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The New International Economic Order

by

ANGUS H. ROSS

Insurance thrives on progress, on continuing socio-economic growth, in stable political climates. But the world is currently going through a crisis period — of inflation, political unrest and, most of all, of a growing clamour from the underdeveloped nations to narrow the gulf between the “haves” and the “have-nots”.

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It is in this context of a climate beneficial to insurance that I have written this article; to give some background information into the problems of the underdeveloped nations and the remedies which they seek. The phrase “New International Economic Order” is seen in newspapers and periodicals, heard on radio and television with increasing frequency. But what is it? Who thought of it? What is the Canadian response? In the next few pages I will try to answer these questions and to throw some light on a topic which is ignored by many as being of little interest or too complex.

The NIEO has its foundations in history, in the past social and economic structures of the world. From the 10th century onwards, European communities, peoples or countries as they later became, ventured forth across the oceans of the world, seeking the fabled riches of lands across the water. As the centuries passed, they came, saw, colonized and fought each other for the right to maintain sovereignty over the native people.

From these colonies came wealth in the form of goods which through climatic reasons or quirks of geology either could not grow in nor could be found in the colonizing nation.

A S S U R A N C E S

The food crops grown by the indigenous inhabitants were replaced by cash crops and the local people became dependent upon the colonial power for their food and general well-being. The colonies existed really for one sole purpose: the enrichment of the colonizing power.

38 In the 20th century — and especially in the fifth and sixth decades — independence was granted to many colonies, an independence which, however, remained very much a myth for three major reasons:

- a) control of the resources usually remained in the hands of foreigners;
- b) through the prior insistence upon cash crops, the importation of essential food became necessary, unbalancing economies and putting the new nations at the mercy of richer countries;
- c) the creation of tariff barriers or quotas prevented, in a discriminatory fashion, the emergent nations from participating beneficially in world trade through export of their raw materials or manufactures.

The developing nations, increasingly united in the “Group of 77” (though there are now well over 100) believe that the division of nations into rich and poor, with an ever-widening gap, is the result of the existing economic order; that it precipitates a world crisis by failing to meet the needs of two-thirds of the world’s people. The case they presented before the Sixth Special Session of the United Nations General Assembly in April 1974 was for a new order, and on May 1st, 1974, the General Assembly adopted a “Declaration on the Establishment of a New International Economic Order”. There are 20 areas of concern in the Declaration and, for this article I shall group them under five headings rather than deal with each individually.

1. Self-determination

The developing countries seek the right to control their own economies, to gain an economic independence. At present over 80% of the developing world's export earnings come from raw materials — whose exploitation of, demand for and pricing of is mainly controlled by developed countries. Result: declining income from raw material exports in relation to the increasing cost of manufactured imports. To change this the NIEO calls for: the indexation of prices received for raw materials and prices paid for manufactured imports; more rapid progress towards commodity agreements to stabilize markets for prices and quantities of raw materials; a restraint on synthetic substitutes research (costing over \$1,000 million a year) which shatters the economies of countries dependent upon exports such as rubber and sisal; and for the "Third World" countries to group in producer associations giving increased bargaining power.

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2. Industrial Development

In addition to improving the raw material export position of the "Third World", the NIEO also calls for increased industrialisation of the developing nations. At present, with over 70% of the world's population, the developing world has only 7% of the global industrial output. The result is continuing dependence on industrialised countries for the manufactured products — tools, fertilizers, transport equipment — so vital for development. The NIEO calls for more financial help, access to developed world markets and relocation of certain industries in the developing countries.

However, the mere increase of manufactures in "Third World" countries would be of little benefit unless they were sellable — the home market is limited by poverty — and with the existing protectionist trade barriers put up by 1st world nations they will remain permanently uncompetitive.

The NIEO sees the dismantling of these barriers as an integral part of the necessary reform.

3. Financial Reform

40 The third grouping of reforms detailed under the NIEO is on the financial problem. During the 1960's the world's Gross International Product increased by about \$1 trillion. 80% of this went to rich nations with per capita annual income exceeding \$1,000 and 6% to "Third World" countries with per capita annual income below \$200. Between 1970-74 \$102 billion of international reserves were created; the developing nations received less than 4%.

The NIEO proposes changes in the system to enable developing nations to participate more fully in the decision making process at the World Bank and the International Monetary Fund to create a system responding more to "Third World" needs. Among the major proposals is that more of the "paper gold" (Special Drawing Rights) be made available to developing countries.

Apart from pure monetary reform, the NIEO also seeks a greater untying of aid; a quantitative improvement in aid and some relief from the overwhelming debt burdens facing the "Third World".

4. Transnational Corporations

The NIEO is also concerned with the growth and power of the multi-nationals who, more and more, are expanding into cheap labor "Third World" countries. Far from bringing benefits to the host nation, the multi-national corporations, through transfer pricing, managerial fees, patent expenses and other means have an estimated \$2 outflow in profits for every \$1 invested. Pope Paul put the problem succinctly — "a bargain struck between unequal partners is not a bargain"

— and the top ten multi-nationals have incomes in excess of the individual Gross National Products of the 80 poorest developing nations. How can an equal bargain be struck? The economic power of the transnational corporations is such that in many instances it is they who control the economies of the Third World nations. The NIEO calls for a curb on the power of these corporations.

5. Cooperation

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Finally, the NIEO calls for cooperation among nations rich and poor; a sharing of 20th century technology which, today, is used almost solely for the enrichment of the already wealthy countries. There is a need for greater cooperation and trade among the Third World nations themselves, and a greater participation in the shipping and insurance industries on which they so largely depend.



But what has been the Canadian response to this? and the American? The following charts show, in simplified form, the problems, suggested solutions and responses which came from the 7th Special United Nations General Assembly held in September, 1975. It is interesting to note that in the relatively short time between then and the publication of this article, reactions in certain instances have changed considerably — especially where transnational corporations are concerned.

Problem	Third World Suggestion	U.S.A. Response	Canadian Response
1) Low prices for exports of raw materials — High prices for imports	a) Indexation of prices	a) Opposed	a) Willing to consider but not convinced it will work
	b) Commodity agreements	b) Perhaps — in some situations	b) Willing to look at
	c) Integrated commodity approach	c) Opposed, will look at individual commodities	c) Willing to look at
	d) Cut out synthetics research	d) — (likely opposed)	d) —
	e) Producer associations	e) Strongly against	e) Has refused to enter into any — may look at producer/consumer
	f) Buffer-stocks	f) Control over distribution	f) Agreed
2) Lack of industrial output by Third World countries	a) Financial help-capital market	a) Must be done through loans from World Bank — financed by ALL countries	a) Private sector
	b) Access to markets in 1st World	b) Generally against — need to protect home industries	b) Will go along with — generally vague
	c) Relocation of certain industries in 3rd World	c) Transnational Corporations are the best source of industrialisation — especially in resource industries	c) —
3) Control of money is in the hands of the 1st World	A more international structure	Use existing structures — probably opposed	—

Problem	Third World Suggestion	U.S.A. Response	Canadian Response
4) Debts	a) Untying of aid b) Remission of debts for some countries c) Increase aid to 0.7% of Gross National Product by 1978	a) As much as possible b) Very hesitant c) No mention	a) Is in process of doing so b) Uncertain c) Agrees — but no date specified
5) Control of resources and technology by transnationals	a) The right to expropriate according to the law of the land b) Rewrite the patent system which keeps technology in hands of private sector	a) Against control but would accept a code of conduct which not legally binding b) Should be left to private sector Transnational Corporations are equal to countries in their dealings	a) Should be under international law (See note 1) b) Leave to private sector
6) Lack of food and need to improve 3rd World agriculture	a) Food banks under international control b) Increased research and aid in field of agriculture	a) Remain under control of donating countries b) Vaguely agrees but will not announce any American commitment Also greater emphasis on birth control (See note 2)	a) International control b) Agrees Also greater aid in terms of food

Note 1 — Canada has affirmed its belief in (and presumed acceptance of) International Law; i.e. the United Nations, International Court of Justice. Falconbridge, a Canadian company, mines in South West Africa (Namibia), and pays taxes to South Africa for doing so. South Africa had its mandate over Namibia withdrawn by the United Nations and has been told that it is in the territory illegally. The taxes paid by Falconbridge and condoned by the Canadian Government as being deductible for Canadian tax purposes are, therefore, illegal payments. Canada believes in International Law!

Note 2 — Surprisingly enough, the best form of population control is affluence, as can be evidenced by the falling birth rate in almost all Western nations, a falling birth rate coinciding with rising standards of living. This is especially true in Quebec. In the Third World countries, with no social assistance schemes, the best insurance for support in old age or infirmity is a large family.