

BOOK REVIEW:

THE NEW INTERNATIONAL ECONOMIC ORDER CONFRONTATION OR COOPERATION BETWEEN NORTH AND SOUTH?

Karl P. Saunvant and Hajo Hasenpflug. Boulder, Colorado: Westview Press, 1977. Pp. xv. 470. Index \$27.50

This book has to be read by everyone interested in the current economic and social issues confronting the international community and the efforts undertaken during recent times to discuss these issues and to resolve them. The analytical perspective presented here is an attempt at an objective assessment of the world socio-economic situation and an integration of all the varied factors which brought about the crisis of confrontation between North and South or, another way of looking at it — the catalyst in the cooperation between developed and developing countries. Historical factors such as colonial trade practices designed to keep the economics of certain colonies along “specialized” lines of producing and exporting a set of agricultural and mineral products and other raw materials and at the same time as recipient markets for finished products of the developed countries, created patterns of dependence which even after the granting of political independence to these countries, became persistent moulds of development in the Third World. It was falsely assumed, during the 1950’s and 60’s that the problems of the developing countries primarily stemmed from their colonial status and that once political independence was achieved, their equal status in the community would necessarily follow. By the beginning of the 70’s, the falseness of this assumption had become obvious. As the population of these countries increased tremendously — in wide disproportion of their productivity, the crisis of underdevelopment reached an alarming stage which could no longer be ignored by the international community. Hence, the developing countries, as organised in the Group of 77 and NAC united to forge a common effort at confronting the problem of underdevelopment in the international level, launching the discussions that aim at the establishment of the New International Economic Order (NIEO) in 1974. As early as the previous decade however, the developing countries had hoped for the attainment of the objectives of the First U.N. Development Decade designed to improve the socio-economic conditions in the Third World, but with apparent frustrations. The alternative now was to

re-examine the same situation but to find a new approach and strategy.

In the Seventh Special Session of the U.N. General Assembly, this new approach is given impetus by a re-appraisal of the current Third World situation (pp. 20-35). The new International Economic Order (NIEO) has for its objective the "increase in the productive capacity of developing countries, individually and collectively, to pursue their development." A set of concrete measures are propounded *inter alia*: (1) to expand and diversify the international trade of developing countries (DCs); (2) to transfer financing resources to DCs to make feasible the implementation of their long-term development programmes; (3) to develop science, technology and research in DCs; (4) to launch a rigorous programme of industrialization; (5) to achieve self-sufficiency in food and agriculture; (6) to forge cooperation among DCs in the regional, subregional and interregional levels; and (7) to restructure the U.N. system to make it more responsive to the DCs problems of development and cooperation.

The foregoing measures are further explained and expanded by UNCTAD's review of the elements of the NIEO (pp. 39-62). Not mentioned in the above enumeration and found in UNCTAD review are: production cartels (along OPEC lines); indexation of raw materials prices with those of imported finished products; preferential tariff agreements; permanent sovereignty of host countries over natural resources, particularly non-renewable ones; introducing some mechanisms in the developing countries to accommodate Third World finished products; and the transfer of technology. Hans Frederichs, the former Minister of Economics of FRG, gives a synthesis of these Third World demands in "Basic Problems of the World Economy" (pp. 85-96), at the same time discussing the position of the developed countries, particularly that of the Federal Republic of Germany. He observes that the North views the NIEO with "major reservations" arguing that meeting the demands of the South would "imply a dismantling of the market-based international economic system and its replacement by a largely dirigistic structure" (at p. 87) adversely affecting the poorest developing country, notably those without much raw materials and countries with "extensive foreign economic involvement such as the FRG". What he exactly means by this phrase and pointing to the U.S.S.R. and the U.S. as benefactors with large reserves of natural resources and less integration with the world economy than the FRG is quite unclear. He is however unequivocally clear in espousing the principle of comparative advantage to govern "more than ever" the economic

relations between North and South. He suggests to the developed countries to pursue more sophisticated means of manufacture to maximize use of scarce resources; to reject the notion of "*ex ante* policies to steer industrial structures on a sectoral basis by means of administrative measures" (at p. 94) and instead to follow structural adjustments within the market at the same time supporting industrialization in the developing countries through government incentives and foreign investments which should be governed by traditional international law and not by national laws which could be altered. This position exemplifies attitude of the North towards the NIEO. A discussion of the positions, notably that of the U.S. and other developed countries could be found in Ries' article of what he calls the "sceptics' view" (pp. 63-84). He recalls Moynihan's argument that the poverty in the Third World was caused largely by international factors (e.g., government corruption, inefficiency and mismanagement) which I think is factually true, but which may not necessarily explain the much more complex problem of poverty in the Third World. I suppose it is highly questionable to attribute, whether explicitly or by implication, the poverty in the South to the affluence in the North. Such would be a very simplistic equation. The need is nevertheless obvious to eliminate government corruption in the Third World and to re-structure their own societies to reduce gross internal inequities. The North is quite correct in pointing to fascist regimes in the Third World which so eloquently talk of equality and justice but are the main deprivors of their own peoples' basic human rights. Another argument of the North which justifies its affluence is what Stanley attributes to "... a great deal to the development of the concepts of law and equity which guide its political and social systems" (at p. 69). The attitude of the North is not totally critical however. A major shift to a conciliatory and cooperative mood is made apparent in the 7th Special Session and so was the offensive stance of the South geared to moderation and pragmatism (pp. 97-117). It has become imperative from the point of view of the Third World that the NIEO should proceed on the basis of an acceptance by the North that it should be integrated in the world economy and increase its share of the world product. Hasenflug observes that due to the failure of the "traditional aid-by-trade concept" (pp. 121-134) the step should be towards expanding the developing countries international trade. He points to the pathetic situation where the "... overwhelming majority of the developing countries remains confronted with problems related to decreasing shares in world trade and deteriorating terms of trade" (at p. 121). Outside the OPEC for example, the DCs are suffering from vast deficits and balance-

of-trade problems. Indexation which is discussed lengthily in UNCTAD'S report (pp. 134-154) may be one concrete measure to approach the problem. Another would be administered commodity markets (see article pp. 155-164) to inject stability in prices. It could take the forms of stock-piling or creating reserves, production controls, national marketing bounds or long-term supply contracts. The general system of preference as a response by the North on the issue of trade appears to be perfunctory if not ineffective, which is reviewed by Dinman and Murray (pp. 190-209). Of course, perhaps the most important measure would be making available adequate and real financing to the developmental programmes of the Third World to assure and sustain their implementation. The different means proposed to do this are discussed variedly in this book by several articles (see UNCTAD's documents pp. 213-229; article by Mahbub ul Haq pp. 248-257; and another by the Group of Twenty-Four pp. 258-262). Ultimately however, it is technology or productive capacity which should resolve substantively the South's economic problems. Excellent articles on transfer of technology to the South and questions of industrialization in developing countries are found in this book.

An indispensable article would be "Controlling Transnational Enterprises" by Karl P. Sauvant (pp. 356-433) without which the NIEO could not be placed in the right perspective. Here is an appraisal of the TNC phenomenon wherein the author points out unequivocally the need for control, disclosure and transparenence of TNC activity and elaborate on the current international, regional and national approaches to the TNC problem, including the activity of the U.N. Centre on Transnational Corporations towards the development of a comprehensive information system and a code of conduct for TNCs.

The book in some ways is an "exhausting" reading in that too many topics are discussed with overriding details, complete with charts and statistics. To an extent, this may be a subjective feeling. An explanation, perhaps would be that it has attempted to cover the whole range of the NIEO in a single volume: its conceptual and historical backgrounds, its contemporary meaning, modification and all activities revolving it, and by way of implication—its immediate future and significance. It is a difficult and gigantic task by the way and I think the book has marvelously achieved it.

GUILLERMO M. CANLAS, JR.*

* *Consultant*, Centre on Transnational Corporations, United Nations, New York.

U.P. LAW CENTER PUBLICATIONS

Administration of Justice by the Military — 1974	25.00
Aspects of Commercial Law — 1971	15.00
Banking Laws and Development — 1974	25.00
Casebook on Taxation by Gonzalo Santos	7.50
The Chair & Floor Proceedings	5.00
The Chief Justice on Human Rights in the Philippines	5.00
The Constitutional Foundation of Privacy	10.00
1975 Court of Appeals Syllabi of Decisions	10.00
Custom Law in Pre-Conquest Philippines	17.00
Directory of Law Professors in the Philippines	5.00
Dimensions of Law Practice (Orientation Seminar for New Lawyers—1974-75)	5.00
Eighth Annual Institute on Tax Law — 1971	10.50
The Father of the First Brown Race Civil Code	25.00
Ferdinand E. Marcos on Human Rights in the Philippines	35.00
The Government Under the New Constitution — 1975	18.00
Human Rights in the Philippines: An Unassembled Symposia	35.00
Handbook on the Law on Sales	7.50
Implementation of Internationally Protected Human Rights With Nations	7.50
Institute on Legal Officers of Government Corporation — 1967	11.00
International Aspects of Taxation — 1975	12.00
An Introduction to the New Insurance Code — 1975	23.00
Judicial Review of Constitutional Questions: Cases & Materials	20.00
Law and Population in the Philippines: A Country Monograph	25.00
Labor Relations Law — 1976	15.00
Labor Relations Law in Transition — 1974	20.00
Labor Relations Law Under the Labor Code — 1975	25.00
Laws Affecting Government Owned or Controlled Corporations — 1975	10.50
Law & Development	15.00
Law and Small Scale Industries — 1975	10.00
Law on Intellectual and Industrial Property — 1975	25.00
Legal Aspects of the Insurance Industry — 1977	12.00
Legal Trends for Government Prosecutors — 1975	17.00
The Living Constitution	25.00
New Directions in Philippine Foreign Policy	3.00
Parliamentary Government — Vol. I	28.00
Perspectives on the New Constitution — 1973	20.00
Philippine Law Report (subscription payable in advance, one year)	10.00
The Philippine Law Report Vol. IV — 1977	12.50
Philippine Manual of Legal Citations	10.00
Philippine Permanent & General Statutes — Vol. IV	60.00
Philippine Permanent and General Statutes — Supplement	40.00
Philippine Perspectives on Multinational Corporations	20.00
Philippine Yearbook of International Law — Vol. IV-Vol. V	25.00
Philippine Yearbook on Legal Education	10.00
Philippine Treaty Series (in four volumes) per set	195.00
Political Offences in International Law	25.00
Problem Areas Under the Labor Code — 1977	18.00
Proposed Corporation Code	10.00
Proposed Judiciary Code	5.00
The Revised Penal Code	15.00
Seventh Annual Institute on Tax Law — 1970	20.00
Subject Guide to Presidential Decrees — 1973	5.00
Subject Guide to Presidential Decrees and Other Presidential Issuances — 1975: September 1972 — July 1975	20.00
Subject Guide to Presidential Decrees and Other Presidential Issuances — Supplement — July 1975-September 1976	10.00
Subject Index to 1973 Supreme Court Decisions	3.00

1977 Supreme Court Decisions: Subject Index & Digests (First Quarter)	7.50
1975 Supreme Court Decisions: Subject Index and Digests	20.00
The Supreme Court Under the New Constitution — 1976	15.00
Survey & Analysis of 1976 Supreme Court Decisions & Presidential Decrees	20.00
Survey of Philippine Law & Jurisprudence — 1972-1973	30.00
Survey of Philippine Law & Jurisprudence — 1975	20.00
Tax Laws Under the New Society — 1974	18.00
Trends in Remedial Law	15.00
Trial Problems in City & Municipal Courts — 1973	25.00
Trial Problems in City & Municipal Courts — 1971	32.50
U.P. Law Center Constitutional Revision Project	40.00
Voluntary Arbitration in the Philippines	25.00
Woman and the Law	15.00

Place your order with the Director, U.P. Law Center, Diliman, Quezon City, enclosing your check or postal money order, payable to the U.P. Law Center.

If payment is by checks, please use checks drawn on Manila, Quezon City or Rizal banks. We do not accept COD.

PHILIPPINE LAW JOURNAL

Published by the College of Law, University of the Philippines
Diliman, Quezon City, Philippines

VOLUME 52

JULY, 1977

NUMBER 3

EDITORIAL STAFF

HAYDEE B. YORAC

Faculty Editor

EDUARDO A. LABITAG

Business Manager

MYRNA S. FELICIANO

Assistant Faculty Editor

STUDENT EDITORIAL BOARD

ROLANDO V. MEDALLA, JR.

Chairman

EDWIN S. DELA CRUZ

Vice-Chairman

MEMBERS

MA. FIDES L. ANDIN

RAOUL R. ANGANGCO

VICTORIA S. BATACLAN

JESUS P. CASILA

RAMON S. ESGUERRA

JIM G. FONDEVILLA

JOSE PERPETUO M. LOTILLA

SIMEON V. MARCELO

RENATO T. PAGUIO

VITONIO F. SAN JUAN

WALTER T. YOUNG

FLORINDA L. MORALES

Administrative Assistant

The Editorial Staff and the College of Law publish contributions of interest and value to law students and the legal profession, but the views of the contributors to the PHILIPPINE LAW JOURNAL do not necessarily reflect those of the College of Law and the Journal.

Communications of either an editorial or business nature should be addressed to the PHILIPPINE LAW JOURNAL, Malcolm Hall, University of the Philippines, Diliman, Quezon City, Philippines.

It will be assumed that a renewal of subscription is desired, unless a notice of discontinuance is received by the Journal on or before the expiration date.