

Persistent Issues in "The New World Order"

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"The New World Order" is the term that US President George Bush uses to refer to the international configuration which has resulted from a series of crucial events: the rise of Gorbachev, perestroika, and glasnost; the signing of the intermediate nuclear forces (INF) treaty reducing nuclear arms; the spread of people power democratization movements everywhere; the collapse of the command economies and communist regimes in the Eastern bloc; the unification of Germany; the forging of a consensus among the superpowers on how to handle Saddam; and the extraordinary display of American military might in a decisively won high-tech war against a recalcitrant Third World nation.

Having announced this new terminology in the wake of America's military triumph in the Middle East, Mr. Bush naturally was heard by many as actually signalling the advent of American hegemony in a unipolar world. Not just the victory of capitalism, but the ascendancy of America in world affairs. This probably accounts for *The Economist's* somewhat nervous comment recently: "A New World Order of some sort will come, willy nilly. Should it, can it, be Mr. Bush's version?"¹

The Economist resonates a global value when it advises America

... to remember that a willingness to involve others is not enough to make a collective world order work. There must also be readiness to submit to it. If America really wants such an order, it will have to be ready to take its complaints to the GATT (General Agreement on Tariffs and Trade), finance the multilateral aid agencies, submit itself to the International Court, bow to some system to monitor arms exports, and make a habit of consulting the UN.

But it submits to a distinctly Western European perspective when it intones in the same editorial:

The day of American hegemony has gone. That of global democracy has not remotely come. In looking for a middle way, the G7 should remember three imperatives. First, spread wealth through open trade and conditional aid. Second, bow to international disciplines that embrace the right values. Third, seek to achieve consensus among nations, but do not feel bound by the process.

This is the same old colonial mind-set which assigns governance of the world to the few who possess economic power. What then are the prospects for the realization of a New International Economic Order (NIEO) -- one that is supportive of the developmental and ecological goals of Third World nations -- in the light of recent world developments?

A Voice for The South?

The answer, frankly, is not very bright. It will remain so for as long as the governments of the South cannot work together to push a common agenda out of a mistaken view that, in the final analysis, they could get better deals through bilateral transactions; and for as long as the governments of the North refuse to cooperate out of a stubborn desire to maintain their control of the world economy.

The pressure for change may yet come from informed publics and transborder popular movements that will no longer tolerate the existence of international arrangements that make it necessary and even respectable for Third World governments:

1. *The Economist*, June 22, 1991.

-- to deny their children proper medical care and schooling in order to pay their foreign debts;

-- to cut down their remaining forest cover to generate export earnings, again to service their debts;

-- to take away land from the hands of subsistence farmers so that export crops could be commercially grown;

-- to convert their dwindling agricultural lands into tourist golf courses and export processing zones;

-- to construct gigantic tourist hotels and shopping malls while half of the population in their major cities live in slums;

-- and to send off to foreign lands their schoolteachers to work as domestic helpers, their professionals as entertainers, and their artisans and technicians as construction workers.

The South must be brought to a realization that simply looking at the problem in terms of liberalizing access for Third World exports conceals the point that the transnational corporations have massively penetrated most developing countries, as in the case of textiles and clothing, and that therefore a simple increase in exports does not necessarily spell national development.

Therefore, beyond the essential task of restructuring the global economy along more equitable lines, there is a need to re-orient existing notions about development so that the vast masses of the people of the South are truly benefitted, growth becomes self-sustaining, deeply-held values are not traded off, the environment is not destroyed, and cultural diversity is not sacrificed.

NIEO: A Seasonal Concern

Talks pertaining to an NIEO come and go like the seasons. It is easy to be cynical about the progress that is ever made through these efforts. The conference capitals of the world are littered with the debris of numerous reports and transcripts of interminable discussions all written in the name of a new global order.

The idea is nearly two decades old. It was first sounded at the 4th Conference of the Non-Aligned Movement, and became a formal resolution in 1974 at the 6th Special Session of the UN General Assembly. The decade of the seventies was a period of Third World activism, which saw the emergence of the first, and perhaps the only, successful cartel of Third World producers: the Organization of Petroleum Exporting Countries (OPEC). It was a time of disarray and confusion in the world financial community. The United States had just decided to abandon the gold standard because its mounting deficits had forced it to print more money than it was prepared to redeem in gold.

The Group of 77 became the Third World's collective voice. In 1976, they met in Manila and resolved to promote and strengthen cooperation among themselves. The battle cry of "collective self-reliance" was added to the call for an NIEO. Awash with petrodollars, the Arab countries became the focal point of these initiatives. Later in the same year, at UNCTAD (United Nations Conference on Trade and Development) IV in Nairobi, a resolution based on the Manila Declaration was passed, this time specifying concrete measures for supporting economic cooperation among the developing countries.

The recycling of petrodollars fuelled a short boom, and especially in Asia, it permitted the newly industrializing economies (NIEs) and the Association of Southeast Asian Nations (ASEAN) countries to modernize their economies and attain unprecedented growth rates. By 1979, at UNCTAD V in Manila, even as the North and the South failed to arrive at any agreement on protectionism and interdependence, the meeting further cemented relations between the developing countries and the OPEC countries. At the Manila meeting, the rich countries practically ignored the call for an NIEO. Poverty and underdevelopment, they argued, were basically traceable to Third World corruption and economic mismanagement. "Put your house in order first, then we will talk about restructuring the global economy," they said.

By 1980, the world economy had entered a recessionary mode. The Brandt Commission, working for two years, put out its report, entitled "A Program for Survival." Without necessarily saying that the gross poverty and the starvation of millions in the Third World were ascribable to unequal relations between North and South, the Brandt Report nevertheless gave flesh to the call for an NIEO and made it a global quest.

Ten years after the promulgation of his report, a full decade in which one summit after another (starting with Cancun in 1981) was called in the name of global survival and development, Willy Brandt convened an international meeting of his former colleagues in the North-South Commission to survey the terrain of world development. Their sad conclusion was that very little progress had been accomplished in the last ten years, though there were new opportunities for North-South dialogues.

The Challenge to the South

If the North were predisposed to listen, such dialogues would stand to benefit from the even more recent publication of the report of yet another commission -- the South Commission, headed by Tanzania's Julius K. Nyerere. Entitled "The Challenge to the South," the report analyzes the problems of the South, proposes a "people-centered development" approach for solving its common problems, outlines a program for collective self-reliance based on South-South cooperation, and proposes a redefinition of the task of managing the international system. It is the South's attempt at a self-definition. But more than that, it is an attempt to bring the North into a

realization that the South will seek to develop itself within the framework of global interdependence, with the North's cooperation if possible, but without it if necessary.

The South Commission Report is of course quite recent. So far, the North appears determined to ignore it. In the meantime, the real North-South battle is being waged in a series of meetings known as the Uruguay Round, which began in Punta del Este, Uruguay in September 1986, went on for four years, and came to an inconclusive end with the collapse of talks in Brussels in December 1990, mainly over agricultural negotiations. This, of course, does not mean that pressures are not being applied on governments as of the moment, as the so-called Contracting Parties seek new reasons for the formal resumption of the round.

Despite the fact that the NIEO concept has been realized more in the form of resolutions and declarations than in actual practice, everyone of those meetings in which it is even vaguely hinted at is important. When they take the South's situation and aspirations as their point of departure, such meetings invariably serve as a forum for defining a minimum agenda for the South's diverse constituency. When they are convened at the instance of the North, they usually become the arena for legitimating unequal arrangements. In which case the South could ill afford to be unprepared or not to be watchful.

But the persistent reality underlying the negotiations in all such global meetings is the fundamental inequality in economic and military power between North and South, and the functional interconnectedness of the North's affluence to the South's indigence.

The South in the Post-Cold War Era

In the past, it had been possible for the South to negotiate even from a position of essential weakness because of the saliency of the East-West divide, and because the North was consumed by the need to demonstrate the superiority of capitalism as the route to development. Concessions were given to countries that were either at the forefront of the Cold War, or unequivocally took the side of the US on crucial world issues. For it was important to show that anyone taking the socialist path was doomed.

All this has changed, or will change. As *The Economist* editorial, entitled "The World Order Changeth," puts it :

The multilateral providers of economic aid -- the World Bank, the IMF [International Monetary Fund], the UN agencies -- have much to contribute. They and their sponsors have yet to adjust to post-cold war era. They no longer need to give aid in the wrong terms to keep feckless regimes "in the western camp." Equally, they can offer more aid, on the right tough conditions, to countries previously considered untouchable menaces.

In short, a triumphant West can now proceed to reconstitute the world

order on its own terms, without having to be sidetracked by the need to win the non-aligned over. As the South Commission Report saw it: "In the period immediately ahead, the South may well have to face a more homogenous and confident North preoccupied with its own problems and opportunities."²

The Uruguay Round

Henceforth, any initiative to re-arrange the world economic order will likely be motivated by only two things: one, by a need to accommodate the various needs of countries of the North; and two, by a desire to dismantle or roll back those policies which had been won in the past by the Third World. The arena for this at present appears to be the Uruguay Round of Multilateral Trade Negotiations.

Originally intended as a round of multilateral trade negotiations held under the auspices of GATT, the Uruguay Round, in the words of Nyerere,

is in fact fundamentally different from the previous seven "Rounds." It is a complex undertaking, involving many different but simultaneous negotiations at different levels, which taken together could redefine and rewrite the rules for international trade and those for other new and important spheres of international economic relations.

In essence, it is an attempt to restructure and re-fashion the rules of the international trading system to make this even more favorable than at present to the interests and concerns of the major trading nations – the industrialized countries of the Economic North. If the attempt succeeds, there will indeed be a New International Economic Order. But it will be even more iniquitous and inimical to the development aspirations and needs of the poor developing countries than the Order against which they have been protesting for so many years.³

Thus far, the talks have been dominated by the search for arrangements that will be accepted mutually by the US, Japan, and the European Community (EC). This means that any trade liberalization that will result from this process will be due not so much to any desire to accommodate the South (though it will be presented as such in order to gain something in return), but to a need to work out a *modus vivendi* among the three centers of Northern economic power.

Topics that in the past were never discussed in conjunction with trade negotiations have been included in the Uruguay Round by the simple expedient of labelling them "trade-related." Three such crucial areas are those for "trade-related" intellectual property rights (TRIPS), "trade-related" investment measures (TRIMS), and services.

2. The South Commission, *The Challenge to the South: The Report of the South Commission* (Oxford: Oxford University Press, 1990) p.153.

3. Foreword to C. Raghavan, *Recolonization: GATT, the Uruguay Round & the Third World* (Third World Network, 1990).

A Northern Offensive

The widespread suspicion among the developing countries is that the inclusion of these new themes is meant to extract concessions from the South in exchange for trade relaxation in such areas as agriculture and textiles and clothing that are crucial to Third World exporters. Of particular interest to the Northern-based transnational corporations are the imposition of investment laws, and their access to areas which have been previously well-guarded by developing countries, like services.

It is becoming quite clear therefore that while the concept of an ideological West has been momentarily shelved, following the collapse of the Eastern challenge, the North -- today represented by the G7 countries -- proceeds to secure the base that supports its economic power over the South. In contrast, the South shows signs of panic.

Here, much concern is being voiced about the possible diversion of loans, development assistance, and investments to the new European periphery -- the erstwhile command economies of the COMECON (Council for Mutual Economic Assistance) bloc. The South also worries that the awaited completion of the dismantling of internal barriers to European economic integration by 1992 could result in the exclusion of non-European suppliers from the EC market, as the EC undertakes to promote greater intra-European trade.

It is probably a testimony to the South's essential lack of faith in the meaningfulness of repeated declarations about an NIEO that bilateral negotiations aimed at gaining special concessions have continued in almost all areas -- trade, aid, debt-relief, investments, etc. Recent events in the Philippines demonstrate this in a very poignant way.

South Capitulation: A Philippine Example

While the 1947 Military Bases Agreement, a legacy from the colonial past which gave the US basing rights in the Philippines, is coming to an end in September 1991, the Aquino government has agreed to extend them for at least another ten years despite the manifold problems they have created. This agreement however has to be ratified. In the face of the Philippine Senate's refusal to ratify the new treaty, officials of the Aquino government have launched a frantic ratification campaign that is premised mainly on the idea that a disapproval of the treaty would so displease the Americans that the Philippines stands to lose all the concessions that the US has supposedly showered upon the country by virtue of "special relations." Uppermost in their minds are trade concessions or preferential access to Philippine sugar and garments exports.

Interestingly, the alleged concessions from the US pertain to export quotas, concessional loans, investments, and development assistance -- all of which could well have been the subject of a negotiating agenda of a unified

South, if only its members could get their act together.

By opting to deal bilaterally with the US and by accepting and promoting the paradigm of "special relations," the Philippine government abandons its sovereignty and renders itself even more vulnerable to the threat of cross-sectoral retaliation by the US.

Malaysia: A Regional Response

At another level, the Malaysian response to the new world situation has been to float the idea of an East Asia Economic Group (EAEG), basically an Asian trading bloc that would include ASEAN, Japan, South Korea, Taipei, Hong Kong, and China. This move aims to tap the economic leadership of Japan and the dynamism of the NIEs, obviously in an attempt to match the power of the EC and the North American trading blocs. Curiously, neither Japan nor the other ASEAN member countries have shown any enthusiasm for the Malaysian move. Many are apprehensive that, insofar as it purports to be a closed-door trading bloc, the formation of the EAEG might be viewed as an unfriendly act by the US.

The US remains a very important trading partner for these countries, and in the case of ASEAN, Taipei, and South Korea, also a dominant, and some say indispensable, military presence in the region. Consequently, Malaysia's initiative, despite the many benefits it promises for those who would become part of it, may not take off the ground for the simple reason that the US will oppose it. Not even Japan, a G7 member, would likely summon enough boldness to challenge US hegemony.

Prospects

Where does all this leave the South then?

The G7 countries will, in all likelihood, eventually come to an agreement about the contours of a post-Cold War global economic order. There will be some trade liberalization, but this will be more in the nature of market sharing by the EC, Japan, and the US, as well as permitting access to each other's markets. None of these arrangements will be taken in the name of Third World development.

Be that as it may, the final shape of the world economy will greatly depend on America's willingness to submit to the disciplines of a global order run basically by the rich countries. Whether it is in America's interest to do so, or whether it will insist in exercising the kind of options available to a lone superpower is a question that has not been answered. When George Bush said that the US will seek "new ways of working with other nations to deter aggression, and to achieve stability, prosperity and, above all, peace," by way of announcing the advent of a New World Order, observers were not sure what exactly he had in mind. A Pax Americana? Or a global elite democracy,

in which power will be shared with the lesser powers of the North, G7-style?

What is certain is that nothing has yet been heard from triumphant Policeman America about redressing international economic imbalances in order to end poverty in the South. Outside of the 1989 Brady Plan which failed to make a dent on the problems of Third World indebtedness, nothing new has come out of Washington that would indicate any serious concern for the deepening debt crisis in the South.

Instead, the management of this problem has been completely entrusted to the IMF, which approaches the Third World debt crisis from the standpoint of only one concern: how to make the South pay its debts while assuring that its economies remain open to transnational penetration. In the guise of simply setting performance targets for the South countries, the IMF actually imposes austerity and revenue-generating measures aimed at ensuring prompt debt payments.

The IMF medicine is familiar because it has become standard for the South: devaluation, export drive, import liberalization, credit squeeze or mopping up of excess liquidity in order to bring down domestic demand, removal of subsidies, budgetary cuts on social services, privatization, reduction in the number of government employees, wage freezes for public sector employees, vigorous tax collection effort, sale of government assets, etc.

As shown by the Philippine experience for example, it is these so-called "adjustment" measures, more than anything else, that have plunged the economies of the South into a slow growth mode in which they find themselves. More significantly, the IMF conditionalities have placed the burden of "adjustment" upon the already impoverished sectors of society. It is curious that the IMF insists that its role is simply to instruct nations *to live within their means*. It is probably more accurate to say: *to die within their means*.

The problems of realizing an NIEO does not lie in the vagueness of its terms. Rather it lies in the failure of the South to come to the negotiating table as a unified community with a common agenda. The North will not encourage this, and will do everything within its means to prevent the formation of a South cartel. The North has seen what an OPEC can do, and it will not allow anything like this to happen again. In the guise of multilateralism and global interdependence, the North draws Third World countries into a web of a global system in which they must face the consortium of rich countries alone. Within this system, they are made to submit to global rules and disciplines from which the rich countries are exempt.

The developing countries have no choice, says the South Commission, but to try, against all odds, to pool their collective resources.

The South will have to compensate by its own exertions for this favorable international environment. It will need outlets for its manufactured exports other than in the North, where rising protectionism could in any case be a major obstacle, especially if a large number of developing countries attempt to expand their exports at the same

time. It will have to rely increasingly on its own financial resources to support a large part of its development. And it will need to build or expand its own scientific and technological base.⁴

It is also a problem of power. The South must know the issues, form one negotiating bloc, and be prepared to act even without the North's cooperation. At the moment, such a consensus of the South remains a dream. For we are dealing with extremely vulnerable economies that may not be able to withstand retaliatory action from the North. More importantly, we are dealing also with states run by small ruling elites -- what we might term "The North within the South," who are the spokespersons of international capital within their respective countries. Their private business ties bind them closely to Northern capital. And often they are the first to flee with their money at the first sign of danger. In short, they have no long-term commitment to the development of their own people.

In the past, the struggle against these oppressive and militaristic Third World elites had often been represented as aspects of the ideological confrontation between East and West. Today the quest for the democratization of wealth and political power need no longer be distorted by Cold War discourse. Hopefully, it will not only succeed but also be enriched by the new global concerns for sustainable development and a safe environment.

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