

A REQUIEM FOR THE GLOBAL NEGOTIATIONS OR A NEW BEGINNING OF NORTH-SOUTH DIALOGUES?

—Review Article: *Power, Passions, and Purpose: Prospects for North-South Negotiations* edited by Jagdish N. Bhagwati and John Gerard Ruggie, Cambridge, Massachusetts and London, MIT Press, 1984, viii+338 pp.—

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I

THIS book may be interpreted as an epitaph inscribed on the gravestone under which the North-South Global Negotiations are buried. The New Delhi Conference on Global Negotiations, major contributions to which are collected in the present volume, took place in January 1983, just preceding the nonaligned nations summit meeting in New Delhi. The latter meeting could draw upon a statement based on reflections derived from the former in considering seriously the North-South strategy [1, p. 43]. In retrospect, there is reason to assume that the messages contained in this volume made some important contributions to the outcome of the New Delhi nonaligned summit at which the historic demands for a New International Economic Order (NIEO) appear to have been formally buried [4, p. 641, footnote 3].

The messages of the New Delhi conference can be summarized in Bhagwati's words in his introduction:

The Global Negotiations on North-South issues, which the South had sought at the United Nations since 1979, presupposed a power configuration that obtained fleetingly in the first flush of OPEC's success; they were incongruent with the power configuration that soon followed. The power had vanished; the passions had not subsided; the grand purpose still endured. (p. 2)

If the proposed style of negotiations is not in conformity with the North-South power relation that prevails in reality, so concludes Bhagwati, then "a quiet requiem is appropriate. . . . Temporarily suspending the Global Negotiations, or bypassing them, is the agreeable version of this prescription" (p. 9).¹ On the practical application of the policy recipe Bhagwati recalls: "It is remarkable that, although this position aroused controversy at the time of the conference in January 1983, it had won wide acceptance by the time of the nonaligned nations' meeting in March 1983, at which the Global Negotiations were put on the back burner for a year" (p. 9).

¹ Bhagwati admits that, while suspension is a more acceptable compromise prescription, his real intention is tilted in favor of abandonment of the Global Negotiations (p. 16, note 15). His opposition to the "grand design" of the NIEO may not be able to claim full support of the important quarters of the South.

Highly controversial, however, will Bhagwati's position remain that serious negotiations aiming at structural reform of the world economy will simply be precluded without a corresponding shift of power from the North to the South. It is perhaps true that a certain posture of the OPEC threat observed during the brief period of the Middle East war and oil embargo could not be maintained without a permanent power shift. But despite the near-hysterical responses of isolated developed countries, the longer enduring demands of the South for basic economic restructuring had very little to do with the threatening stance of the political cartel. The restructuring envisaged did not involve any revolutionary change in the premises of the existing international system; the South started from the acceptance of the basic framework of interdependence of nations within which prosperity could be built on cooperation and development.

Other authors are inclined to stress the possibility of approaching the North-South issues from points of view that are not power-oriented. Sewell and Zartman write for instance: "Others argue that the question of the shift of power should not be raised at all. They point out that the South has become an important part of the international economic system, and they believe that the North cannot ignore the South's interests and demands for long without incurring substantial costs" (p. 92). Fruitful negotiations will be possible without a shift of power, because "for purposes of negotiating, . . . the issue should not be so much one of power transfer as one of power sharing. In sharing power the gains of one party are not necessarily translated as a loss to the other" (p. 92). If John Gerard Ruggie writes: "Serious negotiations take place only among parties whose relationship is already characterized by a reasonable balance of effective demand" (p. 44), the phrase does not necessarily support Bhagwati's contention as he interprets it (p. 9); economic interdependence can be intensified so as to enhance "the balance of effective demand," without involving a shift in the balance of power.

In proposing a quiet requiem for the current style of North-South negotiations, of course, it was not part of Bhagwati's intention to stop serious dialogues between the North and the South altogether. The statement drafted by him proposed in fact, in an urgent appeal to the nonaligned summit that, instead of Global Negotiations, joint North-South programs be initiated to aim at medium-term improvement in global economic relations, and that the South "immediately seizes" the opportunity provided by the Reagan administration to organize and actively participate in a new international monetary conference [1, p. 44]. The decision at the nonaligned summit, as incorporated in the Economic Declaration, seems to have laid emphasis more on the direction in favor of the Global Negotiations, stressing that the "progress in the New International Economic Order (NIEO) would be helped by an early launch of the Global Negotiations on International Cooperation for Development (proposed at the Havana Summit in 1979), possibly in early 1984" [2, p. 685]. The record of multilateral diplomacy shows, however, that none of the New Delhi initiatives has fallen on fertile ground: the Global Negotiations have never been effectively launched, nor has anything concrete come out of the medium-term action programs and the proposed international conference on money and finance.

II

There is today serious doubt whether the recommendation to suspend temporarily the Global Negotiations in early 1983 was justified; once the momentum of dialogues was lost, the proposed negotiations could not be effectively launched in early 1984. Without pertinent background information this reviewer is not in a position to make any judgment on the mechanics of multilateral diplomacy. Had the North-South talks around the ideas of a New International Economic Order in the 1970s been essentially irrelevant to the healthy functions of the world economy, the lost opportunity would not have been serious, except for a small group of specialized negotiators interested in the success of Global Negotiations. But at least some of the participants in the January 1983 conference would have deplored the outcome.

Sewell and Zartman write, for instance: "Although there are differences on the issues to be discussed and the locus for discussions, there is no doubt that negotiations between the North and the South in one form or another are here to stay" (p. 89). As Muchkund Dubey urges from a truly Third World perspective, although the prospects for Global Negotiations are fairly bleak, yet it will not be possible to give them up, because no initiative in the United Nations of such a momentous nature is ever buried (p. 82). For, as Bressand says, "North-South issues appear... as one important dimension of a more global problem" (p. 62), and "negotiations between the developed and the developing countries will remain an important aspect of international relations in the decade ahead" (Sewell and Zartman, p. 91). Bhagwati's criticism and rejection of the Global Negotiations were not shared by all participants of the New Delhi conference of January 1983.

The hope and optimism regarding Global Negotiations partly derived from the outcome of the discussions at the Versailles summit (June 1982), at which all participants accepted the launching of Global Negotiations as a major political objective (Dubey, p. 74). If the scheme of approaching the North-South issues from the global point of view was, at least on paper, unanimously supported by all the leaders of advanced market economies, however, why had the repeated talks in the United Nations forums finally led to a stalemate apparently on insignificant procedural points? Dubey thinks this was mainly because of the shift in the United States stance resulting in an opposition to General Assembly resolution 34/138 which was earlier accepted by the Carter administration (p. 74). While the failure in negotiations should not be blamed on the deficiency of one side alone, President Reagan's policy represented the extreme of conservatism, rather accentuating the differences in approach to the North-South issues that prevailed, according to Sewell and Zartman, between the Nordic countries and the Netherlands, on the one hand, and the United States, on the other (p. 90). In Bressand's view, therefore, the fact that the global approach to the NIEO issues became increasingly empty and insulated from real-world challenges because of the rigidity in the South's negotiating stance finally made the Global Negotia-

tions an easy target of fatal attack by the overly ideological dogmatism of the new American nationalism (p. 54).

The world economic development since the early 1980s seems, however, to have rather enhanced the perceived need for structural reforms which were implied in the idea of the "new order"; the economic difficulties of the time, as reflected in policy-induced slumps and wide-spread financial imbalances, far from being solved, have been further aggravated. Indeed, it appears, as Bressand writes, that we are today living in "a prolonged period of exacerbated difficulties" (p. 51). The New Delhi conference was held under the shadow of the unprecedented international debt crisis of 1982, and that was the background against which the U.S. Treasury Secretary Regan publicly suggested that an international monetary conference might be organized outside the IMF framework with positive results. Of course, the attempt remained abortive, and the IMF strategy appeared to be relied on for the time being to solve the financial crisis. Today, the collapse of the prices of oil and other primary products has brought the accumulated debt of developing countries again to the brink of crisis, proving the IMF concepts to be bankrupt. Again U.S. President Reagan felt the question of international monetary reform to be important enough to be included in his 1986 State of the Union Address. Thus, there are perfect parallels between today's world situation and that faced by the New Delhi conference. Indeed, some symptoms of economic ills would bring our memory back even to the Great Depression of the 1930s. It is highly suggestive that the basic viewpoint of Carlos F. Díaz-Alejandro's paper in this volume is "that a major lesson of the early 1980s is simply a variation on that of the 1930s: Deep and prolonged slumps, especially if accompanied by protectionist pressures in industrialized countries, are incompatible with international financial markets of tolerable efficacy and threaten international monetary cooperation and stability" (p. 181).

Especially, the perverse functions of international capital flows, causing the world's resources to flow from poor to rich countries, defy any rational explanation: lately the United States has emerged as the only and largest debtor, and the poorest countries of the Third World, in most need of foreign capital for their economic development, or even for the survival of their starving population, have been financing 80 per cent of the increase in the U.S. foreign exchange reserves [5, p. 8]. If the disequilibrium exchange rate of the dollar, caused by the perverse capital flow, gave rise to the unprecedented U.S. deficits in international accounts and protectionist pressures, then a fundamental reform of market interrelations between the South and the North seems to be indispensable for overcoming the basic illness of the world economy. The recognition of the importance of efficient multilateral financial institutions leads Díaz-Alejandro to suggest several measures aiming at strengthening the function of the IMF as a lender of last resort to national central banks and streamlining built-in defences against international slumps through compensatory financing and debt restructuring (pp. 185-94). Thus, monetary reforms will be an important ingredient of the objectives of restructuring as implied in the North-South negotiations.

III

In the process of the North-South dialogues in the 1970s, emphasis has clearly shifted from revisions in the distributive patterns to the rules and nature of the system of nations' interdependence, involving some concepts of an economic order. But what was the approach to the question of an economic order that could be relevant to a given objective situation and justified by power relations? Here, so long as a revolutionary change of the existing system was envisaged, Bhagwati's stress on "power configurations" would have merited serious consideration. As history shows, dominant powers of the time tended to construct world orders after their own images. So argues Ruggie in the present volume that "the distribution of state power may be said to determine whether an integrated international economic order can exist. Beyond that, the degree of congruence in the balance of state-society relations characteristic of the regime-making states determines the collective purposes that regimes will pursue" (pp. 36-37). It is concluded, therefore, that

the prospects for developing countries' succeeding in fundamentally renegotiating the status quo are not great. . . . This is not to say, however, that the North-South dialogue has had no impact at all. . . . The dialogue has put issues on the international agenda that would not be there otherwise. . . . and there has been some [impact]. . . in the realm of legitimation and institutionalization, circumscribed by the structure of power but not fully determined by it. (pp. 38-41)

The fact that the question of a new world order was officially raised in 1974 has, indeed, brought about an undeniable shift in the actual working of the international economic system; in the words of Maurice J. Williams, the then Chairman of the Development Assistance Committee of the OECD, "the world, since 1974, has entered what can be called a 'transitional international economic order'—which is neither the old order dominated by the advanced industrial countries nor the new one sought by developing countries. . . [involving] acceptance by advanced industrial countries, albeit only partial by some, of the need for fundamental changes in the economic system" [3, p. 13]. This opens up quite a new perspective for the concept of an economic order: except after a total war or revolution, a "grand global compact" is not likely to be realized in one stroke through application of a dominant paradigm. Short of overthrowing the existing power structure, North-South negotiations cannot aim at seismic alteration from one order to another, but they must aim at "exercises in incremental change" (Sewell and Zartman, p. 109). An order is rather an evolutionary concept: when fundamental defects of the existing order are detected, continuing negotiations will induce some adaptations and accommodations which, when changes are accumulated, may look in their totality *ex post* as if quite a new order had emerged.

Under the perspective of evolutionary changes in the international economic system, it is highly instructive that Catherine Gwin, in line with Miriam Camps,

suggests a new production-and-trade organization to replace both GATT and UNCTAD (pp. 140–43). In view of the fact that a significant part of domestic policymaking has become an international issue, there is less and less justification for dealing with trade flows across national boundaries separately from investment and production. As far as trade rules are concerned, Jere Behrman is inclined to defend a universal rule favoring the poor countries through non-uniform application (p. 238), whereas Martin Wolf insists that the exemption of the South from the liberal trading rules went so far as to erode the GATT system itself, and that “the demand for special treatment has proved a two-edged sword” (pp. 203–15). In Wolf’s view, however, “it is undoubtedly the failure of the industrial countries to live by the rules to which they themselves had earlier agreed that presents the greatest present danger” (p. 201).

It is of positive service to the cause of North-South dialogues that the New Delhi conference helped to switch the South’s negotiating stance from the confrontational note of the oil-shock period to a more moderate and pragmatic position. Bressand, for instance, points out that “a high price is being paid for the quite remarkable institutional and even intellectual rigidity that has characterized the negotiating stance of the South as well as of the North” (p. 53). If one day a North-South dialogue is resumed with constructive purposes in view, negotiators might learn a great deal from the lessons of the negotiation theory, as summarized by Sewell and Zartman. They could profitably give some thought to the need to establish coalitions and alliances that cut across North-South lines, and arrange for trade-offs through increased flexibility (p. 102). The procedural points that proved to be the decisive stumbling bloc for the Global Negotiations of 1979 can be settled in such a way that discussions on technical arrangements are conducted within a reformed and strengthened set of functional organizations (specialized agencies) with some correspondence between voting strength, on the one hand, and economic interest and responsibility, on the other. But such negotiated agreements will be brought back to the United Nations for a comprehensive review and a wider ratification, strengthening the role of the United Nations as the world’s central forum (Bhagwati, p. 30; Gwin, p. 133, pp. 139–40).

From the evolutionary perspective, the strategy of de-linking would appear to be complementary to the negotiating approach rather than an alternative. Thus, the present volume contains two chapters, dealing with the South’s economic relations with the centrally planned economies and within the South respectively. While Padma Desai’s chapter offers little comfort to those who would look to the South-Soviet bloc trade as alternative to the South-North trade, the increasing uncertainty and instability of the Western economies may create the possibility for the developing countries to use Soviet trade as an important compensating channel. Regarding intra-South trade, Sanjaya Lall provides an interesting analysis of sales to other developing countries which have been the fastest growing components of manufactured exports by the South in recent years (p. 290), reversing the conclusions of other studies that the trade growth of the South in the past depended more on the Northern market than on the South. Although there are doubts as to whether South-South trade can substitute massively for

the North-South connection in product or technology trade, the intra-South relationship can make valuable contributions to structural changes of the developing countries, if they complement the North-South relationship (p. 316).

Despite the dubious role that the New Delhi initiative may have played in bringing the North-South dialogue to an abrupt end, the economic analysis contained in the present volume is of permanent and constructive value for any future attempt at restructuring of the world economy. Let us hope that the requiem sung for the Global Negotiations may soon illuminate the way to resurrection, leading to renewed attempts at rationalization of the world economic structure.

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