

CHAPTER 1

THE EMERGENCE OF THE GROUP OF 77

by Lydia Swart

The world is not divided merely into East and West. This ideological cleavage makes us forget the existence of yet another division, not ideological, but economic and social— that between the Northern and Southern hemispheres. *Mr. Franco, Brazilian delegate, GA, 1961*

Introduction

While the East/West divide has faded after the demise of the Cold War, the one between the North and South continues to shape much of the decision-making in the UN General Assembly.

To understand the positions of the G-77 today, we believe one must explore the key goals and dynamics in the G-77’s early history. In particular, it seems important to understand how the *UN Conference on Trade and Development* (UNCTAD) was convened and institutionalized in the sixties, and why the adoption of a *New International Economic Order* (NIEO) in the seventies was—and maybe remains—so important to the South.

Formative Years

The South’s greatest frustration, however, was based upon the increasing evidence that the gaps between richer and poorer countries were simply not closing ... In 1947, average income per head was $1,300 in the US, between $500 and $750 in Western Europe, and around $100 in most underdeveloped countries— a thirteen-to-one disparity between the top and bottom. A full forty years later ... this disparity was around sixty-to-one. *Paul Kennedy, 2006*

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That the G-77, like the Non-Aligned Movement (NAM), was formed in the 1960s clearly followed the decolonization of many countries after the Second World War. Facing common problems, countries in the South organized themselves in these blocs to have a stronger say in international negotiations. Especially in the GA, they expected to be able to push for their agendas thanks to their growing numbers. As early as 1945, Member States from the South—many of them from Latin America—constituted a majority in the GA. By the end of 1960, their simple majority had grown to a two-thirds majority after a large number of Asian and African nations became UN Member States.

Prior to the establishment of the G-77 and NAM, countries from the South had joined forces on a more ad-hoc basis. During the establishment of the World Bank in 1944, for instance, Latin American countries succeeded in having development regarded as equally important as reconstruction, at least in principle. And in the early days of the GA, countries from the South successfully demanded more equitable regional representation of GA Vice-Presidents and of judges chosen to serve on the International Court of Justice. Furthermore, in 1959, during GATT (General Agreement on Tariffs and Trade) negotiations, a group of 13 countries from the South succeeded in formulating a common position in regard to tariffs (trade barriers in the form of restrictions and subsidies), pointing out the need for rich countries to make concessions for the sake of poorer ones.

But the most important effort to create a common and cross-regional voice among developing countries was the 1955 Bandung Conference held in Indonesia. It drew countries from Africa and Asia, as well as the People’s Republic of China. All in all, 29 Asian/African countries participated, representing half of the world’s population at that time. The Bandung Declaration set out common positions on issues such as economic and cultural cooperation; human rights in regard to racial discrimination and self-determination; non-interference in internal affairs; the distribution of

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4 It is likely that the presence of Japan, Turkey, and the People’s Republic of China prevents it from being regarded as the first non-aligned meeting.
non-permanent seats in the Security Council; and the promotion of peace, including the question of Palestine.

The NAM and G-77 were established independently from each other within the scope of a few years: NAM in 1961 and the G-77 in 1963/1964. As has been explained in many publications about these two blocs, their origins are closely intertwined. For many experts, the difference between the G-77 and NAM mostly concerns the issues they focus on, with the G-77 primarily zooming in on economic development and other financial matters, while NAM has taken on a wider array of issues besides development: self-determination, anti-colonialism, anti-racism, peaceful co-existence with both the East and the West, disarmament, democratization of international institutions, among many others.\(^5\) With development on the agenda of both blocs and an increasingly overlapping membership, their goals in the 1960s and 1970s were often formulated in tandem. Results from NAM meetings spilled over in G-77 decision-making early on.

Differences in political realities, priorities and perspectives among those who were early key players in each bloc’s formation probably led to the establishment of two separate coalitions. For example, Latin America—with the exception of Cuba, whose close alliance with the Soviet Union made its membership in a non-aligned bloc somewhat tenuous—played no big part in the establishment of NAM while they did play a key role during the formation of the G-77.

Individual leadership, as the early histories of NAM and G-77 indicate, played a crucial factor in the formation of these blocs. The Non-Aligned Movement is generally considered to have been spearheaded by the leaders of Egypt (Gamal Abdel Nasser), India (Jawaharlal Nehru), and Yugoslavia (Josip Broz Tito). These three leaders primarily sought an independent and middle ground as a

\(^5\) One Ambassador interviewed by the Center pointed out that in his opinion the difference between the G-77 and NAM was never primarily a question of having different agendas. Instead, he sees the NAM as a “broad policy making body, while the G-77 could be regarded as the South’s operational caucus, its negotiating platform.” From the sources available to the Center, however, it is not clear that such separate roles were intended during the formation of these blocs. It is noteworthy that in the latter part of the 1970s, the G-77 did take on many issues that were previously only covered by NAM (See App. II).
response to the East-West divide and to promote anti-colonialism, disarmament and the peaceful settlement of disputes.

Others, such as, Kwame Nkrumah of Ghana, the leader of the first independent country in Africa located South of the Sahara and an early proponent of Pan-Africanism, is also considered a key figure in NAM’s early days. Indonesia’s first President, Achmed Sukarno, who hosted the Bandung meeting, had lost some of his influence by the time NAM was established because of his positive stance towards including the People’s Republic of China. India—initially in favor of having China on board—changed its mind after Sino-Indian border tensions grew more intense in 1961.

It is noteworthy that Egypt, India, and Yugoslavia each had difficult relationships with Permanent Members of the Security Council. Communist Yugoslavia enjoyed a rather precarious independence from the Soviet Union (a spontaneous revolt in neighboring Hungary in 1956 was squashed by the Soviet Union’s army); India, as mentioned earlier, faced border conflicts with China; and both France and the UK fought Egypt’s insistence on ownership of the Suez Canal. The understanding that the Security Council—already paralyzed because of the East-West divide during its first four decades—would not be able to secure peace for their countries, made a non-aligned coalition across regions of obvious strategic importance.

As a number of authors have contended, countries in Latin America—with the exception of Cuba—have historically been neither that consistent, nor united, in their positions toward the West/North. Nor has their alliance with the South always been that solid. It seems there is a multitude of reasons for this ambivalence. Countries in Latin America gained their independence more than a century earlier than many other countries in the South and therefore didn’t share the same degree of anti-colonial sentiments. Furthermore, there apparently was some resentment about the rapid increase of independent countries from other regions which resulted in a loss of numerical influence of Latin America in the GA. And their proximity to the US, with its influence and alliances in the region—and even active interference in some instances—may have caused some Latin American countries to have tentative attitudes towards NAM with its wider and more pronounced political agenda.
**G-77 and UNCTAD**

Not only had centuries or decades of colonial dependency prevented them [developing countries] from being able to compete with the modern world, but the present structures conspired to restrain them further. The terms of trade – raw materials versus manufactures and services – were daunting. Capital was expensive. Loans came attached with conditionalities …  *Paul Kennedy, 2006*

Statistics on trade between developing and developed countries in the early sixties were quite alarming. The overall share of developing countries in world trade had declined by some 20% from the early fifties until 1961. Between 70-90% of the export from newly independent countries consisted of agricultural goods and natural resources which weren’t, and still aren’t, as profitable as manufactured products which mostly had to be imported. Lack of diversification in their exports made these developing countries more vulnerable to prevalent price fluctuations. Countries from the South realized that to bolster their political independence and to close the development gap between them and richer countries, they had to strengthen their economies by increasing and diversifying international trade.

Developing countries did not believe that relying on market forces alone would bring about a level playing field within a reasonable timeframe. Instead, they recognized that coordinated efforts at the international level were necessary to make prices for agricultural goods and natural resources more lucrative and stable; to improve terms for trade; to secure funds for development; and to protect their nascent industries.

Developing countries’ expectations that the GA would be the best forum for initiatives to improve development through trade seemed to come to fruition in the early 1960s. In December 1961, the GA designated the 1960s as “the United Nations Development Decade,” accompanied by a resolution on “International Trade as the Primary Instrument for Economic Development.”

The formation of the G-77 is closely tied to the convening of the UN Conference on Trade and Development (UNCTAD). Calls for such a meeting had started in the summer of 1961—before the

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6 In fact, every decade since the early sixties until 2000 was a development decade.
first NAM summit took place in that same year—when Argentina sponsored an ECOSOC resolution that called for international conferences dealing with trade and development. Resolutions in the GA’s Second Committee (social and economic affairs) in 1961 and non-aligned meetings in 1961 and 1962 contributed to the growing momentum to hold such a conference.

But as of late 1961, in spite of agreement about the importance of trade for development, there was no unity among countries from the South in the GA on convening a world trade conference. Instead, competing resolutions were introduced from developing countries in the Second Committee. Much watered down, the resolution that was eventually adopted by vote in the GA merely requested the Secretary-General to consult with Member States about the advisability of organizing a conference on international trade. It had first been voted on in the Second Committee, with 45 in favor, 36 against, and 10 abstentions. The South was clearly divided in this Second Committee vote, with all Latin American countries against, except Cuba, and five countries in the Southern caucuses abstaining: Cyprus, Ethiopia, Iran, the Philippines, and Thailand. But in the GA, the vote resulted in none against and 11 abstentions, signaling a growing unity in the South.

The first summit of NAM, held from 1-6 September 1961 in Belgrade, called for cooperation among developing countries, discussed problems in international trade, aid for development, and technical assistance, among other issues, and it also proposed convening an international trade conference. Cuba was the only Latin American country formally participating at this meeting, though Bolivia, Brazil, and Ecuador attended as observers. The momentum for an international trade conference increased when in July 1962, a non-aligned (non-UN) meeting took place in Cairo on the “Problems of Economic Development” in which 36 countries took part—among them eight from Latin America. Bolivia, Brazil, Cuba, and Mexico were full participants while Chile, Ecuador, Uruguay, and Venezuela were observers. The active participation of multiple countries from Latin America caused it to be regarded as the first cross-continental meeting of Africa, Asia, and Latin America on common economic concerns. Furthermore, in its 34th session on 3 August 1962, ECOSOC agreed to the convening of an
international trade conference. The GA did the same on 8 December of that same year. The Secretary-General had received a mostly favorable response about having such a conference and apparently US President John F. Kennedy was among those in the North willing to support it. Most of the countries in the West then dropped their previous opposition. Initially, the francophone African countries had planned to oppose the conference as they had not been invited to the Cairo meeting, but they reconsidered in light of the need for Southern unity.

It was during a preparatory session of UNCTAD (UN Conference on Trade and Development) in the GA, that 75 countries issued a joint declaration on 11 November 1963 which led to the establishment of the G-77 as a bloc a year later. Their declaration is annexed in GA resolution 1897(XVIII) that notes the work done in the preparatory session. 21 Latin American and Caribbean countries endorsed this declaration, as did 31 from Africa, and 20 from Asia. New Zealand, Cyprus, and Yugoslavia signed on as well. The declaration, just a few pages long, stressed the need for international measures to diversify and stimulate trade from the South to create “a truly interdependent and integrated world economy.”

The 75 countries noted that such an interdependent and integrated world economy would lead to world wide prosperity and stability. To achieve this, developing countries needed assistance and protection. To further a “new international trade and development policy,” they proposed the following:

- Improve conditions for the expansion of trade between countries at similar as well as different stages of development; or between those with different social and economic systems.
- Promote the progressive reduction and early elimination of all barriers and restrictions that impede the export of developing countries.
- Support increases in trade volumes and stabilize prices for primary products (raw and processed) so that the levels of prices become fair and remunerative.
- Expand markets for exports of manufactured and semi-manufactured goods from developing countries.
- Improve invisible trade such as payments for freight, insurance, and debts.
- Improve institutional arrangements which could help implement the decisions of the Conference.

In December 1964, at the end of the first session of UNCTAD in Geneva, the group of 75 countries had increased to 77 (but without
New Zealand) when they issued the “Joint Declaration of the Seventy-Seven Developing Countries.” While the 1963 declaration had called for “a new international division of labour with new patterns of production and trade,” the 1964 declaration went further in describing the need for “creating a new and just world economic order.”

Latin American countries contributed greatly to these early initiatives of the G-77, just as Egypt, Ghana, India, Indonesia, and Yugoslavia were among the key proponents of NAM and its early positions. As described above, not all countries in Latin America took an active interest in NAM’s larger agenda but they all did see economic development as key to their future.

In fact, the development of the agenda of the G-77 was largely shaped by economic thought originating in Latin America, especially from Raul Prebisch, the Argentinian economist, who had refined his ideas while working for the regional UN Economic Commission for Latin America (ECLAC) from 1949-1962. Prebisch had concluded that the world economy at its center was dominated by developed countries while developing countries functioned with great disadvantage and obstacles at its periphery. He felt that GATT—a treaty designed to deal with trade barriers—was insufficient to deal with trade disparities and he proposed renewed negotiations for an international trade organization (ITO). ECOSOC had proposed an ITO as early as 1946 but negotiations had stalled in 1950, before the emergence of many new independent countries on the international scene.

Prebisch became the Secretary General of the Preparatory Committee for UNCTAD I in early 1963 and the report he prepared, Towards a New Trade Policy for Development not only influenced the agenda of the proceedings but also functioned as a blueprint for positions from the South. Prebisch became UNCTAD’s first Secretary-General and as one expert explained in an interview, UNCTAD’s Secretariat became a de facto G-77 Secretariat.

On the trade in commodities (raw or primary products such as food, metals and electricity), Prebisch suggested that obstacles in trade had to be removed, while their prices had to become more

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7 Tito too played a role in the formulation of the G-77’s formation and stances when he traveled through Latin America in 1963.
stable, and countries from the South easily agreed. Before reaching agreement on dealing with trade preferences, developing countries would first have to work out a compromise between those who enjoyed trade advantages with countries that had formerly colonized them (especially the Francophones) and those who did not (especially the Latin Americans).

At UNCTAD I, negotiations on institutional issues proved to be the most divisive. Proposals differed among countries within the South as well as between the South and North. Some countries from the South favored the establishment of an International Trade Organization. Others, among them such influential countries as India and Malaysia, thought that a remodeled GATT would suffice, probably because they did not want to risk losing gains already made in GATT. Lack of a common position in the South on this issue continued until the final day of the conference when a number of resolutions were tabled by different groups of developing countries—though each proposed that UNCTAD itself needed to be institutionalized and meet every three years. The North was concerned about inclusion of the principle of equitable geographic distribution and voting arrangements that could constitute precedents when creating other bodies. It also wanted an institutionalized UNCTAD to be an integral part of ECOSOC, probably because it could be more easily influenced due to its smaller size.

It is not surprising that countries from the South were pushing for UNCTAD’s institutionalization, including a Secretariat and regular UNCTAD conferences. The North accepted the compromise: UNCTAD became an organ of the GA, with membership open to all UN Member States, but it also had a smaller (originally restricted to 55) Trade and Development Board. Nevertheless, the North has been rather dismissive of UNCTAD ever since.

The G-77 considers UNCTAD as one of its key successes, mostly because it has succeeded in keeping negotiations on commodities, trade and investments on the UN’s agenda. One of UNCTAD’s more concrete results was that, under its guidance, the Generalized System of Preferences (GSP) was established in 1968. Though GSP did not lead to a complete elimination of import duties
for products and goods from the South—product and country exclusions did continue—it did facilitate trade expansion.

UNCTAD also facilitated decisions on the stabilization of prices for commodities in the seventies through the Integrated Programme for Commodities and the Common Fund—though in the eighties many agreements collapsed again—not only because of resistance from the North, but also because of competing interests in the South.\(^8\)

**G-77 and a NIEO**

The G-77 submitted a draft … to the sixth Special Session held in April/May 1974 which passed a Declaration of Principles and a Programme of Action on the establishment of an NIEO. The session represented the height of the confrontation between developed and developing countries. *Chris Alden et al, 2010*

While UNCTAD—the conferences and its institutionalization—were key to the G-77’s formation and formulation of its early agenda, a more confrontational phase started with the negotiations for a New International Economic Order (NIEO) in the seventies.

The NAM and G-77 both worked on economic issues in their early years, and the efforts to create a NIEO came from both blocs. The first declaration of the G-77 had already included a call for the creation of a “new and just world economic order,” and promoting a NIEO seemed to be a logical next step after UNCTAD was created. This call was formalized at a NAM Summit in Algiers in 1973. The G-77, however, became the key actor pursuing a NIEO from 1974-1975 onwards. The G-77 had previously initiated the creation of new institutions such as the UN Industrial Development Organization (UNIDO) and the International Fund for Agricultural Development (IFAD).

At the first G-77 ministerial meeting in Algiers in October 1967, issues such as debt relief and better access to the markets of developed countries were on the agenda, but there was considerable disagreement on how to achieve these. While a majority—including Ghana, most countries from Latin America, India, Pakistan, Nigeria and the United Arab Republic—sought moderate steps; Algeria,
Iraq, Senegal, Sudan and Syria insisted that more ambitious and structural changes had to occur in the world economy. Diverging attitudes also followed regional lines, with Latin America in favor of phasing out existing trade preferences, while many countries in Africa wanted to see established preferences with former colonizers continued. Latin America as a whole was not in favor of providing extra assistance to the least developed countries, primarily located in Africa and Asia.

UNCTAD II took place in early 1968, but it proved to be a disappointment to the G-77. While the North made concessions in regard to tariff preferences, no meaningful results were made as to international market access or a global strategy towards development. In addition, as so often became the case afterwards, the North agreed to decisions which it did not actually favor and as a result it never seriously contributed to their implementation afterwards.

Getting a NIEO established was among the most ambitious undertakings of the G-77 and NAM. As UNCTAD II was not a success, the South was looking for additional avenues to realize its agenda. The oil crisis in the early 1970s—when oil prices quadrupled—emboldened countries from the South to push harder for a revised international economic order. Consequently, the creation of a NIEO was adopted by consensus in the GA on 1 May 1974 and in December of that same year, the Charter of Economic Rights and Duties of States was adopted. The negotiations had been highly contentious between the North and the South in particular when issues such as nationalization (and related compensation) and sovereignty over natural resources were discussed.

The resolution adopting a NIEO came with a detailed programme of action which reflected some of the ideological thinking that used to be more prevalent in NAM than in the G-77 in the sixties. In the programme of action, the observation that previous GA decisions regarding trade and development needed to be implemented was mentioned, and generally this has remained a key issue for the South ever since. Apart from trade and development, financing for development received much attention, including calls for reform of the international monetary system to allow for increased participation of developing countries in decision-making processes. Debt issues too were highlighted, including a need to
renegotiate debts or to cancel them. Additionally, industrialization, transfer of technology and the regulation and control of activities of transnational corporations were covered in substantial detail. Collaboration among countries in the South was also explored, though it did not get called South-South cooperation at that time.\textsuperscript{9} Finally, the rights of every state to exercise control over their natural resources and strengthening the role of the UN system to deal with development and implementation of relevant decisions was described.

With the acceptance of a NIEO, the South felt that a major shift in economic relations had been established. The high expectations of developing countries did not materialize, however. Many experts blame the lack of implementation not only on institutional deficiencies in UN decision-making, with implementation of resolutions mostly dependent on political will, but also on a combination of new economic and political realities that occurred in the 1980s, including an economic crisis, rising debts in the South, falling prices for most commodities, and conservative leadership in the UK and US. It is noteworthy that the resolution calls for the establishment of a New International Economic Order. This reflected, according to one source, the lack of genuine consensus between the North and the South in NIEO negotiations.

The South, however, has apparently not given up on NIEO. As recently as 2008, a vote was taken in the Second Committee on a draft resolution “Towards a new international economic order” which was adopted with 115 countries in favor (including Serbia), 1 against (US), and 49 abstentions by other developed countries.

One previous G-77 Chair—while regretting the lack of implementation—felt that NIEO efforts were successful to the extent “that it formulated norms and issues, identified concerns, created a political platform, increased awareness … It gave the South personality, character, a mission to be undertaken.”

The G-77 considerably expanded its agenda in the decades that followed and an overview is provided in Appendix II. Chapters 3-5 provide insights on more recent G-77 positions and perspectives.

\textsuperscript{9} The term used in the G-77’s early history was “collective self-reliance.”