

NAM IN A CHANGING GLOBAL CONTEXT: ECONOMIC PERSPECTIVE

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Ever since the end of the cold war there has been a debate as to the validity of having a Non-Aligned Movement (NAM). At present, to many people, the role and purpose of the NAM appear to be ambiguous. It is thus necessary to look at its broader objectives in order to assess whether it has any role to play in the present-day world.

The notion that the NAM was formed merely to represent a group of countries 'non-aligned' to the two great super-powers is not quite accurate. For the NAM, non-alignment has always meant a positive stand for peace, human rights, and an economically equitable world. Its primary objective has been to promote collective action by member states and the South bloc against what they perceive as both economic and political injustices of the North bloc. To this extent, therefore, the NAM's existence is justified. But if it is to play an effective role in the future, it will have to change its agenda to meet the new challenges of the global environment.

During the last 32 years of its existence, the NAM has not been taken seriously by the North. In its own right too, the movement proved to be less effective as a political force. For example, its unbending stand on the problems of South Africa and Palestine remained only on paper with insignificant impact in terms of reform. The NAM's ineffectiveness in regard to the Indo-Pakistan conflict, Iran-Iraq war, the U.S. invasion of Grenada, the Soviet invasion of Afghanistan, etc., is well known. Its total ineffectiveness as a political organisation is apparent by the fact that it is the countries of the North that are intervening in the present crisis of the former Yugoslavia.

Though the historical experience of the last two decades and the cessation of the cold war have removed the *raison d'etre* of NAM as a political body, in the current global context, the NAM can play an important and useful role as an economic organization. As all the non-aligned countries are also developing countries, an organization such as the NAM could help protect and promote the economic interests of these countries, and thus the Movement too could be given a new lease of life.

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As developing countries have until now been collectively protecting and promoting their economic interests in international fora through the Group of 77, the Non-Aligned Movement can now make its voice heard in a similar capacity. Indeed, it would be more effective if the Group of 77 and the NAM could merge under one name without dissipating their energies as two separate bodies, thus enhancing its influence and countervailing power vis-a-vis the North. However, such a move may not prove practical because some members of the Group of 77 are not members of the NAM and the approach of the Group of 77 differs from that of the NAM. Notably, there is no difference in the economic programmes of both these organizations. Thus, given the practical difficulties of merging, these two organizations must exert pressure on different issues at different fora to realize their common objectives. Such a move is particularly important today when the developing countries of the South are compelled to 'open up' their economies to the international market.

The developing countries cannot always depend on the developed countries to be the engine of growth, particularly in a recession. Nor can the developed countries absorb all the growing exports of developing countries. This underlies the need for greater Economic Corporation among Developing Countries (ECDC) to expand mutual trade by sub-regional, regional, and inter-regional arrangements. It must be emphasized however that ECDC will not be easy to achieve because:

- (a) only a few sub-regional and regional trading arrangements have succeeded in expanding mutual trade in recent years;
- (b) some developing countries are already joining with developed countries to expand trade, e.g. Mexico with USA and with Canada in NAFTA (North American Free Trade Association); and East and South-East Asian countries with USA, Canada, Australia, New Zealand and Japan in APEC (Asia Pacific Economic Cooperation);
- (c) most developing countries, lacking resources, need to deal directly with developed countries and reach agreements with them to expand their exports and increase their aid;
- (d) some regional arrangements can reduce



domestic initiatives for innovation and modernization of products which in turn would make such products uncompetitive in the world market. For example, as a result of Indo-Soviet economic cooperation, Indian goods that came under the programme remained uncompetitive in the world market.

These factors however do not diminish the need for more cooperation among developing countries. Greater economic cooperation among developing countries is all the more necessary today as the global economic integration process that is taking place may well link up the major economies which trade increasingly with each other. Further, the advances that are being made in science and technology will reduce the need for both the manpower and the products of the developing countries and, as a result, marginalize them in the long term. In the short run, the persistent recession in the developed countries has increased protectionist measures and curtailed the demand for exports from developing countries. The World Bank predicts a fall in commodity prices in the next two years. The developing countries of the South also fear that the developed countries will be more interested now in assisting in the rehabilitation of Eastern Europe, and that benefits to them will be reduced.

Effective cooperation among developing countries (that takes into account the impediments for such cooperation) should therefore constitute an indispensable and integral element of any strategy aimed at restructuring the world economy. Indeed, concrete and expanded forms of South-South cooperation will strengthen the position of developing countries, raise their credibility, and increase their bargaining power in any dialogue with the North and in actual negotiation and cooperation. Thus South-South cooperation itself must form an important part of the economic agenda of the Non-Aligned Movement. The main interest of the developing countries is the creation of a favorable international environment to ensure an adequate flow of resources through trade and capital flows. This will ease their national efforts to accelerate economic growth. The major elements which constitute this environment are favorable conditions in the following areas:

- (a) Debt service burdens,
- (b) Capital flows,
- (c) Market access, and
- (d) Commodity prices

At present, the position in regard to these areas is as follows:

Debt service: As many countries of the South have had to comply with harsh IMF and World Bank's conditionalities and structural adjustment policies, the

debt service payments to these two institutions have reached phenomenal levels. The net flow of resources from the World Bank to developing countries has become negative in recent years, while a net outflow of resources from developing countries, as a whole, to the IMF has been taking place since 1986. During the 1986-1990 period, the net repayments to the IMF by developing countries amounted to SDR 2,560 million per year; adding their payment of interest, the yearly net transfer from these countries amounted to SDR 4,700 million per year, or US \$ 6,300 million.

Debt service payments of all developing countries have exceeded their capital receipts over the period 1984 to 1991 by US \$200 billion. There has thus been a net outflow of resources from developing countries and not a net inflow as it ought to be; this has imposed great hardship and retarded economic growth in these countries.

Commodities: One of the most salient features of the adverse external economic environment in recent years has been the virtual collapse of commodity prices. Most developing countries are still very dependent on their primary commodities exports, and the continuous decline in prices of these commodities in the world market has affected their economies drastically. During the 1989-91 period, the prices of export commodities of developing countries declined by approximately 20 per cent. Prices of aluminum, tin, cocoa, sugar, tea, and cotton have been at almost their lowest level in recent times. Coffee, which (after petroleum) is the second largest primary export of developing countries has experienced a 50 per cent reduction in its export earnings, with a loss estimated at US \$ 4 to 7 billion per year.

There is no proper scheme to tackle the problem of depressed commodity prices, the utilization of the Integrated Programme for Commodities and the Common Fund has been abandoned; many Commodity Stabilization Agreements have been dismantled; nor is there a coordinated supply management on the part of producing countries.

Capital flows: Overseas Development Assistance from OECD countries to developing countries has been approximately half of the target of 0.7 per cent of GNP of the developed countries. Flows from international financial institutions and private investors are inadequate to finance the growing development requirements of developing countries

Market access: Recession, protectionist measures, failure of the Uruguay Round to liberalize world trade, increasing regionalization of trade, etc., appear to threaten a single, unified, open, and non-discriminatory global trading system which will best promote the interests of developing countries.



There are of course new issues which concern all countries such as the environment and social and human development. The developed countries are attempting to substitute these issues for the 'hard' issues of money, finance, and trade in international negotiations. It needs to be pointed out to developed countries that, although such issues are important they cannot supersede the 'hard' issues, and cannot be treated as any kind of trade-off for the basic issues of economic development. In fact, (a) developing countries are responsible only for a small proportion of the pressure on the global environment, (b) social and human development are not separable from economic development and, it would appear that international concern for social and human development is only a substitute for action on the basic issues of trade and development.

The favorable international environment to achieve the above outlined objectives should be created mainly by the North and there is an urgent need therefore to revive the North-South dialogue which has stalled for several years. The North needs to be pushed by the South consistently for this purpose. The developing countries, acting together under one umbrella organization such as the NAM, could help reactivate these talks. Recently, Singapore's Prime minister, Goh Ckok Tong, stressing the relevance of the Non-Aligned Movement in today's context said: "Half of humanity cannot be denied a voice on global issues. Industrialized countries meet either in the G-7 or in the OECD to discuss their common interests. The third world too must have a forum where their collective point of view can be put across."

A new consensus on two major issues is now needed in a North-South dialogue, viz.

- (a) A new development consensus or a new partnership between the North and the South on the basis that one needs the other for development and trade; and that the prosperity of the South will lead to prosperity in the North as well.
- (b) Restructuring of international institutions in order to maintain and strengthen the role of the UN in economic affairs. This is essential particularly because there is a fear that much of the problems of policy makers of the South will be moved from the UN to institutions such as the World Bank, The IMF, and the GATT, where the South does not have quite the same strong voice.

In the broad context of the above two issues, the NAM should devise a practical programme of action which would encompass the following:

- (a) a solution to the debt problem,
- (b) a study of policy options for increasing net

transfers of capital to developing countries and for the relaxing of conditionalities of lending institutions,

- (c) a study of stabilization of commodity prices by:
 - (i) coordinated supply management of producing countries,
 - (ii) negotiation of new commodity stabilization agreements,
 - (iii) revival of the common fund for commodities,
- (d) measures to expand trade among developing countries by preferential and other schemes,
- (e) to consider the establishment of an International Financing Facility to assist exporters of developing countries (an idea which has been mooted in the South Commission Report).

The draft final document on economic issues of the NAM Summit in Jakarta (September, 1992) is only a repetition of the resolution of the previous meeting of the Group of 77. It is conventional and there is nothing new. It mostly contains requests or appeals to developed countries to improve the external environment for the success of the national development efforts of developing countries — as in all past UNCTAD resolutions—and reaffirmation of the need for South-South cooperation. It is so repetitive of previous UNCTAD resolutions, so general, so devoid of specific goals for which concrete action is needed (other than the formation of working groups on various issues) that one cannot but ask the question why such an extravagant summit was necessary to repeat the platitudes and resolutions of previous conferences. It would have been more to the point if the Jakarta Summit focussed its attention on one or two major issues, and formulated a programme of action, instead of passing resolutions on 96 issues. Such diffusion of attention is hardly conducive to concrete action.

The developing countries must show the world that they can cooperate with each other and work together to achieve common goals. If they succeed in doing this, the North will be more willing to negotiate with the South. As long as disunity prevails among developing countries, the North can have its own way with the South, often at the cost of the South's interests. Annual summit meetings of Heads of Government serve no useful purpose; Their resolutions remain only on paper and are repeated year after year with no concrete action being taken for implementation. The NAM should demonstrate that it can take an independent stand. Let it take up one major issue—for instance, expanding mutual trade—and prove itself a more effective organization. At present, one is constrained to come to the conclusion that the NAM, in the furtherance of its objectives, has not shown sufficient sincerity of purpose, nor unity of action.