# A better world for some?

Brett Parris, Global Economic Issues Group, World Vision*

The launch of *A Better World for All* at Geneva 2000 marked a new stage in the development of closer bonds between the UN, the OECD and the international financial institutions: the World Bank and the IMF. Predictably, it received both praise and criticism. World Vision was encouraged that the International Development Goals were receiving some much-needed renewed impetus, but to be honest, it all had a faintly hollow ring. Geneva 2000 was meant to be the major conference where the Copenhagen goals of 1995 were reaffirmed, yet hardly any senior officials from OECD countries were even present.


© Martin Bernetti/AFP

Clearly there is a crisis in development policy and financing. The goals of most of the major UN conferences of the 1990s have come to little. The decade is littered with noble promises, unmet commitments and unrelieved suffering. If the OECD countries were in the midst of a protracted recession and decline, the lack of substantive commitments to the development goals would be somewhat easier to understand. But amidst the longest boom in a generation it stands as an obscene indictment of the governments of the developed countries, and a source of shame for their citizens.

**It was disappointing to be presented once again with the simplistic advocacy of trade liberalisation.**

A leading economist, Paul Krugman, highlighted this startling selfishness in a blistering attack in the *New York Times* in July on the way the US Congress' debate on foreign aid was manipulated to deceive the American people into thinking their government is far more generous than is actually the case. Far from giving away ten or fifteen percent of the national budget in foreign aid as most Americans apparently believe, the figure in 1998 was a mere 0.1% of GNP, half what it was in 1992, and the average for the OECD was only 0.24%. Mr Krugman cites Jeffrey Sachs' telling assessment: "Each year the average American is asked to pay a grand total of \$4 in taxes towards helping the world's poorest 600 million people." This is in strong contrast to

Denmark, Norway, Sweden and the Netherlands, all of which give more than the UN recommended 0.7% of GNP.

The emphasis A *Better World for All* gave to health and education for children – especially girls – was encouraging. Good health, nutrition and education for children is absolutely fundamental to the future development prospects of any country. Malnourished children cannot learn well and a poorly educated workforce greatly hinders development. Discrimination against girls and women not only impoverishes them, it also cripples nations by stunting the psychological and emotional development of the boys and men. The report also emphasised the environmental dimensions of the development crisis. Given the abysmal responses of most Western nations to the realities of global warming, deforestation, overfishing and desertification, this was most welcome.

However, one of the issues which raised the most ire from civil society groups was where the report asserts: "Countries have to lower their tariffs and other trade barriers" (see article on "What it will take to achieve the goals"). It was disappointing to be presented once again with the simplistic advocacy of trade liberalisation in the face of the immense complexities of development and industrialisation policy. How quickly we forget history. It wasn't until 1842 that the United Kingdom really began to lower its trade barriers – after nearly a century and a half of protected industrialisation.

### Tariffs not all bad

It imposed "free trade" on India and in the process all but destroyed India's highly developed textile and iron industries. Latin America's textile industries suffered a similar fate. France, Germany, the United Kingdom and especially the United States all developed their domestic industries behind tariff walls and with below market-rate loans. Indeed, tariffs were positively correlated with economic growth for these and six other developed countries between 1875 and 1914. More recently, Japan, Taiwan and South Korea all used measures which were anything but "free trade" to industrialise, many of which are now banned under WTO rules or soon will be.

This is not to suggest that a simplistic policy of blanket infant industry protection is the solution – the bloated, grasping and inefficient "infants" which refused to be weaned in so many countries testify to the risks of that path. Encouraging exports is definitely important, but there must be a more highly nuanced approach to each country's particular situation and stage of development – and a recognition that comparative advantage is dynamic and can be acquired. It is not static. The simplistic advocacy of rapid trade liberalisation for all developing countries in every sector flies in the face of history and condemns countries to low levels of industrialisation and dependence on narrow ranges of commodities for export. Developing countries should have the freedom to decide for themselves how much they will expose their nascent industries to the power of those who have had over a hundred years' head start on them.

### Galling

The most galling aspect of the agenda that western governments appear to be pushing is that it leaves the developing countries with little choice but to join in a process of economic integration and liberalisation that is arguably quite appropriate for the advanced industrial countries, but which takes little account of the particular needs of developing nations. Merely adding an extra five or ten years to the WTO agreements for developing countries' compliance, plus some woefully inadequate resources for technical assistance, is a farcical approach to the issue. A recent UN report even referred to the WTO as "a veritable nightmare" for developing countries. Simply implementing the agreements can cost an entire year's development budget for many of them. In the light of the development goals, this can hardly be a good use of these countries' resources.

It was good to see *A Better World for All* arguing for "more and faster debt relief", since this is another critical area in which OECD governments are failing. The United Kingdom was not required to repay her debts to the United States in full after the First World War and Germany was given massive debt relief after the Second World War, but most developing countries must continue to replenish the coffers of multinational banks and OECD governments, making it nigh on impossible for them to improve the health, education and sanitation of their poorest people. As Jeffrey Sachs has argued:

"The IMF has repeatedly insisted on debt servicing that exceeds the combined spending of the health and education ministries. And yet, when the world complains about the disasters of IMF conditionality, the IMF's response is that the protestors are obviously macroeconomic illiterates. I am not a macroeconomic illiterate, and I tell you that the budget conditions in the world's poorest countries are unconscionable. *These countries need vastly more help*. Yes they should balance their budgets, but in a context of greatly increased aid and a cancellation of their debts. The IMF should trumpet this truth, not hide it."(See References)

### More help needed

There must be far greater emphasis by the main international organisations and donors on supporting the vulnerable and on strengthening developing country states and institutions, to enable them to become more effective, efficient, transparent and accountable. They must also ensure more effective technology transfer and greater availability of equity capital and loan capital for investment for the very long term.

It is simply perverse for OECD governments to continue to call for a new trade round while cutting aid budgets, delaying effective debt relief, denying duty – and quota-free – access to all exports from least developed countries, and endlessly stalling and backloading agreements on tariff reductions in such crucial areas for poor countries as agriculture, textiles and processed goods. OECD country leaders with vision must end this unjust and myopic approach if there is to be any hope of meeting the development goals and achieving a more prosperous and equitable world in the 21st century.

Finally, the steps taken by the OECD and the other international organisations towards greater dialogue with "civil society" are to be applauded, and this process must continue – though not simply with large NGOs, but also with smaller groups and representatives of the poor themselves. The World Bank's *Voices of the Poor* project was encouraging, though we wonder whether the findings of this project are actually being incorporated into the day to day work of the institutions. Dialogue with NGOs, while important, is no substitute for encouraging participation by the poor themselves in the decisions affecting their lives.

*World Vision is a partnership of Christian NGOs working in 87 countries on over 4000 development, relief and advocacy projects. ■

References


- Adelman, I., "Fifty Years of Economic Development: What Have we Learned?", Keynote address at the Annual Bank Conference on Development Economics, June 26-28, Paris, pp.43, 2000.
- Bairoch, P., *Economics and World History: Myths and Paradoxes,* University of Chicago Press, Chicago, pp. 54, 1993.
- Finger, J.M. and Schuler, P., "Implementation of Uruguay Round Commitments: The Development Challenge", The WTO/World Bank Conference on Developing Countries' Interests in a Millennium Round, 20-21 September 1999, Geneva, p. 23, 1999.
- Krugman, P.R., "Delusions of Generosity", *The New York Times,* New York, July 19, 2000.
- OECD, Development Co-operation 1999 Report, *The DAC Journal 2000,* Vol. 1, No. 1; OECD, Paris, pp. 103, 2000.
- O'Rourke, *K.H., Tariffs and Growth in the late 19th Century,* The Economic Journal, Vol. 110, No. 463, April, pp. 456-483, 2000.
- Rodrik, D., *Getting interventions right: how South Korea and Taiwan grew rich,* Economic Policy, Vol. 20, April, pp. 55-107, 1995.
- Oloka-Onyango, J. and Udagama, D., "The Realization of Economic, Social and Cultural Rights: Globalization and its impact on the full enjoyment of human rights", Report number: E/CN.4/Sub.2/2000/13, 15 June, UN Economic and Social Council, New York, para 15, 2000.
- Sachs, J., "A New Global Consensus on Helping the Poorest of the Poor", Keynote address at the Annual Bank Conference on Development Economics, April 18-20, Washington DC, pp.3, 2000.