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SUSTAINABLE DEVELOPMENT : THE WAY AHEAD

The Development Debate

While there has been great progress in many developing countries what has remained in great dispute, until relatively recently, is which policies are most likely to contribute to growth and the alleviation of poverty. In the 1960s development appeared to many to be an unstoppable process, with rates of growth of GDP in East Asia, Latin America and the OECD countries averaging about 5 per cent per year. Predictions for the future were glowingly optimistic.

Among developing countries, great attention was focussed then on the relative performance of China and India. India's economy was widely considered to be a democratic experiment in development and as an alternative to China's totalitarian path. If China succeeded and India did not, the totalitarian model would have a profound impact on the leadership of developing countries.

However, in the 1970s and 1980s the development debate changed as growth rates varied dramatically with much of the developing world experiencing low growth rates while other countries met with remarkable success. For the Republic of Korea, Singapore, Taiwan and Hong Kong, rapid growth and poverty reduction reinforced each other and the phenomenon of the

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'newly industrialising country' emerged. As the distinguished Indian economist Jagdish Bhagwati has noted :

"Where the West had earlier regarded the two Asian giants as the sure bets in the developmental race, the only question being the order in which they would finish, the race had ended with altogether different dark horses at the finish line. The success stories turned out to be the smaller countries of the Far East, their developmental strategies becoming the focus of universal attention" ¹

In defence of India, Bhagwati also noted that for a long period India stood nearly alone in Asia, Africa and Latin America in her strong commitment to the democratic institutions of free elections, an independent judiciary and lively press.

It is important that we understand what happened in the 70s and 80s and apply these lessons today to ensure that the current positive global outlook for economic growth is sustained.

The development theories that drove the western development programmes of the 60s and 70s were influenced, in many countries, by the writings of Rostow, Milliken, Rosenstein-Rodan, Little, Myrdal and others. In his book "The Stages of Economic Growth" Rostow saw economies passing through a series of mandatory stages :

- traditional society
- preconditions for 'take-off'
- the 'take-off'
- the drive to maturity, and
- the age of mass consumption.

All economies were assumed to pass through the same sequence of stages.

¹ Jagdish Bhagwati *India in Transition - Freeing*, Oxford University Press, 1993

This tidy view of history was soon shown to be misleading. Economies may miss stages, become locked in one particular stage or even regress. The path to development may be traumatic and aberrant, not smooth and sequential. The rapidly growing economies in East Asia demonstrated the importance of factors not highlighted by Rostow including approaches to education, the importance of an effective and efficient public sector, the fundamental role of trade and the private sector, and efficiency in resource allocation.

There were similar though not identical weaknesses of omission in the Harrod-Domar model of economic development which focussed strongly on the desirability of raising the rate of investment. During the 1960s it became increasingly evident that the efficient use of capital, both human and financial, was the key to growth, rather than a narrow focus on rates of investment. Different rates of capital formation did little to explain why there were divergent growth rates in different countries.

Another school of thought was based on the work of Andre Gunder Frank and the 'underdevelopment theorists'. Frank countered that there were no 'stages' of growth and there could be only two regions of development - the wealthy capitalist core or the exploited periphery. For Frank, the countries of the developing world were underdeveloped in the process of the emergence and consolidation of capitalism as a world system. The original centres of capitalism established their wealth and their power through exploiting and incorporating other parts of the world. The self-sustaining character of capitalist development in the centre and the reproduction of underdevelopment of the periphery were seen as parts of a single process.

Again, experience has shown that, contrary to Frank's views, real development has taken place in the periphery. Indeed the

evidence of the high rates of growth in the newly industrialised countries of East Asia compared to the lower growth rates in OECD countries suggests that the net effect of general economic relations between the so-called core and periphery has actually favoured industrialisation and general economic development on the periphery.

A further line of thought was expressed by Professor Peter Bauer who argued that lack of development should be attributed to poor resource allocation from incorrect pricing policies and too much state intervention. In his view aid flows were essentially a distortion of the perfect operation of international capital markets. The experience of the newly industrialising countries demonstrates, contrary to Bauer's view, that aid has played an important catalytic role in the tremendous achievements of those economies.

Important practical lessons have been learnt from the experience of the phenomenal growth in East Asia over the period from 1965 to 1990. Studies such as the World Bank's 'The East Asian Miracle' stress East Asia's success in getting the basics right. The Bank argues, with the benefit of hindsight, that there is nothing essentially miraculous in the extraordinary development of the economies of Japan, the Republic of Korea, Singapore, Hong Kong and Taiwan. These countries have made massive investments in physical and human capital and have benefited from the efficient allocation of these resources to highly productive sectors.

It would be wrong to suggest that there is one 'East Asian' model, rather economic policies and policy advice must be country specific. There are, however, common threads.

Rapid growth in each economy was primarily due to the application of a two-track approach to development policy which

emphasised macro-economic stability on the one hand and investments in people on the other. Policies which encouraged household and corporate savings were central. Acquisition of new technology through openness to direct foreign investment was also essential to rapid productivity growth. Public investment complemented private investment and increased its orientation to exports. Education policies stressed the basic importance of universal primary schooling and improvements in quality at primary and secondary levels.

Economic growth was emphatically shown to be the most effective way to alleviate poverty. At the same time, it was also evident that there was a role for targeted anti-poverty programmes. But these on their own were not able to achieve sustainable reductions in poverty.

More recently, Indonesia, Malaysia and Thailand have followed similar paths to the Republic of Korea, Singapore and Taiwan. In all of these countries it seems to be accepted that sustainable development will not be advanced where there are extensive bureaucratic controls over production, investment and trade; or where trade and foreign investment policies are inward looking or where there is a substantial public sector going beyond the confines of public utilities and infrastructure.

In contrast to the East Asian success stories, many developing countries, especially in Africa and Latin America, experienced low or negative growth rates in the 1970s and 1980s and were left with no alternative than to undergo structural adjustment programmes. This process has generated a number of lessons.

Adjustment lending by the International Monetary Fund and the World Bank was introduced to assist countries with balance of payments problems to achieve macro-economic stabilisation and

establish a platform for sustainable growth. Essentially, these packages were developed where economies were out of control and levels of debt were unmanageable. Typically reforms focussed on liberalising trade, deregulating markets, reducing the size of the public sector, removing constraints on savings and investment and fostering the private sector.

The experience of structural adjustment has been mixed, especially in the early days. In many cases a high social cost was paid, notably by the poor, with the withdrawal of social safety nets, the abrupt ending of subsidies and indiscriminate government retrenchments. Secondly, the programmes were designed from outside, and there was little ownership and hence little commitment. Thirdly, many of the poorest countries did not have the basic capacities needed to undertake such a radical transformation in their economies.

However, successful structural adjustment programmes have enabled many developing countries, such as Indonesia, to achieve major improvements in their economic circumstances. These improvements have been reflected in improved growth rates, and more sustainable economic policies, including lower fiscal deficits, more realistic exchange rates and liberalised trade regimes. Middle income countries which received intensive adjustment lending achieved growth rates around four per cent higher than would have been expected without adjustment. Low income countries achieved a two per cent improvement.

Structural adjustment has worked where there has been strong national commitment to the process, a strong public sector capacity to implement the program effectively and where programmes to protect the poor have been included.

Many developing countries which have been able to meet adjustment targets have been able to benefit from the increased

globalisation of the world economy. Between 1985-86 and 1992-93, portfolio and direct investment into developing countries increased by a factor of six. It is important to note, however, that these flows were concentrated in about twenty countries, with others, notably those in Sub-Saharan Africa, still heavily reliant on concessional finance.

Uruguay Round

We now know a lot more about the importance of trade in development. The successful conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade has the potential to deliver significant benefits to all countries, including developing countries. The GATT Secretariat has estimated that world merchandise trade would be worth an additional US\$ 750 billion over and above trade at pre-Uruguay Round levels. This probably understates the full potential benefits of the Round since the estimate did not seek to take into consideration intangibles such as greater competition, a more predictable trading system and greater exposure to scrutiny of less transparent barriers to trade.

While the Round outcomes will initially benefit developed countries, largely because they are the major trading nations, in the longer term developing countries will benefit from expanded markets and enhanced efficiency originating from developing countries' own liberalisation commitments. Developing countries will also derive significant benefits from improved rules for trade and investment in addition to stronger enforcement of these rules. It is, however, inevitable that the distribution of benefits to developing countries will be uneven with the impact varying among countries and across sectors. Developing countries likely to gain the most from the Round will be those which have internationally competitive economies and have the capacity to adjust and take advantage of new market opportunities. Conversely developing

countries likely to benefit least will be those with economies ill-equipped to compete successfully in world markets.

Largely due to their diversified industrial base, structural reform programmes and export oriented economies, the newly industrialising countries of Asia are well placed to reap the benefits of the round. This is not to say that other developing countries will not benefit from trade liberalisation, rather that they may face more difficulties adjusting to the new trading environment. The special provisions contained in the Uruguay Round agreement for developing countries, particularly least developed countries, which include fewer obligations and longer time frames for meeting commitments, will help ease the transition.

Again, the clear message is that if developing countries are to maximise benefits from the changing international trading environment, they will need to allocate resources efficiently within a framework of appropriate macro-economic policies and relevant structural reforms.

These themes have become dominant in the prevailing paradigm of successful development. Unlike the earlier theories of development which focussed narrowly on only one or two aspects of the development process, today's paradigm takes a more holistic approach.

The major features of this paradigm are open, market-based economies, high levels of human resource development and physical capital formation, and the efficient use of that capital in both the private and public sectors. The high priority to be given to human resource development is critical, together with the full participation of women, and a willingness to directly address the needs of the poor. In all these areas, effective government and efficient, accountable administration which is in touch with the

needs of its people and not overly interventionist, is an essential feature of the new paradigm.

Within this paradigm, there is a clear and effective role for international development assistance. Country studies have shown aid to be an effective instrument of development where it actively supports these policies. Where aid has failed, and with hindsight it never could have been successful, is in attempting to promote development in economic and institutional environments which were anathema to the development process. Australia has recently suggested that the time has come to look at more innovative approaches to raising funds for development assistance and for peace-keeping. One possibility which should be examined more seriously than hitherto, notwithstanding the sensitivities and complexities involved, is the application of levies on certain kinds of international transactions like air travel or foreign exchange. An international levy on such transactions would be an equitable way of putting a price on an important public good. The amounts involved are very large. The total value of global foreign exchange turnover, for example, is expected to amount to over US\$300 thousand billion next year; a levy on these transactions of only 0.01 per cent, if it could be collected, would yield over US\$ 30 billion. A flat rate \$10 added to the price of air tickets for each international sector travelled would not be so remunerative but it would still yield US\$3 billion.

Ecological Sustainability

Sustainable development is not just about economic growth, it is about improving the quality of life for people and communities. this requires attention to ecological sustainability

In the mid seventies the term 'sustainable development' symbolised the ideology of a handful of environmental activists. Today, it has come to stand for an important guiding principle of

development theory. Ecologically sustainable development can be defined as 'development that improves the total quality of life, both now and in the future, in a way that maintains the ecologically processes on which life depends'.

The United Nations Conference on Environment and Development held in Rio De Janeiro in June 1992 recognised that protecting the earth's natural resources is amongst the most compelling issues faced by the global community. The statistics are certainly sobering :

- globally, some 4 to 5 million hectares of forest land are lost each year;
- in Sub-Saharan Africa alone, 65 million hectares of productive land have been turned into desert in the past 50 years;
- today only 45 per cent of the world's temperate rainforests remain; and
- the global marine fish catch has been declining since 1989. About 60 per cent of the fish types tracked by FAO are categorised as fully exploited, over-exploited or depleted.

We have no choice but to give priority to sustainability in development. It should be emphasised that development and nurturing of the environment are not separate concepts or in conflict with each other. They are mutually dependent. In fact, most environmental problems in one form or another come down to the inappropriate "pricing" of environmental goods. This is one area where the role of government in facilitating efficient markets and setting appropriate environmental standards is critical.

Good Governance and Human Rights

Hand in hand with economic and social development and environmental sustainability, today's development paradigm highlights the essential role of good governance.

Bringing government closer to the people promotes accountability, efficiency and effectiveness. It also helps to create the conditions for economic and social development. A strong civil society facilitates people's participation and good governance.

Promoting good governance not only facilitates development but also helps to create an environment in which human rights are respected. Economic and social development, human rights and good governance are inextricably linked and mutually reinforcing.

Human rights covers economic, social and cultural rights as well as civil and political rights as reflected in the two international covenants.

During the period of the Cold War the debate on human rights was perceived regrettably by many as a dichotomy between 'liberal' civil and political rights and the 'collectivist' notions of economic and social rights. The end of the decades of sterile confrontation between the superpowers has seen a rejuvenated debate on the complex issues surrounding human rights, about how to strike a balance between freedom and order, and between government responsibility and individual and family responsibility.

It is sometimes asserted that human rights is a western concept. On the contrary, the values of the covenants are universal values, enshrined in declarations to which the entire global community subscribes. And these values draw inspiration from the great religions developed in the Middle East and the Sub-Continent. The United Nations Conference on Human Rights held in Vienna in 1993 clearly affirmed that all human rights are equal and indivisible. Moreover, governments of the world affirmed that cultural differences could not be used to justify abuses in human rights.

Tremendous progress in human rights has been made in many parts of Asia, Eastern Europe, South Africa, the Middle East and Latin America. The past few years have seen historical developments which have brought fundamental freedom to millions. Yet much remains to be done. The brutal atrocities in Rwanda, Bosnia and Cambodia remind us of how fragile respect for human rights can be.

There are several dimensions of this complex issue, including respect for women's rights and the impact of lack of development on human rights and security.

Women and Development

Throughout the world the position of women in many countries needs to be vastly improved.

Women are the world's largest group excluded from the benefits of truly equitable development. Women are denied equal access to education, rates of school enrolment are much lower for females than males, and many more women are illiterate. Through a lack of access to credit and property ownership, women are often excluded from full participation in economic life. Women have fewer job opportunities than men, and even when they find paid employment, their wages are frequently far lower than those of men. In some countries, women are denied the right to vote. In all countries, women are under-represented in government. harnessing their contribution is a question not only of equity but also of enhancing development performance through the efficient use of resources. education of women is central to issues of health and family planning.

The advancement of women is one of the most basic forms of justice and represents one of the key development challenges of the 1990s. Women are the major providers for two-thirds of the

poorest households in the developing world. They produce more than sixty per cent of all food grown and consumed locally. We now know that sustainable development can only be achieved if women's interests are systematically considered across all sectors.

The recent Cairo Conference on Population and Development was a major step forward for women. The conference adopted a programme of action directed at the empowerment of women and calling for major increases in global resources for family planning and health activities. These sobering statistics are rather familiar :

- one woman in a developing country dies every minute of the day from complications related to pregnancy and childbirth;
- on average, women in developing countries are thirteen times more at risk of dying from pregnancy and childbirth than in developed countries;
- upwards of three hundred million women would like to delay, limit or space their child bearing but currently lack the means due to the poor spread and quality of family planning services in many countries; and
- if women were able to avoid unwanted births, child and maternal mortality could be reduced by one fifth.

The conference drew attention to the enormous benefits that extending education to women can have for development. Better educated women have more options and more control over their lives. Educated women are also better equipped for employment, agriculture and the care of children. Responding to this need, the conference urged that primary education be universally extended to girls as well as boys, by 2015 at the latest.

Just as the restriction of access to family planning is a violation of human rights, so too is the use of coercive means to achieve family planning goals. The Cairo Conference went even

further than previous UN charters in defending human rights, particularly the right of women and men to choose freely the number and spacing of their children.

Linkages Between Development, Human Rights and Security

The end of the Cold War has also brought with it considerable uncertainty and an expansion in the number of civil and ethnic based conflicts such as in the former Yugoslavia.

The former Soviet Union has turned from a superpower into a super beggar and its demands for assistance represent an enormous potential diversion of funds from the poor countries of Africa and Asia. Ironically the latest country to get aid by arguing that it would otherwise go communist has turned out to be the country that first went communist. The crises in somalia and Rwanda have also highlighted the tragedy of under-development where institutions are not strong enough to ensure respect for the rule of law.

As Australia's Minister for Foreign Affairs, Senator Gareth Evans has recently remarked, for ethnic or religious differences or competing nationalist aspirations to deteriorate into deadly conflict, something more is necessary. And almost invariably that something has been a failure of governments to deliver basic needs and to satisfy the most basic aspirations of their citizens. In almost every case of major intra-state conflict of recent times from the former Soviet republics to Rwanda, ethnic and religious conflict has been associated with declining GNP per capita.

This leads to the point that the compartmentalisation which existed through the Cold War years - in which peace and security issues, development issues, and human rights and justice issues were treated as being in completely different conceptual and institutional boxes - no longer is adequate, if it ever was, to deal

with the real world distress that so many people are suffering. Personal security cannot be enhanced where there is desperate poverty. And basic economic needs, let alone the needs of individuals and groups for dignity and liberty, cannot begin to be met in environments where nobody's personal security can be guaranteed.

And that means, in turn, that the international community cannot simply turn away from being involved in protecting human security in many of those situations which might previously have been regarded as wholly internal in character. Human security, in this view, is as much if not more threatened by intra-state conflict as it is by conflict between states, and intra-state conflict is as much a concern of the United Nations as is international conflict. In the past security was defined in military terms. But today it is very clear that security can be threatened by ethnic rivalries, environmental problems, human rights abuses and social and economic deprivation. Addressing these issues is a tall order for the international community and especially the United Nations.

The Future

There is now a greater consensus about successful approaches to ecologically sustainable development. There is, moreover, an unprecedented level of international cooperation in tackling issues such as protection of the global environment, population growth and human rights. There is much stronger awareness that the advancement of women represents one of the key development challenges of the 1990s.

I remain firmly optimistic notwithstanding the enormous challenges in promoting sustainable development. I believe that we have now a more thorough understanding of the development

process and tangible examples of how successful that process can be. With wider knowledge of the economic, social and cultural policies which can contribute to broadly-based, equitable and sustainable growth, we have a real opportunity to make a difference to the lives of millions. It is unacceptable that millions should live in desperate poverty while much of the world enjoys ever increasing affluence.