COLECTIVE SELF-RELIANCE OF DEVELOPING COUNTRIES:
SOME NOTE FOR REFLECTION
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1. Quarter of a century ago the first expert group of the United Nations began the discussion on measures for the economic development of underdeveloped areas. Professor Arthur Lewis was its Chairman. Since then, much has changed. Any assessment of new policies for the last quarter of the century requires a proper appreciation of the nature and extent of the change. Some of the more important landmarks of the changing world economy are summarized here in order to initiate the reflections on the new directions that developing countries might adopt for the period ahead.

1. The Broad Changes in the World Economy

2. The changes in the last 25 years have to be examined against the backdrop of much longer-term changes in the world economy. Writing at the dawn of "civilized" history, Aristotle said: "Enough has been said about the theory of wealth-getting; we will now proceed to the practical part." Two thousand years thereafter another philosopher, Adam Smith, was carefully selecting the title of his magnum opus: An enquiry into the nature and causes of the wealth of nations (1776).

3. In the two thousand years that separated the two, many obviously proceeded with the practical part of wealth-getting. But their efforts, if measured in terms of the rise of average per capita real incomes of nations had only a marginal impact. For the per capita income of the city state of Athens, from which Alexander was to start off conquering the world, and that of England of Adam Smith, which in turn was about to set out on even a bigger conquest, could not have been significantly different.

4. The changes in last century stand out in sharp contrast. Of the world population of 1,170 million in 1850, barely 5 per cent (or some 60 million) resided in countries with per capita income over $250 (in

1/ Politics, Book One, Chapter II, paragraph 1.
1960 prices). By 1975, the proportion had risen to nearly 45 per cent of the world population which itself had trebled. To put it simply, over 9/3 of the entire increment in the world population during this period had moved up to average per capita income levels over $250 in 1960 prices.

5. The changes among what are now called developed countries were even more profound. The population of this group trebled between 1865 to 1975 – from 370 million to 1200 million. Their combined national output expanded over 40-fold, and their average real per capita income over 14-fold. Only a third of the population of these countries had per capita income over $250 (in 1960 prices) in 1865. Only a little over a century thereafter no country in that group was left below this level.

6. The distribution of economic power among them had altered significantly. England, the workshop of the world, continued to account for around 40 per cent of the world industrial output between the Treaty of Vienna (1815) and the Franco-Prussian War (1873). Since the end of the nineteenth century, the United States alone produced nearly 40 per cent of the world industrial output. It is not accidental that the periods of world influence of each of these countries coincided with the period of their economic predominance. Today no country accounts for more than 25 per cent of world industrial output. The emergence of many centres of industrial power has to be taken into account in determining future policies for developing countries.

7. The world economy is at present in agony greater than it has ever been since the end of the war. The international monetary order, with gold as its linchpin, is in shambles. The trade patterns laboriously build up since the war are facing their biggest challenge. The entire framework of domestic policies built on the assumption of steady growth (or only minor recessions) will have to be worked out.
all over again. Expectations of decline in industrial output varying from 10 to 25 per cent are now not restricted to whispers at cocktails. They are publicly pronounced. One can imagine the impact on commodity prices. Unemployment in the developed countries, some say, could swell nearly anywhere from 5 to 10 per cent—levels which only a year ago were thought of as impossible. The identification of economic power with international liquidity has been all but destroyed in the wake of the oil price rise.

8. The faith in the economists as the black magicians who with some comforting words or confounding formula would set all this aright has now fallen to its lowest point. Neither are the world politicians doing much better.

9. The contrast in the century-long pattern of growth (paragraphs 4 and 5) and the short-term prospective outlined above (paragraph 7) are disturbing. But it may be some consolation perhaps to recall that during that century there were two Great and many little wars, two great depressions and many crises and recessions. The exploration of any policy for developing countries particularly at perhaps the most critical phase of the postwar period, requires keeping in mind both these long and short-term perspectives. With this as a setting, this note takes three main problems: i) the main pillars of our past approach to development; ii) the contrast between reality and our approach; and iii) the search for new directions.

II. The Main Pillars of our Past Approach to Development

10. The deliberations of the United Nations Expert Group in 1950 had outlined with arresting simplicity the international approach to development. The developing countries were short of capital. They were short of skills. All these required long, a very long, period to
develop. The only way, therefore, was to obtain both of these - capital and skills from abroad. But the costs of development were far larger, the exports assured us, than most ordinary mortals were prepared to believe.

11. If the poor countries were to raise their output even at a modest figure of a bare $2^{1/2}$ per cent per year, they were told in 1950 that they needed net investment of $19 billion. Even if these poor countries tightened their belts, and tightened them all over again, they couldn't possibly, the exports said, raise more than half of it. The other half - $10 billion - had to be supplied from the outside. And "the outside" at that time could only mean the United States, for other industrial nations had pretty well destroyed their assets in the lovely little game of war they had played. Ten billion dollars at that time meant some 4 per cent of the entire national income of that country. The boldness of the experts - by the same token perhaps the unreality of their understanding - would be obvious to anyone watching painful "progress" on the attainment of UNCTAD's one per cent aid target. But then this was the world of euphoria. The experts began the difficult task of persuasion - relationship between efforts and results of this pursuit can hardly be taken as much consolation.

12. This neat little scheme or reliance on abroad was, of course, improved as years went by. We examined the terms of trade, and analysed, changes in them. We estimated the possible growth rates of developing countries. Their implications in terms of investment requirements were translated into foreign exchange and domestic savings gaps.

13. Some of us, troubled by too much arithmetic of this type, started off with inquiry into structural differences between the centre and periphery and expanded the neat little package of the United Nations
experts into a large basket of policies for international co-operation. This has found its embodiment in the International Development Strategy (IDS). The core of this package still remains relatively simple. It boldly pronounces that the development of the Third World is mainly its own responsibility. Having taken care of this worry, the IDS centers the rest of itself on what others ought to do to make the Third World fulfill its own responsibility. It contains little on what the countries of the Third World can do individually and jointly. But that is basically the point where the search for policies of collective self-reliance have their beginning.

14. Thus, the policy package has grown from the hopeful days of 1950. Many more items were added. More color was splashed. And some of the measures have the flavour of freshness. But in its broadest sense, the package has remained approximately the same - that is, a list of demands the developing countries are making on the developed countries for the development of the Third World.

15. This is all to the good. After all, a divided world, or an unequal world, is a danger to itself. The better off in it might as well be made aware of it. But at the back of it still lies the comfortable acceptance of the simplistic basic elements of development strategy as were put together in 1950. To appreciate this more clearly we may briefly review what has happened to the developing countries over the last quarter of a century.

III. The Contrast between our Approach and Reality

16. Fortunately, developments in the Third World did not really correspond to the ideas that constituted the core of our approach, as embodied in the first report. Let me summarize broadly the changes between 1950 and 1975.
17. **Population:** This has increased around 1.6 times, mainly as a result of an immense success in reducing death rates. Even the gloomist forecasters of developing countries' destiny should see in this at least the "perverse" success of the poor countries in bringing down in such a short period death rates to levels nearer those in the developed countries. After all, death, diseases and alleviation of suffering one things, are still pursuits of some significance in improving the quality of life. A decline in birth-rates may not be that far off.

18. **National income:** This has increased three times. The growth rate - around 4.5 per cent - is nearly twice as high as what the United Nations Group of Experts expected to be achieved only as a result of their wild programme of external assistance. With external aid which, in relative dimensions, was not even one-sixth of what the experts suggested, the developing countries have achieved growth rates twice as high as the experts suggested. They were thus twelve times a more efficient engine of economic expansion than expected in 1950.

19. **Per capita income:** The success of the developing countries in reducing death rates was responsible for a much slower growth in per capita income. But even then, it has nearly doubled in the last quarter century. Just to remind ourselves that even in the heydays of the most rapid growth of developed countries in their earlier history, such doubling took at least 40 years.

20. **Foreign trades:** The exports of these countries have grown from some $18 billion to some $130 billion. Oases of foreign exchange affluence in the oil-producing countries have come to concentrate among the developing countries the largest holding of foreign exchange reserves. 1/

1/ For details, see Surendra J. Patel "Some implications of the structural change in exports of developing countries" Foreign Trade Review (New Delhi), January-March 1971.
21. **Industrial output:** This is now some 6 to 7 times higher than in 1950. While this is not much, it may be useful to remember that this volume is about twice the industrial output of the whole world in 1900.

22. **Capital formation:** As a share of national output, gross capital formation has increased from 11 to 12 per cent of GDP in 1950 to some 17 per cent now — about the same as in developed countries, and twice as high as the ratios prevalent in the developed countries in the early decades of their growth. Net ratios are much higher.

23. **Skill formation:** There has been a veritable explosion of education in these countries. Let us take enrolment at the third level of education (universities, colleges and institutions of higher training) as an indicator. This has risen from less than one million in 1950 to nearly 10 million now — or equal to the number of students enrolled in the third level in all developed countries (including the United States and the USSR) only 15 years ago. It is not even worthwhile to make any meaningful comparison with the numbers in the last quarter of the nineteenth century in these developed countries, when university education was being dished out to their citizens in homeopathic doses.

24. Of course, these are group indicators. The performance from country to country has varied. There are dynamic countries, countries in the middle range of growth and the depressed hard core of the development problem. All this is true, and hence the need for new solutions based on new perspective.

IV. The Search for New Directions

25. All I wanted to suggest at a general level is that while there is a long road to go, much ground has already been covered by developing countries in the course of the last quarter of a century. Strong points have been built up throughout the three continents. These relate to all
the aspects broadly summarized above: income generation, consumer goods output, capital goods outputs, dynamic export products, foreign exchange surpluses, highly advances skill profiles, and so on.

26. But the examination of how to link these strong points, the search for complementaries (present and future) has only timidly begun. This is obvious when the amount of intellectual output which has come out on paper in support of the policies the developing countries are to follow in their dealings with developed countries is compared with that which has explored the problems of co-operation among the developing countries in seeking new lines for trade, in searching for new sources of skills and technology, and in allocating on a commercial basis available surpluses of monetary reserves.

27. To begin, this search constitutes the basis of finding the lines of collective self-reliance of developing countries - or their co-operation among themselves.

28. But this requires a major change in emphasis in our prescriptions for development. International accommodation has occupied the top priority in our attention up to now, and co-operation among developing countries has remained the subject of only lip-service.

29. In the world as it is shaping up now, with all dangers of a major recession, the priority needs to be fundamentally reversed: the top priority being given to economic co-operation among developing countries and lip-service to international co-operation.

30. In a note which is only intended to open up reflection on this subject, there is obviously no scope - nor time, nor possibility - to spell out in detail the policies that will have to be contained in this package. This, in fact, cannot be done without solid exploratory work
for which there is no substitute. In any such exploration, two elements seem to be of central significance: one at the conceptual level and the other at the institutional level. A few words on each may be of some relevance.

i) Conceptual level

31. Since the developing countries are about the only internationalists left in the world, it is not to be wondered that most of our policies centre upon dealings between developed and developing countries. What is actually needed in its place is a vastly expanded network of negotiations among the developing countries at all levels - at the group as a whole, at its regional components having geographical proximity, among countries having similarities in levels of development and problems (e.g. Mexico, Yugoslavia, India, etc.), among countries having common commodities to sell, among countries having common problems sharply posed (incidence of debt servicing etc.), at bilateral level, and so on.

32. Doing this would have an additional advantage. It would greatly consolidate the initiatives of developing countries in taking up their problems with developed countries as well.

33. But of much greater significance is the exploration of the idea of preferential (and hence discriminating against outsiders) treatment to be given by developing countries to members of the group. Such preferential treatment is not restricted to the marginal notion of the General Scheme of Preferences - asking merely reduction of tariffs (and that too excluding the most significant products). What is being suggested here as the main line of approach requires that all aspects - exporting commodities, importing goods, getting loans or grants, buying skills and technology, exploiting natural resources, planning educational exchange etc. - of relations among developing countries be subjected to
evolving preferential policies on the basis of the Group as a whole, of its important regional components, of sub-groups having similarity of levels of development of objectives or of problems, and on a bilateral basis — that is, using all levels of economic relations.

34. Such preferential treatment, being discriminatory to others would also work towards building up self-defenses among the developing countries — defenses which would prove very valuable in case the developed countries through their own incapabilities to manage their economies were to get into difficult-to-manage recession or even depression. The Third World need not wait to think of policies till it has become a helpless victim.

ii) Institutional level

35. The priority assigned to internationalism in our policy prescriptions reflected itself in creating internationalized institutions (UNCTAD, UNIDO, ECAFE, ECWA, ECA, ECLA) to deal with the problems of the Third World. They have grown up doing this, and nothing is more difficult than to change existing institution.

36. But if the priorities in the approach to the development of the Third World were to be altered as suggested above, it is impossible to initiate even the preliminary homework for showing that there is some promise in the path without having an institution which is continuously concerned with the study and analysis of the problems faced and the formulation of policies for collective self-reliance. There is nothing particularly revolutionary or unheard of in this suggestion. The western countries have OECD as their organization with a secretariat. The Eastern European countries have the COMECON with its secretariat. But the developing countries have only occasional experience of preparatory work, done on a totally ad hoc basis, for the meetings of the Non-Aligned or the Group of 77.
37. There are, of course, regional secretariats already beginning to function, e.g. the Andean Pact, CARICOM, SIECA, East African Community and so on. But they are all isolated. The establishment of a permanent secretariat of the Third World, working on a continuing basis, would constitute the pre-requisite for altering the approach to development of the Third World - from lip-service to collective self-reliance to charting the blue-prints for bringing it about.