

## **International Development Perspectives for the 90s\***

GAMANI COREA

Chairman, Professor Naqvi, Professor Klein, Dr Kemal, Distinguished Participants,

First let me express my deep gratitude to the Pakistan Society of Development Economists for having invited me to be present on this occasion to take part in this Seventh Annual General Meeting. I feel privileged indeed to be here. It is not the first occasion I have had to visit Islamabad; but on this occasion, more than on previous ones, I have had the opportunity – thanks to this meeting – of making contact with so many economists and research workers in Pakistan.

I have been given a subject which seems to be a little bit removed from the issues that have been discussed, and will be discussed, over the period of this session. I have been asked to talk about international development perspectives for the 90s. No doubt the reason which prompted Professor Naqvi to suggest this title, and to invite me in fact, was that I had the honour of being Chairman of the UN General Assembly's exercise on the preparation of a Strategy for the 90s, the so-called Fourth United Nations Development Decade.

The General Assembly established, as was its practice on previous occasions, what is called a "Committee of the Whole" charged with the function of formulating and negotiating the text of what might be a Strategy for the 90s. This exercise was launched in the middle of 1989 and was concluded – I am happy to be able to say – on the 21st of December 1990, just a few weeks ago, when the Strategy was adopted by consensus by the Plenary of the General Assembly. The Strategy designates the Fourth Development Decade, the decade of the 90s, as starting on the 1st January of 1991 and ending on the 31st of December of the year 2000. So, today we are in the ninth day of the development decade of the United Nations.

I should say that the task of formulating a Strategy was not a particularly easy one this time because of the general context in which this effort had to be made. The approach to a Strategy for the 90s was initiated against a background of failure,

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of deadlock, or stalemate in the whole North-South dialogue. There was the failure of the Strategy adopted by the United Nations for the 1980s, the third development decade. That Strategy was a comprehensive document, replete with a number of precise targets covering a variety of sectors, virtually all of which went unrealized. The Strategy for the 80s was ambitious; it was forward looking; but unhappily the World economy went in the opposite direction and instead of a decade of development for the 80s we have had what has been called a "decade of despair", a "lost decade" in which the effort to give momentum to the development process was severely frustrated.

So, there were many who felt that it would not have been realistic or worthwhile to even attempt to draw up a Strategy for the 90s. There were also many who felt that even if such an effort was made, the Strategy for the 90s should be a different kind of document to its predecessor. It should not be ambitious; it should be, what they called "realistic"; it should be flexible; it should not embody quantitative goals which give the impression of precision, when precision was lacking. In one way or another the Strategy, it was felt by some, should be a low-key document which reflects the state of the World in which we are today. All this, of course, does not correspond to the idea of a "development decade"; but I am happy to be able to say that despite the initial misgivings of many delegations and many countries it was eventually decided that a Strategy would indeed be prepared, and that this Strategy would be aimed at making the decade of the 90s a true decade of growth and expansion. So, the commitment, hesitant at first, eventually came into being and this was of some value in the task that was undertaken.

Now, the starting point of the Strategy for the 90s was the projections that were placed before the Committee by a number of agencies – the World Bank, the International Monetary Fund, the United Nations, UNCTAD itself – all of which converged in portraying a decade to come that will not be very different to the decade that has gone by! Of course, these were projections not forecasts, and they were predicated on the continuation of existing policies. But, certainly they were not encouraging projections for those who were called upon to draw up a strategy of development for the last decade of the twentieth century. The projections that were before us suggested that on the basis of present policies, growth in the industrialized countries would be there, but would be slow, of the order of 2 to 3 percent a year. The projections also suggested that commodity prices, and commodity markets would remain relatively depressed in real terms not very much above the trough that they reached in the course of the 80s. The projections suggested that the countries of East Asia would continue to grow rapidly, with the countries of South East Asia following on their trail. For our part of the world, for South East Asia, the projections suggested a relatively modest performance. I do not know whether in the disaggregation Pakistan was given a better prospect than the other countries of the

SAARC region but the general picture was that our part of the World will more or less muddle along, keeping its head above water with GDP growth surpassing population growth, but certainly not sufficing to bring about a dramatic transformation in the economies of our countries. West Asia was expected to remain stagnant – this was of course before the Gulf Crisis – although there were some hint of a possible revival in oil prices in the latter part of the decade. The projections for Africa and for Latin America were particularly discouraging. These two continents were seen as continuing to remain in the doldrums, continuing to suffer from the burden of external indebtedness, and being unable to lift themselves up on to a path of dynamical growth and expansion.

Now, this is not a happy prospect for the 90s and certainly does not portray a decade of development. I was at pains from the very beginning to try and impress upon the international community and the members of the General Assembly that this prospect was really unacceptable because it was fraught with danger not only on the economic side, but on the political and social side as well. I felt, and I still feel, that the countries of the Third World cannot simply endure yet another decade of relative stagnation comparable to the decade that has gone by. I feel that there is still too little perception in the industrialized countries of the dynamics of the social process under way in the countries of the Third World. The developing countries are not just poor countries, poor societies, with poor people, that are waiting to be helped, that need to be helped. They have a dynamic of their own and as a result of demographic processes, as a result of the spread of education, as a result of the impact of the media and of communications, there is a tremendous surge, a tremendous restiveness in these populations – mostly young populations with aspirations and expectations which governments are finding extremely difficult to satisfy and to respond to. I tried to dramatize this picture by saying that I find it difficult to point to any developing country of which one could say with assurance that it is more stable today than it was when it achieved independence. I find, in fact, that in many countries the processes, the ground swell from below, are so powerful and so strong that the very question of governability is at stake; that more and more countries and governments in the Third World are finding their societies, their communities, increasingly difficult to govern – ungovernable, in fact. This is a dramatization, but it is not too far from what we are beginning to see, and what we have been seeing in the last decade or so.

I was also trying to impress on the international community that a state of mind that would condone a repetition of the 80s would result in, not a decade of development, but a decade of turmoil, tension and even revolution in the countries of the Third World. This process will surely have its repercussions not only on those countries but on the international community as well. The processes at work in the developing countries will not only destabilize their own societies but also

spread across national boundaries and have an impact on the fabric of peace and stability of the World as a whole. The linkages between countries today are not just linkages of trade and economics. There are a hundred ways in which turmoil and tension could spread – migration, refugees, terrorism, drugs and all that – and no country today is immune to these forces coming from outside its borders. So, I was trying to establish an additional motivation for a new decade of development cooperation. This would be based not only on the traditional motivation of mutual interests or moral compulsions or of cold war ideologies, but also on the very important need to avoid a situation that can truly threaten world peace and stability. In fact, it would not be an exaggeration to say that next to the avoidance of nuclear war, the maintenance of relative stability in the three continents of Asia, Africa and Latin America are crucial to the well-being of the planet.

Now, I am glad to be able to say that these ideas were accepted in the text of the Strategy document. But the key question is, what do you do to reverse the projections that are in prospect and to make the decade a true decade of development? Here, we ran into a very interesting phenomenon. That was a tendency on the part of the developed countries to place an enormous amount of emphasis on what the developing countries themselves can do in order to better their situation. Better internal policies, better macro policies, greater leeway for the operation of market forces, greater encouragement of private enterprise – all these things that you have been hearing about have emerged as recipes for the decade of the 90s. I had to say, at one stage, that whilst there is much validity in encouraging and exhorting developing countries to take the right actions, an international development strategy must be what it says it is. It is not a “do-it-yourself kit” for the countries of the Third World. It is an international effort in which there have to be convergent measures taken by the industrialized countries on the one hand and the developing countries on the other.

So, I did put a great deal of emphasis on bringing the focus back a bit more on to the external environment for development. In the 80s, under the pressure of adjustment programmes, there was a tendency to side-step the crucial issue of the global economic environment, to leave aside the hard issues of trade, money and finance and to focus on the internal actions of developing countries in the name of adjustment. But I think it is patently clear that whilst the internal actions of developing countries are crucial for their success and for their progress, these actions can be easily frustrated and thwarted if the global external environment is unfavourable, if it continues to be unfavourable in the 90s as it has been in the 80s. This means bringing the spotlight back again on to such issues as the external debt problem, the question of resource flows to developing countries, the question of the world trading system and market access, the question of the terms of trade and of commodity prices – all issues which in the course of the 80s tended to recede further and further

away from the agenda of international discussions and negotiations.

I feel that, in one way or another, the Strategy as finally adopted does reflect a fair balance regarding the respective roles of the external economic environment and of domestic policies. Had it not done so, it would have been a grave shortcoming of the Strategy which would have made it worthless. I do feel that the Strategy does recognize that a decade of development is contingent on the actions taken by the international community to bring about a global environment that is supportive of development, in which there is stability of exchange and interest rates; in which there is growth and expansion in the world economy; in which resources are flowing, not from the poor to the rich as they are today, but vice versa as they should; in which markets are open to all; in which commodity prices regain their strength; and in which the debt problem is no longer a handicap to the growth efforts of developing countries. All this finds recognition in the Strategy.

But I must say that recognizing the importance of these issues is one thing. Agreeing on the actions to be taken to bring them about is quite another. The Strategy is weak on the concrete actions that are needed to realize the very goals that the Strategy has set up under unanimous agreement. When it came to actions on debt, on resource flows, on trade, on commodities, the industrialized countries in particular were reluctant to go beyond the approaches and the policies and actions that they had already undertaken or were already committed to. This is not surprising because those negotiating the development Strategy were not those who have the power to bring about changes in their own national policies. All they could do was to say that; "Well, in the area of debt there is the Baker plan and the Brady plan; there are also all these initiatives in the area of resource flows such as the Houston Declaration and the Toronto Declaration and so on. Let us hope that these would be effective and that they would bring about the results expected of them." Now, I am very sceptical that they will bring about the results expected of them. An I think that when it comes to following up the implementation of the Strategy, the gap between what needs to be done and what has been done will become increasingly evident.

The Strategy for the 90s, as one would expect it to do, also gave considerable attention to the domestic policies of the developing countries. Here I would say the underlying aim of the Strategy was to establish a balance between the need for reactivating economic growth in the countries of the Third World and the need for initiating a pattern or style of development in which the benefits of this growth reach out to the population at large. An underlying strand of the Strategy was the mutually reinforcing relationship between economic growth on the one hand and social objectives on the other. For the reactivation of economic growth, the Strategy singled out three sectors for special attention. First of all, the vital and strategic importance of science and technology in developing countries in a World in which knowledge is becoming a crucial determinant of economic progress, but in which the "knowledge

gap" between the developed and developing countries is increasing. The South Commission, of which I was a member, also put a great deal of emphasis on this factor of science and technology – largely under the prodding of Professor Abdul Salam who had a passionate commitment to this goal. In the International Development Strategy science and technology is given its due place and the importance of building up the indigenous technological and scientific capabilities of the developing countries is put as being something very crucial for progress.

The Strategy also underlines the vital importance of industrialization and the links between industry and agriculture which have been the theme of these sessions here already. I think that on these two issues the Strategy has said the right things. It has tried to establish a balance between the increasing role of the private sector and the role of the public sector; a balance between those who want export-orientation and those who stress the domestic market; a balance between building indigenous capabilities in ownership and management and the need for foreign investment. The Strategy has also stressed the importance of the transformation of agriculture, particularly the transformation of agricultural productivity. It focuses upon the need to give the farming population the knowledge it required through extension and other things; the incentives it needs through the price system; and the means to produce through making land and credit available in order to achieve that goal. I do not think that anybody would find much to disagree with in the formulation on the Strategy on these points. They are guidelines for national actions which have to be adapted to the conditions of countries. They are also guidelines for assistance by the international community and for cooperation amongst developing countries themselves.

Now, lastly, the Strategy also singled out four areas as being of particular priority over and above the sectors of agriculture, industry, science and technology. These four areas were poverty alleviation, human resource development, the environment and population. The theme was that the growth process and the transformation process must be such as to reach out to the improvement of the human condition and to benefit in turn from progress in the alleviation of poverty, the improvement of human resources, the care of the environment and so on. Here again, I think that these thoughts are a confirmation of what Professor Naqvi told us yesterday about how development economics has evolved to bring in these new dimensions. I think that in one way or another, the Strategy tries to reflect his concerns.

I do not want to dwell too much on the details of the Strategy. I think that as a statement of what has to be done, it is broadly acceptable, in some ways perhaps admirable. But the key question is whether what ought to be done will be done for there is no guarantee that the Strategy would be implemented as a serious document to guide the international community. Of course, there is a feeling, which I share totally, that despite the projections, the 90s will not be a simple replay of the 80s.

The 90s will not be a mirror image of the decade that has gone by. The 90s will have its own characteristics. Already we see that the world has changed so rapidly that the period ahead is going to be extremely different.

Now, many have pointed to the challenge and the opportunities presented by these changes, opportunities beneficial to the development process. It is argued that the relaxation of tensions and the process of disarmament would be beneficial because it will strengthen the economies of leading countries whose weakness has been a drag on world growth, that it will release resources which may in one way or another be channelled, at least in part, to development – the so-called “development dividend”. There are some who argue that the changes in Eastern Europe would also eventually lead to a new dynamism in that area that will help world trade, and that the move towards the integration of the large economies of Europe and North America would also give stronger impulses to the world economy. It is also argued that the progress of science and technology provides unparalleled opportunities for transforming the development prospect. So the 90s can be portrayed as an exciting period with so many changes, so many opportunities, which can really make a fundamental difference to the World.

These opportunities are there. But I do not think that we can take it for granted that those opportunities would be grasped or that there is any certainty that they will emerge to make the decade of the 90s a true decade of development. It may well be that the relaxation of tensions would give rise to a new focus of attention in the countries of the West on the problems of Eastern Europe, to the neglect of the problems of the Third World. Already there is evidence that the North-South issue is diminishing in priority in the current context. This may be short-lived. But, certainly, there is a lot of anxiety that this is happening, and that the concentration on Eastern Europe could lead to a diversion of finance, of markets, of technology, away from the developing countries. There is the possibility that the integration of the powerful countries – Western Europe and the United States – would lead to the formation of trading blocs – mega blocs – which would increasingly trade with each other to the exclusion of the rest of the world. There is, in fact, the fear that each of these blocs might build up its own clientele among the developing countries: North America with Latin America; Europe with Africa, Eastern Europe and North Africa; Japan with the Pacific ring. We might then get a world in which the whole concept of international cooperation, universality, interdependence, and non-discrimination takes on a new meaning. And the opportunities posed by science and technology are not to be taken for granted. The knowledge gap can widen and it can increase the marginalization of developing countries and put them on the periphery.

So, much depends in the 90s on which of these two scenarios would prevail – whether the opportunities would be grasped by the will of the international community, by their perceptions of the importance of development for world peace, or

whether they would be neglected and the dangers be allowed to overcome the developing countries and the world community. I cannot anticipate which of these scenarios will prevail. But I think it is the duty of the international community, and above all the developing countries, to make their best effort to make sure that the decade of the 90s will be indeed a decade of development. The South Commission gave considerable attention to the importance of enhancing the presence of the developing countries on the global economic scene and on the multilateral negotiating scene. They are weak individually, and they would continue to be weak if they fail to mobilize what latent opportunities there are for collective actions. Unhappily, over the course of the 80s the cohesion of the developing countries in international fora – and I have seen this in UNCTAD more than anywhere else – has weakened. Developing countries individually have been distracted by their own problems, their own vulnerabilities, and as a result the platform of the developing countries on the global stage has suffered gravely. I think that this state of affairs has to be remedied. It is in the hands of the countries of the Third World to remedy it. The South Commission pointed to the primary need for some mechanism or institution to back-stop the developing countries in their negotiating processes, some kind of a Secretariat which is woefully lacking today. I think that if the developing countries in the 90s are going to achieve their goals, to play a part in transforming their prospects, the responsibility lies with them to enhance and mobilize their own strength so that their presence in international negotiations would be more effective.

I do not want to prolong these remarks. I think I have pre-empted a lot of the time of the discussants. But I thought that since the strategy document is not available to you, I should try to outline at least its main ingredients. Thank you very much.



## Comments on "International Development Perspectives for the 90s"

Gamani Corea has provided an excellent statement and interpretation of the United Nations position on the Development Decade of the 1980s and of the prospective Fourth Development Decade, January 1, 1991 – December 31, 2000. He explains the targets and projections for the decade to come, giving both the positive and negative sides of the world economic situation as it can be perceived now (January, 1991). While Gamani Corea's statement is very fair, I would say, from my own perspective, that he accentuates the negative, and I want to try to paint a more positive picture of the coming Development Decade. As an econometrician and, more generally, a quantitative economist, I find it unfortunate that the United Nations refrained from quantitative interpretation of prospects or goals.

First, let me describe very recent world economic experience, where we stand now, and both short- and medium-term economic prospects. For the world, as a whole, 1988 was quite a good year; 1989 was all right (but less strong than 1988); and 1990 was recessionary. Recession was not worldwide, but it was present in enough developed and developing countries to have an effect on the world as a whole. It appears that 1991 will confirm, and see an intensification of, the recessionary tendencies. We could have a recovery beginning in 1991, but certainly by 1992.

During the latter part of 1990 and early in 1991 the Gulf Crisis has had an unsettling effect on the world economy, causing fluctuations in energy prices and uncertainty or fear in peoples' minds. These are mainly short-run matters, and they do have depressing effects on economic statistics for 1990-91, but it is expected, and to be hoped, that these effects are transitory. For the medium term they should not significantly alter Gamani Corea's interpretation nor mine.

In contrast with Gamani Corea's view, I look for more positive expansion in the world economy after the transition year 1992 – bridging recession and recovery – that year's results could exceed the good performance of 1988. The present recession is not worldwide at the present time. Western Europe, apart from the UK and some Nordic countries (mainly Sweden and Finland) should avoid outright recession although there is a general slowing down nearly everywhere.

In addition to Western Europe, which is mainly propelled by the favourable prospects for the advent of the Single Market, there is considerable strength in the Asia-Pacific area. I have long been impressed by the economic achievements of this area, as have so many other people at this conference who would like to emulate South Korea, for example, but the countries involved should only pause or recede slightly in their quest for even better living conditions. Also, Mexico, Venezuela,

Colombia, and Chile all look very promising at the moment, and for diverse reasons. Has not Gamani Corea been too negative on Latin America? It is true that Argentina, Brazil, Peru, and Central American economies have done poorly and continue to do so in 1991, but this whole area is dynamic and should be able to take advantage of their rich endowments to start growing again. By and large, the economic problems of Latin America are temporary.

South Asia, including Pakistan and India, have done quite well, in a steady sort of way, but West Asia, meaning the Middle East and including North Africa, are in questionable status. It is here that the Gulf Crisis can have more lasting economic consequences, generally not of a stimulative sort.

The most troubled area, from an economic viewpoint is Africa, particularly Sub-Saharan Africa. Economists often delight in claiming that the Reverend Malthus was wrong, but Africa is that area that validates Malthus's pessimistic conclusion about the race between population growth and food supplies.

Some quantitative estimates of macroeconomic statistics for major areas of the world are provided by the projections of Project LINK. It must be emphasized repeatedly that the entire world economy (not every individual country, however) slowed considerably after the strong expansionary period of the 1950s and 1960s. The developing countries, and the oil exporters, in particular, fared reasonably well in the decade of the 70s, but they lost ground in the 1980s, mainly as a result of debt burdens and perverse capital flows. In looking ahead, however, these projections indicate some recovery. The developed industrial countries should expand at about 3 percent annually, with very modest population growth. Developing countries, as a whole, should grow faster, in total, during the next decade, but will have to spread the increase among ever more people, as population growth should be much faster than in the industrial countries. Per capita growth rates are *negative* or near zero for large parts of Africa. That, in fact, is indicative of the Malthusian problem.

The developing countries, with whom we are concerned in Gamani Corea's paper constitute what is popularly called the "Third World", but after the collapse of socialism, there is no viable "Second World". We have simply developed *industrial* countries (OECD countries, essentially) and *developing* countries – also formerly centrally planned economies – can best be included with developing countries until they show that they have grown out of their present low levels of living. They are going through severe recessionary adjustment periods now and add to the global state of economic malaise, but they should be in recovery phases during 1992 or 1993, or even 1994. In contrast with many traditional developing countries, the countries of Eastern Europe and the USSR have many well-educated people and much potential for producing world-class goods/services.

A very important factor for economic development is the situation in primary commodity markets. Many of the individual commodities traded on these world

markets, such as foods, feeds, fibres, fuels, metals, and other industrial goods are of key importance to developing countries. In some cases, a country is highly specialized and tied to the fate of individual commodities. Apart from special situations in energy and some markets with short supplies, prices for primary commodities are steady or depressed. They are not presently rising along inflationary or gradual trends. Demand/supply price elasticities are not usually very large for these commodities; so when prices are weak, revenues tend to be weak also. This adds to the present economic travails among developing countries. This situation is cyclical and not in a permanent rut. It was not long ago that they were strong factors in raising economic prospects for developing countries. We can fully expect, that many primary commodity prices will start to rise again and strengthen export earnings among "third world" countries.

The more favourable macroeconomic picture that I am describing for the 1990s is not certain; there are significant contingencies. In addition to the new issues that are raised by the Gulf Crisis, there are important uncertainties of longer standing, and the problem of financial fragility is probably the most significant of these. To a large extent, poor conditions of financial institutions are most widespread in the United States, but similar problems exist in Japan and other financial centres, too.

Gamani Corea has focused on such problems as those of human resources, environment, poverty, and population growth. They are all obstacles to good economic performance and could interfere with the realization of the more favourable growth prospect that I have stressed. Others are the existence of debt, which brings forward the debilitating need for debt service. This stands in the way of directing capital flows into many developing countries.

The Uruguay Round of trade negotiations is running into serious trouble. The interests of development are served by strong and vigorous trade activity, and work toward a system of freer trade is of great importance in this respect. These stalled negotiations must be brought back on track; this is a subject addressed elsewhere in this conference.<sup>1</sup>

The economic restructuring of Eastern Europe and the USSR is a massive undertaking and is encountering problems. It is slower and more recessionary than had been expected. It did contribute to the redirecting of economic activities away from the Arms Race and is to be applauded in that respect. It ended the Cold War among the superpowers, but the world is still faced with the problems of the Arms Race involving Third World Countries. The Iraq case is an outstanding example of perversion of normal peaceful economic activity in favour of arming a rela-

<sup>1</sup>See the presentation by Robert Baldwin in this volume.

tively poor country.

It has been suggested that primary commodity prices might be stabilized in order to provide steadier development income for primary producers. The world is witnessing a failed attempt to stabilize oil prices at a level above the existing market. In general, price stabilization can serve to affect specific unusual situations or maintain "orderly" market movements, but, fundamentally, prices will go where the market wants them to go. We can try to alter underlying behaviour, such as America's unseemly thirst for wasteful energy consumption, but we cannot defy market forces for long periods of time, *given underlying behaviour patterns* on the side of production and consumption.

Against these problems and obstacles, there are many powerful favourable points that can be helpful in achieving better economic performance. These are European dynamism, the Peace Dividend, trends in technology, and mutual recognition of the need for international coordination of economic policies.

Europe is the primary growth area for the next decade and in spite of present cyclical corrections the longer term prospects remain in force. While the thrust is mainly European there should be favourable side-effects of worldwide significance.

The concept of the Peace Dividend is brought into question by Iraq's use of military power, but like the Gulf Crisis as a whole, this is not a permanent matter. There can still be a sizeable Peace Dividend, but it is not as large as it appeared to be some months ago.

In spite of the difficulties in getting approval for the proposals of the Uruguay Round, there is still room for constructive work in improving the economic environment for international trade. The Developing Countries can take matters into their own hands to some extent by searching for and exploiting opportunities in South-South trade.

Technological advancement is strong, as usual, but associated economic opportunities have, by no means, been exhausted. There are many unexploited potentialities in electronics, medical care, telecommunications, bio-engineering, metallurgy, software construction and many other areas. In fact, technology can contribute much, together with economics, in dealing with broad environmental problems, preventing them from being such great obstacles to better material conditions for living. International coordination and cooperation is being recognized and improved in the environmental field. The general issue of policy coordination is being furthered in other areas too. The line-up of nations in the Allied Coalition to deal with the Gulf Crisis is impressive as a practical example of coordination.

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## **Comments on "International Development Perspectives for the 90s"**

For a professional economist, as distinguished from a political leader or international civil servant, one interesting aspect of the United Nations strategy for the Fourth Development Decade, discussed by Gamani Corea, lies in the light it sheds on the evolution of thinking about development economics. Inevitably the final document is affected by the pressures and prejudices of the member states and their political agendas. But it reflects as well the thinking of the professionals, most of them respected development economists, who prepared the original draft. That thinking clearly has changed over the four decades that the subject of development has been analyzed as a major issue of the post-World War II world. There are a number of strands which run through the latest effort, some of which were far less prominent, or even absent, earlier.

On other issues thinking has evolved little over the years. Finally there are issues which are discussed relatively little, or not at all, although one could argue that they are of considerable importance to the development strategy of many countries.

### **1. The Changing Role of Planning, the market, Poverty and the Environment**

One striking change has been the declining emphasis on the role of planning and the increasing emphasis on the private sector, including foreign private investment, and of the market. In this respect, as in others, thinking in the United Nations reflects, albeit with a lag, evolving views in the development profession, the multilateral banks and some countries.

At the same time there is increasing emphasis on income distribution and poverty alleviation. Planning, and government intervention in the economy which was assumed to follow from it, were originally advocated to a substantial extent precisely because they were considered necessary to assure a more egalitarian income distribution and more rapid poverty alleviation than the market would produce without such intervention. There clearly has been considerable disenchantment with the effectiveness of government intervention in achieving these widely accepted objectives. Nevertheless there is some incongruity that has not been fully resolved between greater reliance on the market, which is widely believed to lack a built-in mechanism for assuring that the poor have a reasonable

share in growth, and the increasing importance given precisely to assuring that they do get such a share.

The most striking change over time has been the increasing emphasis on the environmental consequences of development. I think it is fair to say that in the 1950s and much of the 1960s the overwhelming concern was with achieving a high rate of growth, although distributive justice was never completely neglected (e.g. the concern with land tenure reform). In the 1970s there was increasing concern with the distribution of the fruits of growth. But one would be hard pressed to find any mention of, much less a real concern with, the environmental consequences of that growth.

In the 1980s that changed quite rapidly and the change has probably continued to accelerate. The environment has gone from being completely neglected to becoming a major issue for large numbers of decision-makers and the organized groups who try to influence them.

## 2. North-South Issues

Inevitably North-South issues have figured prominently in all United Nations Development Strategy documents. The UN is, after all, one of the few major international fora – UNCTAD, which Gamani Corea headed, is the other one – which are not dominated by the developed countries and where such issues can effectively be raised.

Given the varied interests of what are called “developing countries” in international documents – though some are not developing and some so-called “industrialized” countries are – the issues addressed in this rubric range all over the lot. Some countries are particularly interested in raising and stabilizing the prices of primary commodities in the world market through commodity agreements of one kind or another. Others are more concerned with public income transfers (“aid”) or with increasing the quantity but limiting the influence of foreign private investment. Still others want access to industrial country technologies at low cost and want to protect their own efforts to strengthen their domestic research and development activities. The debt burden, and how to reduce it, is seen as crucial not just to development but even to the stability of some countries. Access to the markets of the rich countries is important for most and crucial for a few economies. The exploitation of common resources, such as the sea bed, is of importance to a few economies. It is, of course, easiest politically to reflect all these concerns, and others, in a UN document and to avoid making choices among them.

In practical terms, however, the limited bargaining power of the developing countries is further eroded by the multiplicity of objectives and the attempt to push all of them simultaneously. This may have been a contributing factor, although one

would hesitate to ascribe too much importance to it, to the limited impact of the UN resolutions on Development Strategy. In the recent past when some of the industrialized countries, most notably the United States, have been quite resistant on some of the issues in North-South discussions the disparity of interests pushed by developing countries may have been especially unfortunate.

It might be slightly more effective to concentrate in bargaining on objectives which are: (i) crucial to many developing countries; (ii) generate the least resistance among the industrialized countries and (iii) on which there is a reasonable consensus on what needs to be done.

### **3. Major Changes in the World Economic System**

There are some changes in the world economic environment that have occurred quite recently which are reflected relatively little in the strategy statement although they will have a substantial effect on the policies that are desirable and the development patterns that are likely to emerge in developing countries. Among them are:

- (a) There has been a decline in the economic leadership provided by the US beginning in the 1970s and accelerating in the 1980s which has been quite striking in some fields. The US was the principal supplier of capital to developing countries for decades. In many countries it is now in second or even third place. Whether the US will again become a net supplier of capital to the rest of the world, or whether it will be a net consumer, will obviously affect how effectively the US can push policies it currently regards as important. Some of these many developing countries welcome, such as greater freedom to export agricultural commodities, while others receive a more ambiguous welcome, such as intellectual property rights.
- (b) There is also likely to be a decline in the US international deficit, the deficit on current account. At one time the US absorbed \$ 150 billion more in the world's exports than it exported to the world. As the US deficit shrinks who will provide the market for the countries that reach NIC status in the 1990s?
- (c) The "peace" or "disarmament dividend" potentially opens the possibility that resource transfers could rise substantially in real terms from several major industrial countries, most notably the US, to developing countries. Until recently the political reality was that public resource transfers to developing countries from the US and several major European countries were likely to decline in real terms, as these coun-

tries wrestled with serious internal and balance of payments problems. Even with a peace dividend the outlook for a substantial increase in transfers is not too bright, but prospects for at least stability in real terms have certainly improved.

- (d) Countering that possibility is increased competition from Eastern Europe and the Soviet Union for public capital. These areas will initially also be competitors for access to markets and for private investment. The economic policies and strategy of developing countries will need to take into account the competition they face from these countries.
- (e) There is evidence that automation and technological change is accelerating in industrialized countries in some industries that have traditionally been labour intensive and important in the early stages of expanding industrial exports from aspiring NICs. Some operations in textiles, garments and electronics, for instance, are becoming competitive in the US, Japan and possibly Europe as these processes are successfully automated at reasonable cost and as speedy delivery and adjustment to quick demand changes become more important. The developing countries will need to increase the flexibility with which their firms are able to respond to demand and technology changes if they are to remain competitive in the world market in these industries. They may also need to become competitors in industries and, above all, service activities where they have not been important in the past (e.g. data entry and writing of computer programmes) if they are to provide employment to their growing labour force.

#### **4. The World Economic Environment and the Role of Domestic Policies**

There is also increasing recognition that even in a deteriorating world economic climate individual countries can grow rapidly if they adopt an appropriate policy mix. Earlier there was more of a tendency to put blame for poor performance on increasing protection in the industrialized countries or inadequate resource transfers from them. The converse is also now seen as generally true: however favourable the world economic environment some countries' economies will stagnate or even decline because of the policies they have adopted.

Burma and Uruguay were countries that recorded low or negative per capita growth even during the most favourable periods in the world economy. In the 1960s it was the East Asian economies that grew rapidly. But there was a considerable body of opinion which held that they could not serve as a useful model for other countries because of various special circumstances. These included:



- That in the 1960s the economic climate was very favourable, with international trade growing rapidly, and this was unlikely to hold true in the 1970s;
- At least three of the countries had a substantial inflow of capital on concessional terms, which other countries could not count on;
- They were small economies and therefore easier to manage and with fewer problems in relying on manufactured exports as their engine of growth; and
- They had authoritarian governments that could more readily impose necessary sacrifices on the population.

When these countries continued to grow rapidly in the 1970s and 1980s, although the international economic environment deteriorated and they no longer received capital on concessional terms, some of these arguments seemed less compelling. The other arguments were never very persuasive, since Korea and Taiwan were not "small" compared to most countries in the world and there were many authoritarian countries that grew slowly.

The case for the importance of policy was enhanced in the late 1970s and 1980s when much of Southeast Asia showed consistent rapid growth, as did the PRC. The world economic environment was considered far less favourable then. Two of the countries were "large" by any standard (China and Indonesia) and some of the countries were at least as democratic as most developing countries.

The recognition that countries very largely shape their own destiny, although they can be substantially helped or hindered by outside factors, is, to my mind, a very important positive development. It is reflected not only in the UN Strategy but also in the policy changes adopted by many countries.

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