sooner rather than later. The message underpinned the feelings of crisis in the North. Guided by an epigraph of Heraclitus – “In the circumference of a circle, the beginning and the end are the same” – the report pitched recycling against growth. It developed a “World Model” of interdependent cycles and laid out the road to a controlled, orderly transition from growth to global equilibrium.³⁴

The Limits to Growth provoked a lively debate with an apocalyptic subtext. Strong support for urgent measures emerged, but there was also criticism of the sources and unsatisfactory statistics. It was asserted that the empirical basis was weak and involved excess speculation. Nevertheless, there was no doubt that the report hit a nerve, and a second responded to the criticisms and corrected the errors.³⁵ However, as was argued in the previous section, the debate provoked by *The Limits to Growth* dampened the commitment made by those, for example, who had attended the United Nations’ 1972 Conference on the Human Environment to unite a fight for environmental protection with a struggle for development. Third World leaders shared the vision of one planet as described in the Club of Rome’s report. But, for them, it was not the ecological threat that made the planet one earth. The North/South divide still existed, and it needed to be overcome before or at the same time as work on ecology. In the value hierarchy, ecology couldn’t be superior to global social justice. It had to remain level with it.

In February 1974, Aurelio Peccei got in touch with the Dutch development economist Jan Tinbergen, who was part of a new wave of economists trying to describe the world with statistical data and macro-econometric models. Tinbergen had been the founding father of econometrics in the crisis-ridden decade of the 1930s when he’d developed and applied econometric models as a policy tool to study the poverty and unemployment rampant in Western countries. After 1945, using similar econometric models, he shifted his attention to global poverty. In 1969, he was awarded the first prize for economics in commemoration of Alfred Nobel.³⁶ Tinbergen chaired the UN Committee that prepared the First and Second Development Decades (DD1 from 1961 to 1970 and DD2 from 1971 to 1980, see Chapter 10). In particular, DD1 was a major breakthrough in international development policy thinking and making. However, the G77 were disappointed by the failure of Western

countries to live up to their DD1 commitments. That is why they lost confidence in DD1's approach and sought an alternative. We saw previously in this chapter how Doudou Thiam expressed these feelings in a speech in the UN General Assembly. Against the backdrop of the growing frustration in the Third World, Peccei invited Tinbergen to develop his thoughts.³⁷

Behind Peccei's approach to Tinbergen were, more particularly, of course, the NIEO and the debate that *The Limits to Growth* had triggered. Peccei asked Tinbergen to form and coordinate a specialist team to explore the new international order and come up with recommendations that would meet the urgent needs of the world's population. Tinbergen gathered twenty-one specialists from around the world, and they met regularly at the Bouwcentrum in Rotterdam, where he also established a small secretariat. They also toured the world, meeting in Algiers, Brussels, Copenhagen, Davos, Geneva, The Hague, Linz, Philadelphia, Rome, Santa Barbara, and Stockholm. Dutch development minister Jan Pronk, a student of Tinbergen, financed the work through his ministry. They investigated strategies of change; the international monetary order; income redistribution; the international financing of development, food production, and distribution; industrialisation; trade and international division of labour; energy, ores and minerals; scientific research and technological development; transnational enterprises; the human environment; arms reduction; and ocean management. It was a veritable tour d'horizon, inspired by the holistic interdependence approach of *The Limits to Growth*. The difference was that Tinbergen expanded the investigation from *The Limits to Growth's* central economics and natural resource perspective to a broader political, social, and cultural one.

Reshaping the International Order (RIO) was the title of Tinbergen's report to the Club of Rome in 1976.³⁸ The 325-page report built on *The Limits to Growth's* notion that a period of unparalleled economic growth had come to a close. The twenty-year period from 1950 to 1970 had trebled the "planetary product" and created most of the world's industrial capacity. The report described its point of departure: The rich countries had created an enormously powerful industrial machine. Fed by stimulated demand, in the Western world it was fuelled by abundant and cheap supplies of oil. At just over a dollar a barrel, oil supplies stimulated growth in energy consumption at between 6 and 11 percent a year. One must draw attention to the fact that this statement was pronounced three years after the oil price shock. The cheapness of the supplies ensured rapid growth. It also encouraged extravagance and waste.

Their colonial history had also afforded many Western countries access to cheap supplies of other Third World raw materials, the RIO Report stated. The countries with industrialised market economies consumed nearly 70 percent of the world's output of the nine major minerals required to sustain an industrial economy (excluding oil). Economically tied to the industrial machine, the Third World was forced to sell at the price determined by international market mechanisms, which worked to the advantage of the importing, industrialised countries.

Since no single major problem in the world could be attacked in isolation, RIO argued for a planetary interdependence perspective. It was necessary to overcome the past's simple-minded approach to complex problems and the tunnel vision of scientific specialisation. True interdependence cannot be dissociated from sovereign independence, but the excessive insistence on national sovereignty carries the seeds of confrontation, antagonism, and ultimately war, the report argued. National sovereignty exists in theory, but barely in practice, it stated.³⁹ The report discussed the common heritage of humankind such as oceans and space in relation to the concept of sovereignty. With the superior goal of "more harmonious growth of the world economic system," the international economic system needed urgent reform.⁴⁰

In the spirit of the first (1972) Club of Rome report on pollution, waste, ruthless exploitation, and planetary resource shortage, the RIO report appealed to an autochthonous development pattern in sharp contrast to the established economic growth model. It was a utopian blueprint for the changes necessary, but it lacked any consideration of how to implement them. The report employed vagueness to avoid political confrontation using terms such as "contract" and "solidarity" when it wished to convey agreement. It criticised Third World elites for adopting notions of Western affluence and exhibiting nouveau-riche lifestyles. The report's emphasis on basic needs can be seen as a kind of ennobling of poverty, which, incidentally, served to distract attention from what it referred to as "the widening gap" that would require massive resource transfers to bridge. The report warned that the success of the oil cartel was not replicable. For instance, a copper cartel would work only if Canada and Australia joined. Monopolistic commodity pricing by developing countries, one of the key ideas of the NIEO, would not work.⁴¹ The RIO proposals dealt with what had to be done, rather than how. On the subject of how, the Brandt Commission would take up the baton, as we will see in Chapter 8.

In addition to *The Limits to Growth* and *Reshaping the International Order*, Wassily Leontief contributed to the emergence of a new planetary perspective of a common destiny in the 1970s with a report that saw the world as a unit, rather than a hierarchy. He used empirical data for his quantification but when he brought them together into a global model, he operated with hypothetical assumptions which provoked many questions. His model underpinned the lively debate that followed the publication of the Club of Rome's reports.⁴² Also, Barbara Ward and René J. Dubos contributed to the emerging understanding of "one earth" with the concept of "biosphere," which they presented at the 1972 UN Conference on the Human Environment in Stockholm.⁴³

The Lomé convention

According to neoclassical economic doctrine, trade promotes wealth. The question that's often avoided is "For whom?" Trade does not necessarily

benefit everyone. Terms of trade were systematically and persistently disadvantageous to postcolonial states. The EEC's association arrangement with the French colonies in the founding treaty of the integration project has not inaccurately been described as Eurafrikan neocolonialism.⁴⁴ With Britain's accession to the EEC in 1973, a new arrangement with Africa had to be negotiated. The Yaoundé Convention of 1963, with its French colonial bias and cohesion around Europe's French alignment, came to an end.

In the former British colonies in Africa, the Caribbean, and the Pacific, preparatory negotiations began to establish a shared negotiating position fifteen months before the oil price shock and twenty months before the declaration of the NIEO. In August 1972, Guyana's energetic foreign minister Shridath Ramphal, later the influential Secretary General of the British Commonwealth and member of the Brandt Commission, used a non-aligned Foreign Ministers Meeting in Georgetown to have an informal talk with his colleagues from other affected countries. The Caribbean sat squarely between Africa to the East and the Pacific Islands to the West. The informal discussion began the process of pooling the negotiating resources of all the African, Caribbean, and the Pacific States (ACP), defying and transcending the distinction between the French Associates of the EEC and the British Associates who were also applying for a trade treaty with the EEC in connection with the British membership negotiations. The distinction between the French Associates (with their more privileged position) and British Associates (with less privilege) arose from the fact that, till Britain's accession, the EEC had been dominated by France. A month after the Foreign Ministers Meeting in Georgetown, a delegation from the Caribbean Free Trade Area visited East and West Africa to further discuss concerted action in the EEC negotiations. Further meetings in Lagos, Georgetown, and Nairobi worked up a negotiating position aimed at challenging the EEC's distinction between Associates and Associates. At a meeting under the auspices of the Organisation of African Unity in Abidjan in the Ivory Coast in May 1973, a united front was hammered out. The French government had to realise that the price of enlarging the EEC included the cost of acknowledging the interests of Britain and its ex-colonies. In 1972–73, the ACP countries' search for a common negotiating position with the French Associates became a matter of urgency when it became clear that the EEC was eager to start negotiating with the former French and British ex-colonies separately. Shridath Ramphal commented:

More than once in these pioneering efforts at working together, Commonwealth and Francophone countries recognized the clear absurdity of preserving – as if decolonization had never taken place – the biases, the suspicions, the sometimes wholly imaginary barriers to understanding that were the inheritance of colonialism itself.⁴⁵

In July 1973, the first meeting took place between ministers from forty-six African, Caribbean, and Pacific states and ministers of the European

Community. The ACP countries defied the French distinction between the French and the British ex-colonies and negotiated as one unit.

Both France and Britain tried to convince their former colonies away from this position, but they were confronted with hostility from the unified bloc of old Associates who feared for their aid and trade benefits, and the newcomers who considered Yaoundé a horrible market solution set up to exploit African resources without compensation.⁴⁶

Negotiating as a group, the ACP countries rejected the free trade principle and the notion that the price for duty-free entry of the developing countries' main products into the EEC should be reciprocal trade benefits. Reciprocity between unequal partners is a contradiction, they argued. Nine months into the negotiations, the applicant countries gained strength from the declaration of the NIEO. The G77's performance within UNCTAD was another source of inspiration. ACP ambassadors in Brussels met in regular sessions to prepare positions. An ACP secretariat was established, supported by staff permanently based in Brussels and supplemented by a continuous flow of ACP experts. There were also preparatory meetings of ministers around the Third World. The secretariat was important for the establishment of the ACP as a disciplined united working group.⁴⁷ The fact that in February 1975 the Convention was signed not in Brussels but in Lomé, Togo, was a symbolic gesture.

The ACP bloc's celebration of the 1975 Lomé Convention as a big success reflected the initial difficulties that had beset it through the EEC's attempt to divide the Associates from the Associables. The term "association" in the treaties of both Rome and Yaoundé shifted to more politically correct terms like "cooperation" and "development" in Lomé. The convention was presented as radically different from the colonial slant that had been adopted in the association agreement of 1957 and which continued in Yaoundé. The agreement in Lomé contained a large-scale development package that was given in exchange for a guarantee that oil prices would not exceed a certain threshold.

Lomé was hailed as one of the EEC's greatest achievements, especially in terms of its core idea of respect for the independence and individuality of the partners, and as the beginning of new relationship between industrial and non-industrial countries.⁴⁸ The Lomé Convention was not perfect from the ACP's perspective, but it had potential, and it sent signals to the developing world about a possible new approach to trade between rich and poor. It broke up neocolonial francophone Eurafrica. Its perhaps most significant impact was the welding of the ACP countries into one negotiating unit in what looked like a filiation of the G77.

The reactions to the NIEO in the north, and the north/south "Dialogue" in Paris

The Trilateral Commission (TC) was a privately financed lobbying initiative founded to influence North/South negotiations. An informal group of 275 prominent businessmen, labour leaders, scholars, statesmen, and politicians

from North America, Western Europe, and Japan met for the first time in 1972, convened by David Rockefeller “to bring the best brains in the world to bear on problems of the future.” Rockefeller was one of the heirs of the Standard Oil fortune. The backdrop of the TC’s establishment in 1973 was the disastrous image that the United States had suffered since 1971 and the divergent viewpoints on American currency policy since the collapse of the dollar that same year. The implicit goal was to shore up the United States’ threatened hegemony.

A thirty-five-member executive committee managed activities between annual meetings from three secretariats, in New York, Paris, and Tokyo. Annual meetings were closed to the public and the media, but the commission launched publications in which it propagated the idea of reconciliation between the North and the South and tried to mitigate polarisation.

Initially, the TC’s main concern was the free-floating dollar and its inflationary pressure. It was also concerned by a 10 percent customs duty imposed by the United States to stabilise the sinking dollar. The TC feared that it would lead to protectionism and nationalism in the other countries of the Western camp, where the duty was seen as an affront. There was also concern about the NIEO, which the TC saw as a threat, taking a particular stand against the NIEO’s push for the regulation of offshore corporations. Rockefeller thought of the authors of the NIEO as “the revolutionary left and radical politicians,” with their “persistent call for punitive taxes and crippling regulation of multinationals.” Zbigniew Brzezinski, a mastermind of the Trilateral Commission and from 1977 advisor to President Carter, warned of the contagious threat of global anarchy.⁴⁹ A Democrat, Brzezinski was a match for Kissinger in terms of foreign policy. With Brzezinski as the TC’s first president, it became an instructive foreign policy seminar for Jimmy Carter and other key members of his later administration. Through it, figures such as Samuel Huntington, Richard Cooper, Cyrus Vance, and Michael Blumenthal became embroiled in academic, business, and political arguments. We will come back to the TC in Chapter 5.

Like other institutions of its kind, the TC invited conspiracy theorists who tended, through giving it extra attention, to lend it more weight than it deserved. Its goal was closer cooperation among non-communist industrial regions and between them and the Third World, though it was only interested in the Third World outside of its NIEO’s demands. It wasn’t significant in the power it wielded as much as the fact that it provided a forum in which Western elites could receive encouraging pats on the back and persuade themselves that the future wasn’t as gloomy as it looked. In this sense, it prepared and heralded a breakthrough for neoliberalism and the European Community’s internal market.

The procedure with which the NIEO resolutions had been passed in the United Nations’ General Assembly at its sixth special session on 1st May 1974 was vigorously debated around the world. The United States and the European Community were taken by surprise when a determined G77 majority requested

a vote on its radical programme. Did a majority decision ensure its implementation? At the ordinary General Assembly session in the autumn, the United States' ambassador to the United Nations, John A. Scali, attacked the G77's approach in an inflammatory speech:

Unenforceable, one-sided resolutions destroy the authority of the United Nations ... The function of all parliaments is to provide expression to the majority will. Yet, when the rule of the majority becomes the tyranny of the majority, the minority will cease to respect or obey it, and the parliament will cease to function.⁵⁰

The American ambassador was saying that the majority is not a majority if the minority consists of powerful states, in particular the United States. This was a provocative statement which enflamed emotions. In the aftermath of the sixth special session, developing countries took a harder bargaining position and became less willing to make major concessions. They felt that developed countries had been unappreciative of the compromises made by the G77. Some delegates did not believe that developed countries had been sufficiently earnest in the negotiations, referring to some low-ranking delegates of other countries. It became more difficult for the less militant in developing countries to play a conciliatory role. Some from developed countries occasionally felt that the new power that the developing countries experienced had intoxicated them.⁵¹

However, the bigger picture behind the negotiations was a sense of a global crisis in the wake of the collapse of the Bretton Woods system. With mass unemployment at a level that provoked memories of the 1930s, the NIEO reinforced feelings in the North of a fundamental, multifaceted, systemic crisis – a crisis of governability. The determined performance of the G77 even provoked feelings of paranoia in the North and the fear that the NIEO's goal was to "capture the structure of international organizations created by the United States after World War II." Voices emerged in the North that recommended "just saying no" to the NIEO.⁵² By 1977, it was clear to leaders like Tanzania's president Julius Nyerere that the North was not going to comply with the South's demands. Boumediene's untimely death in 1978 deprived the G77 of its most forceful leader.⁵³ The visionary NIEO demands were watered down by developed countries to an aim to solve global poverty. As ul Haq had said, the Third World moderated its initial power when it effectively became a negotiating trade union. However, the political leaders and economic elites in the North, supporting the interests of the multinationals, were not interested in negotiation, only in diverting and diluting the South's protest, and reducing it to nothing.

After the NIEO had presented its demands, a North/South dialogue convened in Paris to mitigate the hemispheric confrontation. This was in December 1975, less than a year after the Lomé Convention had been signed and a few months after the seventh special session of the UN General

Assembly had met to debate the NIEO. That special session aimed to redistribute income; protect commodity prices; ensure “control” of the economy and economic transactions; and accelerate the flow of technology.⁵⁴ The French president Valéry Giscard d’Estaing had proposed the Paris conference in October 1974, after the United Nations’ April session on the NIEO, and he wanted it to deal with oil. This was in line with Kissinger’s strategy of dividing the supporters of the NIEO between oil producers and the rest. The concept of Less Developed Countries (LDC) was introduced to support this intention. The oil-producing countries did not belong to the LDCs.

The South sought unity while the North tried to divide it. In February 1975, non-aligned states who supported the NIEO organised a conference on raw materials. Representatives from 110 Third World governments met in Dakar with the explicit aim of keeping the NIEO countries united. Leopold Senghor, the president of Senegal, said that the Third World had to use its natural resources to break traditional patterns of world trade. OPEC countries met in Algiers in March and supported the Dakar resolutions.

After preparatory meetings in April and October 1975, members of D’Estaing and Kissinger’s Conference on International Economic Cooperation (CIEC) gathered in Paris in December. There were eight representatives from developed countries (Australia, Canada, the EEC, Japan, Spain, Sweden, Switzerland, and the United States), seven from OPEC-countries (Algeria, Indonesia, Iran, Iraq, Nigeria, Saudi Arabia, and Venezuela), and twelve from other developing countries (Argentina, Brazil, Cameroon, Egypt, India, Jamaica, Mexico, Pakistan, Peru, Yugoslavia, Zaire, and Zambia). Work was divided between four panels, on energy, raw materials, development, and finance.

Many developing countries viewed the CIEC as a dilatory move or, at best, a side show of the United Nations’ debate on the NIEO. Developing countries argued that the panels should be tied tightly together, while the United States argued for “parallelism” and lax connections. The developing countries maintained that Kissinger was fooling the Third World with commissions that talked about raw material prices in jawboning sessions while the oil cartel was dealt with separately. The Conference got off to a bad start, not helped by the fact that the NIEO was also being discussed in the Organisation of Economic Cooperation and Development (OECD). In May 1975, Kissinger had elucidated the United States’ negotiating strategy when he declared that it was time to end the theoretical debate about the pros and cons of creating a new world order or improving the existing one. It was time to deal with reality, not rhetoric.⁵⁵

In November 1975, a month before the Paris gathering, D’Estaing, backed by German Chancellor Helmut Schmidt, had called the leaders of four other countries to a summit at Rambouillet southwest of Paris: the United States, the United Kingdom, Japan, and Italy. The EEC, as the EU was called then, sent an observer. This gathering of the Group of Six became G7 the following year when Canada joined the club which became institutionalised as a self-selected

representation of the industrial-capitalist countries in the North. (1998–2014 when Russia was a member it was called G8.) It was created by a European initiative that aimed to solve the monetary crisis by transferring dollar hegemony to a collective European, North American, and Japanese monetary regime. There was no place for developing countries in this trilateral perspective, at least not in monetary terms. The United States resisted the idea of expanding the number of guardians of the dollar standard. D’Estaing and Schmidt had both been finance ministers and, the year before, had both become their country’s leader after, respectively, the death of Georges Pompidou and the resignation of Willy Brandt (see Chapter 6). In the vacuum created by the travails of the dollar and lack of American interest in expanding the monetary regime to Europe and Japan, D’Estaing and Schmidt set about creating what might be described as a New European Economic Order. They circumvented rather than confronted the NIEO’s proposal by establishing European priorities and searching for an alternative standard to the dollar.

Despite their disagreement about the role of the dollar, the determination to resist the G77 unified the G7. Schmidt was explicit at the first G7 summit at Rambouillet in November 1975: “It is desirable to explicitly state, for public opinion, that the present world recession is not a particularly favorable occasion to work out a new economic order along the lines of certain UN documents.” “International dirigisme” had to be prevented.⁵⁶ Schmidt continued:

We must find a way to break up the unholy alliance between the LDCs and OPEC. But we cannot say so in so many words. We should do this in the CIEC by discussing the balance of payments problems of the LDCs and showing how they are being damaged by this situation. We can make the point that the newly rich [oil-producing] countries have to take part in new developmental aid in accordance with their new riches. We will also have to convince the LDCs of our genuine interest in their well-being, by helping them in the area of raw materials.⁵⁷

The confrontation of the NIEO bridged the Transatlantic dispute on a new monetary order after the dollar collapse. The French and German leaders dropped discretely their brave plan for a European alternative to the dollar. G7 became a forum to confront G77. The first G7’s goal of Transatlantic currency unity replacing the US-led dollar order failed but the G7 front against G77 bridged the Transatlantic-Japanese currency tensions recreating unity. Schmidt’s division of G77 into “the newly rich” oil-producing and the least or less developed oil-importing countries was entirely in line with Kissinger’s approach. At Rambouillet, Kissinger pushed to consolidate the G7 as a firewall against the NIEO, with OPEC as its main artillery. “Military action would of course, be inappropriate, but it might be possible to develop the idea that increases in the price of oil were not ‘free’ in general economic and political terms.” The G7 was established at Rambouillet in readiness for combat against the G77.⁵⁸

The target was the oil producing G77 countries. However, the conflict between G7 and G77 dealt with more than oil. At the core of the conflict was the multinationals as much as the oil. The multinationals were, as we saw, the target of the NIEO campaign. As strong was the commitment in the G7 to defend them. The multinationals became the future hope for the crisis-ridden G7 governments with their collapsing Fordist production regime (see next chapter). The G7-G77 clash after Rambouillet was frontal and fundamental.

For the OECD countries, the CIEC talks were used as a means of gaining time. Oil had been OPEC's weapon, but it turned against them. Increasing the price of oil increased the lure for Western companies to invest in oil exploration, for example in the North Sea and in the United States. The cost of oil exploration in such places was higher than in the Middle East, but after 1973, it yielded profits. Also, from around that time, it became possible to substitute oil with more expensive alternative sources, in particular nuclear energy. Furthermore, OPEC began to consider it safe to invest their oil profits in the West. They bought arms from Western producers to such an extent that OPEC regimes grew more dependent on the West than they were before.⁵⁹

The CIEC limped to a confused end in June 1977. An 18-month "dialogue" between the rich North and the poor South, which had begun without much enthusiasm or hope, finished on a spiritless, joyless note. A hastily drafted report was presented for adoption to an exhausted audience at the Conference's last plenary meeting. The report, approved by delegates without much enthusiasm, made a nostalgic reference in its stark preamble to the Conference's initial decision to introduce an "equitable and comprehensive program" for international economic cooperation.

Reaction to the results of the Conference were mixed. While both sides made a feeble effort not to call the dialogue a failure, they insisted on having their appraisals recorded separately in the final report. The "Group of 19" developing countries, which had come to Paris to implement the recommendations of the United Nations' seventh special session in September 1975 (which was a follow-up to the sixth special session in April 1974) were visibly dejected. They found the CIEC's conclusions fell "short of the objectives envisaged for a comprehensive and equitable program of action" designed to create a new international economic order. They noted "with regret" that "most of the proposals for structural changes in the international economic system" and "certain proposals for urgent actions on pressing problems" had failed to receive the rich countries' support. For their part, the "Group of Eight" developed countries "regretted" that the Conference had not found it possible to reach agreement on "some important areas of the dialogue such as certain aspects of energy cooperation."⁶⁰ But they "welcomed" the cooperative spirit in which the Conference had taken place and expressed their determination to maintain that "spirit" in their continued future dialogues with the Third World. The hypocrisy, not to say perfidy was unmistakable.

The North/South Dialogue in Paris was a largely unsuccessful attempt to channel the South's frustrations about both the NIEO's loss of momentum and the South's dependence and lack of development two decades on from decolonisation. Except for those economists and social democrats who wished to comply with southern demands, the North's attempt to channel southern frustration aimed at extinguishing the power of its protest, making it manageable and compatible with northern business interests. Nils Gilman refers to the trend in the North's response as shifting between "Machiavellian inversion (led by conservative geopolitical realists like Henry Kissinger)" and "unrelenting and direct opposition (led by an emergent cadre of American neoconservatives like William Simon, Daniel Patrick Moynihan, and Irving Kristol, the last of whom characterized the NIEO as 'mau-mauing' the North)." ⁶¹

Henry Kissinger, Secretary of State from 1973 to 1977 and Ronald Reagan's advisor from 1980, was determined to stop the NIEO in its tracks. The question was how. But between the Ford and Reagan administrations was Jimmy Carter, whose four-year presidency from January 1977 should not be seen as a clear rupture. However, despite the considerable continuities and his much-attested weakness, Carter represented a different approach, emphasising human rights and the need to understand the Third World's problems. It was during Carter's presidency that the president of the World Bank got the idea of channelling southern protest into a campaign against world poverty. Acknowledging the NIEO's demands, he got them focused on poverty. This was the situation that triggered the Brandt initiative. It is easy to understand the huge amount of scepticism with which the developing countries greeted this development for initiative, and we will return to that in Chapter 6.

The ambiguities of the NIEO

The NIEO tried both to confront and transcend the development and dependence dichotomy, and to establish its own alternative, which one might label interdependent independence. Metaphorically or allegorically the NIEO developed a class struggle perspective with the South as working class and the North as bourgeoisie. However, unlike in Marx's analysis, the struggle did not end in revolution and a final victory for the South, but in the North's soul-searching and self-critical insight that a moral imperative and political necessity required concessions and the definition of mutual interests. However, mutuality remained mainly undefined. The forum for the class struggle was the United Nations. The fact that its resolutions, when they were formulated by the Third World, could be "brushed away as mere rhetoric was nothing unusual in the initial phases of a trade union movement," Mahbub ul Haq observed. He found some consolation in the historical reference to the power struggle in the labour markets in the North, as we saw. ⁶²

The poor's real bargaining power was their ability and willingness to disrupt the lifestyle of the rich. The rich had far more to lose from confrontation

and would look for a workable compromise. As the rhetoric cooled on both sides, rich nations would carefully balance the cost of disruption against the cost of adjustment. Ul Haq as we saw referred to the New Deal in the United States, initiated in response to the Great Depression, as a historical point of reference that promoted the self-interests of both sides and led to a more harmonious world with expanding markets and a booming international economy. He also referred to the World Bank president Robert McNamara:

When the highly privileged are few and the desperately poor are many – and the gap between them is worsening rather than improving – it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion.⁶³

In September 1975, Ul Haq's conclusion about the last round of UN negotiations was that the rich countries grudgingly accepted that serious negotiations were unavoidable, and that thereafter the special session was a search for an appropriate negotiating forum. It was a good start, but there was still a great deal of confusion about what institutional reforms were at stake and about the shape of the new world that the two sides would, over the next few decades, negotiate.

The designers of the NIEO had in mind a vague global Keynesianism, that is, a redistribution that would take place through several concrete measures, such as better terms of trade, technology transfers, preferential trade agreements, etc. After the United Nations' seventh special session, Ul Haq believed that there was agreement that the whole development approach needed restructuring and given a new framework to achieve necessary resource transfers. These transfers could not continue to be occasional acts of voluntary generosity. There was a need for a system of automaticity. Perhaps it could be achieved through international taxation, for example on non-renewable resources, international pollutants, multinational corporation activities, extraction, and other activities in the global commons such as ocean beds, outer space, and the Antarctic. Other possible tax sources considered were international civil servants, consumer durables, and armament spending. In this context, there was a need to revise the concessions, leases, and contracts that developing countries had negotiated with the MNCs, because the original agreements reflected an unequal bargaining strength. There was "an environment of constant agitation and uncertainty surrounding foreign private investment" Ul Haq argued. There was a need for an orderly, though time-limited, internationally supervised renegotiation of past contracts. The ongoing negotiations to fix an international MNC code should conclude, and the international monitoring of contracts should be institutionalised. Besides international taxes, the NIEO required a larger share of liquidity provided by the International Monetary Fund, whether through special drawing rights or gold sales.⁶⁴ The Brandt Commission would connect to Ul Haq's ideas about international taxation indicating a world Keynesian approach.

In ul Haq's reflection on the global class struggle, and its dissolution in reconciliation, the determinedness and the commitments in the NIEO campaign eroded. There was in his thought a movement from the focus on the instruments that the Southern "working class" had in its own hands to put pressure on the "employers" in the North towards reliance that the moral concerns would dictate their self-interests. The point of reference was more the labour relations in the Keynesian welfare states than the centenary class struggle that paved the way for them.

Instead of concrete ideas about a global government organising and implementing redistribution via international taxes, there was the somewhat vague idea that UN institutions would function as a forum for negotiation and decision-making. The majority there was clear. The Keynesian welfare states in the North were the model, not only for North/South relations but also implicitly for domestic policies in the developing countries.

Rather than concede to the South, the North talked process in the NIEO debate. This narrative provoked expectations in the South that were as galvanising as the old revolutionary calls to arms. But the truth was that the ruling classes "un trhe North" didn't want to negotiate. They saw no need. The threat of revolution was muzzled before the negotiations even began by the introduction of the concept of mutual interests. And of course, it was the powerful who defined what mutuality meant. They could afford to do so because the threat from the South wasn't real. All there was, was a moral appeal, and that could be ignored. The protest was diluted and diverted. Using the term interdependence, the Third World argued that the rich world was dependent on them, though not in the neocolonial meaning of the word dependence.⁶⁵ In response, the governments of the industrialised countries and the multinationals used the term mutual interests to argue that the world's impoverished people were dependent on them.

The imaginary of the Third World as a collective unity concealed internal differences and divisions between individual countries and, in particular, within them. The NIEO swept the growing problem of corruption, bribery, and the emergence of kleptocracies under the carpet. Third World leaders circumvented the fact that these problems were evident in the 1970s. The NIEO debate demanded that the question of poverty be solved through a large-scale global plan to distribute resources, but it did not problematise or concretise exactly how that should be tackled. Instead, the debate was a form of escapism. It simply hoped that the functions and impacts of nationalisation and industrialisation would automatically manifest technology transfers and better terms of trade.

The main thrust of the NIEO attack was against international law and the multinationals protected by that law. International law and nationalisation became a highly contentious area for scholars and lawyers in the 1970s. Many volumes were published, most of them from the Western perspective

accusing the Third World of threatening society's very foundation, that is, private property. In the end, Third World countries failed to activate judicial mechanisms to support their property and investment demands.⁶⁶

In legal terms, the NIEO presented an alternative to existing international law and outlined the contours of the legal dimension of a new knowledge regime. However, as Antony Anghie has emphasised, the international legal doctrine of sovereign equality should never be confused with equality in terms of political, economic, and military power: "... the primordial inequalities that international law had instantiated endured and indeed prevailed. Simply, the new states could not readily change customary international law that had been made prior to their existence and, indeed, had been used to subordinate them."⁶⁷ The change of the rules required unanimity, which was not within reach.

The tussle around international law alerted the multinationals to the fact that, although they might not expect revolution, they might have reason to fear an existential threat against their property. So, their resistance to negotiation was implacable. The multinationals and international law were the first items to disappear from the list to be negotiated, and the South's retreat on this point considerably weakened its position.

The Third World Forum network was formed by the Third World's representatives of the negotiations and academic knowledge producers. The primary purpose of *tiersmondisme* in terms of the Third World Forum was gaining "intellectual self-reliance" as a step towards putting "some form and substance to our [Third World] aimless search for appropriate development strategies at home and to our disorganized efforts to coordinate our negotiating positions abroad."⁶⁸ Between 1972 and 1973, and driven by intellectuals from Africa, Asia, and Latin America, the idea of a Third World Forum began to take the form of an international network of research centres. The forum was formally established in 1975 and based in Dakar. The aim was to promote debate on contemporary processes and development patterns through critical research on global capitalism and North/South relations. Analyses emerged from close interaction with social movements and civil society actors. This think-tank movement supported the more political Non-Aligned Movement under the energetic Boumediene, which had begun in Bandung. Together they wove together knowledge production, ideology, policies, and politics. The Forum was a *tiersmondiste* body based on the idea of "thought engaged in action," that promoted a radical perspective shaped less by abstract analytical categories than by existential political struggle. Two of the intellectual protagonists who formulated the Third World Forum approach were Albert Tévoédjre, a Beninese economist and a senior official at the International Labour Organization, and Samir Amin, an Egyptian-French political economist and critic of neocolonialism. Other leading names included Mahbub ul Haq; Gamani Corea, Sri Lankan economist, diplomat and Prebisch's successor as General Secretary of UNCTAD (1974-84); and Enrique Iglesias, Uruguayan economist and, since 1972, director of the UN

Economic Commission of Latin America. Also involved was economist and philosopher Amartya Sen, the friend of ul Haq, bringing with him the experience of his work on famine, social justice, and public health. Several of these names connected to another pillar behind the NIEO: UNCTAD and the G77, the challenger of GATT and the Western free trade order.

Mexico's president Luis Echeverría gave his country a leading role by promoting the NIEO at the United Nations, an act probably not unconnected from his bid to replace controversial Austrian Kurt Waldheim as secretary-general of the United Nations in 1976. In taking firm positions, the network around the Third World Forum were burdened by the same ambiguities as the Third World itself. Through his education, Mahbub ul Haq was rooted in liberal economics, but confronted with the Third World's challenges. He lost faith in the market's problem-solving capacity and began exploring the possibilities of governmental interventions. Others, such as Samir Amin, had a Marxist background. There was a constant analytical tension between, on the one hand, the rejection of Western models and their institutions such as the World Bank, and on the other, the hopeful embrace of those very same models and institutions. There was also a tension between those who were convinced about the need for social and political revolution to bring about change and those who thought that resource transfers and the freedom to use them were key, as long as they involved no surveillance (other than surveillance sufficient to root out inefficiency and corruption). There was also tension between those who were convinced that radical steps were needed and those who feared that developing countries' governments would be deterred from taking them.⁶⁹

Mahbub ul Haq came to reject the economic development credo he had learnt at Yale. Supported by the Harvard Development Advisory Group, he applied to be an advisor to Pakistani President Ayub. In Pakistan, he found that economic development was distorted in favour of a privileged minority. The president reacted warmly to his recommendations about redressing income disparities which had emerged through economic growth but fell from power a few months later when he tried to implement them. Ul Haq could do little but sympathise with Ayub's position, and the lesson he took from the experience was that when alliances of privileged groups forged to promote accelerated growth are unwilling to accept that their privileges must be trimmed, then there are few political alliances available to engineer a meaningful change.⁷⁰ Gunnar Myrdal made a similar observation as we saw in Chapter 2.

Mahbub ul Haq and Albert Tévoédjre distrusted Western development models that spoke of permanent growth, but they admired the Chinese alternative. They shared a basic-needs orientation in which poverty was not regarded negatively, although wretchedness and misery were. Poverty was a

notion supported by quotations from the Latin classics, the fathers of the church, the Koran and Jewish authorities, and more eclectically selected

contemporary sources including Mao, Ivan Illich, Enrico Berlinguer, and *Porgy and Bess* ... There is a significant Catholic inspiration, a kind of Third World Franciscanism that sees Peking as the model of a Christian society.⁷¹

In order to prevent revolution, World Bank President Robert McNamara also opted, as we saw and will further see in Chapter 6, for the basic-needs orientation of development policy. The model was hardly compatible with the class struggle approach.

The rhetoric around the recently coined key concept of interdependence accompanied the “ennobling poverty” language, but in a contradictory way. Interdependence signalled a mutual interest shared by both developed and developing countries. In the view of its designers, the NIEO was in the exclusive interest of neither the industrialised nations nor the developing countries. Instead, it was for the good of the world’s economy as a whole. The NIEO vision of interdependence was optimistic, emphasising the radical transformation of the prevailing order, which would reduce global inequality and speed up development everywhere and to the benefit of all. The NIEO was in this interdependence perspective a kind of Marshall Plan from below. Interdependence meant that the world needed its poor people, but it needed them not to be poor. For the political leaders in the United States and Europe, interdependence had a more pessimistic connotation to do with the fear they’d felt in the wake of the oil crisis.⁷² However, for corporate business, interdependence had a positive connotation, as we saw in Chapter 3. The concept alluded to capital’s circumvention of national governments. In a world of interdependence, it was a vain enterprise to try to lock in capital behind national borders. For the MNCs, interdependence meant disembedded capital, that is, interdependence in an unfettered global market.

The trade union metaphor idealised history playing down the issue of power and what kind of power the “working class” in the South could mobilise against the “employers” in the North. The attempts to implement the metaphor built too much on the moral benevolence of the “employers” repressing the historical reality of hard class struggle that in the end enforced the employers to redefine their self-interests and recede.

Notes

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- 11 Geoffrey Barraclough, *An Introduction to Contemporary History* (New York: Basic Books, 1964).
- 12 Barraclough, "The Great World Crisis."
- 13 Garavini, "From Boumediensomics to Reaganomics": 82–83.
- 14 Chairperson of the 6th UNGA Special Session in 1974 was Leopoldo Benites, Ecuador, and of the 7th UNGA Special Sessions in 1975 the Algerian Minister of Foreign Affairs Abdelaziz Bouteflika, with Jan Pronk chairing the session's negotiations.
- 15 UN General Assembly, Resolutions 3201–3202, New International Economic Order, A/RES/3201(S-VI) (1 May 1974), <https://digitalibrary.un.org/record/218450>.
- 16 Jagdish N. Bhagwati, ed., *The New International Economic Order: The North-South Debate* (Cambridge, MA: MIT Press, 1977); Robert Cox, "Ideologies and the NIEO: Reflections on some recent literature," *International Organization* 33, no. 2 (1979): 257–302; Craig Murphy, *Emergence of the NIEO Ideology* (Boulder, CO: Westview, 1984); Jan Pronk, "The New International Economic Order: A Second Look," in *Wealth, Poverty & Survival*, ed. John Langmore and David Peetz (London: George Allen & Unwin, 1983), 21–32; Jan Pronk, "The New International Economic Order: Some Consequences for Industrialised Countries," in *Partners in Tomorrow: Strategies for a New International Order*, ed. Anthony Dolman and Jan van Ettinger (New York: E.P. Dutton, 1983), 215–22.
- 17 Jagdish N. Bhagwati, Introduction to *The New International Economic Order*, 3.
- 18 UN Institute for Training and Research (UNITAR), "A New International Economic Order: Selected Documents, 1945–1975," vols. 1–2, compilation ed. Alfred George Moss and Harry N.M. Winter. UNITAR Document Service No 1. (Geneva: UNITAR, 1978).
- 19 Robert W. Cox, "Ideologies and the New International Economic Orders: Reflections on Some Recent Literature," *International Organization* 33, no. 2 (1979): 258–9.
- 20 Antony Anghie, "Legal Aspects of the New International Economic Order," *Humanity* 6, no. 1 (2015): 146.
- 21 Nils Gilman, "The New International Economic Order: A Reintroduction," *Humanity* 6, no. 1 (2015): 1–16.
- 22 Richard Cooper, *The Economics of Interdependence: Economic Policy in the Atlantic Community* (New York: Columbia University Press, 1968).
- 23 The resolution and declaration were adopted 86:26. It was the Western countries that voted against. However, the negotiations led by Jan Pronk during the 7th Special Session the following year resulted in their adoption by consensus.
- 24 Patrick Sharma, "Between North and South: The World Bank and the New International Economic Order," *Humanity* 6, no. 1 (2015): 189–200.

- 25 Mahbub ul Haq, *The Poverty Curtain: Choices for the Third World* (New York: Columbia University Press, 1976). For a recent work on the historical connection between development and environment, see Sara Lorenzini, *Global Development: A Cold War History* (Princeton: Princeton University Press, 2019), esp. “Resources, Environment and Development: The Difficult Nexus,” 124–41.
- 26 Adom Getachew, *Worldmaking after Empire: The Rise and Fall of Self-Determination* (Princeton: Princeton University Press, 2019), 143–5.
- 27 Daniel J. Sargent, “North/South: The United States Responds to the New International Economic Order,” *Humanity* 6, no. 1 (2015): 201–16.
- 28 ul Haq, *The Poverty Curtain*, 173. Also see Barbara Ward’s foreword to the volume, pp. ix–xiii.
- 29 ul Haq, *The Poverty Curtain*, 145–51, –79.
- 30 A research team rediscovered the NIEO, publishing its results in *Humanity* 6, no. 1 (2015).
- 31 Donella Meadows, Dennis L. Meadows, Jørgen Randers, and William W. Behrens III, *The Limits to Growth* (London: Earth Island, 1972).
- 32 *Ibid.*, 10.
- 33 *Ibid.*, 23–24.
- 34 *Ibid.*, 88, 127–8, 184.
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- 42 Wassily Leontief, “Structure of the World Economy,” *The American Economic Review* 64, no. 6 (1974): 823–34.
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- 45 Shridath Ramphal, *Glimpses of a Global Life* (Hertford: Hansib, 2014), 162–5.
- 46 Véronique Dimier, *The Invention of a European Development Aid Bureaucracy: Recycling Empire* (London: Palgrave, 2014), 99–100.
- 47 Ramphal *Glimpses of Global Life*, 166–72.
- 48 Dimier, *The Invention of a European Development Aid Bureaucracy*, 111–2.
- 49 Prashad, *The Poorer Nations*, 37.
- 50 Press release USUN 191 (74) 6 December 1974, quoted in Karen A. Hudes, “Towards a New International Economic Order,” *Yale Studies in World Public Order* 2, no. 1 (1975): 117.
- 51 *Ibid.*, 117.
- 52 Stephen D. Krasner, “Transforming International Regimes: What the Third World Wants and Why,” *International Studies Quarterly* 25 No. 1 (1981): 119, quoted in Gilman, “The New International Economic Order,” 7.
- 53 *Ibid.*, 8.
- 54 Edmund P. Wellenstein, “The North-South Dialogue: Another Confrontation or a Basis for a New International Economic Order?” in *Change and the New International Economic Order*, ed. Jan A. van Lith (The Hague: Martinus Nijhoff, 1979).

- 55 Hudes, "Towards a New International Economic Order," 128–33.
- 56 Prashad, *The Poorer Nations*, 42. Prashad builds his analysis of the Rambouillet meeting on the digitised Margret Thatcher papers deposited at the Churchill Archives Centre in Cambridge.
- 57 Prashad, *The Poorer Nations*, 43.
- 58 *Ibid.*, 46–47.
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- 60 CIEC, "Final Communiqué on Energy, Raw Materials and Trade, Development and Finance," 970–6.
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- 62 ul Haq, *The Poverty Curtain*, 179.
- 63 Robert S. McNamara, "Annual Speech to the Board of Governors, September 1972" (Washington: The World Bank, 1972), quoted in ul Haq, *The Poverty Chain*, 180.
- 64 ul Haq, *The Poverty Chain*, 207–11.
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- 66 Anghie, "Legal Aspects of the New International Economic Order," 150–1.
- 67 *Ibid.*, 153.
- 68 ul Haq, *The Poverty Curtain*, 84, quoted from Cox, "Ideologies and the New International Economic Orders," 262.
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