

MOBILISATION FOR INTERNATIONAL ECONOMIC DEVELOPMENT

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The Problem

In terms of numbers and the sheer size of the problem of world poverty, let alone considerations of morality and humanity, world poverty must rank as the most important problem facing the international community. From the preoccupations of the developed countries - market-economy and centrally planned - this would not seem to be the case. Recession and other internal problems and international security are issues of major concern and since the perceptions and interests of the developed countries are dominant in the international transmission of knowledge and information, the recognition of the primacy of the poverty problem must await a higher development of internationalism.

But the figures speak for themselves. Thirty developed countries with less than 30% of the world's current population account for 90% of the world's income. Recent World Bank estimates show that over 1100m people or more than one-quarter of the world's population receive less than the minimum daily requirement of calories. Other estimates - from the UN - show that more than 1200m people are not served with clean drinking water - a most despairing situation from the standpoint of health improvement and physical development. And that about 1100m are without basic education reveals the distance still to be traversed before the provision of equality of opportunity internationally can begin to be realised.

Although there is wide recognition of the extent of the problem, development takes time but it was hoped that with the continued growth and economic expansion of the developed countries, the developing countries would become increasingly caught up in the process of development through a 'trickle down' effect. In fact some e.g. South Korea, Taiwan etc. were already caught up in this process. The fact that developing countries on the whole grew faster than the developed countries in the post-war period - 5% per year against 4.7% - was and remains one of the main reasons for this complacent attitude.

However the reality of the situation is much worse than that indicated by the over-all average growth rate and is increasingly being appreciated. First of all when account is taken of the higher rate of population increase of developing countries - 2.5% per annum compared with just over 1% - the per capita income increase of the developed countries

is much higher - 3.5% compared with 2.5%. Since the developing countries started from a much lower base, the gap in per capita income widened tremendously in absolute terms. Between 1952 and 1972 while per capita real income in the developing countries increased from \$175 to \$300, in the developed countries the increase was from \$2000 to \$4000.

Secondly, and more important, is the fact that the average figures conceal for the developing countries a variable performance, with the poorer countries tending to do worse. A recent World Bank estimate has shown that the Low Income Developing Countries (those with per capita income of \$250 or less in 1976) grew at only 3.1% between 1960 and 1975 - a rate just above population increase, so that only very marginal gains were made on the whole in living standards. In fact for many of these countries and for a significant proportion of their populations - the poorer 40% - there would have been no gains and in some cases there were even declines. The seriousness of the situation for the present and foreseeable future and the endemic nature of hard-core poverty is revealed in recent projections by the World Bank. On fairly optimistic assumptions about growth rates, it is shown that there would be little reduction in the number of people in the world classified as the absolute poor by the end of the century - from about 770m in 1975 to 600m.

Perceptions

For developing countries the reality cannot be confined to overall growth rates. For many countries and their peoples, economic stagnation, widespread underemployment, malnutrition, disease, intolerable infant mortality rates and stunted physical and mental development are of immediate concern. These factors set up a vicious circle and a poverty trap from which it is difficult for countries to extricate themselves. The slow progress made in eliminating hard-core poverty and unemployment have led to increasing disenchantment with the promise of a 'trickle down' process. The emergence of the world economic crisis in 1974 aggravated the already fragile situation facing many developing countries. It is no surprise therefore that this period saw the heightened demand on the part of the developing countries for a New International Economic Order. The successful cooperative action on the part of oil-producing developing countries who were members of OPEC to secure higher prices for their oil, gave encouragement to the developing countries by indicating the possibilities of organised bargaining power in respect of international negotiations, and more directly also, in connection with securing more remunerative prices for their raw material exports.

However, five years after the Sixth Special Session of the UN adopted the Declaration and Programme of Action for a New International Economic Order almost no progress has been made in reforming economic relations between developed and developing countries. A Seventh Special Session 1975 on International Economic Development raised hopes of the beginning of a new era of dialogue and purposeful negotiations. Since that time there has been the almost total failure of two major forums for negotiating international development issues - the 18-month Conference on International Economic Cooperation in Paris which ended in June 1977 and UNCTAD IV in Nairobi in May 1976. Developing countries have reached a point of great disillusionment. This is the situation as another UNCTAD is about to take place - in Manila in May 1979.

An important reason for the present impasse is the prolonged economic recession. In this situation developed market economy countries are preoccupied with domestic economic problems and internationally they continue to give emphasis to coordinated action among themselves to accelerate the continuing slow and uncertain recovery. In the meantime, there has been increasing recognition of the substantial economic interdependence which exists between developed and developing countries. But as far as international action is concerned, only lip service has so far been paid to interdependence and the substantial mutuality of interest between the developed and developing countries. This remains the case in spite of established evidence that the maintenance of growth and expansion in developing countries has been a significant factor in preventing a slide into depression and in the recovery which has been taking place, unsatisfactory though its progress has been. So far the perceptions of interdependency have had little influence on international policies and in spite of rhetoric, developed countries in practice have appeared to support the conventional view that progress in the developing countries must follow from the growth and expansion of the developed countries and that developing countries must therefore wait before greater priority can be given to their problems.

Another factor which has held up progress has been the gap in perceptions between the developed and developing countries. Many officials in the developed countries still question whether a NIEO is needed. This should not be such a complex issue. The world has the resources, skills and technology to end poverty. The persistence of poverty and the inadequate attention and resources devoted to ending it must therefore represent an intolerable situation. Many policy changes are possible which could make a strong impact on the problem. The package of measures required involves in its

totality a drastic enough change in international economic relations to be deemed as constituting a NIEO.

Many people in the developed countries appear to feel however that the present economic order served the world well in the post-war period. It was a period of unprecedented prosperity in these countries. However, more recently these countries have become preoccupied with international economic problems which are serious and persistent. In this more inward looking mood, the developing countries are being asked to be patient and to await the revival of the world economy.

This of course, seems a reasonable request. Governments must give priority attention to problems at home. Political realities require almost a total preoccupation with domestic problems, and with foreign policy issues only to the extent that they impinge on local interests. The compatibility of this kind of preoccupation with the application to the wider world community of accepted notions of social justice is an important subject for consideration. However at this time it might be more useful to concentrate on ways in which the interests of both developed and developing countries could be served by the economic development of the poor countries. One of the great impediments to the establishment of a NIEO is the prevalent feeling that this will require great sacrifices on the part of the developed countries. This is why at a time when the developed countries are facing serious economic problems, interest in a NIEO has waned. If satisfactory progress is to be made in developing countries, sacrifice might well be required on the part of the developed countries, but in terms of present political realities and the extent to which moral considerations have intruded on the development issue, it would be unrealistic to expect much from sacrifice or altruism. In considering the various elements of a NIEO therefore, emphasis must be given now to the mutuality of interests between developed and developing countries.

One of the criticisms made against the NIEO is that it is concerned wholly with the international aspects of the development problem. It is argued that development can be promoted more by reform of the internal policies of developing countries than by changes in international policy.

This criticism had some validity in the early stages of the advocacy of a NIEO. More recently, however great attention has been devoted in international discussions to new strategies of development involving greater self reliance.

While internal policies are important, international policies have a substantial role to play not only because of their direct effects but also because they could make a major impact in selective crucial areas such as infrastructural development, trade, research and development, and balance of payments support. It must be remembered that underdevelopment increases not only the economic difficulties of obtaining economic progress but also the political difficulties. Economists speak of the vicious circle of poverty but it is interesting to consider also the interrelationship between under development and political instability, and the vicious circle involved in these two circumstances. Selective assistance and fair conditions provided through international policy could go a long way towards helping to break these vicious circles.

The consequences of these factors have been that aid as a percentage of GNP instead of moving up to the target of 0.7% set by the UN to be achieved in the 1970s has in fact been declining and in 1977 was 0.31%. In trade policy in appearance there has been progress. Most developed countries have now adopted Generalised Schemes of Preference (GSP) whereby a wide range of goods from developing countries have been given duty-free or preferential access in their markets. At the current round of Multilateral Trade Negotiations - the Tokyo Round - which are now in their concluding stage, developing countries have been able to secure freer access for some of their products and this is especially the case with their tropical products. However, in reality, in sectors of great concern to developing countries - textiles, clothing, footwear etc.- access has been increasingly constrained by quota restraints which have been forced on the developing countries by arrangements such as the Multi Fibre Arrangement, or in some cases by voluntary action through the threat by the developed countries of the adoption of more restrictive safeguard action.

Some progress has been made in granting debt relief to developing countries. Such action has been confined however to the official debt of the poorer developing countries. In the meantime, increasing balance of payments deficits, brought about to some extent by smaller aid transfers, have forced many developing countries into increased commercial borrowing. Such borrowing has been largely undertaken by the Middle-Income Developing Countries and while lending is made to relate to capacity to repay, it has been the case that most of the borrowing has been on medium-term maturities - on periods too short for the economic benefits from the loans to improve repayment capacity commensurately. This puts many of the borrowing.

countries into a precarious situation and one which is made worse by the adverse effects on export earnings and the future uncertainties facing such earnings arising from increasing restrictions on the access of manufactured exports from developing countries.

Some progress has been made in arrangements to regulate commodity trade, after protracted agreement was reached on the establishment of a Common Fund to finance buffer stocks and other commodity price stabilisation arrangements. However the Fund has been given a much more restricted role than was originally requested by the developing countries and since little progress has been made in the establishment of the International Commodity Agreements which the Fund is to finance, uncertainties still remain concerning the impact the Fund will have in remedying current defects in international commodity trade.

In the case of international monetary reform the basic problem of inadequate management control of international financial institutions by developing countries remains. Votes in the major international financial institutions are still largely determined by capital subscriptions and developed countries still remain substantially in control. This inevitably means that reform will be slow and will be related more to the perceptions and interests of the developed countries than to the real development needs of the developing countries. However, some policy changes have been made in recent times (e.g. increases in the capital of the World Bank and more liberal access to the resources of the IMF for balance of payments support) but all these changes have been marginal in relation to the real needs of developing countries.

The Challenge

The problem of world poverty has special significance for youth. The substantial economic and technological progress made in the world in the post-war period may be a factor in present complacency. In historical terms the performance of the world economy and even the developing countries has not been bad. However while the older generation may be viewing the present situation from the favourable perspective of history the younger generations must inevitably concern themselves more with the future. The world of the future is their world and its problems must inevitably be of greater interest to them. The problems do not belong only to the developing countries. In the developed world, affluence and materialism have brought their own difficulties of alienation and dehumanisation. Science and technology have given men great control over nature and have greatly contributed to the economic development of the industrialised countries. However nuclear technology has opened up possibilities both good and evil. And the destructive force within man's

capability brought about so quickly may be incompatible with the more slowly evolving moral values and political structures. The world faces the strange paradox of great economic progress but also the possibility of a sudden collapse of all that has been built up.

The threat posed by the possibility of nuclear catastrophe and the poverty of the Third World are two situations that provide the world with the urgent need for a revival of spiritual values, for a greater humanity and for more heightened internationalism. Poverty wherever it exists as well as dehumanising materialism and alienation provide also the means for the revival of spiritual values and for a wider morality that transcends artificial national boundaries. Simply put, a redirection of the energies of youth from many of their present wasteful and purposeless ends to a wider consciousness and to world solidarity cannot but rebound to the benefit of the youth themselves and indeed to the whole international community.

But the case for greater solidarity and cooperation for economic development rests not only in the consciousness of this interdependence but also substantially and increasingly on economic interdependence and mutuality of interests. The present recession has been unduly prolonged. It has brought in its wake a substantial increase in unemployment and always falls more severely on new entrants to the labour force. Full recovery from the recession remains uncertain and although recovery is far from complete the threat again of rising inflation raises the possibility of a faltering, short-lived and uncertain recovery.

In the present situation serious consideration is called for of a more broadly based international recovery programme - one that would entail greater involvement of both the developing and the developed countries. The abortive effect of inflation on international recovery points to the need for a greater export led recovery and for greater stimulation of the international economy through larger resource transfers to the developing countries. This route besides providing new hope for the ending of the recession offers the exciting possibility that recession and underdevelopment could be tackled by the same set of policies. The increasing integration of the international economy could also help to promote greater internationalism and deeper international cooperation.

Achievement of a NIEO depends crucially on the will and cooperation of all countries. The crucial requirement is the political will to agree upon a set of relevant and effective policies and, equally important, the political will to implement these policies.

While the impatience of developing countries at the failure of developed countries to approach the problem with a proper sense of constructive urgency is understandable, equally understandable is the concern of the industrialised countries at the consequences of disturbing existing patterns of production and resource allocations. This disturbance will affect vital national interests, it may affect the prosperity of whole cities and regions and unless special provisions are made it will affect the welfare of individuals. No government, let alone one which lives by the ballot box, will lightly disturb existing economic relationships. But provided the changes involved are pre-determined and controlled their effects may also be anticipated and appropriate compensatory policies provided. Because the economic and social adjustments that have to be made are the result of deliberate policies, the consequences for individuals may be cushioned or offset to a degree that can never be provided for from actions which arise from market forces.

Where Governments, intellectuals and youth with a strong interest in change recognise the need for more liberal policies and the constraint is at the level of the electorate, then it is for governments, the intellectual community and youth to provide education and leadership and a greater international consciousness and solidarity. In the short-run, action must be taken to lead and expand to the maximum the will of the electorate, and in the long-run to enhance that will. For instance, joint action among countries tends to encounter less resistance from the electorate than action taken separately by individual countries. Joint action could therefore be an important means of achieving increases in aid and trade liberalisation. There is also great scope for the exercise of leadership in areas where political resistance has not yet been built up, i.e. in new areas of international policy where vested interests have not yet become strong, e.g. the exploitation of deep sea resources. To enhance the education process and public awareness assistance could effectively be provided by youth and other interested organisations, such as the World Development Movement which is engaged in promoting international cooperation. Perhaps the Third World cause could also be helped by giving greater recognition to contributions to it in the award of national and international prizes and honours.

Policies which could help to ease electoral constraints in the long-run could be adopted at two levels:

(a) education: and (b) adjustment assistance measures to facilitate the transfer of uncompetitive and economically redundant industries from developed to developing countries.

The problem of political resistance could also be eased in a positive way by placing emphasis on support and search for policies which could be mutually beneficial and on propagating a mutuality of benefits where they are not sufficiently appreciated. In view of the importance of constraints on political will, the search for policies of mutual benefit must be an important part of the process of advancing progress in the establishment of a NIEO.

Youth and these Issues

The issue of employment is of great direct interest to youth. As mentioned before the incidence of unemployment and underemployment tends to be higher among youth. The immobilisation for development of the more resourceful and energetic and enterprising sections of the population must have a permanent deleterious effect on economic development. This refers not only to the demoralising consequences and the effects of attitudes to work and emigration but also to consequences of political stability. But unemployment and underemployment is a subject of another paper and these considerations will no doubt be elaborated there.

The issue of trade policy is also of substantial importance to youth. Tariff and non-tariff barriers to the exports of textiles, clothing, footwear and other early stage manufacturing must have the serious consequence of nipping emergent manufacturing in the bud. Export manufacturing offers greater appeal and scope to the more enterprising entrepreneurs and this usually means the younger entrepreneurs.

Small industry development whether for import substitution or exportation is of special interest to young entrepreneurs. It usually requires simple equipment and therefore little capital. Moreover it offers scope for simple and adapted indigenous technologies. A small industry programme could therefore offer special encouragement to young people to become entrepreneurs and it could also help to provide training for an entrepreneurial class. It is the kind of domestic industrial policy which should be of special interest to younger people.

The encouragement of young entrepreneurs gives international resource transfer policies a special significance for youth. Local savings are inadequate to provide for the capital requirements of a developing country. Moreover, reliance on savings might act to some extent as a constraint to young people joining the entrepreneurial class since the availability of funds to support young entrepreneurs who have not yet built up savings or collateral might be impaired. The larger the resource transfer the greater would be the capacity to provide higher risk capital to promising prospective entrepreneurs without collateral or savings.

The expansion of food production is of special interest to youth. Policies in developed countries which encourage surpluses in these countries, while useful in the short-run to re-establish adequate reserves and meet the food deficits of developing countries, could have a deleterious effect on the encouragement of food production in developing countries in the long-run. Care is required in structuring international grains arrangements and food policies to prevent such an outcome. This is a matter for urgent attention in the NIEO programme since food production is not only of substantial importance in the economic development of many developed countries but it also has great implications for the security and economic independence of developing countries. Land reform and small farm programmes are of special interest to youth since it provides the means for them to enter into farming and to stay in the countryside rather than drift to the towns and increase the already serious problems of overcrowding and unemployment.

The encouragement of science and technology and adequate facilities for vocational, technical and managerial training are all areas of interest to youth. Developed countries have benefited substantially from the training being provided by developing countries through the brain drain. This is a difficult problem to solve. But in view of the benefits which are accruing to the developed countries from the training facilities of the developing countries, consideration should be given to increasing the support by developed countries for training in developing countries.

Development and Political Stability

The development task is a large one and it may be tempting for developed countries to feel that they could withdraw from the problems and consequences. The world is becoming smaller and more densely populated and in such a situation withdrawal becomes difficult. The population problem will worsen, posing serious security and resource supply problems for the world. Poverty is an important cause of political instability in developing countries. How can consensual politics which is a feature of most Western developed countries and which helps to give stability to democracy, co-exist with the large scale poverty and wide gap between rich and poor in developing countries? Local instability encourages regional instability and this transfers the problem to the global arena. Localised conflicts are still fairly prevalent in the world and these will assume great significance for global security with nuclear proliferation which now seems inevitable. Even if the mutuality of economic interests is discounted, there can be no doubt of the mutuality of interest in global peace and security which would be impossible as long as poverty remains widespread.

While insecurity continues the world spends larger and larger amounts on arms, thus reducing ability to spend for development purposes. The latest estimate shows an expenditure of \$400 billion a year on armaments. There are almost as many soldiers in the world as there are teachers. There are about 22m people in the armed forces and another 60m in military-related employment. About one-quarter of the world's scientific manpower is engaged in military and related pursuits. These figures speak for themselves. They indicate a tragic waste of resources in the midst of great need and misery. The sad fact is that continuing widespread poverty could increase the need for military spending especially on the part of countries which could least afford such spending.

In effect all these situations could seem to indicate the great need for the mobilisation of young people in the world to the purpose and ends involved in the great task of development.