FORGET THE NWICO...AND START ALL OVER AGAIN

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Twelve years have passed since developing countries set themselves to reorganize the international communications system, through the creation of a New World Information and Communication Order (NWICO), but little has been achieved. In the meantime, a lot has changed in the international scene, but the Third World still handles grievances with the old language and sticks to its old goals. It is high time, indeed, to revise it all.

The calls for a New World Information and Communication Order never referred to the *usefulness* of information. The political and cultural impacts of the media and the concept of news dependence were discussed to the point of exhaustion, but no serious attention was paid to how useful information must be in order to upgrade the capacity to master the conditions of one's own life and to fix the terms of international relationships. Because of this, the debates completely neglected the crucial question of the flow of specialized information, on which development depends most.

The key concepts of the calls for a NWICO were culture (cultural imperialism vs. cultural identity), information flows and balance (one-way vs. two-way flows of information), added to an increased political awareness which highlighted such concepts as access and participation. Their combination should have made it possible to deal with a great variety of information problems, but in practice 'culture' was reduced to the mass media, and imbalances in information flow were reduced to news dependency. Consequently, most Third World action was devoted to the creation of national news agencies and regional news networks.

Today, information occupies a much lower position on the agenda of the Third World, and the inauguration of Third World news networks creates a sense of accomplishment that makes future debates less likely. Current economic crises, added to unmanageable debts, growing famine and social unrest, make it still less likely for information issues to get the attention of developing countries. Information and communication are seen as 'cultural' matters, of little consequence in emergency periods like the one in which we in the Third World now live.

Despite the long march towards a NWICO, developing countries still do not see that information is at the centre of the international division of labour, with all its unequal terms and related crises. How true it is, indeed, that only those who know can estimate the costs of not knowing enough.

Precisely because of the huge crisis, information ought to be present now in all the debates. Information is required to assess the crisis and to detect the fundamental roots of it. Information is necessary to see how to get out of the crisis, and to administer the resources required to do so. Information is vital to make better international bargains in order to gain real benefits from our resources.

After many debates and meagre achievements, developing countries remain utterly handicapped in negotiations that affect their fundamental interests. Their position is weak because they do not master the information that vital economic negotiations require. They do not know enough about the other parties in a bargain and do not know enough about themselves either, which makes the chances of achieving their goals almost nil. The case of financing — particularly in the context of the external debt crisis — is a clear example of this.

Latin American countries did not foresee this crisis, nor the extent of it. In theory, governments had enough information to estimate the potential impacts of growing indebtedness; in practice, they did not have enough nor could they process what they had; thus they lacked the capacity to forecast. Once the crisis exploded they gradually realized that united action was mandatory for successful negotiations. No efficient joint action was possible, however, partly because they lacked the mechanisms to exchange vital information. Such are the broad conclusions of a case study undertaken by this author at the end of 1984.

FINANCE, DEBTS AND THE 'KNOW-NOTS'

The Third World's external debt increased from US$100 billion at the beginning of the 1970s to some US$900 billion in 1985. The Mexican crisis, in 1982, was taken first as an isolated problem to be solved by automatic adjustments. One year later the crisis was visible everywhere. In November 1983, the Latin American Federation of Commercial Banks (Federación Latinoamericana de Bancos:FELABAN) declared 'experience is showing, beyond doubts, that the external debt of Latin America, as it has been contracted, cannot be paid.' (2) In January 1984, twenty-six Latin American and Caribbean heads of states admitted that the region faced 'the most serious economic and social crisis of this century'. (3) Renegotiation became the catchword of the period.

The initial reaction of Latin American governments was to try coping with problems on a bilateral basis only, but the relentless expansion of the crisis pushed them to seek common guidelines for international bargaining. It was in this context that new information needs began to be felt.

In November 1983, FELABAN declared that 'the results of individual action are evident. Harder conditions, bigger interest rates, distressing terms. It is time to rectify this approach and try another strategy.' It proposed then the creation of an information centre 'to exchange vital information on the evolution of each negotiation, to provide technical advice to negotiating committees, to study common frames for negotiations...' (4) The Quito Conference of heads of states, in January 1984, approved similar goals. Six months later, the ministries of finance decided to create 'a mechanism for mutual consultation and follow-up of negotiations...to facilitate regional exchanges of information and experience'. (5)

In order to examine the relevance of these declarations, it was decided to explore the relationships between information management and external debt. Executives at the Federation of Latin American Banks, two ministries of finance (Argentina and Colombia) and five central banks (Argentina, Colombia, Chile, Ecuador, Peru) were interviewed. A total of twenty-four persons from five countries were interviewed during September-October 1984.

The interviewees were asked to comment on such issues as the availability of information on their own country's debt; on-going negotiations and the global economy; the importance of information in the context of those negotiations; the practical uses of decisions like those adopted by heads of states in Quito; and the possibilities of upgrading the exchange of financial information among neighbouring countries. The results of these enquiries are summarized below.

All five countries had problems in dealing with information on their respective debts. There were discrepancies between official figures and data collected by independent local sources. Further, there were discrepancies *within* the figures handled by official sources, either on the private or public debts, or both. A common pattern was that, throughout the years, the decentralization of public institutions had not been accompanied by an efficient system for centralizing information. Thus individual institutions were able to contract debts without a single state entity having enough data to know the total public debt.

The banks reported no communication problems in handling short-term decisions and daily international transactions. They all used telex and direct telephone connections with industrialized centres. They also received, via telex, regular reports from transnational banks offering free information services. Major problems appeared, however, in respect of information resources for surveying the global and regional economy. With only one exception, all executives reported a serious lack of information in this field, which was felt most acutely by personnel in charge of diagnosis, follow-up and forecasts for the management of international relationships.

At the end of 1984, there was no horizontal communication between Latin American central banks. To follow events in neighbouring countries, they mainly used indirect sources like reports from the International Monetary Fund (IMF) and other international institutions, journals from industrialized countries, external consultants (also from industrialized countries) and reports from private creditors.

The executives said that, at the outset of the crisis, nobody knew what their neighbouring countries were discussing with creditors. To exchange information on the terms of such talks would have been crucial at that stage. By the end of 1984, the terms of the negotiations were known. What was far less known were the detailed clauses and their potential impact on the domestic economies. Some feared that the costs of certain clauses could be tremendous but, since some countries had already signed them, it would be impossible to avoid them in parallel renegotiations.

At this stage, some felt that the main need was to exchange the experience gained in such hard bargaining. The countries had to learn from their own mistakes and let others learn from them also. 'I would not have said this a couple of months ago,' said one, 'but only experience teaches the importance of experience...'

Despite this awareness, the executives did not see the benefits derived from follow-up meetings of top representatives of ministries of finance, foreign relations and central banks held in June 1984. These meetings produced no changes in the daily work of state institutions in charge of debts. None of the executives had seen a follow-up report and none of them was sure whether or not his or her bank was actually a permanent participant in the group. Without exception, they felt that the meetings had been totally fruitless. Some added that either the follow-up mechanism was utterly inefficient, or the problems of internal communication at their own banks were so great that the pertinent information did not reach them, or both.

None of them saw concrete difficulties in the way of upgrading horizontal communications. The easiest formula was to exchange the same reports that they already delivered to the International Monetary Fund and to private creditors. When asked why such simple mechanisms were not applied, they mentioned the real obstacles: the lack of a truly integrationist will, political distrust, cultural barriers, the inefficiency of public institutions and the lack of resources to keep reliable and up-to-date information on their own countries. They also mentioned factors such as a

reluctance to let others know the mistakes made during negotiations, and hopes of achieving better results if bargaining alone rather than united — a belief that creditors, naturally, sought to encourage.

Thus, although the crisis exploded in 1982, by the end of 1984 debtor countries still did not have complete information on the magnitude of their debts. Although sound renegotiations required sharing information, particularly about the terms of talks and the experience gained in three years of bargaining, and despite the stated intentions to do so, the countries had achieved nothing significant in this regard. Notwithstanding the importance of upgrading mechanisms for surveying the world economy, by the end of 1984 they continued flying as blind as they did before the crisis exploded.

Little or nothing had been learnt from an experience that governments evaluated as 'the worst crisis of this century', and whose tremendous costs are now being paid by 375 million Latin Americans.

THE ADVANTAGES OF KNOWING BETTER

In contrast to this situation, creditors organized themselves rather early to strengthen their information resources and linkages.

Seventy-five percent of the total debt of the Third World is owed to not more than 200 private banks. Such powerful creditors established their own centre — the Institute for International Finance (IIF) in Washington — to process and exchange information pertinent to their interests. The idea emerged in 1981 from a group of major bankers. They met in 1982 to plan an entity whose function would be to supply up-to-date economic and financial information on debtor nations. According to one of its directors, they estimated that 'the lack of precise information was an acute problem that aggravated the imminent crisis'. (6)

The IIF was established in January 1983. By the end of that year, its membership included 180 banks operating in 39 nations that account for more than 75 percent of the whole debt of the developing world. In 1983, the IIF also established an information system that permits permanent access, via computer terminals, to some eighty key indicators of developing economies. In addition, the IIF acts as a bankers' forum and representative to deal with matters concerning the international finance system.

It was a mechanism of this kind that the Federation of Latin American Banks was thinking of when it made its proposal. But this was certainly not what was understood by the Latin American ministers responsible for finance, the economy, foreign relations and central banks. Everywhere, the predominant tendency was to think that efficient information exchange was equivalent to ministerial gatherings only.

Despite all the emphasis which has been placed on the NWICO, developing countries still do not see information as a key resource for decision-making. As one of the managers interviewed put it, 'the biggest problem is the bureaucratic use of information. To serve decision-making, information should be complete, reliable and up-to-date. Here information is usually complete, but it is unreliable and normally out-dated... Few care about it, however, because they do not use information to make their decisions anyway.'

This attitude is reflected in the resources allocated to information. In the survey it was found that the communication expenditure of the five central banks was meagre. In Argentina, communication expenditure for 1984 was close to US$150,000. The Central Bank of Colombia established a central department of communications only in 1983, and supplied a rough figure of US$760,000 that corresponds to headquarters' expenditure only. In Chile, the Central Bank spends US$1.2 million a year on communications. No figure for communication expenditure was obtained from the Central Bank of Ecuador. The Central Bank of Peru spends roughly US$500,000 a year on all telecommunications and information services.

In total, these four central banks spent US$2.6 million a year on telecommunications equipment and services. In 1982, Cees Hamelink estimated that the major international private banks spent on average US$18.5 million a year on equivalent services. (7) In 1979, the Bank of America spent US$70 million on telecommunications and information services. (8)

There can be no comparison between the respective capacities of First World lenders and Third World borrowers to survey and benefit from world economy in such conditions. And yet, blindness is so costly! In 1983, it was estimated that an increase of just one point in interest rates meant that Latin America would be obliged to pay US$2.5 billion more a year. How can Latin American banks and governments cope with such uncertainties, when their ability to forecast is so poor?

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Despite the renegotiations, the pitfalls of the global economy do not permit us to find an easy way out from the crisis: for non-petroleum-exporting countries, the terms of trade during 1980-82 were worse than in 1931-33. And interest rates were, in the same period, the highest since the 1930s world crisis. This, added to growing protectionism in industrialized countries, makes it impossible for developing countries to catch up with renegotiated payments.

To overlook the importance of information at this critical period means to neglect 'the most thorough-going methods of dealing with uncertainty, i.e., by

securing better knowledge of and control over the future'. (9) But this is what developing countries now do; the bigger the crisis, the less importance they tend to ascribe to information issues.

A devastating result is their evident inability to get what they want and need from international relations. Vital activities such as trade and finance are clear examples of a game in which the Third World pays either the fool or the blind, or both.

Three information tasks are urgent in this regard. First, the creation of adequate mechanisms for inter-sectoral communication among all entities that keep information on the countries' debts. Second, a true exchange of the experience gained in the heavy bargaining sustained during the last three years. The creation of a capacity for comparative analysis of the countries' policies and negotiations is also a requisite for meaningful exchanges. Third, the gradual establishment of a serious capacity to survey the world economy in which countries participate now in such a blind manner.

None of this will be feasible unless dependent countries start taking seriously what advanced countries know so well, i.e. the inextricable links between information and economic power: the calls for a NWICO proved useless, among other reasons, because this was not sufficiently grasped. A meaningful re-launching of communication demands would therefore require:

- disposing of all distinctions between the New Information Order and the New Economic Order: they have only served to disarticulate issues that should have never been set apart;
- shifting the focus from communication to *information*. Channels, networks and all related facilities are totally worthless unless having a meaningful content for them to convey;
- recognizing that information is far more than a cultural and political problem. As Herbert Schiller says, 'culture *is* the economy' now; (10)
- realizing that information is a vital *resource* which enables us to acquire control over our own conditions of life. Priority must be given to information to improve decisions on resource allocation, market choices, technology assessment, etc.;
- admitting that the fuss about democratization of access to information makes no sense unless a concern for *efficiency* in the use of truly *pertinent information* accompanies it. There is much to learn from transnational corporations in this respect.

Be it trade, finance or international bargaining, power is more related to restricted information than to the type of information that flows through the mass media. Unless developing countries realize that their strategies are ill-directed, their position in the international economic and information order will continue as it is now, hopeless.

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Abstract

Despite the emphasis which has been placed on the New World Information and Communication Order (NWICO), developing countries still do not see information as a key resource to decision-making. The external debt problems which were not foreseen by Latin American countries illustrate how the neglect of specialized information flows weakens the position of developing countries in negotiations which affect their interests. A study undertaken by the author showed that Latin American debtor countries lacked the information necessary to renegotiate their debts due the absence of a mechanism for sharing information and surveying the world economy. By contrast, at an early stage the main creditors had established their own information centre, the Institute for