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## Development Strategy

# Partnership: Basis for Future Policies

by Peter Michael Rügner, Bonn \*

**Changes that have taken place in world trade and politics during the first half of the seventies do not remain without impact on the guidelines of development policies. It is highly likely that future development policies will have to be based increasingly on partnership and not so much, as in the past, on aid pure and simple.**

When the first development decade had ended, the question of how effective development policies for the seventies ought to be fashioned was discussed both nationally and internationally. Cases in point are, for example, the international development strategy of the UN and the new concept of German development policy agreed upon in February 1971. The considerations were based on the experiences gained in the sixties and their main aim was to learn from the errors and mistakes of the past. On the other hand, they were scarcely directed towards a systematic projection of future developments in world politics and world trade, this probably being due to the fact that such future trends were not fully visible at the time.

Events during the first half of the seventies — the breakdown of the international monetary system, the oil crisis, and its effects — have transformed decisively important basic data that had gone into the drafting of the documents outlining strategy. Therefore, such documents can no longer provide guiding lines for development policies; they have to be re-modelled in order to take account of the changes. The success of the OPEC states in enforcing higher prices for oil, in particular, has become a catalyst operating in two directions.

Politically, OPEC's action has become a kind of model for a group of developing countries demonstrating that there is not a one-sided but a mutual dependence ruling the relations between industrialized and developing countries. OPEC's success prompted others to emulate its actions. It became the main foundation for the massive demand voiced by the developing countries during the Sixth Special UN Conference in April 1974 for the creation of a new world economic order in which the developing countries could take a part as equal partners of the industrialized nations.

\* Federal Ministry for Economic Cooperation. — The arguments presented here are based largely on the author's personal opinions, which do not represent the Ministry's official attitude.

Economically, however, the rise of oil prices and its effects have accelerated the rate of overall social and economic change inside the developing countries and have intensified the growing differences between them, which had already become conspicuous during the second half of the sixties. Today, there is no longer *one* "Third World" but an ever-widening variety of developing countries and groups of states which have less and less in common.

### **Present Reorientation Approaches**

So far, development policies have been adapted to these two divergent changes only very tentatively. Admittedly, the industrialized countries have not completely rejected the demand of the developing countries for creating a new world economic order but they added to their acceptance of crucial demands fundamental reservations. In the final analysis, this has led to the Basic Declaration and the Programme for Action adopted by the Sixth Special UN Conference not having any practical effect. During later meetings, e.g. at the Conference of Commonwealth Countries and at the General Conference of UNIDO, the developing countries have therefore repeated their determined demands in complete solidarity, while most industrialized countries have not budged from their, essentially, negative stance.

That is why, in recent months, the risk of a future political confrontation has risen to such an extent that it may be safely predicted that at the forthcoming Seventh Special UN Conference, due in September 1975, the industrialized countries will be in a more accommodating mood, so as to meet some of the developing countries' demands, at least.

Though it is currently difficult to assess the direction and extent of such future compromise solutions, development policies must be prepared for meeting this situation and present alternative ways for tackling the tasks to be expected.

Development policies, however, have already taken more account of the growing economic and social differentiation between individual developing countries. This is, *inter alia*, reflected by the change in the use of terms: We hear progressively less of development aid but more of cooperation with partners. There are many reasons for this: one of them is the fact that cooperation means the opposite of confrontation, and the industrialized countries try to find, from their point of view, an answer to the growing danger of political confrontation. Moreover, development policies defined as cooperation between partners make it again easier to proclaim more distinctly one's own interests, which makes it possible to attract greater popularity for development policies in public opinion. Thirdly, the new term also reflects an honest endeavour to establish a "new quality" of relations with developing countries. They are to be deliberately reorganized so that cooperation will be focussed on those fields of work which correspond optimally with the situation and problems of individual countries and groups of countries.

Though it is not necessary to be in agreement with all those motivations, they certainly point in one of the main directions along which development policies will be formulated in the future. The main object of the present discussion is to show up in concrete terms how this correct but still rudimentary approach may be transformed into actual development policies.

#### **Differentiation by Groups of Countries**

For describing this new concept in concrete terms, the first need is for a differentiation of developing countries by different groups.<sup>1</sup> They are defined by their members displaying largely identical development situations and problems. From this proposition, the following major groups of countries arise:

- least developed and landlocked countries;
- medium-sized developing countries with a slowly rising development level, e.g. Kenya and the Ivory Coast;
- states with a huge territory, of which India is a prime example, whose economic policies are mainly home-market oriented;
- Mediterranean countries which increasingly gravitate towards the economic region of the European Community;
- the group of outwardly-oriented states that are integrated in world trade, e.g. Mexico, Brazil, South Korea, etc.;

<sup>1</sup> Valuable suggestions for this part of the investigation were contributed by Dr Dieter Weiss, Berlin.

- oil-producing states with a large population and countries with other important raw materials;
- thinly-populated oil-producing states;
- countries which, for political or social reasons, in a situation determined by a stagnant economy and by the population explosion are in such acute difficulties that their governments are virtually unable to control the situation – e.g. Bangladesh.

As in every attempt to classify, this breakdown is not without gaps and overlapping of groups but it reflects the growing differentiation among individual countries displayed by economic and social indicators. At the same time, this breakdown suggests a first practical approach for differentiating the tools for development policies by countries or groups of countries.

Preparatory thinking to this end has to be based on varied conclusions. Neither can technical assistance, as practised in the sixties, be regarded as one of the focal points of a future development policy, nor will the mere enlargement of its set of instruments by new forms of capital aid, such as programme-tied aid, be able to fulfil all future requirements in this field of policy. Basing development policy primarily on the traditional tools will not be able to tackle the given structure of problems nor will it meet the needs of the population in the different developing countries. The same applies to the overall view of a global "Third World problem". There is a number of developing countries whose need for the classical form of aid has ceased, but they require acutely that their trade be given chances: some other countries need novel and more rapidly "biting" forms of aid; a third group is in want of hard-headed arrangements for an exchange of raw materials against industrial investments and a transfer of technology or knowhow against payment, i.e. economic cooperation instead of aid; a fourth type of country, conversely, specifically needs aid in the long term and much more of it than in the past. As an additional type, there has lately emerged the group of disaster countries: not in any case was it possible so far to tackle or mitigate the effects of such major disasters operationally and satisfactorily through use of the available tools of aid. This kind of help has exhausted itself in more or less declamatory "emergency aid", private donations, etc., which frequently never reached the main victims of disaster in the centre of the smitten areas, because of lack of transport.

#### **New Tasks**

All these conclusions require that development policies in the second half of the seventies must increasingly turn to new tasks in new fields: that

of trade policy, which would have to deal with easier access to the EC market, with widened preferential systems, with an association policy that makes sense, and with aid for marketing; cooperation in the fields of research and development through research institutes and technological consulting bodies, including the use of private consultants; technological-industrial cooperation in forms similar to the agreements on cooperation already made with some countries with state monopoly trading; the policy on foreign workers; a specialized development aid tailored to the needs of developing countries that have a real chance to reach the "take-off point" within a few years; development aid for countries whose development chances are very limited, so that help for them will have to be drafted more as "international welfare policies", and aid to disaster areas.

To deal with these enlarged tasks successfully so that they can become the basis of practical development policies, will only be possible after certain organisational changes. However, this will not mean so much a change in existing administrative structures but more a transformation of traditional points of view. This signifies: a deliberate turn of attention to the changing macro-economic, social, and political overall situation in a given developing country is more important than studying a more or less marginal aid project, and at most its "project environment". To adapt flexibly the new types of task within the scope of an extended development policy calls primarily and fundamentally for the knowledge of a partner country's overall structure, for its analysis, and for a suitable reaction to it. The study of individual projects in isolation must be given up.

Such an all-embracing conception will be of imperative importance for any government department dealing with development in all cases where overall responsibility for new problems, whose significance is growing in relations between governments, is claimed by other ministries. In such cases, only this way offers a genuine chance to contribute to their solution.

### **New World Economic Order and Development Policies**

However, thought devoted to the need for greater differentiation in development policies according to groups of countries is only one main aspect of their future formulation. At least equally important are considerations regarding the possible reaction of development policy to the likely compromise solutions found in regard to certain demands raised by the developing countries for establishing a new world economic order.

The first requirement is a rational assessment of the fields in which compromise solutions might be agreed between industrialized and developing countries. The most obvious ones are the granting of higher trade preferences to the developing countries and the stabilization of their export earnings.

While the realm of trade policy may be seen generally as a new and increasingly important field for solving tasks of development policy, it is necessary in this context, to give a high priority to stabilizing export earnings, because this has a direct effect on the allocation of development policy. Industrialized and developing countries, for instance, might come to an agreement on one of the following formulas: worldwide use of the stabilization fund set up under the Lomé agreement between the EC and the ACP-states; an analogous use of such a fund for a bigger number of export commodities, but limited to the economically weaker developing countries; or a partial "indexation" of prices for certain export and import goods – either worldwide or restricted to certain countries.

All such compromise formulas have one thing in common: they call for the increased use of funds provided by the industrialized countries. Either buffer stocks or compensatory payments for export losses have to be financed or subsidies within the scope of a partial indexation will be required. The necessary funds must be financed from government budgets that cannot expand to the extent that they fully satisfy these demands. The scope for mobilizing the funds needed, therefore, can only be found through reallocating the existing funds.

From a different point of view, we find here another reason confirming the need for a new development policy graduated by different groups of countries. The thoughts devoted to this need earlier on led to the conclusion that traditional development aid will be restricted in future, to a few groups of countries. Even though the aid awarded to such countries might have to be greatly increased, only budgetary reallocation will release the funds needed for financing buffer stocks, equalization payments, and/or partial indexation of commodity prices.

Surely, this perspective implies an even more profound change in the current structure of development policy than its graduation by different types of countries. Such major structural shifts can therefore be carried out successfully on condition only that it will be widely acknowledged that the favourable effects of such forms of financing will be much superior even for economically weaker developing countries to what traditional development aid can ever achieve.