

## **The Strategic Role of United Nations Conference on Trade and Development (UNCTAD) in the Evolution of the International Economic Order (NIEO)**

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### **Abstract**

UNCTAD was created in 1964 as a forum for strategic thinking about international trade and development issues and for identifying mutually beneficial opportunities for policy coordination and international cooperation with the participation of both developing and industrialized countries. The history of UNCTAD, with its successes and failures, therefore, is closely intertwined with the history of ideas on trade and development and the interplay of political power and ideological manipulation in international trade and development policy making. This article focuses on the strategic role of united nations conference on trade and development (UNCTAD) in the evolution of the international economic order (NIEO). It compares UNCTAD's methods and research output on a number of international development issues with the positions taken by other international institutions. These findings are used to reflect on the ideological element in development economics thinking.

**Keywords: UNCTAD, Evolution, NIEO, International Development, Ideology**

### **Introduction**

The world has been divided into the Northern and Southern Hemisphere and this structural division of the world is not a natural one. It is a deliberate and definite design of Western capitalism, spanning through the period of slavery, colonialism and neo-colonialism (Amin 1975).

It is pertinent to note that the terms North and South are socio-economic and political rather than geographical. The North is made up centre-nations of the world whose economies are dominant, self-reliant, technologically and militarily advanced and strong with high literacy level, high standard of living, better security of lives and properties, capacity to influence trend of international affairs, high production capacities and availability of industries. Such countries are in North America, Europe and Industrialized Asia. The North could also be referred to as the Haves, Core, First world, the Developed or the Highly industrialized countries.

On the other hand, the South could be known as the Have-nots, Periphery 3rd world and Developing countries. The South is characterized by common colonial and neo-colonial experiences like external control and exploitation, dependence on Western capitalist economy, political instability, high level of corruption and mismanagement of resources, lack of control over the trends and issues in international system.

The South has been peripheralized and is dependent, unindustrialized and weak. These countries are found in Africa Latin America, backward Asia and Middle East (Mikias 2010).

Uduma et.al 2019, pg 30 stated that

“in the economic front, the North which has only twenty-five percent (25%) of world population is in-charge of eighty percent (80%) of the income earned anywhere in the world. The manufacturing sector, ninety percent(90%) of the industries are owned by and located in the North. This is in contrast with the South which is home to seventy-five percent (75%) of the world population but has access to only twenty percent (20%) of the world income. This is essentially what is known in international political economic relations as the North-South Divide. Some prefer to call it the North South Gap”.

### **The historical background of the emergence of UNCTAD**

The United Nations (UN) has six (6) main organs

- The General Assembly, the security council, the economic and social council. The trusteeship council and the secretariat.

The secretariat formed 1945 is the UN's executive arm and has a major role in setting the agenda for the deliberative and decision-making bodies of the UN and the implementation of the decision of these bodies.

According to the former UN secretary general, Dag Hammarskjold, he described the secretariat as having creative powers or capacity. It can introduce new ideas and take initiatives. Consequently, the United Nations Conference on Trade and Development (UNCTAD) is a part of the UN's Secretariat dealing with trade, investment and development issues and reports to the UN general Assembly and United Nations Economic and Social council.

The General Agreement on Tariffs and Trade (GATT) was signed on October 30, 1947 by 23 countries. It was a legal agreement minimizing barriers to international trade by eliminating or reducing quotas, tariffs and subsidies while preserving significant regulations. It was set up to eliminate protectionism, get countries trading freely among themselves and help restore economic prosperity following the devastation of World War II.

Although GATT made some notable input to the liberation of international trade in the post war era; it was faulted because it was believed that most of its gains flowed to the advanced countries. Hence, it was desired to have some new institutional arrangements of international economic co-operation to deal with challenges of development and world trade, especially those which may reduce the trade gap of developing countries. In spite of the above, the developing countries were greatly dissatisfied with the efforts and working of the Bretton Woods Institution (i.e the World Bank and IMF) and GATT. Their principles and modus operandi were seen as the fundamental cause of the weak and fragile bargaining position of the less developed countries.

Beginning in the early 1960s, developing countries forcefully developed an alliance to press for changes in the functioning of the international economic regime by establishing a universal forum in which they could articulate and aggregate their interest to deal with all development – related issues in a comprehensive fashion. Consequently, a call for an international conference on trade and development was made and the United Nations Conference on Trade and Development (UNCTAD) was born.

### **Operations of UNCTAD**

- ⊗ Comprehend options to address macro-level development challenges.
- ⊗ Achieve beneficial integration into the international trading system.

- ⊗ Diversify economies to make them less dependent on commodities.
- ⊗ Limit their exposure to financial volatility and debt.
- ⊗ Attract investment and make it more development friendly.
- ⊗ Increase access to digital technologies.
- ⊗ Promote entrepreneurship and innovation.
- ⊗ Help local firms move up value chains.
- ⊗ Speed up the flow of goods across borders.
- ⊗ Protect consumers from abuse.
- ⊗ Curb regulations that stifle competition.
- ⊗ Adapt to climate change and use natural resources more effectively

### **Theoretical Framework**

This work is based majority on Dependency Theory. The flow of power and control is from the 1st World (Center or Core) to the Third World (Periphery). Political and economic events in the First World have a huge impact on the politics and economics of Third world countries while the political and economic events of the latter usually have little or no impact on the First world.

Furthermore, the Rich countries interact more among themselves politically and economically than the poor/ developing countries do among themselves, resulting in an isolated and weak periphery country having an unequal relationship with the united and strong one.

Politics and economics are intertwined, consequently the 1st world use them to control the affairs of the 3rd World through economic trade causing a widening of the gap between developed and developing counties, rather than a narrowing of the same gap. Historically, lower priced raw materials have been exchanged for higher priced finished goods. Dependency theory further states that underdevelopment is not a natural state, but rather a condition that is caused. The fact is that developed nations are consciously and vigorously under developing Third World countries as a result of the institutions and systems of interactions between them.

However, as long as capitalism remains the controlling world economic system, the subservient position of the underdeveloped countries to the developed countries would remain the same. Interestingly, it further postulates that if underdevelopment is not a temporary condition, as had been thought in the past, but if a permanent condition but if nothing significant changes, the Core will continue to be at the helm of international affairs while the Periphery keeps deteriorating.

Dependency Theory developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America (UNECLA), Raul Prebisch who is an Argentine Economist. He went on to conclude that the underdeveloped nations must employ some degree of protectionism in trade if they were to enter a self-sustaining development path. Interestingly, Romaniuk S.N (2017) stated that interaction is more than just for the Core and Periphery but argue that states perform different functions within the world economy, which are divided into four groups instead of two: Center of the Center (CC), Periphery of the Center (PC), Center of the Periphery (CP) and Periphery of the Periphery (PP). For example, the CC consists of the United States, the United Kingdom and France. The PC includes advanced and industrialized countries, such as Canada, Japan, Italy and Spain. Countries with this group have less global power and wealth than the CC countries. There are also CP countries such as South Africa, India, Brazil and Saudi Arabia.

These countries have a reasonable amount of wealth despite the fact that they are still undergoing processes of development. PP countries are the poorest countries of the world and are the least advanced. They include the Democratic Republic of Congo, Liberia, Zimbabwe and Burundi, among many others.

### Challenges

1. Notwithstanding its achievements, however, the question arises as to whether UNCTAD has to date fulfilled all the major expectations raised at the time of its creation in the mid 1960s. The fact that most developing countries continue to face serious problems in trade and development, such as declining terms of trade and export earnings, persistent tariff and non-tariff barriers, limited export capacities and opportunities for many LDCs, landlocked and island developing countries, poorly functioning international commodity agreements, etc. is certainly indicative of the major limitations facing the international community, including UNCTAD in the discharge of its mandate.
2. One particularly serious constraint that has inhibited the potential and effectiveness of UNCTAD in the past decade relates to the fact that it has had to operate against the background of prolonged economic difficulties and crises, in parallel with shifts and differences in perceptions regarding the international development situation and appropriate responsive actions. In addition to differences in economic philosophies among the Member States, there were also divergent attitudes regarding interactions between domestic policies and the international environment, between the public and private sectors, and between bilateral, regional and multilateral arrangements. While these clashing perceptions and visions in the past served to cast a shadow over UNCTAD's

record of achievements, since Cartagena the politicization of UNCTAD has been on the wane with some positive effects on the establishment of the current climate and businesslike approach to issues.

3. Another problem has been the inadequate field-level visibility of UNCTAD in the developing countries in general and the LDCs, landlocked and island developing countries in particular. This problem stems partly from the comparatively limited resources for technical cooperation in relation to the needs of the developing countries, and partly from the lack of a field representation-which would allow UNCTAD to interact with other development partners within and outside the United Nations system, at the global, regional and country level. Consideration could also be given to building interregional and global cooperative networks in the areas of UNCTAD's mandate, as recommended in a recent JIU report on United Nations System Support for Science and Technology in Asia and the Pacific (JIU/REP/95/7).
4. At present, the United Nations Resident Coordinators in the developing countries also serve as UNCTAD's field representatives. However, the Resident coordinators generally lack resources and expertise in programme areas covered by UNCTAD's mandate and consequently may not always be in a position to incorporate trade and development dimensions in country programming exercises which constitute the framework for the development of technical cooperation projects supported by organizations of the system.

## NIEO

African nations rely on their former imperial power or colonial "mother country" for defense and internal security. Imperialist nations advance their economic neo-colonial aspirations by various aid schemes under the guise of improving living standards and conditions. Meanwhile such powers have little or no interest developing the countries they assist. The New International Economic Order is a set of proposals or recommendations championed by developing countries (sovereign states with a lesser developed industrial area and a lower Human Development Index (HDI) relative to other countries to end economic colonialism and dependency through a new interdependent economy. The idea emerged from the experiences of decolonization after the 2nd World War. Newly decolonized countries gained their political independence and thought it was all they needed but only found themselves deeper in the entanglement of economic colonialism. The main NIEO document recognized that the current International Economic Order "was established at a time when most of the developing countries weren't sovereign entities and this projected inequality" (United Nations digital library).

Formation of Organisation of Petroleum Exporting Countries (OPEC) in 1973, the Middle East oil embargo of 1972-1973 and subsequent fourfold increase in the price of oil created a world energy crisis. It affected all oil countries, importing and its success in raising oil prices. It also exhibited the dependence of the developed countries on the developing countries for several major natural resources and proved the ability of the developing countries to wield economic and political power effectively. The consequences include rise in the price of food as a result of the high cost of chemical fertilizers and higher cost of energy. In addition, there was a breakdown in the International Monetary system which led to the value of the dollar to go down consequently affecting countries that had their monetary reserves in the US dollar. (R. Omotayo.olaniyan, 1987). Seeing the achievement of solidarity and unity in standing and making their voice heard and actions yielding results that affected the world, it made them realise that they had the power to do and achieve more if they set their minds and act right.

Consequently, NIEO was established at the Sixth Special Session of the United Nations General Assembly in 1974 to study for the first time the problems of raw materials and development, devoted to the consideration of the most important economic problems facing the world community. "NIEO is to be based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their social and economic systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace for present and future generations." (Sixth special session).

### **Factors Responsible for the Emergence of the Demand for NIEO**

#### **1. The big gap between the Developed or Developing Countries:**

The big economic gap exists between the developed and developing countries. The former with about 20% of world population, control more than 80% of world income and wealth. The latter has to satisfy the needs of about 80% of world population with the help of less than 20% of resources.

The per capita income of both worlds differs in great magnitude. For example, majority of public/government workers earn less than \$300 (Three hundred dollars) per month unlike those in the developed countries. This expansive gap between the North and South, largely restricts the economic relations and trade between them. When the buoyancy of the developed countries is placed parallel to that of the under-developed or developing nations, it makes unequal and lopsided relation and leaves no room for comparison.

2. **Global Interdependence and continued low role of the developing countries.**

The South seems like it has been perpetually tied to the apron-strings of the North. It's over-dependence on the North for hand-outs is alarming and has left scholars wondering if there would ever be an end. In the same vein, the North is equally dependent upon the South in areas of raw materials, natural resources, cheap labour, even selling of manufactured goods etc; thereby strengthening the former's global economic positions. The expectations that the North would come up with international actions boosting the transfer of resources and liberalisation of trade has proved to be wrong. In real terms, North have refused to appreciate the immense contribution of the South to the former's economic growth in global interdependence but have continued to downplay the huge significance of the South. This has been a source of grave dissatisfaction for the developing countries.

3. **The role of the Multinational Corporations as agents of Neo-colonialism.**

A multinational corporation is a giant private business firm or company with its headquarters in parent country and subsidiaries operating in more than one state. The concept of neo-colonialism is built upon a Marxist foundation which critiques capitalism by acknowledging exploitative conditions fostered by capitalist economic system. Nkrumah, (1965) highlighted the fact that there is an "invisible government" that is responsible for neo-colonialism in the South. He defines the invisible government in the quote below.

The invisible government is a loose amorphous grouping of individuals and agencies drawn from many parts of the invisible government ..."  
(Nkrumah, 1965 pg.240)

The North posed the MNCs as the extended arms of the colonial chiefs. The Corporations with their parent offices situated in their home country with their tentacles spread across the countries of the host South. This has left the south/developing countries in an unhealthy economic competition with the North. The MNCs also involve themselves to a large extent in the control of the markets, economies and policies of the developing countries. The barriers to entry created by the MNCs makes it difficult for the vulnerable developing countries to engage in a meaningful competition with the Developed economies.

The South is sick of the status quo and advocate the need to checkmate the menace posed by the MNCS in international economic relations.

4. **Incessant Gap Growth:**

The existing big economic and development gap between the North and South has been a frightening and disturbing rate. The North being more technologically advanced than the South has led to the North to still exert its control and supremacy over the South in terms of global trade. Unfortunately, both UNCTAD and WTO have failed to prevent this incessant gap growth between the rich North a poor South.

5. **Incompetence of WTO:**

Right from the onset, the GATT proved unable to cope with the tackling of the gap between the South and North. That inefficiency trickled down to WTO which has equality failed to meet with the expectations of the developing countries. The WTO is seen by the South as an agent of neo-colonial control. The attempt on the part of the developed countries to incorporate a “social clause” have further been a cause for the developing countries. Such attempt is seen by the third world as attempt of the developed world at tightening its neo-colonial grip on it. The inability of the WTO to take note of the demand for North- South Dialogue over NIEO has again been a source of strain on the relations between the developed and the developing countries.

6. **Economic Neo-Colonialism:**

Neo-Colonialism is a subtle extension of colonialism in disguise. Neo-colonialism is simply economic colonialism. They described it as the sugar-coated version of colonialism. It is a form of colonialism that is applied on previously colonized territories. (Faloa & Heaton, 2005). It is a state in which countries of the South depend heavily on countries of the North, and this dependency is done usually through economic reasons. Despite the sovereignty of members of the global community, the developing countries discover that they are economically tied to the apron strings of the developed economies in which the former, experiences continuous interference in their political and economic affairs. According to Kwame Nkrumah, states that are under the influence of neo-colonialism, are “independent” in theory, but in reality such state’s economy and its political and social activities are controlled.

(7) **The Need to protect the Rights and Interests of the Third World countries in the era of Globalization and WTO:**

The dawn of the era of globalization and WTO regime has given rise to the fresh need for securing the rights and interests of the developing countries against the

attempts of the developed countries to take over WTO and to institute their dominion in the grab of globalization. All these factors have combined to make the Third World countries advocate for the demand for NIEO.

**(8) Excessive Exploitation of World Income and Resources by the Developed Countries:**

The continued heavy exploitation of world resources and income by the North, motivated the developing countries to demand for NIEO. This lopsided relationship has continued to promote economic disparity between the North and the South. In their quest for economic accumulation of global wealth beyond their territories, states in the Core have extended their expansionist tentacles to the hinterlands of the Periphery thereby leading to underdevelopment of the latter. Being technologically and industrially advanced and economically affluent, the developed countries continued to exert control on the raw material market. They brought in policies that made the developing countries prefer imported goods more than the locally manufactured ones..

They have been able to proceed at will in fixing the prices of the raw materials that they take from the developing countries. Consequently, they are in a position to drain the resources and incomes of the Third World, and to put unhealthy pressure on the poor countries. This has been a source of much disappointment for the developing countries. They want to end this domination of the developed countries by securing a fairer and just new international economic order.

**Conclusion**

UNCTAD is an international institution, or more specifically, an integral organ within the UN (equipped with various subsidiaries and a permanent secretariat), which has periodically held intergovernmental gatherings to address and pursue international economic issues, not merely in narrow sectoral terms, but comprehensively in terms of interactions and their interrelationships.

It is increasingly concerned with a broad range encompassing trade, development, investment, technology, enterprise development and sustainable development. No forum or institution has addressed and pursued the vital issues related to the development of developing countries in such a broad and universal manner as UNCTAD. In addition, UNCTAD, or more accurately the secretariat, has also been increasingly active in the field of technical cooperation in developing countries and has recently become active in countries in transition (former socialist countries).

While the trend seems to have been softened somewhat, developing countries have tended to perceive UNCTAD as the principal institution for establishing "international transfer mechanisms" based on generalized preferences and concessions made by the developed countries. On the other hand, developed countries have also tended to regard UNCTAD as one of many international institutions for communication but without a "negotiating" role.<sup>16</sup>

In retrospect, deliberations in various UNCTAD forums have led to decisions which have contributed to the signing of numerous international agreements. UNCTAD has also forged new perceptions and concepts and encouraged new approaches and actions in many areas of international concern. It has been instrumental, among other things, in the preparation of codifying trade preferences for developing countries and the establishment of arrangements to stabilize commodity prices.

UNCTAD has also played a leading role in requesting more aid for the developing countries and ensuring that their voice is heard in debates on international monetary reform. Many of these issues have been on the Conference's agenda and, over the years, progress has been made in other institutions in implementing facilities for trade and development. Other areas of UNCTAD's contribution include, among others, transfer of technology, shipping, trade among countries with different economic and social systems, economic cooperation among developing countries and insurance.

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