



Research Paper

## New International Economic Order (NIEO): India's Initiatives

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### Abstract

The New International Economic Order (NIEO) is a movement by the developing and third world countries against neo-colonialism, economic inequalities, and underdevelopment and reduces the gap between rich and developing countries. The movement became very popular in the 1970s with the participation of developing economies from Africa, Asia and Latin America. Since its independence, India has advocated stable and equal world order through its foreign policy approach. Along with many developing countries, including Brazil, South Africa, Russia, Indonesia, China, and Japan, India adopted several initiatives such as NAM, BRICS, IBSA, G4 Nations, and South-South Cooperation to restructure the international economic system. The main objective of this paper is to explore India's major initiatives for New International Economic Order. It also analyses the significant challenges to establishing a just world order based on the equal distribution of wealth and resources.

**Keywords:** India, NIEO, Neocolonialism, Third World, Underdevelopment and South-South Cooperation.

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### I. Background

Economists widely used the New International Economic Order (NIEO) concept in the 20<sup>th</sup> century. It is a movement adopted by the developing nations to end economic colonialism and dependency by creating an independent economy. The New International Economic Order was officially proposed for the first time at the United Nations General Assembly in April 1974. The assembly vowed "to work urgently for the establishment of a new international economic order based on equity, sovereign equality, common interest and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations". The existing economic order was unjust; hence it was necessary to establish a new international order to develop cooperation between developed and developing nations.

### Rise of Third World: Need for NIEO

During the Cold War, the term "Third World" was formulated to describe the countries that did not align with the West (NATO) and the East, the Communist Bloc. French demographer Alfred Sauvy first used the term Third World in an article, "Three Worlds, One Planet," in 1952. The present world is divided into three categories based on political and economic divisions. The First World represents countries like the United States, Canada, Japan, South Korea and the Western European nations. The Second World includes the Soviet Union, China, Cuba, North Korea, Vietnam and their allies. After the disintegration of the Soviet Union and the

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end of the Cold War, the terminologies like developing countries, least developed countries and the Global South were replaced, and the title "Third World" was coined. It generally includes countries with a colonial background like Africa, Latin America, Oceania and Asia.

### **The Rise of the Third World**

Third world countries are economically backward, with high birth rates and high financial dependence on the developed nations. During the Second World War, Japan freed Asia from the European powers, Indonesia from the Dutch and Burma, Singapore, Malaya, and other colonies from the British and even captured the Philippines from the hands of the Americans. In August 1945, after Japan surrendered to end the Second World War, it was followed by the demand for independence by many domestic nationalist movements across the Asian colonies. The US and the Soviet Union desired to impact the newly-formed nations of Asia, Africa, Latin America and the Middle East (Dwivedi S. Dr. Sangit, 2022).

The majority of today's Third World countries were once under the domination of the European nations. These nations are economically least developed and dependent on powerful countries. They were dependent upon the European powers primarily because of good governance and financial assistance. On the other hand, the Western powers began to exploit most parts of the African and South-East Asian societies because of their raw materials, human resources and territory. However, with World War II, the colonial rule also ended, and an independent, sovereign third world emerged (Dwivedi S. Dr. Sangit, 2022).

### **The Need for NIEO**

The New International Economic Order was adopted in the Sixth Special Session of the United Nations General Assembly in 1975. It is a movement between the developed and periphery countries to restructure the existing economic order, which is presently dominated by the western and European countries.

Challenges faced by the Developing/ Least Developing countries:

- **High population:** Most Least Developed and Developing countries are characterised by rapid population growth, indicating more mouths to feed with limited resources. Lack of family planning, religious beliefs and poor medical developments are some of the leading reasons for the rapid rise in population growth.
- **Unemployment:** The labour force is highly under-utilised in these countries. People are willing to work but have no or lack job opportunities. This eventually leads to low living standards.
- **Poverty:** Poverty is one of the standard features among these countries. It is due primarily to high-income inequalities. A large amount of money is concentrated in the hands of a few. According to the World Bank estimates, 97 million people were in extreme poverty during the pandemic. As per UNCTAD, the excessive poverty rate is between 70 per cent and 80 per cent in six least developed countries (UNCTAD, 2016).
- **Poor educational structure and lack of medical facilities** lead to high illiteracy rates among most LDCs and developing nations. The rate of illiteracy is much higher among women. Poor medical facilities and lack of basic sanitation facilities often result in high death rates.
- **Political Instability:** Political stability and economic growth go hand-in-hand. On the one hand, economic growth cannot occur in countries facing political disturbance. Many foreign investments quit and drive away from countries under political turbulence. On the other hand, a fall in government or regime can immediately have a decisive blow on the nation's economic growth. For instance, Afghanistan's economic growth slowed down after the re-emergence of the Taliban regime in the year 2021.

### **Contribution of the Third World Countries to the Global Economy:**

Nearly 60 per cent of the world's total GDP will be contributed by the emerging economies (third world nations) by the year 2030 as determined by the Perspectives on Global Development: Shifting wealth, a new publication from the OECD Development Centre. The growth rate of these developing countries picked up significantly in the 2000s (Ignatius G. and Fernandes P, 2006). As per the study by Professor T N Srinivasan, India stands in fourth place, after the US, China and Japan. Its share of global growth was 8.0%. India's contribution to global GDP in PPP terms was 5.9% in 2005, the fourth-highest globally (Ignatius G. and Fernandes P, 2006).

### **Factors leading to NIEO:**

The following factors leading to the emergence of demand for NIEO are listed below:

- **Big gap between the Developed and periphery countries:** The wide gap between the North and the South limits the scope of economic and trade relations.
- **Ongoing Increasing Gap:** The countries of the North are reinforcing their control over international trade and income as they are technically advanced and industrial developed. This results in developed countries becoming more prosperous and developing countries becoming poorer.

- **Global Interdependence:** Even though there is a considerable gap between the developed and developing nations, there is also a significant global interdependence. Both the developed and periphery countries are dependent on each other because of raw materials, labour force, and technological advancement.
- **Excessive Exploitation by Developed countries:** Being technological advancement and industrial development, the developed nations tend to control the developing and periphery countries to exploit their human and natural resources to the fullest.
- **The failure of WTO:** The failure of the WTO to make a point of the need for a North-South dialogue over NIEO has again been a source of strain on the relations between the developed and the developing countries (Denny, 2015).

### **Objectives and Aims of NIEO**

The primary goal of NIEO is to stimulate economic development among the least developed and developing countries through self-help and South-South Cooperation. This action programme is against the currently existing economic order, favouring only the developed and powerful countries. It seeks to promote the more rapid economic development of the developing countries and grow their share in the world's trade at favourable terms of trade. NIEO further demands de-politicisation in the inflow of political and private direct investment from the developed to periphery countries. It also insists on restructuring the current international monetary system (Chand Smriti, 2014).

The key objectives of the movement include:

- 1) **Related to Assistance:** A just international economic order can be established if the developed nations are empathetic towards the underdeveloped or less developed nations when it comes to the requirement of aid. Such cooperation can help the less developed and underdeveloped countries to eliminate poverty and achieve balanced regional growth.
- 2) **They are related to Trade:** Another way through which a just international economic order can be established is when the developed countries help the underdeveloped countries to correct their balance of payment deficit.
- 3) **Related to Industrialisation and technology:** The developed and developing countries should enter into negotiations about the possible shifting of the industrial capacity of the developed countries to the Third World (Aahana S, 2022)
- 4) **Democratic global world order:** establishing just and economic world order is also one of the primary objective of NIEO.
- 5) **Reforming IMF, WB and UNO:** reforming global governing institutions leads to establishment of equal world order.
- 6) **Social Issues:** The New International Economic Order is responsible for dealing with social problems faced by the international community through the cooperation of the developed and less developed countries (Aahana S, 2022).

However, there has been strong opposition from the powerful countries as they have a vested interest which will not result in any fruitful outcome and actions in various negotiations and implementations. In addition to this, developing countries have very weak negotiating capacities and powers—furthermore, a weak trade link between LDCs and the socialist bloc (Chand Smriti, 2014).

### **India's Role in Establishing NIEO**

The End of World War 2 witnessed the emergence of the cold war and the bloc politics between the USSR and the US. Several countries became independent from colonial rule after the end of the war. The immediate primary concern of these freshly independent countries was economic development and lifting the people out of poverty. The bloc politics of the cold war was a hurdle to the rampant economic development of the 3<sup>rd</sup> world. So, a leader like Josip Tito, Jawaharlal Nehru, Gamal Nasser, and Kwame Nkrumah of the 3<sup>rd</sup> world led the non-alignment movement (NAM) to stay away from the cold war bloc politics and as means to maintain neutrality.

As a leader of NAM, India played an important role in establishing NIEO. As the movement of non-alignment expanded, the nature of NAM adapted to include the economic issues of the 3<sup>rd</sup> world. India played a crucial role in advocating and furthering the social and economic interest of the third world in the international system, attempting to secure increased South-South cooperation and facilitate North-South dialogue (UNCTAD, 2022). India used all its diplomatic channels to promote the establishment of a New International Economic Order. The NIEO demanded restricting the international system to favour developing countries more than developed countries. India played a decisive role in amending the GATT rules to allow the imposition of import restrictions by developing countries and improve their exports (Phad, 2020).

India built its position as a critical facilitator in south-south cooperation. South-south cooperation has been one of the pillars of Indian foreign policy toward democratic world order. India has been sharing her

knowledge and expertise on the experience of development with neighbouring and other developing countries through different frameworks and platforms from multilateral to regional. India's Panchsheel principles were incorporated into the "Declaration on the Promotion of world peace, and cooperation" in the Bandung conference laid the strong foundation for the south-south cooperation. India also provides technical relief and funding via multilateral forums (OECD, 2012).

India is also advocating NIEO through its multilateral alignments. India is a member of Brazil-Russia-India-China-South Africa (BRICS), India-Brazil-South Africa (IBSA), Russia-India-China (RIC) and G4 Nations initiatives, which are aimed at creating multipolar world order.

Indian representatives played a crucial role in setting up the UN conference on Trade and Development (UNCTAD) as a part of UNGA. The conference's goal was to promote social progress, a more effective system of international economic cooperation and better standards of life for the developing nations. India has mobilised its resources to push forward the movement to establish an NIEO. Special steps were taken to achieve Industrial development, application of scientific methods, acquisition of technology and skills, and managerial capacities. Thus, it is clear that India played an influential and substantial role in establishing a New International Economic Order (Lall, 1978).

## II. Conclusion

The NIEO of the past has become an effective means of overall national progress and has embodied the modern concept of globalisation and international trade. It is a potent economic tool for developing small and weaker nations globally. Initially conceived to protect the interests of developing countries, NIEO has changed into a new comprehensive socio-political-economic-cultural order for a much larger possibilities gamut to international activity.

NIEO hasn't received the attention and progress it was perceived to get due to the lack of commitment and political will to implement it. The structural changes observed weren't implemented due to the discontent of the developed world to let go of their hegemonic control on International order and financial systems.

Since independence, India has played a significant role in advocating NIEO by forming alliances with developing and least developed nations. India and emerging economies, including Brazil, South Africa, Japan, and Russia, are demanding reforms to global governing institutions like UN Security Council, IMF, and World Bank.

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