



The World Today

Why Third World Countries Must Rethink Development

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Third World development has been premised on the notion of “catching up” with the North (i.e. North America, Western Europe and Japan). The main strategies to do so have been foreign aid, technology transfers, foreign direct investment and the adoption of Western values and institutions. However, after 60 years of experimentation of all sorts with capitalist, socialist, mixed economies and so on, there remains an unconscionable gap between the professed intentions and the actual performance of mainstream development policies, in terms of global human welfare and dignity. Successive policies have not addressed the root cause of underdevelopment.

The discontent with development over the last several decades has led to much criticism at the World Social Forum from a wide range of social actors for example the NGO community and civil rights groups all around the world, As well, internationally acclaimed academics like Joseph Stiglitz and Amartya Sen have called for the reform of global development institutions. And recently, Latin American states, such as Venezuela, Brazil, Argentina and Bolivia, have sought alternative paths to development in contrast to the neo-liberal development model which they have tried little or no success.

Among many of the critics of mainstream development there is some consensus on what is wrong with development but not much on where to go next. Much of the criticism is targeted at the Washington Consensus (for example, IMF and World Bank structural adjustment policies), which is essentially the set of neo-liberal policies that prioritize trade and financial liberalization, minimizing the role of the state and increased integration into global markets. These policies have been critiqued for their on-size-fits-all approach, which has not allowed for industrial deepening and structural transformation of many developing countries.

The obvious exceptions have been the Asian Newly Industrialized Countries (NICs). However, most analysts now accept that their success was not based on the more narrowly defined approaches associated with the Washington Consensus. These countries applied a mix of targeted industrial policies along with heavy investment in education and social institutions. Consensus among the elite on a national development strategy and long-term vision was also key. In most developing countries this is the biggest challenge. Often, the political and economic elite do not see eye-to-eye and, when they do, the vision for development is either an out-dated model based on imitation or unattainable goals that do not take into account contemporary challenges such as the rise of India and

China as super importers or the phenomenon of high oil prices and ecological degradation. There is, therefore, little doubt that new strategies must be found. Such strategies would seek to address the following issues:

Debt reform

There is much discussion of debt relief for the world's poorest but a key concern is whether these initiatives will create new conditionalities and provide further leverage for the developed economies to open up developing country economies, particularly in the provision of key public works like water. There is a clear need to articulate alternative proposals which would enhance the negotiating power of developing countries.

Aid effectiveness

There is a renewed expression of interest by donor countries to live up to past pledges and to increase aid flows and development assistance to low-income developing countries as reflected in the UN Millennium Development Goals. However, aid effectiveness is hampered by several long-standing problems, including the fact that a large portion of aid returns to the donor country as tied aid and that pledges are often not fulfilled. Aid is not a panacea to development because it creates dependencies rather than building capacities.

Fair trade

Fair trade should be promoted as an alternative to free trade. There is an obvious double standard being practiced by now-developed countries when it comes to trade and industrial policies. Now-developed countries were assisted by applying protectionist measures in the early phases of their international trading relations. But, the most recent round of world trade talks (the Doha Development Agenda), has collapsed due at least in part to the resistance of developed countries to the complete removal of subsidies in agriculture. This is an area where developing countries can forge an alliance with Northern NGOs to win public support in the developed market economies.

South-South cooperation

One of the key problems for South-South cooperation is that developing countries produce competing rather than complementary goods. Increased liberalization of global trade requires that developing countries collaborate so as to avoid the problems of over-production and gluts in global commodity markets.

Diasporic relations

Diasporic relations have emerged to an important asset and alternative means of financing development for developing countries. However, the strategy has to move beyond increasing remittances towards regional management of labour migration and the development of stronger export opportunities.

Innovation

Industrial upgrading and deepening calls for innovation in product and production technologies and distribution marketing methods. The aim is to improve competitiveness on domestic markets, to penetrate new export markets and increase value-added shares of global productivity chains.

All of the above strategies call for increased knowledge production by developing countries. Much of the research on developing countries is provided by Northern organisations rather than the countries themselves. There is also a disturbing trend in terms of developing countries' share of global patents and health research. With a few notable exceptions such as India, China and South Korea, this share is small and for that matter declining. Developing countries need to invest substantially more in the creation of knowledge, rather than being just on the receiving end. Unless such investment is made, developing countries will be unable to take advantage of the emerging opportunities.