

CURRENT ACCOUNT

The Samson Strategy

Whatever happened to the New International Economic Order? Nine years ago this month the United Nations General Assembly overwhelmingly approved a Charter of Economic Rights and Duties of States "to promote the establishment of a new international economic order, based on equity, sovereign equality, interdependence, common interest and cooperation among all States." A not unreasonable objective, one might think. Yet since 1974 rather little has been done to turn that goal into reality. Like so many U.N. resolutions, the Charter is usually on some shelf gathering dust. We still have not entered the brave new world. Why not?

To begin, it must be recalled that the New International Economic Order (NIEO) was the brainchild of less developed nations and intended primarily to serve their interests. From the perspective of the Third World, the global economy's prevailing "rules of the game"—embodied in the General Agreement on Tariffs and Trade (GATT), International Monetary Fund (IMF), and other multilateral economic institutions created at the end of World War II—were inherently biased in favor of the United States and other rich industrial nations. With voting weighted according to contribution, the rich dominated the institutions and allegedly used them to perpetuate an economic system—based on market determination of prices and private control of capital flows—that inevitably discriminated against the poor. What the developing nations wanted was a "new deal," a radical restructuring of global trade and financial relations as well as a greater role in the multilateral institutions.

The case for the NIEO, always a highly debatable one, was based largely on considerations of equity. Intellectually, its rationale went back to the controversial economic theories of imperialism originated early in the century by the likes of John Hobson and Rosa Luxemburg, updated after World War II under the highly charged labels of "neoimperialism" and "neocolonialism." More and more colonies were gaining political independence; yet in economic terms they felt just as dependent on and exploited by their former colonial masters as ever before. As early as the Bandung Conference in 1955 there were calls for across-the-board reforms of the system. And the theme was developed further in successive sessions of the United Nations Conference on Trade and Development (UNCTAD), starting in 1964. By the end of the 1960s the NIEO had become an *idée fixe* of the developing world.

Considerations of equity, however, do not carry much force in the affairs of nations, even when they are more persuasive than those underlying the case for the NIEO. Indefensible or not, privileges are not easily relinquished, and the industrial nations fought vigorously to preserve their inherited advantages in the global economy. Thus the issue remained stalemated—until the start of the energy crisis of 1973. Another anniversary recently celebrated (if that is the proper word) was the rise of oil prices that began ten years ago, after the Yom Kippur War. Suddenly OPEC emerged as a new power on the world stage. For the first time a group of Third World nations had beaten the rich

at their own game. The specter of "commodity power" was born, and with it came a more conciliatory attitude on the part of the industrial nations. Where appeals to equity had failed, the threat of force succeeded. One year after the energy crisis began and amidst fears of more Third World commodity cartels, the Charter of Economic Rights and Duties of States was born.

The history of the NIEO debate since 1974 has followed closely the ups and downs of OPEC itself. In 1975, while OPEC was still riding high, the industrial nations acceded to demands for a formal Conference on International Economic Cooperation (the so-called "North-South Dialogue") to consider the full range of Third World economic concerns. But as oil prices stabilized and OPEC's influence appeared to peak, the North's sense of vulnerability began to fade. Commodity power was soon realized to have been an illusion: Oil was a special case. And so attitudes stiffened, with little being accomplished by the time the North-South Dialogue was brought to a close in 1977. In 1978-80 the NIEO gained a new lease on life as a result of the second oil shock, which led directly to the U.N. General Assembly decision in 1979 to launch a new round of "global negotiations" the following year. But once again OPEC's power began to fade, and with it any interest in global negotiations on the part of the rich. Today, prospects for a new deal for the poor seem more remote than ever. "The present world economic order is [still] based on domination and inequality," said India's Indira Gandhi ruefully at the U.N. General Assembly in September. Other Third World spokesmen did not disagree.

Not that the poor countries failed to achieve anything in their quest for the NIEO. A Rip Van Winkle who went to sleep after the Bandung Conference would not recognize the global economy when he awakened. In the intervening three decades the Third World has gained a number of key concessions from the rich, including generalized tariff preferences in the GATT, special credit facilities in the IMF, and a common fund for support of commodity agreements in UNCTAD—reforms of no small import. But the fact remains that these achievements fall far short of a brave new world. The South's reach has exceeded its grasp.

The explanation, of course, lies in the realities of power politics. Appeals to equity counted for little. What mattered was how much leverage the South could bring to bear on the North—what credible threats it could make to the interests and privileges of the rich. Paradoxically, the greatest strength of poor nations has turned out to be the very fact of their weakness. Commodity power, for all of OPEC's brief ascendancy, ultimately proved ineffective. Much more potent has been the risk of economic chaos and collapse in the South, something the industrial nations well understand would hardly leave them unscathed. In extremis, therefore, the rules of the game have been changed. Like Samson, the Third World could threaten to bring down the temple on one and all. It is not much of a strategy, but so far it is the only one that has worked.

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