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REVISITING NIEO, AND THE RELATED PROBLEMS
IN THE NORTH-EAST-SOUTH POLICIES OF THE 1970s

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Revisiting NIEO, and the related problems in the North-East-South policies of the 1970s¹

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I was asked to present two approaches: one of the United Nations in the Secretariat of which I have been involved in the preparatory work of some background documents of the New International Economic Order program, and the other on the perspectives of the Institute of World Economics of the Hungarian Academy of Sciences, where a research team of 11 experts had been working on the NIEO project and the Institute was also an important participant in the research cooperation between the academics of the Socialist bloc on relations with the developing world. Originally I did not quite understand why the researchers in the University of Leipzig in the 21st Century would be working on this issues at this stage, in a radically different world? I was told that it was not just the remembrance to the forthcoming 40th anniversary of NIEO, but the efforts for the better understanding the past and the policies of certain states, including the DDR in a realistic and future oriented way which motivated the research program.

From the “development” decades to NIEO: the role of the UN

The Charter of the UN, which placed sovereignty and “development” as two major items on the international agenda laid down the moral, political and socio-economic foundations of both and defined the role of the World Organization in the process of

¹ Based on an introductory lecture of a conference dealing with the relations between the former Socialist countries and the developing world. in the University of Leipzig on Oct 25 2017.

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decolonization. From their very beginning the UN and the specialized agencies provided fora for debates, programs and projects on economic and social development and for selecting priorities in the given field. In the debates many possible approaches emerged, among the goals and instruments. Contrasting views between those, who advocated the role of the state and economic planning and those who believed in private enterprise and the role of the market appeared already at the very early stage and remained a major issue of the debates about various aspects of long-term development issues. Among the milestones on the path toward NIEO the Bandung conference had been a very important event: the emergence of non-aligned group.

In the UN debates and programs the Soviet Union had been the main advocate of the planned development, supported by India and many new states. The necessity of economic planning also on international level gained a broad support. Strangely enough it was President Kennedy in his speech in the general Assembly who suggested the first United Nations launched development Decade in 1961. The intellectual father of the Second Development Decade, for the 1970s was professor Timbergen. The First Decade was a success, the Second collapsed. There was a major setback of development, and many developing countries were in deep crisis. NIEO was a new global initiative by the Third World which became a major force in the North-East-South triangle. It contained many recommendations which included many ideas among the goals of the development decades and of other UN and national initiatives.

In this short discussion paper I intend to draw the attention only to the often controversial role and ambiguous policies of the Socialist bloc in the NIEO program. The Socialist countries, officially the Centrally Planned Economies have grown into an important group in the international system by the 1970s. The detente accelerated the pace of integration of these economies with the other parts of the world economy especially through trade, finance and technology flows. They became important partners and supporters of the developing world. A small part of this support took place in the UN system through the technical assistance programs and for resolutions, ideas and concepts. Their relations in trade, arms shipment and training people concentrated in a few developing states was based on bilateral agreements.

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The relations between the developing countries and the CPEs had been motivated and built on a number of factors. These included ideology, longer term strategic interests and goals, short term politics, constraints based on systemic nature economic potentials, NIEO represented a specific and not easy problem for the Socialist countries. These were not quite new, they emerged in the context of UNCTAD in the mid' 1960s.

Particularly at the early stage of the NIEO debates the attitude of the bloc countries and first of all the SU had been ambiguous and hybrid. In the global political struggles they could not dissociate themselves from the developing world at the same time they wanted to underline, that there was no automatic support of the goals and policies of the NIEO and the charter.

Some early ideological roots of Soviet policies

By now the origins of the ideological and political foundations of Soviet policies on the struggles for independence of the colonies of the imperialist countries have been by and large forgotten or disregarded by those researchers, who are analyzing past relations between the Socialist countries and the process of decolonization.

The ideological roots are probably in the work of COMINERN. In March 1919, when the Communist International was founded in Moscow. The Manifesto of the Comintern stated: "The last war, after all a war to gain colonies, was at the same time a war with the aid of the colonies. To an unprecedented extent the populations of the colonies were drawn into the European war. Indians, Arabs itself more shameless, never was the truth of colonial slavery brought into such sharp relief. As a consequence, we witnessed a series of open rebellions and revolutionary ferment in all colonies . Capitalist Europe has drawn the backward countries by force into the capitalist whirlpool, and socialist Europe will come to the aid of the liberated colonies with its technique, its organization, its spiritual influence, in order to facilitate their transition into the orderly system of socialist economy."³

³ From **The New International**, [Vol. IX No. 6](#) (Whole No. 76), June 1943, pp.189-191. Transcribed by Damon M. Marked up by [Einde O'Callaghan](#) for the **Trotsky Internet Archive (TIA)**.

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Sixteen months later, a much broader Comintern congress convened in Moscow, with representation from six Asian countries outside the former tsarist empire. Lenin's report on the item on colonies contained a passage that the Communist International must support "national-revolutionary" movements even if their leadership is bourgeois, provided they are genuinely revolutionary and do not obstruct educating the masses in a revolutionary spirit. This approach was then codified in the conditions for membership in the International with a statement, that the member parties of the Comintern must support every liberation movement in the colonies not only in words but in deeds. The congress statement was put into action in September 1920 at a gathering of close to 2,000 participants representing 25 Asian regions: the First Congress of the Peoples of the East, held in Baku, in Azerbaijan. Almost half were non-Communists. Many were Muslims newly won to revolutionary ideas. The congress made a call for a jihad against imperialist Britain, which had occupied much of the region, to be waged by the peoples of the east and workers around the world. The alliance between the socialist revolution and the national liberation struggles became a crucially important part of the Soviet ideology thereafter. NIEO for example has been considered on one hand as a continuation of the anti-colonial struggles as an instrument for economic decolonization, which should be supported. On the other hand ideological doubts have been raised about the real possibilities of changing the fundamental characteristics of the market, dominated by the monopolies with UN decisions, arguing that only the Socialist world market was free from exploitation could support such goals. This arguments however disappeared from the debates, but remained in the background of some actual policy recommendations made by certain countries.

The Institute of World Economics in Hungary represented the view, that there was only one world market and our strategies policies and actions must be based on this fact. We therefore welcomed the fact, that finally the Soviet Union is accepted this reality. We criticised many of the views the USSR presented on behalf of the bloc at NIEO deliberations .and urged substantive responses to the issues. It was the Institute of World Economics in Hungary, probably the only academic institution in the East in those years, which openly stated in publications that such recommendations statements in in

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the debates: as the elimination of exploitation in international economic relations, the equality of partners and the exclusion of one-sided economic dependence or the promotion of industrialization had been too general to offer guidance for actions and for realistic reforms. The contribution of the Institute to the Hungarian views in the “common statement” of the Socialist countries in UNCTAD IV(Nairobi) contained a number of concrete practical recommendations for the “translation” of the general goals to actions in trade. We recommended, that in national long term economic planning concrete measures should be included, specifying the different measures.

The decade of the 1970s was an important turning point in the global system. Decolonization, detente, and development have become the benchmarks of the history and consequently remained the major preoccupation of the United Nations. With the Helsinki process, there was a real progress in the detant. The political decolonization process was basically over. All the great empires, which occupied the world at the beginning of the 20th Century disintegrated. The new or reborn states which emerged on their ruins comprised a new group in the world economy and in global politics. It was a highly diverse group from the very beginning, and as the consequence of domestic political, economic and social changes and international economic factors, diversification increased. The perceived common denominators, the common interest the emergence from backwardness and the progress on the path of development contained a great variety of national packages. All these found the ways to the different organizations and foras of the World Organization in various demands and proposals in a process which was called the North-South dialogue even before the NIEO. The program for the second development decade contained many important ideas, but the different suggestions and demands were largely ignored by the developed countries. The 1973-74 Arab oil embargo and Organization of Petroleum Exporting Countries, the price increases forcibly attracted the world's attention to the fact that the Third World enjoyed an accretion in bargaining power as a result of its unity and its alliance with OPEC. The Algiers nonaligned summit's call for a New International Economic Order and its demand that a special session of the UN General Assembly be convened to discuss it, comprised a new force.

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With the Western states in relative disarray and the United States in particular refusing even to use the phrase "new international economic order," the UN General Assembly's Sixth Special Session in the spring of 1974 was dominated by the more radical spokesmen of the Third World, and it easily passed a declaration on Establishment of a NIEO that called for major changes introduce inherent inequalities in the existing international economic order. The socialist countries from the very beginning refused to be lumped with the "rich North, while supporting the moves for the changes, in the debates their diplomacy underlined that key issues raised in the platform for a New International Economic Order are in fact deeply rooted West-South problems. This was also shared by the some of the more radical states of the South, which had a strong position in the "Group of 77" (which and actually numbered over 120 by 1979).

The Western countries used the OECD framework to develop common strategy and policy recommendations for the West, dealing with the future of LDC in the early 1970s. This was included in the „Interfuture Project” of OECD in 1974. The only non-Western research institute which was invited to participate in the discussion on Interfuture was the Institute of World Economics. Three of us took part in the OECD debate on some aspects of it. The suggested strategy was based on the anticipation of inevitable diversification of the South. On the basis of the strategic interests of the West, it divided the LDCs into groups from which some of the states were already in the process of integration with the developed world, some others would be struggling with different problems on a longer term basis, and should be supported. This strategy influenced probably the policies of the Western countries in the UN debates on NIEO. One could not find however any reference to Interfuture in the Western development diplomacy. There was one important Western strategic initiative the establishment of the group of seven the declared aim of which contained some elements of the Interfutures recommendations.

The socialist countries in the UN debates on NIEO

The Socialist bloc had no common strategy in the 1970s on the issues and policies related to NIEO and the Charter. The Soviet policies served as the guideline for the contribution of the delegates from the CMEA countries. There had been of course

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different „background” meetings organized by the foreign ministries, where all bloc states could make recommendations. Some of these meetings were quite interesting, because, some of the CPE states informed the group about their real experiences concerning the effectiveness or problems of their bilateral technical assistance programs.

On behalf of the bloc the Soviet Union has presumed to speak for (and sometimes has been formally joined by) the other members of the East European "Socialist Community." Besides Albania, this excluded Yugoslavia-one of the most active members of the nonaligned movement and thus one of the foster parents of the NIEO-and Rumania, which at one point suggested that it might seek formal affiliation with the nonaligned. On the UN fora Hungary officially supported the Soviet policies, but in bilateral negotiations represented a much more flexible and realistic view.

To understand the Soviet stance toward NIEO in the 1970s one must begin with the realization that from the Soviet ideological and political perspective in which the "main arena" was the East-West political-military and economic rivalry. NIEO itself was considered as the result of the progress of the Soviet and the socialist bloc policies toward relaxation of international tension and the restraining of imperialist aggressiveness. Were it not for the strength and support of the socialist camp, the developing countries would not only still be prey to raw coercion by the imperialists, but would also have had no alternative markets or sources of assistance. It was also often emphasized that detente promoted the achieved progress toward economic self-determination and development. The clear implication of these views in the debates was that the developing countries must continue to support Soviet foreign policy initiatives in the East-West competition if they are to hope for progress in the solution of their own priority issues. In practical terms at **UNCTAD** and **UN** General Assembly sessions devoted to discussing the **NIEO**, the Soviets have persistently sought to broaden the agenda to include discussion of their detente or disarmament proposals. Having put it in its proper global context, the Soviets offered a very general endorsement to the NIEO program. The contributions of Soviet and bloc diplomacy also insisted, that NIEO was in fact a "vote of no confidence in the 'free enterprise' system" and in capitalism's ability to resolve Third World economic problems. In their contributions to the **NIEO** debate,

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Soviet and East European spokesmen drew the attention of the developing countries toward the "monopoly circles in capitalist states" as the sole cause of Third World economic backwardness and the chief obstacle to removing it. Soviet officials and analysts have warned Third World leaders not to be taken in by the seeming concessions of "so called aid" or promotion of "modernization" on the part of the imperialist" states. Imperialist tactics were forced to be more subtle and flexible than in the past but unable and unwilling to change the exploitative essence of the effort to keep the developing countries in a subordinate position in the world capitalist economy. They strongly attacked the „joint imperialist and Maoist „conspiracy”, for their efforts for creating a wedge between the Third World and its natural ally the socialist states, and thereby doom to failure the cause of restructuring the international economic order.

Beyond the recognition of its ineffectiveness in the debates, three factors contributed to certain changes in Soviet policies: efforts to counter the Chinese attack against the SU accusing it as „New Imperialist”, the increasing isolation from the mainstream of the Third World states including the clients of the Soviet Union in the debates, and the critical remarks coming from the Academia, and from the Soviet advisers working in developing countries. As the consequence of all these, the NIEO program received qualified official endorsement by the Soviet government. By 1976 there were important changes in the statements of the bloc diplomacy in the debates. The contributions contained also many concrete proposals. One of the first fora which reflected the changes was the UNCTAD IV Conference in Nairobi in May 1976. While the 34-page joint statement of the Socialist countries underlined the linkage of detente and the creation of the NIEO and gave general support to the "anti-imperialist" and "anti-monopoly" elements of the Third World, the document contained for example the extension of the practice of long-term cooperation agreements with the developing countries, promised an increase "by 50 percent" Soviet technical assistance to the Third World etc. It was expected that there will be "keen interest" in the proposals. Mostly the more radical Third World states and the representatives of those developing countries which received the bulk of economic and military assistance from the bloc states welcomed the concrete recommendations of the document. There were many critical remarks by several Third World representatives, with particular complaints about the barter

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system, high-priced industrial goods, and lack of trade preferences, and a more general resentment at the socialist countries' practice of standing aloof and disclaiming any responsibility for the condition of the world economy.

Some conclusions after the collapse of the project

In the research work of the Institute of World Economics we concentrated on the global realities and the factors blocking the realization of the goals of NIEO. We analyzed not only the real strength and limits of the factors influencing the bargaining power of the third world countries, but also the different weaknesses of the socialist bloc, including those which were not only political and economic, but also technical, legal and institutional. We put the NIEO program also in a general global context, which included the inevitable counterattack of the Western countries, the increasing division of the developing countries and the growing disinterest of the Soviet Union. On this basis we anticipated a slow "fading away" of the NIEO initiative.

In the co-operation framework of the Academy of Sciences of the socialist countries, there was a special „problem commission" on the developing countries, chaired by Academician Primakov. Prof. Bognár the director of the Institute and myself had been the "official" Hungarian members of it. The commission was focusing mainly on the internal social, political and economic changes in the developing countries. Such questions as could the „non capitalist" path of development be considered as a step toward socialism, how to qualify the Third World states according to social and economic structure, the forms of dependence from the West and the relations with the Socialist bloc. We had frank and detailed discussions and initiated research also on a number of the issues of North-South, South-South cooperation. We wanted to draw certain conclusions on the collapse of the NIEO and the Charter program. Since I have been the only one in the commission, who took part in several international conferences of the UN and UNCTAD on NIEO, had long UN experiences and I was an adviser to UNCTAD on Transnational Corporations, I was asked to write a paper which was

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supposed to serve as a background for the discussion. It was a rather long paper and the results of research work of the Institute served as the main the underpinnings of it.⁴

I mention here only some of the conclusions:

1. The struggle for economic and social development was confronting from the very beginning with the policies of those groups, states and corporations, which had vested interests in preserving the traditional division of labor. NIEO did not have real and significant global support. The interests of the developing countries had been already too diverse in many issues and in the discussions on concrete measures they increased further. The policies of the developed countries could easily use this division in their policies. In the developed countries only some liberal academics, policymakers and civil society groups offered unambiguous support. NIEO failed to gain support in the larger advanced economies. The vision of multilateralism and long-term structural change, as embedded in the Declaration and Programme of Action on the Establishment of a New International Economic Order, was attacked from the very beginning by these states, long before at the International Meeting on Cooperation and Development (North-South Summit), held in Cancún, Mexico, the President of the United States, Ronald Reagan, unilaterally declared the New International Economic Order to be dead. In spite of the coincidence of the interest of the socialist and developing countries in many of the demands for NIEO, they did not have the necessary capability and readiness to provide sufficient and concrete support.

2. The main point in the paper was however in the part dealing with the socialist countries, which at the beginning not only failed to recognize the real importance of the NIEO program, but considered it as something which is not in their real interest. I also emphasized that in fact without the implementation of systemic structural and institutional reforms, relations between the socialist and developing countries will have to face the long term problems and there will be many adverse consequences of it in the changing global economy.

⁴ The Institute of World Economics published an important book, only in Hungarian. It included 11 papers, offering realistic analysis of the problems and on all the different aspects of the NIEO program. "Tanulmányok az új világággazdasági rendről. Szerk Bognár József" Akadémiai Kiadó, 1981,

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3. The issues of economic decolonization, which were much broader than the NIEO and the Charter, will remain substantial problems in the next 30-50 years in the world economy and global politics. They will be interconnected with the main socio-political and economic transformations in the coming era. I anticipated that the goals formulated in the program and in the charter will have long term influence on development studies and on policies.