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UN Development Strategy for the Eighties

by Juergen B. Donges, Kiel*

The recently held 11th Special Session of the UN General Assembly reached agreement on an international strategy for the Third Development Decade which is to be formally passed by the current 35th General Assembly. In the discussion it became obvious that the developing countries' interest still focusses on a New International Economic Order. There are however grave doubts about the possibility of reaching, by institutional reforms, a real solution for the development problems to be faced in this decade.

Nowadays it is considered a matter of course that the United Nations, with its specialized agencies and suborganisations, applies its collective mind to the question how to achieve the greatest harmony in advancing the world economy and how to defuse the disparities between North and South. Since the Western industrialized countries and the East European state trading countries (collectively known as "The North") as well as the developing countries, oil-rich or dependent upon oil imports ("The South"), are members of the UN, it is thought by many people that a development policy of concerted actions and proclamations on a world-wide scale holds out a promise of especially great successes.

The reality, alas, is different. Thanks to the "one country – one vote" rule the UN excels in politicizing international economic relations, but it does very little to bring the developing countries any closer to their growth and employment objectives. Conference rhetoric is no substitute for a properly targeted development policy on the national level, supported by industrialized countries if such support is requested by the developing country. That is a lesson taught by past experience which may well be confirmed in the decade ahead no matter what international development strategy will ultimately emerge from the UN General Assembly this year.

Let us look back for a moment: For both the sixties and the seventies the UN set quantified development

targets for the Third World. The real gross domestic per-capita product was to have gone up by about 3 % a year, agricultural production by 4 % and the industrial output by 8-9 %, and the industrialized countries were to earmark a minimum of 0.7 % of their gross national product for public development aid. Attained were however only the overall-economic and industrial growth targets.

But what does this really mean? The developing countries are anything but a homogeneous group (even if the oil countries are disregarded) and pursue in part widely diverging development policies. In consequence, some countries have witnessed rapid industrialization combined with a strong expansion of agricultural production, the creation of many new jobs and a noticeable improvement of the standard of living of wide circles of the population. Almost all of them aimed in their industrialization efforts at international integration of their economies. In many other developing countries symptoms of the North-South disparities have become even more marked: Industrialization made only slow progress, local food production did not keep up with requirements, unemployment and poverty have spread. Not only has the differential between North and South widened but considerable income disparities have emerged between developing countries.

In the search for the causes of this latter trend the developing countries are apt to take an easy line. In the system of international economic relations as it has

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evolved since the Second World War, so they often argue, they have been assigned the role of raw material suppliers which has proved to be a not very profitable business and which, besides, has opened wide the gates to economic exploitation by the all-powerful (Western) industrialized countries: a New International Economic Order was therefore needed. Ever since 1974 the North-South relationship has been discussed primarily under the aspect of institutional reforms coupled with a massive resource transfer. This was still the situation at the recently concluded special session of the UN General Assembly on international cooperation and development which was not only to fix, as usual, quantitative growth targets for the "Third Development Decade" (1980-90) but to set signals for the "global negotiations" on the New International Economic Order to be held from 1981 onwards (an aim which, it will be remembered, was not achieved).

Irrelevant Targets

Although it should be clear by now that global development targets for the developing countries as a whole are of little relevance, it is to be expected that the UN will again present quantitative growth targets for the eighties, suggesting an annual average increase of 4.5 % for the real per-capita gross domestic product, 4 % for agricultural production, and 9 % for the industrial output.

These target figures express the political desire for an acceleration of the development process in the Third World. If it follows a different (tardier) course, the blame can be put on "lacking cooperation" by the industrialized countries. But the global targets have in fact, in distinction from those for the two preceding decades, probably been put too high: many developing countries have still to effect the structural adjustment to a rising oil price trend; the need to service – in part very heavy – foreign debts greatly reduces the scope for the financing of development-promoting investment projects; and imports of private capital, management and technical know-how are becoming increasingly difficult, either because these resources are getting scarcer in the world or because developing countries want to be able to deny to foreign investors the protection of their property. Bearing in mind further that economic growth in the industrialized countries has slowed and world trade is no longer expanding as previously, it could already be considered a success if the real per-capita incomes of the developing countries rose on average by about 2.4 % annually, which is the figure mentioned by the World Bank in its third World

Development Report (of August 1980) as a feasible overall-economic growth rate.

Whatever global growth rates may be attained, the eighties are likely to show again wide differences in the pace of development between the various countries. Progress will be slow where tradition, religion and feudalism hamper the productive use of the personal qualities of the individual. Fast socio-economic advances may be expected where there is a will and capacity to learn, society allows individuals to move up and personal motivation is rewarded. No development policy however well intended can be very fertile without some demotion of inherited values and a modicum of achievement ethics. In performance-oriented societies the national development policy can exercise a decisive influence on the pace of development by ensuring that an impulse is given to industrialization also in rural areas, that all opportunities for increasing productivity are utilized in agriculture and that full advantage is taken of the benefits of specialization within the framework of the international division of labour in industrial as well as agricultural production.

The Industrialized Countries' Contribution

Although every single developing country bears itself the responsibility for the realization of the fixed development targets, the industrialized countries can make a contribution to the success of the development efforts. An affirmation of the 0.7 % target for public development aid is a regular feature of UN debates; it has been restated in the context of the international development strategy for the eighties. Increased state grants and low-interest loans from public bodies are a positive contribution and advance development insofar as they stretch the limits set to investment projects in the recipient country by scarcity of domestic savings and balance-of-payments bottlenecks – provided that the external resources received can be turned to macro-economically efficient use for relevant development purposes within a certain span of time. A number of developing countries are however faced with absorption problems as well, at least in the short term. Often there are not enough projects or (complementary) business enterprises, skilled labour or infrastructural facilities available.

The industrialized countries should not deduce from this that development aid need not be stepped up or might even be cut down. They should anticipate that the developing countries will learn to prepare projects earlier and provide for longer lead times. In budgetary terms this means that the national parliaments of the donor countries would have to raise the appropriations

for commitment rather than the appropriations for actual payment.

Apart from this, the industrialized countries should get away from "tying" development aid to certain sources of supply. In this way alone can they make sure that the developing countries will be able to avail themselves of the advantages of price and quality competition between different suppliers when they use the aid receipts for purchases from other countries. They would thereby increase the real value of the development aid. The industrialized countries would also directly or indirectly benefit from efficient use of such aid because it will tend to expand the Third World's demand for their goods and services and to enlarge the supply of products from developing countries in their own markets.

Dismantling Protectionism

The industrialized countries can also promote the integration of the developing countries in the (substitutive) international division of labour by opening their domestic markets – or keeping them open – to raw materials, agricultural produce and finished and semi-finished manufactures from the Third World. Liberalization of imports over a wide front including agricultural products is wanted instead of the selective protectionism which has been spreading for several years now in spite of the Tokyo round. Dismantlement of the EC's protectionism for agriculture would (given otherwise unchanged conditions) give a lift to food prices in the world market and thereby not only help the net exporters of food to increase their foreign exchange earnings but provide developing countries which have hitherto been relying on food imports with an incentive to raise their domestic production. Trade liberalization in the industrial sphere would at first benefit only the more advanced developing countries which alone have a significant export potential in this field. Other countries, however, now still in the initial stage of economic development, would see more clearly what foreign trade options they will have in the future.

Removal of existing obstacles to trade will of course have its advantages also for the industrialized countries. It would put a stop to the waste of EC taxpayers' money in the agricultural sphere and give the consumer a free choice at competitive prices. Additional price competition in the industrial sphere would likewise work to the benefit of the domestic consumer; it would weaken monopolistic power positions in goods and factor markets and thereby

lessen the risk of cost inflation. Besides, the industrialized countries can push the limits to growth farther ahead by concentrating on the production of goods and services which absorb a very high proportion of human capital and of research and development work. Finally, the import-induced adjustment pressure in the industrialized countries will be complemented by the creation of new jobs and capacities in their export industries because developing countries, as experience shows, normally do not hoard their foreign exchange earnings from exports but use them for the purchase of investment goods.

Fixed Ideas

In spite of the evident need for developing countries to act on their own responsibility in the field of economic policy and in spite of incipient concrete moves for constructive cooperation on the part of the industrialized countries the discussion on international strategy for the Third Development Decade has been used to start yet another altercation about the New International Economic Order. It seems to be impossible for developing countries at UN sessions to get rid of their fixed idea that the economic relations between North and South represent a zero sum game, that one side can only win if the other loses. And it would be in contradiction to the *Zeitgeist* to treat institutional reforms not as a panacea. The result is invariably the tabling time after time of long lists of contradictory maximum demands. The industrialized countries are not conspicuous for originality either. At times they offer concessions which allegedly do not cost anything (in budgetary terms). At others they play a double game by preaching free trade while resorting to selective protectionist devices against Third World suppliers.

The successes or failures of the Third Development Decade will be revealed at the end of the eighties by the record of the developing countries in making up the leeway and mitigating unemployment and poverty. Even on the controversial assumption that a world-wide centralization of decision-making mechanisms would involve on balance low costs and small disadvantages for the developing countries, I have grave doubts about the possibility of reaching a real solution for the development problems to be faced in this decade by the creation of new institutions or transformation of existing ones. Those who put their faith nevertheless in institutional reforms may raise expectations in the Third World which will later be disappointed and cause frustration and resentment.