



## New International Economic Order (NIEO): Origin, Elements and Criticisms

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### **Abstract**

Employing secondary sources of data this paper aims to assess the history, elements, and criticisms against New International Economic Order (NIEO). NIEO is mainly an economic movement happened after WWII with the aim of empowering developing countries politically through economic growth. It also criticizes the existing political and economic system as benefiting developed countries at the cost of developing countries so that a new system is needed that benefits poor countries. However, many criticize NIEO as hypothetical and unorganized movement. Clear division and disagreements among its members is evident. Developing countries failed to form unity, committed to meet the objectives of NIEO, and unable to compete in the market.

**Keywords:** New International Economic Order (NIEO); Empowering; Dveloped countries; Developing countries, Hypothetical and unorganized movement

### **Introduction**

It is now a long time since the notion of a New International Economic Order (NIEO) has been proposed and gained considerable recognition in the international community. According to Gordon (2009:1), the idea of NIEO was endorsed by the United Nations by the year 1974 with the belief that the Third World Nations and their peoples demanded a New Economic order which would provide them with inter alia, permanent sovereignty/ or control/ or administer over their natural resources, and more control over their economic destiny. Historically, NIEO is a post WWII phenomenon believed to bring economic and political development in the third world countries. Mahiou (2011:1) defined NIEO as the means through which the new states that emerged as a result of decolonization from European colonial rule get an opportunity to participate effectively in international political, social, cultural and economic arena. Thus, NIEO mainly reflects the political claims of the so called Least Developed Countries (LDCs) in the post-colonial era.

The main theme around which NIEO's philosophy revolves is "economic independence" is basic and a must for political sovereignty of LDCs. In other words, the political independence of any state is reflected in the economic capability and strength of any state. Thus, with the aim of political independence, NIEO treated economic autonomy as a means, not as an end in itself, to all other

sovereignty of LDCs. As Olaniyan (1987:1), noted that trade balance, if possible, in favor of LDCs, is one of the utmost economic aims of NIEO. The same writer presented a paper in a Nigerian forum reads as follows regarding this point:

“...NIEO from the very beginning never calls for a balanced flow of resources rather it calls for flow of capital and technology in favor of LDCs which basically seek the restructuring of the pattern of international trade and the flow of capital and technology so that their benefits could be more equitably 'distributed to the developing countries.”

Though various literatures say a lot about NIEO, according to Johnson (1976:6-8), NIEO has three key connotations. These are:

- (1) NIEO shows that there is something wrong with the existing system of international economic relations among nations and their citizens. Thus, there is a need for taking some measures to correct the problem in the existing system which is unfair, problematic, and one sided (i.e. benefiting the west at the expense of LDCs);
- (2) To the existing problems of LDCs, the so called developed world bears the greatest responsibility. Thus, the developed world should compensate LDCs by accepting the new international economic order-NIEO;
- (3) But, to make a make overhaul of international political and economic order requires a massive shift of political power from few most powerful superpowers of the United Nations with veto power to the voting assembly of the United Nations.

Based on these connotations one can raise the following moral and legal questions:

- ✓ Who is, therefore, responsible to institute NIEO?
- ✓ To what extent do the poor of the third world countries would benefit from NIEO, and how?
- ✓ Does NIEO advances in a win-win approach between the developed and LDCs or will the LDCs are the sole beneficiary of the new system? Is NIEO just a matter of redistribution of wealth from developed to LDCs or something with a different approach and agenda?
- ✓ Some developed countries do contribute in the under development of LDCs, and have a moral responsibility to help the under developed nations. But, does this moral responsibility includes those countries hadn't any role in the under development of LDCs?
- ✓ How NIEO's principles and free market ideologies would be compatible one with the other?

Generally, this paper attempts to answer these and other question related to the subject matter. For this purpose, the paper is divided into four Parts. Part I introduces to the paper. The second section of the paper briefly discusses the origin, history and elements of the NIEO. Part III deals with the successes, and general critiques forwarded against the NIEO. Finally, the last section, but not the least, of the paper presents the conclusion.

### ***Historical Development and Elements of the NIEO***

Historically, it is rather difficult to know exactly who conceived the notion of “New International Economic Order” and when the term was first used. According to Johnson (1976:6), although the ideas of NIEO are not something new, clearly as a political and economic movement, NIEO became popular at global arena following the end of World War II. There were various historical events that caused the rise and expansion of NIEO’s ideologies. Especially, following WWII, the economy of developing countries was seriously weakened, and the gap between the developed and developing countries widened. All these causes grievances from the side of third world countries, and began to seek an alternative (political and economic) system which benefited them better than the existing capitalism system. As a result, capitalism became unpopular in many countries, and socialism dramatically expanded in third world countries. And this movement is able to get support from socialist countries including Ethiopia. Generally, Olaniyan (1987:1), identified two major factors which possibly contribute to the emergence of NIEO. These are:

- (1) Some of the goals set by the UN to achieve by the year 1972/73 mainly to increase agricultural production and development aid results great dissatisfaction and disappointment among UN members. This is due to:

“On the average, the United Nations (UN) official development and targets have not been half achieved. At the same time, service charges on past loans began to put enormous pressures on developing countries' balance of payments and world poverty showed no signs of abating. There was insufficient progress in commodity trade, inadequate access to the markets of developed countries particularly for agricultural products, tariffs have escalated, especially for semi-processed and processed products and new tariff and non-tariff restrictions were introduced by many developed countries on a number of items including textiles and leather goods.”

- (2) The other historical event causes for the emergence of NIEO was the sudden and unanticipated rise of developing countries' economic and political power with visible bargaining capacity. An empirical example to this case is the Middle East oil embargo of 1972/73 which subsequently resulted in an increase in the price of oil and created an energy crisis globally. This event showed that developed countries are not self-sufficient in all aspects, at least they are dependent on the third world countries in some cases, mainly natural resources and raw materials. These issues can give developing countries bargaining powers to compromise and advance their political and economic interests. However, this act was not only affecting the developed world, but also oil-importing developing countries as well. It resulted in a global food crisis, and unnecessary conflicts between producers and consumers.
- (3) Even in days where there is a significant flow of oil from oil-exporting countries to oil-importing countries, the socio-economic and political situation of oil-importing developed countries was not improved. Oil-importing developed countries were suffering from unemployment, inflation, and high cost of energy. The worst was experienced in oil-importing developing countries. There was under political unrest, suffering from unemployment, shortage of hard currency and poor social infrastructure (Ibid: 2).

It was, therefore, in this situation that by the year 1973 the then chairman of Non-Aligned Movement (NAM) and president of Algeria, President Boumedienne requested the UN secretary General to discuss the economic hardships of the third world countries. This initiative by President Boumedienne was able to get widespread support from UN member states, mainly the LDCs. As a result of which the UN

convened a Special General Assembly on Natural Resources in April, 1974, and adopted a declaration on the establishment of a "New International Economic Order (NIEO)".

According to Tansoo (1979:13), the declaration blamed the current economic, political and social hardships of the LDCs as a cumulative effect of the past injustice by the developed world colonial rules and their subsequent policies.

"The present international economic order is a product of the age of colonialism and is designed to help New International Economic Order and International Economic Laws the industrially advanced countries only to gain profits (Ibid)."

Besides, the declaration calls for the need for the establishment of NIEO by which economic fairness could prevail across developing and developed countries. NIEO also calls for political equalities among nations and their people manifested through sovereignty of nations, self-determination by all peoples, condemnation of acquisition of territory of sovereign countries (member states of UN) by force, non-meddling in the affairs of other sovereign countries, unquestionable and non-compromizable established sovereignty of countries over the natural resources of their own territories, adoption of special supportive development measures to countries seriously affected economically, and promoting limitations on activities of supranational corporations.

The NIEO program is exclusive from other previous international economic programs by its goals. NIEO aims to improve not only the existing international economic system but also as Res (1974: 4), noted to come NIEO to the fore as a substituting economic system to developing countries so that they can realize economic development. This development in turn results in improvement of the political sovereignty of LDCs. Having the existing situation of LDCs of the then time, the second goal of NIEO implies the acceptance of a number of principles. Among others:

- a) Changing the existing international economic relations and economic system in favor of developing countries;
- b) Adopt new and extend economic and trade agreements between the developed and developing countries that give a special treatment to LDCs, and benefit the same more than the developed countries;
- c) Establishing restriction on the economic activities of supranational corporations;
- d) An agreement has been reached between the suppliers of raw materials (i.e. the LDCs) and the industrialized developed world to determine the price and amount of resources flow in between;
- e) Transferring of advanced technologies from the developed industrialized world to the developing countries that could help them to improve their economic productivity and social status;
- f) Economic linkage among developing countries must be established instead of exporting raw materials to the developed world; and
- g) Recognizing unquestionably full sovereignty of developing countries to control over and exploited natural resources including on the oceans.

Following the establishment of NIEO, scholars and politicians from developing countries began to quest for the expansion of NIEO's objectives from political and economic goals to social and cultural

movement so that developing countries can struggle more effectively against all forms of domination and exploitation by the developed world. As part of NIEO's movement, this goal was clearly explained in Paris during the UN's 1976/77 conference with the theme "Moving towards Change." This shows the aims/objectives of NIEO has expanded through course of time, and it goes beyond realizing economic equality among citizens of the world to the extent of incorporating social, cultural and environmental warfare of all citizens. Theoretically, this approach is unrealistic (Myrdal, 1979: 32), for the fact that this approach failed to distinguish economic factors from non-economic factors. Some social realities are characterized as economic factors as well.

On the basis of such new demands from developing countries, another new demand emerged .i.e. demand for a new international information and communication order. And, following the 1976 Fifth Conference of Heads of State or Government of the Non-Aligned Countries held in Colombo and 19th UNESCO's General Conference of held in Nairobi the idea of a new international order in information and communication was formally launched. This creates a new chapter in the history of NIEO.

NIEO creates to create a restructured, fair political and economic system based on cooperation between developed and developing countries rather than conflict. Economic prosperity is basic for global peace and stability. So long as the developing countries continue to be deprived, there can be no real and lasting peace in the developed world. This is a clear message to the developed world calling for social justice and freedom from exploitation.

### ***The Debate: for and Against New International Economic Order (NIEO)***

There have been continuous, unsettled and hot debates on the aim, scope, implication and applicability of NIEO among scholars, politicians and international financial institutions. Generally, there are two opposing stances regarding NIEO. These are:

- I) Some argued that NIEO made a lot of economic and political development of the developing countries, at least at global arena the voices of LDCs has been heard.
- II) Opposing to the above claim, some argued NIEO's political and economic strategies are too dangerous to the existing economic liberalism and globalization.

Many criticize NIEO from the perspective that there are contrasting ideas within its objectives while others appreciate NIEO for bringing the voices of the poor at least to the global arena. Moreover, (Mahiou, 2011:9), noted that NIEO contributed undeniably positive movement and attitudinal change among developing and developed countries' policy makers, financial institutions and historians. Though not achieved, NIEO starts its movement with positive moral elements such as the need for devising a strategy that can equally beneficial for all countries and their citizens.

According to Horn (1982:6), some of the utmost institutional changes that have come about as a result of NIEO include:

- a) Various trade rules have introduced that benefit developing countries such as General Agreement on Tariffs and Trade (GATT) through which developing countries have got a big opportunity to enter the markets of developed world. Developing countries got a preferential treatment such as exporting their products with little or no tariff and no quantity restrictions to their products.
- b) Revising and some are modification has been made on the existed economic and trade rules to facilitate economic development in the LDCs.

- c) Alongside existing commodities agreements, considerably NIEO caused a greater shift on the development assistance of the UN and other agencies resulted as a result of which new institutions have established such as the International Fund for United Nations Audiovisual Library of International Law Agricultural Development and the Common Fund for Commodities.
- d) NIEO has also resulted an influence on the development of certain international legal regimes. Among others: universally, the seabed conceived as the shared heritage of all human beings, the need for protecting the natural environment etc. Regionally, NIEO helped developing countries to enter in to economic and trade convents.

Besides as Mahiou (2011:9), noted that the new international economic order (NIEO) did resulted a number of effects on international trade laws and across all developing countries. For instance, in the 1970s a resolution was adopted by the UN General Assembly considered to be a big success to the developing countries. The resolution 3281 (XXIX) of 1974 on the Charter of Economic Rights and Duties of States, Resolution 3362 (S-VII) of 1975 on Development and International Economic Cooperation and Resolution 34/150 of 1979 on the principles of the New International Economic Order are good examples. However, during the 1980s NIEO did not help LDCs to manage the internal problems they faced and look over the activities of transnational corporations.

Above all, the most powerful critic against NIEO comes from the perspective its failure to regulate its strategy is inefficient. Johnson (1976:6-12), claimed that:

“The powerful countries of North America and Western Europe felt threatened by the NIEO and continuously tried to criticize and minimize it; according to Johnson, the most efficient way to help the poor is to transfer resources from those most able to pay to those most in need. Instead of this, NIEO proposes that those poor countries that have monopoly power should be able to extort these transfers. In practice such power has caused most harm to other poor countries.”

Besides, the New International Economic Order (NIEO) failed to end poverty in the third world, which is its utmost aim, especially in Africa (Engel, 2003:1).

## **Conclusion**

The Non-Aligned Movement emerged as a response to the intense Cold War rivalry that results in a clear division of the world in to two opposition blocks led by the USA on one side and USSR on the other front with contradicting political and economic ideologies. As a result of this fraction between these groups developing countries were forced to take side either of this two superpowers. In 1974, NIEO, therefore, came up as a response to the need to change the existing international economic system which benefits developing countries nothing. NIEO calls for correcting the unfair global political and economic order so to benefit all countries and their citizens equally and fairly. During the colonial period, the then colonized countries, today known as the least developed countries (LDCs) were immorally and irresponsibly exploited their resources and man power. After the end of colonial rules, developing countries are still under dominance and exploitation of their former colonizers. In this regard, NIEO failed to meet its objectives. Developing countries remain to be suppliers of raw materials to the west, suffering from trade imbalances, unemployment and are still backward.

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