

New international order may not be mainly economic

By Paris Arnopoulos

The seventh special session of the General Assembly of the United Nations in 1974 marked a milestone in contemporary world affairs when it called for the establishment of a "new international economic order" (NIEO) and proposed a program of action to lead towards this goal.

Since then, scholars have been studying the implications of this new order and diplomats have been negotiating the implementation of its program. In the past year, three leading teams of experts, under the direction of the economists Leontief, Herrera and Tinbergen, have released the results of their studies on various aspects of the NIEO; at the same time, two multilateral conferences, the United Nations Conference on Trade and Development (UNCTAD) and the Conference on International Economic Co-operation (CIEC), have been debating how this "new order" could be put into effect.

The demands for an NIEO arose from a widespread perception that there was something fundamentally wrong with the present state of world affairs. The storm of crises that has been lashing the world lately has built up to global proportions and, if left to continue unabated, would result in irreversible damage to, and even the collapse of, the present international system.

Here we shall consider these problems, and the issues they produce, from the functional, geographic and strategic points of view. In this way, we shall be able to discuss the salient aspects of the present crisis and the possible directions in which

it might move, with and without the intervention of an NIEO.

The significance of this intervention cannot be overemphasized, because it will shape the kind of world in which mankind will enter the next century. It is for this reason that we shall expose certain inadequacies of the proposed NIEO in effecting real changes in the present international system. For such changes to take place, the original UN call for a new international economic order should be enlarged to include social and political considerations as well as economic.

Since any significant economic development can only proceed within a broader social change, the proposed NIEO must evolve along with a general process towards a "new international order" (NIO). It is in this wider context that we shall assess the proposed changes in the international system and evaluate the means and ends of the NIEO policies in the foreseeable future.

Social complexity

One of the most significant developments in the modern world is the increasing complexity of social systems. This functional sophistication of human instruments and institutions makes societies much more problem-prone than previously, at the same time as it makes these problems much more difficult to solve. It seems that the intricacy and magnitude of world affairs move events beyond human control and surpass our ability to deal with them.

The difficulty of understanding social problems and controlling their effects is evident in many areas of public affairs. Here we shall look at the most important forces in the economic, social and political arenas, out of whose interaction arise the complex issues in the present international system the NIEO is proposing to correct.

The problem of relative underdevelopment in some parts of the world and overdevelopment in others appears to be at the basis of international economic

Demands arose from perception of fundamental malfunction

Professor Arnopoulos teaches international politics at Concordia University in Montreal. He spent the past academic year in the Policy Analysis Group of the Department of External Affairs, working on a special project upon which this article is based. The views expressed here are those of the author.

issues. All countries want to engage in the process of economic growth — not only in order to provide their people with their basic needs but also to increase the production and consumption of manufactured goods. Accordingly, increasing the gross national product has become the sole measure of progress and the ultimate criterion of success.

This process, however, has met with certain complications, both natural and artificial. To begin with, the uneven distribution of natural resources in the world has endowed some countries with an abundance of energy and materials, and has left others with a scarcity. This natural maldistribution creates unequal development potentials, which in time widen into economic gaps between the rich and poor nations.

Natural inequalities are further exacerbated by different cultural tendencies, technological capabilities and historical precedents. Thus, industrially-advanced countries have acquired a decided advantage over agrarian societies because they can harness large amounts of energy. This capability is readily translated into power, whereby the strong can dominate the weak nations.

For this reason, although international trade is supposed to maximize the comparative advantage of complementary capabilities, it actually favours the rich and strong systems. Thus, unequal terms of trade compound the inherent discrepancies among nations, enriching the strong and impoverishing the weak even more.

So far, all attempts to reverse this tendency through international aid have failed. Both the first and second UN Development Decades have not only fallen short of their targets but have witnessed deterioration in the condition of most countries. The aid given is too little and too late to compensate for the discriminative terms of trade and alleviate the increasing indebtedness of the poor to the rich.

The NIEO proposes to cure this endemic condition of the present international system by major changes in the economic relations among nations. Through large transfers of technology, resources and capital, as well as improved terms of trade and increased aid, the NIEO aims to spread economic development all over the world and thus effect a more equitable distribution of the common wealth.

In aiming for economic development, the NIEO expects to solve the major social

problems caused by overpopulation, poverty, unemployment and oppression. However, even though economic and social factors interact, it is not easy to determine cause-effect relations between them, especially in complex matters of population growth, cultural change and class structures.

The “population explosion”, for instance, has created an imbalance between people and resources within certain areas. Such imbalances are particularly acute in cases of food scarcity in some countries while there is abundance in others. In order to correct these imbalances, the NIEO proposes to increase production and improve distribution of resources by industrialization of the economic and modernization of the social systems of the world.

Dangerous road

This road, however, is very dangerous because it involves great social changes. Industrialization destroys traditional cultures and breaks historical continuities, thus disorienting people and distorting their values. Its accompanying urbanization unbalances the social groups of both town and countryside, thereby creating more problems than it solves.

Moreover, it is now accepted that economic development does not necessarily alleviate social injustice. On the contrary, it may promote greater disparities if the benefits of growth are not equitably distributed. In societies where there exist rigid class differences and hierarchical structures, distribution cannot but be unequal, thus increasing the inequalities. This situation, along with the rising expectations of all people, create frustration, alienation and conflict, which eventually lead either to suppression or to revolution.

If the earth had sufficient resources to maintain a good rate of economic growth indefinitely, the problematic social by-products could be submerged in the euphoria of material improvement. This is, in fact, what has happened so far in the advanced industrial systems. But, as we are approaching the limits of economic growth, these social problems are now coming to the fore. When production can no longer increase the total wealth, distribution becomes the most critical issue of society. This, in effect, is looming ahead on a global scale, and the NIEO has no way of preventing it.

Although power politics are supposed to be kept out of the NIEO, they do come in whenever the issue of redistribution is

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raised. If the NIEO means anything, it signifies real shifts of power in the world. These shifts are bound to affect matters of national security, international law and intergovernmental organization.

The most serious political problems of the world arise from the unceasing search of states for national security. The international system cannot, by its very nature, secure the existence of any one of its members, and thus leaves the survival of nations to their own resourcefulness. Military force, nuclear weapons, the arms race, defence alliances are all manifestations of this basic insecurity.

Unfortunately, since one state's security is another's insecurity, the search for security escalates into a vicious spiral that must either be broken or lead to war. Moreover, the increasing cost of military establishments diverts funds from social development and imposes great strains upon national economies. The proponents of the NIEO recognize that, as long as the arms race goes on, development will suffer, so they have called for a transfer of funds from military budgets to development aid. Such a move, however, is almost impossible under present circumstances of increasing scarcity, insecurity and disorder.

Because of its economic, social and political inadequacies, the present international system has become unacceptable to many people. And thus its legitimacy is questioned and its laws are in dispute. This is particularly so in the areas most affected by technology, where new methods and institutions are evolving rapidly. In these areas, traditional national jurisdictions overlap and conflict with modern transnational activities, making it necessary to develop new codes of conduct and dispute-settlement procedures to handle novel situations.

The complexity of the problems and the intransigence of the interests involved, however, make this legislating process very tortuous. After a few years of protracted wrangling in the United Nations Conference on the Law of the Sea and UNCTAD, to mention only two arenas, the nation states of the world have still a long way to go before reaching any consensus on the new rules of the international game.

Yet the pressures are rising for a new international order. The many disadvantaged nations are challenging the supremacy of the few satisfied ones and demanding a greater say in the management of the world. Many intergovernmental organizations, for a long time dominated by the great powers, are now under pressure from their dissatisfied majorities.

If the political system is to avoid a creeping institutional irrelevance, if not a galloping structural obsolescence, in both the national and international arenas, governments must change radically. The new political order will have to include better representation mechanisms, improved decision-making procedures and more effective administrative practices. The new international economic order can never come about without these social and political reforms.

Geopolitical view

Looking at the world from the geopolitical point of view, one is struck by the increasing interdependence of its units. With the growing complexity of its social systems, the world is becoming more interdependent at all levels of activity – global, regional and national. Changing the present international order must, therefore, take into account this general trend and devise policies to deal with it.

Increasingly intricate international relations are another manifestation of the functional complexity of the global system, which more and more resembles "space-ship earth". Thus, whatever happens to one part in some way affects the others. The policies of every member are therefore of concern to the others and unilateral actions are no longer acceptable among states.

It is natural that this increased interdependence creates more friction within the international system, and often leads to serious crises and conflicts. It has become clear by now that all these interacting relations have to be highly coordinated and harmonized; otherwise they will deteriorate into chaos. This sophisticated system we have created in "a fit of absent-mindedness" is so fragile that, unless it is consciously and methodically maintained, it is bound to break down.

Perhaps the most striking manifestation of global interdependence is the wild growth and permeating spread of private activities and corporate enterprises across national boundaries. Political divisions are cross-cut by social and economic relations, so that the public and private spheres of action overlap in many areas. This situation adds nongovernmental conflicts to intergovernmental ones, thereby complicating the problems even more.

The NIEO proposes to solve these problems by greater control of transnational corporation (TNCs) and better co-ordination of intergovernmental organizations. Adopting a code of conduct for transnationals is the first step towards the

subordination of private enterprises to public policies. After that, internationalizing many of these transnational activities would bring them under greater political control and public accountability. The difficulty here is that many countries prefer nationalization of TNCs in order to place them under direct and exclusive local control, rather than international supervision.

These contradictory national, transnational and international (not to mention infranational and supranational) policies cannot all succeed. Some must be implemented at the expense of the others. This, in effect, is the central dilemma of international organization. As the world system becomes more complex and interdependent, it becomes more difficult to govern at the same time as it becomes more necessary that it be governed.

This tendency is attested by the growth of the United Nations system in step with its increasing difficulties. On the one hand, the UN must be strengthened in order to perform its multiplying functions of co-ordination and regulation of international activities. On the other hand, nations demand more local independence to "do their own thing" and greater freedom of action to decide their own destinies. Faced with these two opposing imperatives, it seems that the NIEO will either have to accept some kind of world government or to devolve to a simpler and more self-contained state system of relatively independent communities.

Conflicting systems

In spite, or perhaps because, of its growing interdependence, the world is still deeply divided between conflicting economic, political and cultural systems. The widest fissures run East-West and North-South. Recent events have shown that the older ideo-political cleavage has entered a period of attenuation, whereas the more recent socio-economic gap is growing into a confrontation, thus replacing the Cold War as the most critical issue of the day.

At the heart of the North-South conflict is the 13:1 ratio indicating the wealth gap between the rich and the poor nations of the world. Worse still, this gap has been growing steadily from 10:1 in 1960, and is likely to reach 14:1 by 1980. This means that two-thirds of humanity subsist in abject poverty, while one-third enjoys unprecedented wealth. Obviously this situation cannot continue without increasing suppression of the resulting dissatisfaction of the masses.

The NIEO proposes to close this widening gap, at least by half (6:1), within this century. This is indeed a formidable goal, given the present power configuration in the world. As we have already mentioned, the economic problems of increasing production and the political problems of improving distribution appear to rule out the possibility of any such evolution taking place peacefully.

However one may deplore world inequalities, it would be economically impossible to raise the material standard of living of everyone to the levels of the Northwest, and politically unrealistic to expect the rich to lower their standards by distributing their wealth among the poor. As long as materialistic values prevail in the North and the "catching-up" syndrome motivates the South, protracted conflict will be the outcome.

In order to avoid this eventuality, the nations of the world must redefine "development" in social rather than economic terms. The so-called "North-South gap" is as much semantic as it is real because it focuses on material production as the measure of all things. A better-balanced social index may, however, show that the gap between the "qualities of life" in the North and South is not so great after all.

State sovereignty

Another complication of the present international system is the existence of more than 150 political units superimposed upon a transnational economic network. Since political exigencies do not necessarily coincide with economic efficiency, it is difficult to harmonize both territorial and functional rationality. Yet, as the economic system of the world has become more interdependent, the political system has fragmented into a greater number of independent units. Thus the political decolonization of the world has been going on at the same time as the rise of economic imperialism.

It is clearly impossible to maximize both territorial independence and functional interdependence. Either nation states will have to surrender many of their sovereign prerogatives to international organizations and transnational corporations in return for material benefit or they will have to try to increase their self-determination even at the expense of deprivation.

Of course, people want both political independence and economic development, but very often they end up with neither. Unless a country is in the enviable posi-

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*Limited role
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tion of having enough natural and human resources to render it both economically self-sufficient and politically self-governing, it is likely to sacrifice one for the other or lose both in the attempt. As many countries have found out, surrendering their independence does not guarantee a better life for most of their people.

Because of this experience, some people believe that it is not so much the international economic order that needs to be changed as the national orders of various countries. Even a new international economic order cannot perform miracles to correct the inherent problems of national systems; only the local communities themselves can do that. The international order, therefore, has a limited role to play in the development of any country.

Realizing potential

If economic development means realizing the potential of a community to provide for the basic needs of its members, the economic viability of a nation should be measured by the extent to which it fulfils this function. Once basic human needs (nutrition, sanitation, shelter, training, work and leisure) are met, further development should depend on particular cultural and natural constraints.

The best that an NIEO could do is help societies become economically viable as an absolute priority. Beyond that, every nation should determine for itself how far its resources allow it to go and what its values permit it to attain – always provided that it does not interfere with the same determination by others. It is unreasonable to expect much more from the international system, without engaging in economic domination, political interference or cultural imperialism.

Our analysis so far indicates that the various crises that have come upon us are not merely incidental but are symptoms of deep and persistent trends in world history. Because of this, it seems that the "muddling through" approach of the present international system is less and less effective in handling its problems. Unfortunately, many key proposals of the NIEO will do nothing to change this situation; on the contrary, they might exacerbate it. What is needed to apply to such historical forces is a more fundamental restructuring of national and international systems.

Perhaps the prime mover of modern developments is the dramatic transformation of nature by technology. This change has led to artificial economic growth that consumes inordinate quantities of energy

and resources, thus degrading the environment and increasing the rate of its entropy.

Moreover, the technological innovations of science have institutionalized rapid change in social systems. This historical acceleration of change and movement in human affairs has created great instability and transitoriness both in individual psychologies and in group relations.

These trends have had certain significant repercussions in the international system. The uneven rates of change have produced great gaps between socio-economic systems. The main cleavage between the more- and less-developed countries (MDCs and LDCs) had grown from an estimated ratio of 3:1 in 1800 to 6:1 in 1900, and is not likely to be less than 12:1 in the year 2000.

Three possibilities

As things are evolving, we can envisage three possibilities for the foreseeable future: the rich will continue to get richer, though at a reduced rate, and the poor will get poorer; the limits to growth will catch up to and impoverish everyone; there will be a basic change of values and structures from which everyone will benefit.

Of these alternative directions the world could conceivably take, the first is the most probable in the short run and the second the most likely by the next century, if things continue as before. A few people can exploit the many for a long time, and the many can exploit nature for a short time, but they cannot all keep up this pace indefinitely.

Recent events make it increasingly clear that we cannot maintain concurrent economic growth of the whole system. Either a few can grow at the expense of the many or everyone will have to accept a general, steady-state condition of material production and consumption at a lower level. It is up to us to make the best out of this inevitability by sufficient socio-cultural change.

Such change will require a shifting of our aspirations away from demands for more manufactured products towards more intangible and more permanent goods, more equitably distributed. To do otherwise would increase the frustration of unfulfilled promises for most of the world's people. Disillusion of this kind is dangerous because it often leads to desperate actions and nihilistic behaviour.

The NIEO reflects the rising demands of the LDCs for greater material prosperity, which the MDCs must help them attain. These demands are backed by strong economic, social and political argu-

ments. The LDCs appeal to the self-interest and moral responsibility of the MDCs, as well as to the legitimacy of their expectations of compensation. At the same time, they hint at reprisals and warn of impending social instability if they do not get their fair share of the world's common wealth.

The aim of these promises and threats is to win concessions from the MDCs, in the form of improved terms of trade, preferential financing, transfers of technology and increased grants-in-aid, in order to close the North-South gap. However, one may seriously question both the means and ends of such a strategy. Apart from the physical impossibility of closing the gap, there is grave doubt of its social desirability because it identifies development with Westernization.

As to the means, many of the proposals are contradictory, and would not lead to the stated goals in any case. The attempt to increase global interdependence by international division of labour, trade liberalization and resource transfers and, at the same time, to increase national independence by local barriers, price controls and TNC regulation is self-contradictory.

For any net benefits to accrue to the South from these policies, they must clearly discriminate against the North. Even if so unlikely a development occurred, it would be an insidious way to perpetuate the dependence of the weak upon the strong. A paternalistic policy of this nature would tend to sap the independent development of both parties. Such unequal interdependence could hardly lead to equality and mutual respect.

Apart from the merits of the LDC demands and their supporting arguments, there is also the question of the pressure they can bring to bear upon the MDCs to accept them. In this matter, the bargaining power of the LDCs has been grossly exaggerated. Although it may be true that the collective power of the LDCs is considerable, the ability and willingness of their governments to apply this potential is virtually non-existent.

The relative strength of LDCs and MDCs and their interdependent relations clearly favour the latter. More important, the governing élites of most LDCs are closely tied to the MDCs, upon which they depend for their survival. This coincidence of interests would render any extreme action on the part of the LDC governments suicidal. So long as the governing minorities of the LDCs have a lot to lose by pushing the MDCs too hard, they will not risk the destruction of the present inter-

national order for the doubtful benefits of a new one.

Policy prospects

The most likely cause of an NIO would be natural pressures rather than LDC demands. Our dynamic, complex and interdependent system requires great amounts of energy to keep it in operation. It is thus easy to predict that, as the energy resources of the world are becoming scarcer and costlier, we are bound to reach a critical point of inflection where recent trends will be reversed sufficiently to restore the natural balance between the supply and demand of power.

For any society to escape the catastrophic effects of such a reversal of its way of life it must plan a gradual disengagement from this escalating power spiral. This means it has to try to live within its own means by increasing its self-reliance and decreasing its dependence on the resources and good-will of others to keep it afloat. So unpopular a policy, of course, can only succeed in communities of strong cohesion, responsible citizenship and collective self-discipline.

These requirements indicate that the real power of a nation to survive such traumatic shocks depends not only on its natural resources and economic strength but also on its social organization and political ideology. The role of good government in this difficult situation is to provide realistic goals and credible leadership that will inspire people to make sacrifices in order to attain them.

Unfortunately, it is very difficult to combine all these conditions in the same place at the right time. Where there is enough political will, there is no economic way, and *vice versa*. As environmental and economic trends move in one direction, social and political forces keep going in another. Meanwhile, governments are caught in the momentum of past policies because they were once successful and are still lucrative for some. Thus, although the old international order is breaking down, the remaining vested interests, coupled with social inertia, prevent the development of an NIO.

The common thread running through the demands for a new international economic order is that all countries, rich and poor alike, have urgent and inseparable problems that are rapidly getting out of control. More specifically, the present international system suffers from: energy and resource scarcities attributable to the accelerated growth of the MDCs; gross inequalities and widespread poverty owing

*Capacity
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social organization*

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to unbalanced growth in the LDCs; and international frictions and conflicts owing to the perceived inequities of the interdependent relations between MDCs and LDCs.

The deep roots of these problems and the complex interactions among them compound our inability to grasp and resolve them. The traditional attitude of pragmatic or "agnostic" crisis-management and *ad hoc* tinkering has produced more problems than it has solved because it has coped with immediate and proximate issues at the expense of the ultimate and universal ones.

The NIEO tries to avoid this weakness by considering global problems in the longer run. Its program, however, assumes the continuation of things past, both in values and in structures. Thus it embraces industrialization, modernization, integration and the technological "fix" as the path to the future. And so it is an optimistic economic solution to problems that are beyond economics.

In order to tackle these broader social problems, nation states would have to go considerably further than the NIEO and change their internal systems. A truly new international order would arise only with the development of new national orders based on the principles of resource conservation and steady-state economics in the MDCs, balanced growth and equitable distribution in the LDCs, and self-reliance and independence on the part of all social systems.

Accordingly, "development" should be redefined by each culture to fit the particular values and capacities of its society, so that its goals may be attained by self-directed and self-generated means. To do so, social systems must respect natural limits to growth and optimize their quality of life within these limits in their own way. In any case, whether we like it or not, either by social planning or natural catastrophe, this will be the eventual development of the NIO.