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State Rights against Private Capital: The "New International Economic Order" and the Struggle over Aid, Trade, and Foreign Investment, 1962–1981

Ronald Reagan's opening remarks at the development summit in Cancún in the fall of 1981 left little room for interpretation. While he professed America's interest in generally continuing "global negotiations" about the problems of developing countries, Reagan issued a clear veto to most of the demands put forward by the fourteen developing and eight industrialized countries in attendance. The "have-not nations" of the world, as a commentator put it, wanted a larger say in institutions like the World Bank and the IMF, whose politics they viewed as detached from their own goals for increasing growth and alleviating poverty.[1] Preferably, development aid and international trade regimes would become matters solely of the United Nations, where the developing countries of the Third World formed the majority in the General Assembly and affiliated UN organizations.

But as the same commentator continued, "sound lending practices don't mix with one-country, one-voting or Soviet meddling," and Reagan therefore declared himself opposed to granting the rights that Third World nations had been claiming for their newly independent states for almost twenty years.[2] This essay charts the history of such rights claims presented by Third World countries seeking to achieve what Reagan vetoed in 1981, more control over the ways in which aid, trade, and above all foreign investment affected their economic performance.[3] The politics of what eventually came to be termed the "New International Economic Order" (NIEO) posed a credible threat to business as usual for Western governments and multinationals, a menace that Mark Mazower has called "the most serious challenge to [U.S.] global leadership since the end of the Second World War."[4] The consequences of the oil shock and the vortex of debt, dependency, and loans with strings attached ultimately removed any leverage the NIEO might have previously had, symbolized in Reagan's cold-shouldering the developing world at the Cancún summit.

Throughout the 1960s and 1970s, the NIEO sought to assert through the UN system, and through groupings like the G77 or the Non-Aligned, the state's right to permanent sovereignty over natural resources, a Declaration of Economic Rights and Duties of States, and the least developed countries' right to a more equitable trade regime. The NIEO and related claims therefore sought to harness the power of the state in controlling key industries, trade regimes, and multinational corporations engaged in what they viewed as the plundering of their wealth and resources. Bolstering the state and state sovereignty would fend off private investors, market forces, and unrestricted free trade. In the growing field of inquiry into historical "rights," the emergence of the NIEO is a reminder that economic rights of the state were once viewed as a meaningful instrument against the interests of private capital and the brutality of unfettered free-market capitalism.[5] The NIEO's history, as this essay argues, should be viewed as a contribution to the history of economic development, which hitherto has neglected the role of private capital in the process. At the same time, as proposed here, the NIEO should be historicized in the context of state-based rights claims more broadly.

The language and tools the NIEO deployed bore a striking resemblance to other state-based rights projects pursued simultaneously at the UN and elsewhere. With the onset of decolonization in the postwar decades, demands for the universal application of the right to self-determination prioritized the independence of sovereign nation-states (or, as in the case of Latin American polities, freedom from informal foreign meddling in domestic affairs). The freedom and rights of individual citizens within polities was an ancillary product that would naturally flow from the independence of states, as stated in the 1955 closing statement of the Asian-African conference at Bandung.[6] When individual rights were emphasized, as most notably in the 1948 UN Universal Declaration of Human Rights, at least on a broad international plane, they remained peripheral.[7] As recently argued, it was only in the 1970s that notions of individual human rights as no longer tethered to a state, and hence trumping the protection of sovereignty, came to triumph in a broad section of international public opinion and politics. The now universalizing human rights concept of the 1970s was, in the words of Samuel Moyn, the last surviving "utopian" program.[8]

For universal individual human rights to surge, another project had to perish. From the late 1960s, the established framework in capitalist democracies for both political and economic coordination based on territorial states began to crumble, as was soon expressed in global social unrest as well. State socialism and planned economies would follow down the same path in the 1980s.[9] It was only in the historical moment of a shifting order of territoriality that human rights could emerge as an individualist, antistatist utopian program in the 1970s. But as the history of state-based economic rights suggests, the utopia of human rights did not emerge alone. In retrospect, it becomes clear that Reagan's speech at Cancún in 1981 and the rise of neoliberalism in the Western world not only spelled the end of state- and planning-driven development programs at the World Bank or the IMF but also sounded the death knell for state-based economic rights claims as formulated by the NIEO. Neoliberalism, with its celebration of individual free-market enterprise and mistrust of the state, was the other last utopia of the postmodern age.

The NIEO adds an economic dimension to the history of rights. Charting the story of the NIEO helps to put the growing literature on rights into conversation with that on economic development.[10] Placing the NIEO at the intersection of the two helps to uncloak an aspect of the history of development programs that has hitherto been largely left out of the historiographic picture. The Cold War official aid programs of the United States, its Western allies, and to a lesser degree of China and the Soviet Union—and once petrodollars began flowing, of the Arab and Islamic world—as well as of multilateral agencies like the World Bank/IDA and the United Nations Development Program (UNDP), were undoubtedly important funding and project sources for large-scale technical and social engineering plans. Non-state actors like the Rockefeller Foundation supplemented these programs. However, the history of the NIEO suggests that, more than usually acknowledged by a growing historiography, development was from its earliest stages not just about official, bilateral, or multilateral aid but also about the role and function of trade, private capital, and foreign direct investment. Hence, by extension, the NIEO is a reminder that international financial markets had an important function in funding overseas investments long before the end of the Bretton Woods fixed exchange rate system.

The role of the United Nations in the postwar international system lies at the intersection of debates over rights and development. In the General Assembly, in various commissions, and in bodies like the Economic and Social Council, a growing number of Third World diplomats drafted charters, adopted resolutions, and debated human rights, self-determination, and economic development alike. It was only a matter of time before these issues became linked. Decolonization meant that in numbers, at least, the Third World together with socialist countries now outnumbered America and its Western allies. As a consequence, intergovernmental arenas like UN organizations operated by way of a "bloc logic" that at least in public tempered disagreements and kept a vast array of ideological, political, and economic differences shrouded behind seemingly homogenous voting groups.

The UN system therefore became the stage for a strangely secluded and artificial version of the broader struggle for independence. The diplomatic wrestling in international organizations kept the violence and brutality accompanying decolonization in Algeria, Kenya, and elsewhere largely outside the new UN plaza on the banks of New York's East River. And while the "agency" and impact of endless debates in the UN General Assembly and the power of resolutions and declarations were doubtless limited, Matthew Connelly's pioneering work has convincingly argued that the growing activism of non-governmental organizations, non-state actors, and their use of the United Nations system constituted nothing short of a "diplomatic revolution" and the beginning of the end of a Cold War shaped by the two superpowers alone.[11] The UN was and remains the only international forum where smaller and less influential states have been able to name and shame the injustices of the powerful, often while averting their gaze when it came to the crimes and murders committed by their own.

The immediate postwar decades from the early 1950s were a period of productivity and growth, but the spoils of this newfound prosperity were unequally distributed. Thanks to the Marshall Plan and American loans and foreign aid, Western European recovery advanced swiftly after economies had been returned to peacetime production and currencies and wages had been stabilized. At the same time, putting dollars into European pockets and closing the "dollar gap" meant that Americans could sell whatever they were now producing in growing quantities. Newly independent former colonies in Asia, and soon in Africa, however, found themselves oddly excluded from the postwar economic boom. Postcolonial leaders in what was coming to be known as the Third World learned the hard way that delivering political independence was one thing, but delivering quality of life and prosperity was another.[12] After decades and even centuries of colonial rule, Third World countries seemed mired in agrarian backwardness when compared to the industrial progress of their former colonizers. In a world in which Cold War contours were coming into increasingly sharp relief, Americans, still awash in dollars, were all too eager to help out. The scourges of hunger and poverty, after all, could easily tempt the hearts and minds (and stomachs) of the poor to succumb to the seductions of communism. In a now well-known story, Western government officials, NGOs, advisers, academics, and others began to fan out all over the world to build dams, devise irrigation schemes, fund housing programs, rewrite mining legislation, and bioengineer high-yield maize crops.

However, after official aid had begun to flow in the 1950s and 1960s, it became clear that aid was but a palliative for poverty, and not even a particularly strong one. The stated goals of these efforts—growth, industrialization, and escape from commodity dependence—remained out of reach for most Third World nations. Already in the 1950s, economists and intellectuals like the Argentinian Raúl Prebisch had pointed to a structural disadvantage that commodity-exporting developing countries seemed to face: commodity prices tended to fall relative to the prices of industrial goods, such as the machinery developing countries required to industrialize, and of manufactures more generally. In other words, for Third World economies, the terms of trade stood to deteriorate inevitably.[13] Soon it became apparent that the goals set for the so-called first UN Development Decade from 1961 to 1969 would not be met, not least because industrial nations had failed to meet their aid targets, and that despite impressive growth rates, inequality within developing countries had increased.[14]

Third World governments, and increasingly intellectuals, identified yet another culprit responsible for the lack of economic progress. Not only government aid but also trade, private capital, and foreign direct investment had an important part to play in the process of development, as government officials had stressed from the outset. In fact, the first officially adopted percentage targets for aid always presumed that private capital complemented these numbers. While official aid—and especially bilaterally negotiated aid schemes such as Kennedy's Alliance for Progress—constantly exceeded private flows between 1956 and 1980, different forms of private flows had gradually caught up by 1970 and almost equaled official aid flows by 1980. Yet because the growing field of scholarship on the history of development is part of a rebranding of traditional U.S. foreign relations history, it focuses too narrowly on foreign aid and the actions of the American government without even acknowledging the role of private capital. Behind these numbers lay a trend that, with the acceleration of decolonization, saw Western multinationals and creditors either expand their existing presence in the developing world or quickly build new bases to tap markets and resources overseas.[15] Third World leaders therefore reinforced their criticism of the structure of the world economy with accusations of "neocolonialism": while former imperial powers had reluctantly relinquished political control, they had held on to economic dominance of the Third World. Echoing Lenin, Ghana's hero of independence, Kwame Nkrumah, provided a detailed portrait of unfavorable conditions offered to African countries by exploitative Western enterprises.[16]

The stage these leaders chose for voicing discontent with their position in the world economy was not the international economic order put in place in Bretton Woods but rather the political system of the United Nations.[17] The UN's center of gravity may have shifted toward the seat of power that was the Security Council, with its limited membership, but in the General Assembly it entailed a body that operated on a one-country, one-vote basis. In 1945, the UN counted 51 original members; in 1955 that number had risen to 80, and after decolonization was mostly complete in 1975, to 147.[18] The Assembly and other UN organizations thus provided the arena in which disputes over aid, trade, foreign investment, and the structural imbalances in the world economy took place.[19] In addition to the UN, Third World countries established a number of different political platforms to pursue their interests. The Bandung Conference in 1955 and the first Non-Aligned meeting in 1961 served as the political forum for the Third World. In 1962, 31 developing countries met in Cairo for the first time to discuss purely economic matters of development, and out of this meeting the United Nations Conference on Trade and Development (UNCTAD) emerged in 1964.[20] Loosely associated with UNCTAD was the Group of 77 that grew out of the first UNCTAD meeting, an informal association of Third and Second World countries at the UN that would come to be an important voting bloc and would hold similar summits and conferences.

From the viewpoint of the General Assembly and other multilateral forums, the main dividing line of the Cold War therefore ran between North and South rather than East and West. As one American observer noted as early as 1954, "One tends to take for granted that important international affairs revolve basically around the communist vs. non-communist conflict. Such is not the case in ECOSOC (the UN Economic and Social Council) where other fundamental cleavages align the members of the Council. Here the division is between the 'developed' and the 'underdeveloped' countries and the words strangely enough have common usage. The line is rigid between the have and the have-not, the progressive and the backward, the rich and the poor."[21] In this "new" UN and its affiliated organizations, the United States and its European allies were now frequently outnumbered in votes and subjected to harsh attacks on a regular basis.

To be sure, vast political and economic differences existed between countries lumped together all too casually under "Third World." From the 1960s, at least, East Asian countries like South Korea and Taiwan embarked on a radically different path of development, one allowing foreign capital to build up certain industries while nurturing and sheltering others from outside competition. Within Latin America, Brazil soon outpaced most other countries and quickly became disinterested in Third World activism. Many African countries barely counted among manufactures exporters and therefore were less interested in trade preferences and market access in the developed world than, say, an India counting on textile exports. Politically, divisions flared up more than occasionally over a few notorious hot-button cases, such as Algeria's and Yugoslavia's general jostling for leadership of the Third World, or Cuba being refused admission to a G77 meeting in 1967 at the behest of Latin American states. At that same meeting, the South Vietnamese delegation was kindly shown the door a few days into the event when the more radical among the group had demanded the removal of an American lackey.[22] But economically, through the second half of the 1970s the different Third World groupings managed to keep the lid on an extraordinary political, economic, religious, and ethnic diversity; to the outside world, at least, they presented a mostly united front.

The first phase in NIEO-related discussions in the late 1950s and throughout the 1960s was dominated by legal questions that focused on human rights and self-determination. The similarities between economic rights and other state-based rights thus emerged most clearly in this early phase. After the UN passed the Universal Declaration of Human Rights in December 1948, it decided to further study the possibility of turning the nonbinding declaration into a binding covenant.[23] In 1950, when these debates got underway, suggestions were made to state explicitly the right to self-determination in such a binding document and to explore the relation of economic rights to the covenant.[24] The idea of control over natural resources as a means to promote development soon took a prominent place in these discussions and became part of the notion of (economic) self-determination. In May 1952, it was the Chilean representative to the UN Human Rights Commission who suggested including the phrase "the right of peoples to self-determination shall also include permanent sovereignty over their natural wealth and resources" in the draft version of the new human rights covenant.[25] The General Assembly adopted this proposal and eventually, in 1958, established the United Nations Commission on Permanent Sovereignty over Natural Resources as part of its inquiry into the right of peoples and nations to self-determination.[26]

While it was certainly novel to plug by-now rampant economic nationalism into debates about self-determination, the actual plight of non-Western countries in the face of imperial economic interests was of much longer duration. It was part of the fraught history of European and American informal empires in the Ottoman Empire, China, and Latin America. Even in the second half of the twentieth century, the presence of Western multinationals in Third World countries refreshed humiliating memories of "dollar diplomacy," or so-called unequal treaties, that had been imposed on much of the not formally colonized world throughout the nineteenth and early twentieth centuries.[27] What is so interesting about the debates of the 1950s and 1960s is how neatly they were now invested with the new language of state-based rights talk.[28]

In the following years, much of the UN Commission's discussion of how to define sovereignty over resources focused on whether the expropriation of foreign assets was permissible. From the outset, the question was whether, how much, and when compensation had to be paid. Disagreement existed over what was to be understood as "reasonable" and "fair" compensation. Commission members, moreover, could not reach a consensus on whether there was to be an independent external arbitrator in expropriation disputes, such as an arbitration court or international court, or whether national means of legislation should be used first, and whether decisions in national courts trumped international law. Furthermore, what was to become of the so-called acquired rights of companies who had set foot on foreign territories at a time when these were not yet self-governed?[29] Talks most commonly pitted a majority of the

Commission's members against the Soviet delegate, who refused to acknowledge any bearing of international law on anything that fell under national sovereignty.[30]

In 1962, the UN General Assembly adopted a resolution that capped almost ten years of discussing state rights over resources. It affirmed that "the right of peoples and nations to permanent sovereignty over their natural wealth and resources must be exercised in the national interest of their economic development and of the well-being of the people of the state concerned." The text further stated that foreign capital and investments were subject to domestic and international law, and that expropriation with a somewhat ambiguous "appropriate" compensation in the name of public interest was permissible.[31] What state-based rights talk did not address, or at least only made implicit, was the internal, domestic distribution of resource profits. It was implied that national control over resources would allow for growth according to domestic needs and thus for bringing prosperity and well-being to a greater share of the population. But at least in the medium and long run, new and old elites in many Third World countries scrupulously enriched themselves by commodities without ever attending to the needs of the poor. While it may have been something like an international prerequisite, by no means did control over resources guarantee their responsible distribution within states.

Increasingly assertive talk about sovereignty over resources and a right to expropriation immediately set off alarms in various business communities. While the UN Commission was deliberating, Western governments consulted closely with one another and with the representatives of different resource industries, especially Big Oil, on how to counter the emerging set of claims. American, Dutch, French, and British diplomats maintained close ties to the Anglo-Dutch oil giant Shell and British Petroleum and frequently hosted company members for informal talks.[32] Shell quietly monitored UN activity with regard to permanent sovereignty and alerted British diplomats to any rumor about impending actions on the question.[33] In the summer of 1961, Herman J. Schmidt, senior vice president of Mobil International, addressed a letter of complaint to the U.S. member on UN's ECOSOC. After centuries of devising a law governing the peaceful coexistence of nations, he stated, the UN Commission's report on the status of permanent sovereignty over natural resources, in speaking of the "inalienable" right of states to dispose of their natural resources in accordance with their national interests, now constituted "a kind of return to the law of the jungle."[34]

In the following years, several UNCTAD and Non-Aligned meetings continued to voice their discontent with the situation of developing countries. Above all, these conferences focused on trade-related questions, such as preferences for Third World commodities and a commodity fund that would stabilize prices and export earnings. A distinctly new phase in the contest over the role and rights of states and private capital in economic development began in the early 1970s. In September 1973, shortly after the official end of the fixed exchange rate system of Bretton Woods had been acknowledged and a little over a month prior to the outbreak of the Yom Kippur or October War, the Non-Aligned Movement gathered for its next meeting in Algiers.

With the war machine doubtless set in motion already, the summit became a propaganda forum to celebrate Arab unity and Afro-Asian solidarity with the plight of the Palestinians. But the summit did pass an economic resolution that now ever more forcefully rearticulated many central points of previous programs and placed growing emphasis on the formation of producer associations for certain commodities (modeled after OPEC, referred to as "cartels" by Western observers).[35]

In the months to follow, political and economic developments altered the course of events irreversibly. With the outbreak of war between Arab states and Israel in October 1973, OPEC's Arab members organized an embargo of oil shipments to the United States and its supporters and a cutback in oil production, causing prices to skyrocket.[36] The problem was that the oil shock affected all oil importers indiscriminately and hence led to inflated oil bills not just for rich, Israel-supporting states, but also for some of the poorest developing countries. Houari Boumedienne, leader of Algeria, one of the more aggressive OPEC members and an aspiring champion of the Third World, understood that this was a moment of both peril and opportunity. If the consequences of the oil shock lingered, unity among developing countries was at risk. On the other hand, it seemed about time to deliver the message to the West that commodity embargoes, if enacted in unison by producer associations, were a powerful instrument in the hands of developing countries. Boumedienne therefore called upon UN secretary-general Kurt Waldheim to convene a special General Assembly session, to be held early in 1974, focusing on the problems of raw materials and development.[37]

At what became the Sixth Special Session of the UN General Assembly, Boumedienne began by leveling several rounds of scathing criticism against former colonial powers' control over the international economy. Following an intense debate, the General Assembly hastened to approve without a formal vote a resolution on a New International Economic Order that was to be accompanied by a Program of Action for immediate measures.[38] The content of the declaration and the program echoed the general thrust of Third World positions in demanding a more equitable channeling of resources in the world economy to allow developing countries to overcome their structural disadvantages. Several main issues formed the core of the NIEO program: permanent sovereignty over natural resources and the right to expropriation; control over foreign investment, raw material prices, commodity exports, and their indexation to manufactures prices; access to markets in developed countries, technology transfer, official aid rates, and debt relief; decision-making power in international organizations; and a special program aimed at those least developed countries that had been affected most adversely by the oil crisis.[39]

Western governments and economists alike were fast to criticize the NIEO behind closed doors. But given the risks they saw associated with possible commodity embargoes, in public they adopted a more conciliatory stance. When Algeria's plans to call a special session and announce a "new international economic order" first became known, U.S. secretary of state Henry Kissinger decided to step into the ring himself. The powerful United States was increasingly seen as the main impediment to NIEO demands by strong-arming other industrial countries into obedience in voting with the Americans, and as the leader of the Western world in general. It did not exactly help that American multinationals like ITT as well as the CIA were widely viewed as implicated in toppling political leaders from Mossadeq to Allende. On April 15, 1974, Kissinger delivered a speech to the Sixth Special Session titled "The Challenge of Interdependence," in which he acknowledged the "common destiny" of developing and developed countries. Kissinger's speech adopted a conciliatory stance but did not substantially go beyond making several deliberately broad declarations of goodwill to which the United States could not be held later.[40]

However, in the following years, even months, fronts at the UN hardened. Calls for action turned to the more immediate consequences of the economic turmoil following the end of Bretton Woods and the oil shock, undermining attempts to strike a more accommodating chord between developed and developing countries. What is more, yet another initiative at the General Assembly and concurrent events in the Third World brought the fraught matter of rights to nationalization and expropriation to the fore again. A mere four months after the Sixth Special Session, in September 1974, the General Assembly adopted a so-called Charter of Economic Rights and Duties of States.[41] The idea for such a charter harked back to the immediate postwar years, when, under the impression of Nazi aggressions, the UN International Law Commission had drawn up a draft document in 1949 that came before the General Assembly in 1950. The articles of the draft charter focused on state sovereignty broadly conceived and ruled out war and territorial acquisition, and in the tradition of interwar minority treaties, they required states to respect human rights.

In 1972, at the third UNCTAD conference in Santiago, President Luis Echeverría of Mexico revived this much older idea and proposed an economic version of the original charter. In a public statement on the Mexican proposal, the U.S. mission to the UN acknowledged the connection to early postwar debates: the Charter offered "the occasion for a Universal Declaration of the Human Rights of Mankind to Economic Progress which would parallel in its sphere the broader and most influential Declaration of Human Rights."[42] Echeverría, too, spoke of the Charter as "supplementary to the Universal Declaration of Human Rights."[43] Unofficially, Western diplomats were less generous and called the Charter a "folly, futility and superfluity" or simply "rubbish."[44] Here, too, the connection of economic rights and the NIEO to other rights projects at the UN—and most notably to the Universal Declaration of Human Rights, a charter of sorts itself—was made explicit in form and content. The document eventually adopted at the UN in 1974 declared it the right of every state to choose its economic system, to exercise authority over foreign investment, to regulate the activities of multinationals, and to nationalize and expropriate foreign property under payment of compensation. If disputes were to arise, these would be settled in national courts unless otherwise agreed upon by all parties involved. Western government officials understood the ramifications of the issues at hand and underscored that they were not merely "questions of UN semantics but of what is going to happen to our assets around the world in the years ahead."[45] Around the same time, Keba M'Baye, a Senegalese lawyer and chairman of the UN Human Rights Commission, published an article proposing that development should be a right.[46]

Such assertive claims must have appeared as the culmination of a troublesome older practice. A costly trend of expropriations had reared its head first with notions of permanent sovereignty over national resources in 1962 and had recently taken a dramatic turn. In shocking defiance of core assumptions in modern economic and legal thought—the right to and safeguarding of private property—the number of expropriations of Western-owned assets in Latin America, the Middle East, Asia, and Africa rose from a paltry six cases in 1960 to sixty-eight in 1974.[47] At the time of the NIEO debates at the UN, a number of high-profile cases made headlines: by 1972, Iraq's nationalization of the Iraq Petroleum Company owned by BP, Shell, the French CFP, Esso, Mobil, and Gulbenkian was complete; Libya had nationalized British Petroleum's assets in 1971; and Zambia and Chile expropriated mining assets.[48] Decolonization had spelled the onset of a wave of expropriations that shook business interests and politicians alike. To hedge against the risk of property takings, an elaborate legal architecture of treaties was gradually put in place. Germany, haunted by the experience of expropriations after 1918 and 1945, perhaps unburdened by colonial pasts like those of Britain and France and reliant on an export-driven growth model, was the first country to conclude a so-called bilateral investment treaty (BIT), in this case with Pakistan in 1959. Such treaties stipulated mutual obligations and rights of investors and host countries, and in the eyes of Western officials they sought to guarantee appropriate compensation in the case of expropriation, as well as the convertibility and remittance of profits owned. Following the treaty with Pakistan, by 1971 Germany had concluded a total of thirty-seven such agreements.[49] Soon, France, Britain, and other Western European countries followed suit, in some cases (France in 1962) clearly triggered by UN debates about permanent sovereignty or the NIEO and the Charter of Economic Rights (Britain in 1972–73).[50]

The United States reverted to different legal instruments with the same general function. America had historically concluded so-called treaties of friendship and commerce and now began writing similar clauses for investment protection into such agreements. In addition, the United States used investment guaranties to serve the purpose. The Investment Guaranty Program had been instated as part of the Marshall Plan in 1948 and extended, for a fee, insurance protection for American investors abroad against the risks of expropriation or currency inconvertibility. Concluding a bilateral investment program was normally a prerequisite for receiving insurance.[51] Simultaneously with the spread of bilateral protection, in the early 1960s there was a move toward seeking a multilateral solution in the form of an international investment convention. But a consensus between developing and developed countries proved impossible, and the only outcome of these efforts was the establishment of the International Court for the Settlement of Investment Disputes (ICSID) as part of the World Bank in 1964.[52] Western governments generally pushed for placing disputes before this court rather than using national courts in host countries, but since this was a voluntary move, and since developing countries mistrusted the ICSD, only the smallest number of cases ever made it before the Court.[53]

The most interesting aspect of this sophisticated network of legal protection was that it did not work. Neither did investment treaties really deter Third World countries from expropriating, nor did compensation schemes, in cases where expropriation had taken place, in actuality follow the terms laid down in the treaties. In practice, as officials readily acknowledged, expecting compensation to cover not only the present value of assets and past investments made but also estimated future profits, as enterprises demanded, had long since become illusory. Compensation, furthermore, occurred over time in several installments and was often not remittable due to foreign exchange controls.[54] The wave of expropriations in the Third World greatly influenced mounting popular domestic dissatisfaction with American aid and America's involvement with multilateral institutions in the 1970s.[55]

In the face of a growing expropriation problem, commodity "wars," and documents like the 1974 Charter, the NIEO agenda became a growing threat to Western interests. In March 1975, U.S. ambassador to the UN Daniel Patrick Moynihan published his famous article "The United States in Opposition" in *Commentary*, portraying America as beset by socialism and/or Third World radicals increasingly dominating multilateral arenas, among other things by calling for a new international economic order.[56] In this context, Kissinger once again prepared to take the stage in September 1975, and at the Seventh Special Session of the UN General Assembly, which had once more been convened to address development and raw materials, he delivered yet another speech.[57] Between the first and the second UN session, events had apparently convinced Kissinger to change tack on a matter of subjects. His speech now incorporated ideas about government intervention and more planned approaches to trade. In an about-face, Kissinger declared that the United States was amenable to commodity agreements if negotiated on a case-by-case basis. But besides such conciliatory proposals, Kissinger insisted on the important role that private capital and capital markets would play in the process of development. The United States, moreover, suggested establishing an International Investment Trust to increase portfolio capital for investment in local enterprises.[58]

Despite his emphasis on private enterprise, once the content of Kissinger's second speech became public, critics assailed the U.S. response for approving "counterproductive" government interference "in the operation of an open world market system." A member of the National Security Council declared himself "deeply disturbed by the tone of much of this speech which implies that the traditional U.S. objective of an open economy with free trade and freedom of movement for capital" would now be inappropriate. Federal Reserve Board chairman Arthur Burns noted how "the accent of the speech appears to be placed on governmental action, and I keep wondering about the role that private enterprise is expected to play."[59] The Economic Policy Board had similar qualms. America should not be afraid to strongly assert that everybody, including the "less fortunate countries, can best be served not by a system of government agreements on various aspects of international trade and finance," but rather by reliance on private institutions.[60] "Much of the Third World is pushing for a new international economic order based on socialist principles," the Economic Policy Board stated to President Ford. Kissinger's proposed response risked compromising the United States' basic commitment to the free enterprise system.

The last phase in the struggle over a different economic order began in the second half of the 1970s. By that time, the "shock of the global" had ushered in sweeping political and economic realignments that dramatically altered the ability of Third World countries to push for more equitable economic relations.[61] The severing of old and the forging of new alliances had upended the familiar political landscape. The

Sino-Soviet split and the resulting "realist" U.S. rapprochement with China fundamentally changed the dynamics of the Cold War. Détente and eventually the signing of the Helsinki Final Act in 1975 marked a new phase in U.S.-Soviet relations, as well as in relations between the Soviets and other European countries. At the same time, and increasingly since 1968, the Transatlantic Alliance was coming under strain from the fallout of the collapse of Bretton Woods, unease with the American war in Vietnam, and the nuclear arms race. In 1973, Britain under the pro-European government of Edward Heath joined the European Economic Community (EEC). Franco-German relations, and hence the motor behind European integration, received a boost from the cordial relationship between the newly elected heads of state Valery Giscard D'Estaing and Helmut Schmidt as of 1974. Kissinger's clumsy attempt to fix relations with America's European allies by designating 1973 the "Year of Europe" fell short of expectations.[62] Already in 1967, a French intellectual had published a book with the title *The American Challenge*, in which he warned against U.S. economic power, expressed most visibly in the presence of U.S. subsidiaries in European markets. While the challenge could be won ("General Motors, after all, isn't the Wehrmacht"), it required a strategic shift to organizing European corporations and economies away from the United States.[63] The Trilateral Commission set up by David Rockefeller in 1973 to mend fences between the United States, Europe, and Japan was more successful than Kissinger's Year of Europe but could not do the job alone. Overall, the Western world was in such disarray that, as diplomats surmised, the "social disorder now visible in the capitalist world" and "the mess the West is in may look something like the long-predicted demise of capitalism."[64]

And yet, frustratingly perhaps, despite political fracture the world of the 1970s was economically connected to a degree unknown since the late nineteenth century. Interdependence, the "globalization" of the 1970s, was the term used to describe interconnectivity and mutually constitutive economic trends. Growth in one area was dependent on demand in another, and stagflation and a lingering recession at the center of the world economy had proven disastrous for everybody. The first reckoning dawned upon developing countries when skyrocketing oil prices were passed on to other essential imports such as food, fertilizers, equipment, and services, including shipping and transportation.[65] Faced with ever more deteriorating terms of trade, many developing countries were forced into growing indebtedness. Interdependence meant that petrodollars from oil-producing countries flowed into Western bank deposits, where they were "recycled" into commercial loans.[66] Initially, developing countries flocked to this opportunity, as commercial bank lending could be used independently of specific projects and came without the conditionality imposed by IMF loans. But credits had been provided on short and medium terms and incurred rapidly rising interest costs, setting in motion a spiral of borrowing to service interest payments.[67]

Interdependence was inescapable, and even the industrial world began to feel the constraints it imposed. Since the beginning of the 1970s, the threat of shortages had been lingering. The Club of Rome's "The Limits to Growth" had convincingly driven home the point that the world's energy and other resources were finite. Fears of an exploding "population bomb," resulting in world food shortages and deadly famines, added to the anxiety.[68] In Britain, shortage fears resulted in a move toward placing North Sea oil reserves under government control, if necessary through nationalization (!), in order to reduce dependence on OPEC countries. European (and Japanese, for that matter) leaders realized that their position was more vulnerable than America's with regard to food and energy security, and therefore they were less likely to see eye to eye with their American allies than before and more likely to seek compromise with the developing world.[69] French foreign minister Jean Sauvagnargues had told Kissinger famously early in 1974, "You are the United States and you can afford to antagonize the Arabs."[70]

Not surprisingly, then, the last phase in debates over development was marked by European initiatives to salvage what had become an increasingly confrontational exchange. In order to avoid association with the more aggressive and far-reaching demands of the NIEO, these efforts were now renamed "North-South Dialogue."[71] In January 1977, World Bank chief Robert McNamara tapped these activities and proposed what would become the Brandt Commission, chaired by former German chancellor Willy Brandt and staffed with other high-ranking former government officials, whom Brandt himself carefully hand-selected to secure the broadest possible appeal for the commission to different audiences.[72] Setting up the Brandt Commission, furthermore, signaled the decline of the United Nations General Assembly as the center of international debates over development. Industrial nations had been trying to extricate the aid question from arenas in which they were outnumbered (Gerald Ford famously spoke of the "tyranny of the majority") ever since the more determined demands for resource sovereignty and a new international economic order had surfaced, and with shifting economic fortunes after the mid-1970s, they finally succeeded.[73]

The Brandt Report, published by the Commission in 1980, in most of its parts provided a farsighted assessment of the role of developing countries in the world economy that jettisoned accusatory rhetoric in favor of clear-eyed analyses, many of which continue to stand today. The report provided particularly insightful accounts of the restrictive trade politics adopted by industrial countries themselves in the fields of shipbuilding, footwear, electronics, and textiles.[74] Above all, to tackle the several other pressing issues at hand, the Brandt Report underscored the need for international cooperation in different areas. The Brandt Commission therefore called for a summit of world leaders that would eventually become the Cancún meeting of 1981.[75]

The Cancún development summit was planned against the backdrop of events that yet again marked the onset of a different era of international economic and political relations. In 1979, the Soviets had marched into Afghanistan, spelling the end of more than a decade of détente and leading to a reallocation of U.S. resources to military spending. That same year, a major U.S. ally in the Middle East, the Iranian shah, was toppled in the Islamic Revolution, resulting in the second oil shock and, again, rising prices and inflation. The following year Saddam Hussein's Iraq started a war with Iran, further jolting oil importers. Moreover, the Third World itself appeared economically diverse as never before. To capture the differences between successful industrializers like South Korea, oil exporters like Algeria, and landlocked countries in sub-Saharan Africa, economists now differentiated not between developing and developed but rather between newly industrialized, middle-income, and least-developed countries. Economically, an era of liberalization had begun perhaps as early as 1973–75 with Chile's economic reforms; 1973–74 with Hafiz al-Assad's and Anwar al-Sadat's policies of *Infitah* in Syria and Egypt; followed by Deng Xiaoping's and Zia Ul Haq's reforms after 1978 in China and Pakistan; and electoral victories that brought Margaret Thatcher in Britain (1978) and Ronald Reagan in the United States (1981) to power.[76] In retrospect, the 1970s and 1980s appear as the watershed moment in which, internationally, the postwar political and economic order based on territorial nation-states became frayed, and in which, domestically, the legitimacy of the European welfare state or America's Great Society programs was eroding. Simultaneously, the expansion of finance after the collapse of Bretton Woods made territory appear almost irrelevant to global financial markets. Moreover, free-trade zones, onshore enclaves of deregulated capitalism, were suddenly viewed as the solution to developing countries' industrialization deficit.[77] In many ways, they resembled much older but similarly fluid notions of territoriality associated with imperial free ports and extraterritoriality more broadly. Territory and the state were undergoing a dramatic transformation during the long mid-century.

The Cancún summit that capped two decades of Third World activism for equitable economic relations originated in two different efforts. One was Brandt's call, soon joined by other leaders of industrial nations.[78] Inspired by the Brandt Report's idea for a world summit and worried by the renewed stalemate at the UN and the failure to agree on a form for "global negotiations," Austrian chancellor Bruno Kreisky and Mexican president José López Portillo at various economic and other summits began to lobby for a development conference. The Cancún summit was eventually held in October 1981, chaired by Mexico's López Portillo and Canadian prime minister Pierre Trudeau.[79]

Just how much the world had changed emanated from the way in which major figures like Ronald Reagan and Margaret Thatcher approached the Cancún summit. As the meeting drew closer, Reagan stepped before the press and expressed America's commitment to development, but he then declared, "At Cancún we will promote a revolutionary idea born more than 200 years ago . . . it is called freedom and it works. It is still the most exciting, progressive and successful idea the world has ever known." Reagan then outlined a program of action based on five strategic principles: the opening-up of markets; the tailoring of development strategies to the particular needs of individual countries; assistance toward developing self-sustaining productive capacities; improvement of the climate for private investment; and the creation of a political atmosphere in which practical solutions could move forward, "rather than founder on a reef of misguided policies that restrain and interfere with the international marketplace or foster inflation."[80] At the summit he declared, in a similar vein, that "government has an important role in helping develop a country's economic foundation. But the critical test is whether government is genuinely working to liberate individuals by creating incentives to work, save, invest and succeed."[81] Thatcher seconded Reagan. Government aid was important, she acknowledged, "but the thrust of our effort must be to help the developing countries to help themselves. It is here that trade and private finance is of such importance."[82] The fact that French president François Mitterand, in the run-up to Cancún, had called for an end to "international economic Darwinism" did not change things alone.[83] In the end it proved impossible to agree on a format for wide-ranging "global negotiations," and the Cancún summit was for all intents and purposes a failure.[84]

After Cancún, talk about a new international economic order reemerged occasionally, but the Third World's moment had passed. Following the second oil shock of 1979, Paul Volcker, as the newly appointed head of the Federal Reserve Board, dramatically increased interest rates (the highest rates "since the birth of Jesus Christ," as Germany's Helmut Schmidt famously quipped) to curtail inflation at home; with the recession that followed, demand for Third World products plummeted.[85] The consequences were driven home dramatically in 1982, when neighboring Mexico was no longer able to service its debts, and when, on the back of the Mexican default, commercial lending to cash-strapped Latin American economies slowed to a trickle.[86] Now dependent on the World Bank and the IMF, Africa and Latin America entered a "lost decade" of growth. Concurrently, the broader ideas behind state-led development in general had come under attack. Already in 1976, the Pakistani economist Mahbub ul Haq (then at the World Bank) had written, perhaps with reference to both Winston Churchill and Richard Wright, "A poverty curtain has descended right across the face of our world, dividing it materially and philosophically into two different worlds . . . one embarrassingly rich and the other desperately poor."[87] That same year, the ILO presented a so-called Basic Human Needs approach to development that, implicitly, criticized how economists fetishized growth rates and GDP as indicators for development.[88]

Such concerns were brushed aside quickly with the new wind blowing in the 1980s. At the Bank and the IMF, the international fortunes of development had changed to conditional "structural adjustment," the new austerity formula devised against debt and inflation, requiring vast spending cuts and interest rate raises of borrowers. Part of these programs aimed at making these economies more market-oriented. As a consequence, in one of the largest transfers of property in history, state-owned enterprises, industries, and basic services were put on the auction block to be sold off and privatized. From water to schools to broadcasting companies, states and governments were forced to turn over the commanding heights of the economy to global business elites. In the late 1980s, austerity programs, liberalization, and the privatization of Third World economies in exchange for assistance had become so broadly accepted that economists and policy makers now spoke of the "Washington Consensus" when referring to this set of policies.[89] The twenty-year struggle between developing and developed, First and Third World nations, over the role of foreign investment, free trade, and the role of states and governments in the process of development had been won by individual enterprise and private capital. And while it was certainly a "conservative counterrevolution" that brought to power figures like Reagan and Thatcher and led to a redefinition of development goals, it was perhaps more importantly a neoliberal revolution that closed the door on both Western-funded state-led development programs and developing countries' claims to bolster the rights of states against the onslaught of free-market capitalism.[90]

With the ascent of markets and freely enterprising individuals, the utopian program of individual human rights suddenly had company. To the protagonists of the new human rights of the 1970s, individual human rights constituted a set of global norms, universal in scope and morally accredited, which were to govern the world beyond the reach of potentially autocratic governments and brutal dictators and the sovereign states they inhabited. The other "last utopia" that emerged in unison with universal human rights in the 1970s, less popular on American college campuses perhaps but influential nonetheless, was the image of a world governed by wise and efficient market forces, by invisible hands that effectively allocated profits and calibrated prices, wages, and demand in perfect harmony beyond the reach of inefficient states and governments subject to the pressures of the election cycle. The other last utopia was, for want of a better term, neoliberalism.[91]

Besides their antistatism, the utopian visions of world order of human rights and market creed that emerged once the old order had been "disembedded" shared a foundation in individualism as perhaps the most abstract underlying common feature.[92] In 1999, in the wake of NATO's intervention in Kosovo, UN secretary-general Kofi Annan stepped before the General Assembly to present his visions for a new concept of sovereignty that would allow the international community to intervene in sovereign states and stop bloodshed in the name of individual rights, even in the absence of a Security Council mandate. He called it "individual sovereignty."[93] In 2010, the U.S. Supreme Court in *Citizens United v. Federal Election Commission* affirmed corporate personhood and ruled that corporations enjoyed the same constitutional First Amendment protections as people. In light of the above, the two seem strangely related.

NOTES

The University of Pennsylvania History Department's Annenberg series generously offered a forum to discuss an early draft of this essay. Special thanks for comments and feedback to Peter Holquist and Bob Vitalis.

1. See "After Cancún," *New York Times*, October 27, 1981. On Reagan in Cancún, see Greg Grandin, *Empire's Workshop: Latin America, the United States, and the Rise of the New Imperialism* (New York: Metropolitan, 2006), 185–90. For a contemporary view, see Jagdish Bhagwati, "The Significance of Cancún," *Third World Quarterly* 4, no. 3 (1982): 521–26.

2. See "After Cancún."

3. Mark Mazower gives a brief account of the events in 1974. Giuliano Garavini's account of Europe's relations with the Third World interweaves the story of some NIEO aspects with the general history of European integration and its relation to decolonization. Garavini provides a useful narrative of events upon which future historians will rely in writing more analytical and argument-driven accounts. Samuel Moyn has recently underlined the importance of the NIEO in developing concepts of global justice. See Mazower, *Governing the World: The History of an Idea* (New York: Penguin, 2012); Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South, 1957–1986* (Oxford: Oxford University Press, 2012); Moyn, "The Political Origins of Global Justice" (unpublished paper).

4. See Mazower, *Governing the World*, 304.

5. The literature on "rights" has become too vast to list here in its entirety. The first historian to register recent attempts to "unearth" the history of human rights was perhaps Kenneth Cmiel, "The Recent History of Human Rights," *American Historical Review* 109, no. 1 (2004): 117–35; see

furthermore Lynn Hunt, *Inventing Human Rights: A History* (New York: Norton, 2007). Stefan Ludwig Hoffmann's introduction to his edited volume provides an analytically helpful as well as critical overview of the literature; see Hoffmann, ed., *Human Rights in the Twentieth Century* (New York: Cambridge University Press, 2011). On anticolonial nationalism and self-determination, see Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism* (New York: Oxford University Press, 2007); and Roland Burke, *Decolonization and the Evolution of International Human Rights* (Philadelphia: University of Pennsylvania Press, 2010). Patrick Kelly's forthcoming work will shed light on human rights in the 1970s in Latin America; also see Kelly, "The 1973 Chilean Coup and the Origins of Transnational Human Rights Activism," *Journal of Global History* 8, no. 3 (2013): 165–86.

6. I benefited from Bob Vitalis's revisionist account of Bandung as something distinctly different from the beginning of the Non-Aligned Movement; see his "The Midnight Ride of Kwame Nkrumah and Other Fables of Bandung (Ban-doong)," *Humanity* 4, no. 1 (2013): 261–88.

7. For a convincing and different assessment of the impact of the Universal Declaration based on evidence from local American courts around 1948, see chap. 4 in Mark Philip Bradley's forthcoming work on the American involvement with human rights in the twentieth century. In a similar vein, see his "Approaching the Universal Declaration of Human Rights," in *The Human Rights Revolution: An International History*, ed. Akira Iriye et al. (New York: Oxford University Press, 2012), 327–44.

8. See Samuel Moyn, *The Last Utopia: Human Rights in History* (Cambridge, Mass.: Harvard University Press, 2010), 4.

9. On the rise and decline of territoriality from ca. 1850 to 1970, see Charles S. Maier, "Consigning the Twentieth Century to History: Alternative Narratives for the Modern Era," *American Historical Review* 105, no. 3 (2000): 807–31. See also John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (1982): 379–415, on disembedding the postwar liberal international economic order.

10. The literature on development, too, is growing rapidly. Because of its somewhat narrow focus on the United States, similar efforts by, for instance, Soviet, Chinese, or Arab and Islamic states and organizations remain understudied, not just because in terms of money supplied their efforts occurred on a much smaller scale. The "discovery" of development as a topic goes as far back as 2000, when Nick Cullather encouraged historians to turn to its history: Cullather, "Development? It's History," *Diplomatic History* 24, no. 4 (2000): 641–53. The development efforts by secular Arab organizations or Islamic ones have not yet been the subject of research-based studies. See Fadhel Abdelli-Pasquier, *La banque Arabe pour le développement économique en Afrique (BADEA) et la cooperation Arabo-Africaine* (Paris: L'Harmattan, 1981); Ṣāliḥ ḥamīd al-ʿAlī, *Al-Muʾassassāt al-māliyya alʾīslāmiyya wa dawruhā fī al-tanmiya al-Iqtiṣādiyya wa al Ijtimāʿiyya* (Islamic financial foundations and their role in economic and social growth) (Damascus: Dar Al-Nawadir, 2008). From among the rapidly expanding literature on development and modernization theory more generally, see Cullather, *The Hungry World: America's Cold War Battle against Poverty in Asia* (Cambridge, Mass.: Harvard University Press, 2010); Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore: Johns Hopkins University Press, 2003); David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton, N.J.: Princeton University Press, 2010); Bradley Simpson, *Economists with Guns: Authoritarian Development and U.S.-Indonesian Relations, 1960–1968* (Stanford, Calif.:

Stanford University Press, 2008). On the UN, see Craig Murphy, *The United Nations Development Programme: A Better Way?* (Cambridge: Cambridge University Press, 2006). The literature on development has in fact become so prolific that already a number of "revisionist" accounts are in the making. For an approach emphasizing how ideas about community-building and small-scale bottom-up projects have been part of development at a much earlier stage than commonly assumed, see Daniel Immerwahr, "Quests for Community: The United States, Community Development, and the World, 1935–1965," forthcoming in the *Journal of Economic History*. See also Sheyda Jahanbani, *The Poverty of the World: Discovering the Poor at Home and Abroad, 1935–1980* (Oxford: Oxford University Press, forthcoming).

11. See Matthew Connelly, *A Diplomatic Revolution: Algeria's Fight for Independence and the Origins of the Post-Cold War Era* (New York: Oxford University Press, 2002). Mark Mazower's *Governing the World* is a superb interpretation of the international system and the UN in the postwar period. See also Sunil Amrith and Glenda Sluga, "New Histories of the United Nations," *Journal of World History* 19, no. 3 (2008): 251–74; Paul Kennedy, *Parliament of Man: The Past, Present, and Future of the United Nations* (New York: Random House, 2006). The UN history project at Harvard is a helpful resource for research and bibliographic references: http://www.unhistoryproject.org.

12. The term, in French resonating with the Abbé Sieyès's "third estate" (*tiers état*), was coined by the French demographer Alfred Sauvy in 1952. See Sauvy, "Trois mondes, une planète," *L'Observateur*, August 14, 1952.

13. For an account of Prebisch's life, see Edgar J. Dosman, *The Life and Times of Raúl Prebisch, 1901–1986* (Montreal: McGill-Queen's University Press, 2008). See also John Toye and Richard Toye, "The Origins and Interpretation of the Prebisch-Singer Thesis," *History of Political Economy* 35, no. 3 (2003): 437–67; Toye and Toye, *The UN and Global Political Economy* (Bloomington: Indiana University Press, 2004), 111.

14. Above all it was the Pearson report that raised questions about the efficiency of dominant development models: Lester Pearson, *Partners in Development: Report of the Commission on International Development* (New York: Praeger, 1969). The First Development Decade furthermore promised to accelerate the combined growth rate of developing countries to a maximum of 5 percent. In addition, target rates were set for amounts of aid flow, initially set at 1 percent of developed countries' GNP, later adjusted to 0.75 and eventually to 0.7 percent, while the remaining 0.3 percent was to come from private flows. Developing countries had in fact seen impressive growth rates in the 1950s and 1960s as a consequence of what economists call the catch-up effect. But as would later become clear, wealth was not equitably distributed, and even 5–9 percent growth rates in countries like Tanzania, Kenya, and Brazil were not enough to lift the masses out of poverty. What is most important for understanding dissatisfaction with Western aid, however, was a relative indicator and perceptions of the same: as a percentage of industrial nations' GDP, official aid continuously declined from the 1960s.

15. In 1956, 52 percent of all aid by major industrial countries was official aid. This figure rose to 66 percent in 1960 and 64 in 1965, but it sank to 57 (1970), 55 (1975), and 51 percent (1980), respectively. Over the same period, all private flows taken together rose to equal official aid by the 1980s. Within private flows, direct investment received a tremendous boost with the onset of decolonization and stood at 41 percent in 1956 but then remained somewhat stable at the lower rate of 23 percent (1960), 19 percent (1965), 20 percent (1970), 21 percent (1975), and a mere 10 percent in 1980. The reason for the decline had to do with the changing structure of international

finance. Money was simply no longer invested only in brick-and-mortar assets abroad, but with the growth of external borrowing possibilities in the evolving Eurodollar markets, export credits and private bank loans grew gradually from the 1960s to the 1970s. With the full liberalization of capital accounts in many countries after the end of the Bretton Woods exchange rate system in 1973 and the further growth of financial markets, portfolio investment became another favored strategy for moving capital overseas. Portfolio and bank lending increased from virtual nonexistence (no numbers) in 1956 to 5 percent of all private flows in 1960, 7 percent in 1965, and 4 percent in 1970, to 11 percent in 1975 and 20 percent in 1980. See Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley: University of California Press, 1986): 83 (table 7). On the shift from manufacturing and trade to finance more broadly, see Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven, Conn.: Yale University Press, 2010).

16. See Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism* (New York: International Publishers, 1965).

17. In the economic system that consisted of the International Bank for Reconstruction and Development (IBRD, commonly known as the World Bank), the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT), voting rights were tied to the size of members' contributions, which in turn were based on the size of a country's economy. Smaller and poorer countries therefore carried less weight in these institutions than in the UN General Assembly.

18. See http://www.un.org/en/members/growth.shtml (accessed June 25, 2013). A number of recent studies have taken up the altered dynamics at the United Nations and particularly America's response to it. See Carol Anderson, *Eyes off the Prize: The United Nations and the African American Struggle for Human Rights, 1944–55* (Cambridge, Mass.: Harvard University Press, 2003); Ryan Irwin, *The Gordian Knot: Apartheid and the Unmaking of the Liberal World Order* (New York: Oxford University Press, 2012); Philip Muehlenbeck, *Betting on the Africans: John F. Kennedy's Courting of African Nationalist Leaders* (New York: Oxford University Press, 2012).

19. On the rise of the General Assembly more broadly, see Mazower, *Governing the World*, 264–69. See also Steven Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985).

20. Raul Prebisch played a central role at the conference. See *Muʾtammar masāʾil al-tanmiya al-iqtiṣādiyya al-munʿaqid bi madīnat al-qāhira fī al-mudda min 9–18 yūlīū ʿām 1962* (Conference "issues of economic growth" held in the city of Cairo in the time period from July 9–18, 1962) (Cairo, 1962); Toye and Toye, *UN and Global Political Economy*, 187. Toye and Toye give a helpful account of the developments that led to the establishment of UNCTAD and of UNCTAD's first series of conferences.

21. See Foreign Relations of the United States (hereafter FRUS), 1952–1954, vol. 1, part 1, General: Economic and Political Matters, document 26, General Adviser to U.S. delegation to the UN, September 9, 1954. For a similar remark by the Caribbean British economist W. Arthur Lewis, see Toye and Toye, *UN and Global Political Economy*, 65. On the South-South dimension of the Cold War, see Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2005).

22. See Garavini, *After Empires*, 75.

23. The UN adopted two covenants, one for political and human rights, one for economic and social rights, in 1966. See GA Res. 2200A (XXI) of December 1, 1966. See also Roger Normand

and Sarah Zaidi, *Human Rights at the UN: The Political History of Universal Justice* (Bloomington: Indiana University Press, 2008).

24. On the dominance of self-determination in most rights debates in the 1950s, see Moyn, *Utopia*, chap. 3; and Bradley Simpson, "The United States and the Curious History of Self-Determination," *Diplomatic History* 36, no. 4 (2012): 675–94.

25. See General Assembly resolutions 523 (VI) and 626 (VIII) of January 12 and December 21, 1952, as well as GA 421 D (V) of December 4, 1950, as well as GA resolution 545 (VI) of February 5, 1952.

26. See GA resolution 1314 (XIII), December 12, 1958. See also *The Status of Permanent Sovereignty over Natural Wealth and Resources: Report of the Commission on Permanent Sovereignty over Natural Resources* (New York: United Nations Publications, 1962).

27. On extraterritoriality and unequal treaties, especially in China and Japan, see Par Cassel, *Grounds of Judgment: Extraterritoriality and Imperial Power in Nineteenth-Century China and Japan* (New York: Oxford University Press, 2012).

28. In the context of Mexican expropriation of U.S. oil interests in 1938, the later so-called Hull formula (after then-secretary of state Cordell Hull) was first established, stating that in the case of property takings, "prompt, adequate and effective" compensation had to be paid.

29. On the question of the rights and duties of successor states, see Matthew Craven, *The Decolonization of International Law: State Succession and the Law of Treaties* (Oxford: Oxford University Press, 2007).

30. UN Archives and Records Management Section (hereafter quoted as UN) S-0467–0037, UN Commission on Permanent Sovereignty over Natural Resources, Summary Record of the Twenty-Fourth Meeting held on May 15, 1961.

31. 87 countries voted in favor, 12 abstained, and France and South Africa (!) voted against. See also Nico Schrijver, *Sovereignty over Natural Resources: Balancing Rights and Duties* (Cambridge: Cambridge University Press, 1997), 75.

32. See National Archives Kew (hereafter NA), POWE 61/40, Foreign Office, November 6, 1961, with references to similar meetings between U.S. officials and American oil.

33. See NA POWE 61/40, September 6, 1963; see also letter, Chris Thompson, Shell Centre, to W. C. C. Rose, Ministry of Power, August 7, 1963.

34. See NA POWE 61/40, June 23, 1961.

35. See "Resolution on the establishment of an economic and social development fund for non-aligned countries," September 9, 1973, in *A New International Economic Order: Selected Documents, 1945–1975*, ed. Alfred Moss and Harry Winton, vol. 1 (New York: UNITAR, 1976), 427. See also UN S-0972–0003–04–01, Draft Resolution on the Establishment of an Economic and Social Development Fund for the Non-Aligned Countries, September 4, 1973. Examples of such associations already existed in the Council for Copper Exporting Countries or the Organization of Coffee-Producing Nations; see Garavini, *After Empires*, 181.

36. The fact that OPEC's non-Arab members and Iraq did not join could not prevent oil prices from quadrupling. Tore Petersen, *Richard Nixon, Great Britain and the Anglo-American Alignment in the Persian Gulf and the Arabian Peninsula: Making Allies out of Clients* (Sussex: University of Sussex Press, 2009), arguing that Nixon knew of the embargo and approved of it, rightly appears to have found few followers.

37. UN press release, April 9, 1974.

38. See NA FCO 96/162, Aid to the hardest hit and a new development committee, Foreign

and Commonwealth Office, October 13, 1974. For contemporary works on the NIEO, see among many others a few particularly prominent and helpful contributions: Jagdish N. Bhagwati, ed., *The New International Economic Order: The North-South Debate* (Cambridge, Mass.: Harvard University Press, 1977); Mohammed Bedjaoui, *Towards a New International Economic Order* (New York: Holmes and Meier, 1979); Jan Tinbergen, *Reshaping the International Order: A Report to the Club of Rome* (New York: Dutton, 1976); W. Arthur Lewis, *The Evolution of the New International Economic Order* (Princeton, N.J.: Princeton University Press, 1978); the essays in Karl P. Sauvant and Hajo Hasenpflug, eds., *The New International Economic Order: Confrontation or Cooperation between North and South?* (Boulder, Col.: Westview Press, 1977), are especially helpful. On the events of 1974 at the UN and the oil crisis, see Giuliano Garavini, "Completing Decolonization: The 1973 'Oil Shock' and the Struggle for Economic Rights," *International History Review* 33, no. 3 (2011): 473–87.

39. The common fund idea in fact was much older and harkened back to Keynes' visions for the postwar economic order. See John Maynard Keynes, "The International Control of Raw Materials," *Journal of International Economics* 4 (August 1974): 299–315 (reprint of a 1942 memo); and Boris C. Swerling, "Buffer Stocks and International Commodity Problems," *Economic Journal* 63, no. 252 (1953): 778–90. See also Eric Helleiner, "The Development Mandate of International Institutions: Where Did It Come From?" *Studies in Comparative International Development* 44, no. 3 (2009): 189–211, and his forthcoming book on the development agenda of Bretton Woods. My thanks to Eric Helleiner for pointing me to these materials.

40. See Henry Kissinger, "The Challenge of Interdependence," *Department of State Bulletin* 70, no. 1819 (1974): 477–83.

41. Six industrial countries—the United States, UK, FRG, Belgium, Denmark, and Luxembourg—voted against the charter, while ten more abstained.

42. See NA FCO 61/1004, U.S. Statement.

43. See NA FCO 7/2487, Speech Echeverría.

44. See NA FCO 61/1004, British Embassy in Mexico to Foreign Office, December 20, 1973. See also NA FCO 69/439, Inter-Departmental UNCTAD working group, July 13, 1973.

45. See NA FCO 61/1159, Foreign Office, May 30, 1974.

46. See Keba M'Baye, "Le droit au developpement comme un droit de l'homme," *Revue des droits de l'homme* 5 (1972): 505–34; see also Moyn, *Last Utopia*, 224. The UN General Assembly authorized a study of such a right in 1977, but it was only in 1986 that it adopted a Declaration on the Right to Development (UN A/RES/41/128).

47. The first cases that garnered public attention were the earlier (unsuccessful) nationalization of the Anglo-Iranian Oil Company in 1953 and Nasser's nationalization of the Suez Canal in 1956. See Stephen J. Kobrin, "Expropriation as an Attempt to Control Foreign Firms in LDCs: Trends from 1960 to 1979," *International Studies Quarterly* 28, no. 3 (1984): 333. Among the several titles on the risk of expropriation, see Raymond Vernon, *Storm over the Multinationals: The Real Issues* (Cambridge, Mass.: Harvard University Press, 1977).

48. See NA FCO 61/904, Foreign Office Brief on Permanent Sovereignty, June 28, 1972.

49. For a list, see the rather old but very useful Helmut Frick, *Bilateraler Investitionsschutz in Entwicklungsländern: Ein Vergleich der Vertragssysteme der Vereinigten Staaten von Amerika und der Bundesrepublik Deutschland* (Berlin: Duncker and Humboldt, 1975), 82.

50. See Patrick Juillard, "Les Conventions Bilaterales d'Investissement concludes par la France," *Journal du droit international* 274, no. 2 (1979): 280–81.

51. See Frick, *Bilateraler Investititionsschutz*. Most Western European countries also operated national credit insurance schemes providing protection for export credit.

52. Other similar institutions are the International Finance Corporation as part of the World Bank and the Multilateral Investment Guarantee Agency. See Schrijver, *Permanent Sovereignty*, 185.

53. The long-planned multilateral insurance scheme finally came into existence in 1988 as part of the World Bank. See Ibrahim Shihata, *MIGA and Foreign Investment: Origins, Operations, Policies and Basic Documents of the Multilateral Investment Guarantee Agency* (Boston: Kluwer, 1988). Alasdair Roberts, *The Logic of Discipline* (New York: Oxford University Press, 2011), has counted the creation of a landscape of independent "super courts" outside of the domestic court system among a set of politics that sought to shelter nodes of economic decision-making from the requirements of democracy and the popular vote.

54. See NA FCO 61/1159, Foreign Office, March 14, 1974. The United States therefore began to tie foreign aid to compensation for expropriation. See Stephen Krasner, *Defending the National Interests: Raw Material Investments and U.S. Foreign Policy* (Princeton, N.J.: Princeton University Press, 1978), 222.

55. See Department of State, Bureau of Intelligence and Research, *Nationalization, Expropriation, and Other Takings of United States and Certain Foreign Property since 1960* (Washington, D.C., 1971). For a list of foreign takeovers of U.S. raw materials investments, see Krasner, *Defending the National Interest*, 144–46. See also Hal Brand, "Richard Nixon and Economic Nationalism in Latin America: The Problem of Expropriations, 1969–1974," *Diplomacy & Statecraft* 18, no. 1 (2007): 215–35.

56. See http://www.commentarymagazine.com/article/the-united-states-in-opposition (accessed February 25, 2013).

57. See Henry Kissinger, "Global Consensus and Economic Development," *Department of State Bulletin* 73, no. 1891 (1975): 429. In a last-minute decision, Kissinger had to skip the UN session to travel to the Middle East for his ongoing attempts to broker an agreement in the Arab-Israeli conflict. The speech was therefore read in his stead by the U.S. UN representative Daniel Patrick Moynihan. See also FRUS, 1969–1973, vol. E-14, part 1, Documents on the United Nations, 1973–1976, doc. 21, From Dept. of State to certain diplomatic posts (in the Third World mainly), April 3, 1975. See also FRUS, 1969–1973, vol. E-14, part 1, Documents on the United Nations, 1973–1976, doc. 27: Summary of intelligence memorandum prepared by CIA, August 27, 1975.

58. See Henry Kissinger, "Global Consensus and Economic Development," *Department of State Bulletin* 73, no. 1891 (1975): 430. The International Finance Corporation was supposed to manage the new investment fund.

59. See FRUS, 1973–1976, vol. XXXI, Foreign Economic Policy, doc. 257: Editorial Note.

60. See FRUS, 1973–1976, vol. XXXI, Foreign Economic Policy, doc. 291: Memorandum from economic policy board to President Ford, undated.

61. On the 1970s as a hinge decade of economic, political, and social transformation, see Niall Ferguson et al., eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge, Mass.: Harvard University Press, 2010).

62. See *Garavini, After Empires*, 183.

63. See J. J. Servan-Schreiber, *The American Challenge* (New York: Atheneum, 1968), xiv.

64. See NA FCO 96/162, The Soviet Union and the New Economic Order, September 25, 1974. On the Trilateral Commission, see Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990).

65. See UN S-0908–0002–05, Special programme, including emergency measures to mitigate the immediate difficulties of the developing countries most seriously affected by economic crisis bearing in mind the particular problem of the least developed and land-locked countries, working paper, April 26, 1976.

66. Another consequence of petrodollars is hardly ever mentioned in Western literature but deserves to be studied: the emergence of Islamic finance and an increasingly profitable, growing industry of Islamic banking and, even less recognized, Islamic insurance. More generally, superabundance of cash fueled the emergence of global finance in the 1970s. Brokers, mutual funds, and the first hedge funds date back to this period. Overall, the turn to finance meant a turn to portfolio investment rather than investment in brick-and-mortar productive assets, at home and particularly abroad. America exchanged "factories for finance." See Stein, *Pivotal Decade*. David Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets* (Ithaca, N.Y.: Cornell University Press, 1999), argues that petrodollars were in fact hardly lent out to developing countries but, in a story that would resemble the relationship between China and the United States in the past decade or so, were turned into bonds with which the United States financed its debt.

67. See NA OD 48/24, Draft Report Material, ICIDI 8th meeting, Vienna, July 4–6, 1979.

68. See Matthew Connelly, *Fatal Misconception: The Struggle to Control World Population* (Cambridge, Mass.: Harvard University Press, 1998); and *North-South: A Program for Survival: Report of the Independent Commission on International Development Issues* (Cambridge, Mass.: MIT Press, 1980), 269.

69. See NA FCO 61/1293, Foreign Office, February 5, 1975. In the U.S., three commissions dealt with shortage scenarios in the early 1970s: the National Commission on Materials Policy, the National Commission on Supplies and Shortages, and the Nonfuel Mineral Policy Review. See also Krasner, *Defending the National Interests,* 52.

70. Quoted in Stein, *Pivotal Decade*, 87.

71. See NA FCO 58/1047, Prime Minister's Visit to Bonn, September 1, 1977.

72. The list of members must have made the Brandt Commission look like a retirement club for social democrats. Among them figured Edward Heath (UK), Pierre Mendes-France (France), Olof Palme (Sweden), Jan Pronk (Netherlands), Eduardo Frei (Chile), Peter G. Peterson (USA), and Katharine Graham (USA).

73. Quoted in Mazower, *Governing the World*, 309.

74. See NA FCO 59/1564, Jimmy Carter, July 7, 1978. Note that the latest and currently last round of multilateral trade negotiations, the Doha Round, has stalled since 2008 due to disagreement between China, India, and the United States over agricultural import rules.

75. See *North-South*, 281.

76. This is by no means to say that these transformations happened uncontested or overnight. As every historian will easily understand, the constraints of space often force us to compress developments that in fact unfolded much less cleanly, and rather to focus on their outcome instead of the process itself. I would like to acknowledge the struggle especially of American labor against the new policies.

77. See Folker Fröbel et al., *Die neue internationale Arbeitsteilung: Strukturelle Arbeitslosigkeit in den Industrieländern und die Industrialisierung der Entwicklungsländer* (Reinbeck: Rowohlt, 1977). Many Third World free-trade, foreign-trade, and export-processing zones had in fact been set up prior to the 1970s and 1980s, but establishing these zones became much more mainstream later.

78. See UN S-0972–0003–01, Summary of working papers for the ministerial meeting of the Group of 77 in New York, March 11–14, 1980.

79. Participants in the Cancún meeting were the United States, Japan, West Germany, France, the UK, Canada, Sweden, Austria, Mexico, Brazil, Venezuela, Guyana, Algeria, Nigeria, Ivory Coast, Tanzania, China, Saudi Arabia, India, Bangladesh, the Philippines, and Yugoslavia. See FCO 82/1104, North/South Summit—Participants.

80. See UN S-0972–0005–03, Summary of remarks made by President Reagan in Philadelphia on October 15, 1981.

81. See NA FCO 82/1104, Reagan arrival statement in Washington, October 17, 1981.

82. See NA PREM 19/435, The Prime Minister, March 20, 1981. See also PREM 19/435, Promotion of Private Direct Investment to Less Developed Countries.

83. Quoted in Garavini, *After Empires*, 255.

84. See NA FCO 82/1104, Reagan arrival statement in Washington, October 17, 1981.

85. See Roberts, *Logic of Discipline*, 28.

86. See Wood, *Marshall Plan to Debt Crisis*, 232.

87. See Mahbub ul Haq, *The Poverty Curtain: Choices for the Third World* (New York: Columbia University Press, 1976), xv.

88. To be fair, state- and planning-led development was coming under criticism not just from voices demanding more attention to grassroots development but also from economists and intellectuals, often with ties to Third World countries, who had become deeply estranged from anything that smacked of development state-style. Among them were, with different ideas about what to change, Jagdish Bhagwati, Deepak Lal (today affiliated with the Cato Institute), and Amartya Sen.

89. John Williamson, who coined the term, has since distanced himself from the expression as well as the set of policies it described. For a summary of the policies, see Williamson, *Latin American Adjustment: How Much Has Happened?* (Washington, D.C.: Institute for International Economics, 1990).

90. Toye and Toye, *UN and Global Political Economy*, 254, speak of a "conservative counter-revolution" but fail to acknowledge its neoliberal element sufficiently to explain the shift in policies. On the neoliberal dismantling of the state-led development consensus, see Jennifer Bair, "Taking Aim at the New International Economic Order," in *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, ed. Philip Mirowski and Dieter Plehwe (Cambridge, Mass.: Harvard University Press, 2009), 347–85; and Plehwe, "The Origins of the Neoliberal Economic Development Discourse," in ibid., 238–79.

91. See Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, Mass.: Harvard University Press, 2012), on some of the terminological difficulties with neoliberalism and historical shifts in meanings. On the sets of assumptions and politics that came to be understood as "neoliberal," see also Daniel Rodgers, *Age of Fracture* (Cambridge, Mass.: Harvard University Press, 2011), chap. 2. See furthermore Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberalism* (Princeton. N.J.: Princeton University Press, 2012). Johanna Bockman has recently argued for the need to take socialist perspectives on markets more seriously in *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism* (Stanford, Calif.: Stanford University Press, 2011).

92. See Rodgers, *Age of Fracture*.

93. See Kofi Annan, "Two Concepts of Sovereignty," *Economist*, September 16, 1999.