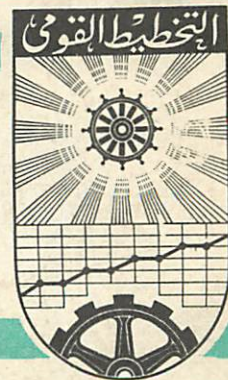


ARAB REPUBLIC OF EGYPT

THE INSTITUTE OF NATIONAL PLANNING



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DEVELOPMENT AND THE INTERNATIONAL
ORDER
SELECTED PAPERS

BY

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FORWARD

While I was working on my book "Towards a New World Order: a study in Development, Economic Decolonization and International Relations"^(x) I had the opportunity to attend a good number of international gatherings that debated the issues related to this subject. For some of those meetings I wrote in English papers dealing-according to the agenda of each one-with some particular issues, keeping in mind, needless to say, the systematic elaboration I was undertaking in the drafting of the book. Later on, similar occasions allowed for more balanced restatement of my things on some other topics, dealt with rather briefly in it.

Following the suggestions of some colleagues, I take the liberty to reproduce herein a selection of those papers. By so doing, I am looking forward for comments and critique from those who cannot read me in Arabic. Such comments will, I am sure, help me greatly in the preparation of the second edition as well as the French version I intend to produce.

I. S. A.

Cairo, October 1977

(x) Published in Arabic, Cairo, 1976. A reprint will be available by the end of October 1977

I. DEVELOPMENT

SOME NEW TRACKS

DEVELOPMENT PLANNING RECONSIDERED

Invited to speak about development planning in a seminar devoted to "Surveys for Development", I felt embarrassed. It was out of question to lecture such a distinguished audience about what development planning is and how much surveys are vital for elaboration of plans. These notions became in the sixties sort of common place. What is new in the area is the fact that, confidence in planning theories, models and practices has been shaken by the poor performance of Third World Countries as a group. Obviously I could not avoid evoking this crisis. The letter of invitation kindly referred to my academic and practical experience in the field. But any person who went through this kind of experience should understand better than any one else the limitations and shortcomings of our endeavors, the disenchantment of our people and the time of doubt and painful reexamination of previous convictions we are living.⁽¹⁾ Having been for a time a full-fledged cabinet minister I cannot avail myself of the usual excuse of planners: the often irresponsible attitude of politicians. In fact, figures of poverty, unemployment, malnutrition illiteracy, morbidity and infantile mortality affecting hundreds of millions in the so-called developing countries provide the tragic evidence of misconceptions, errors and biases that lead thirty years

(1) cf. a remarkable self-criticism written by an eminent planner who is in the same time an intellectual of great integrity in: Mahbub Ul-HAQ: "The Poverty Curtain" Columbia University Press, N.Y. 1976.

of development efforts to such mediocre- if not wholly negative - results. Hence, the cheerfull exponents of sophisticated quantitative techniques came to a rather low-key, while an increasing number of economists and other social scientists are proceeding to an in-depth revision of the established thinking concerning development itself⁽²⁾ and planning for development. It is not worthy that statesmen speak nowadays less about planning than about trade, aid, technology transfer ... etc. and far less than Nehru or Nasser used to do. For the public opinion development plans have been unrealistic, inconsistent, erroneous or without real bearing on day-to-day decisions. That is why I believe it is necessary to reconsider the whole issue before going into details. We can agree upon a simple definition of development planning as a set of ways and means ensuring the maximum mobilization of national and foreign resources and their optimal allocation; optimality being understood in a rather normative way linked to national goals. The question becomes then: what went wrong? Why this usefull exercise repeated so many times and in so many places fell short of attaining the discounted results?

Let me state from the outset that planning is to my opinion at best a "tool box". As such it can resolve nothing. All depends on the objectives it is used in order to achieve and the way in which it is used. In other words, "development planning" techniques cannot

(2) cf. D. Sunkel: "Development of Thinking about Development".
Institute of Development Studies, Sussex, Sept. 1976.

supersede "development strategy". A clear concept of development is a sine qua non condition for any notable success in planning. Richard Jolly discussed with you the "changing views on development" and I share most of his ideas. Still I would like to stress here what was most confusing in the concept. Development used to be reduced to "economic growth" even though it was called "economic development", and it was assumed that it had to follow basically the track the Western developed countries are supposed to have followed some two centuries ago. Today we understand more clearly that development is a process of global change with economic growth as a major - but certainly not unique - component; that even economic growth itself can follow different tracks in accordance with the basic needs of the majority, the quest for self-reliance and the assertion of cultural identity. This in turn broadens the concept of "development strategy" both in content and in time horizon. It introduces economic social and political structures as well as cultural values and environmental aspects as fundamental elements; strategy becomes very similar to what the French call "project de société". On the other hand achieving this process of "renaissance" is time taking, hence the need for long range strategies deliberately normative in character and not ~~simply~~ the emanation of figures more or less accurate and more or less arbitrarily fitted in a mathematical model and processed by huge computers who tell us our future like "oracles" used to do with Ancient Greeks. By normative we understand that

long range development strategy should contain mainly a set of coherent political choices, democratically agreed upon, reflecting the shape a nation likes to have after 20 or 30 years and the kind of welfare it believes necessary for its citizens. Such fundamental long range choices should command decisions related to short and medium range plans. It goes without saying that we do not call for any utopias. We are advocating only the right to be different not only because we are aware of our cultural diversity, but also because development pathes other than the historical pattern of the West may be feasible, while the desperate effort to reproduce what happened in the West proved to be sheer delusion. Carefull assessment of resources, forecasting models, simulation techniques ... etc. are instrumental in the elaboration of development strategies. Still two qualifications are necessary. First, one should never overlook the dialectical relation between goals and resources; the importance of a resource is a function of the chosen goal. This is clear, for one example, in the case of manpower which is a burden in a strategy of export-oriented capital intensive industrialization while it becomes a valuable asset in a basic need, labour intensive one. Traditional project evaluation techniques are irrelevant to issues of social equity and environment... etc. Second, developing nations have to recover their creativity and inventivness in order to discover new solutions and stop assuming that the last word of technology has been said.

Once development as a process of global change and not only of economic growth is fully understood and the strategy adequately shaped, the task of planners becomes more precise, their responsibilities better defined. Although reducing their pretensions does not mean alleviation of their load, on the contrary. But then, and then only, we can have a critical look on their job: development planning and not development strategies because the latter are political by nature and should be agreed upon by the nation as a whole and not by a team of bright technocrats.

The lack of coherent clearly defined development strategies in the Third World Countries accounts for many of the faults too often attributed to planning. Yet planners are to blame in as much they kept - and gave others - the illusion that their tools and techniques were of universal use, lasting validity and perfect neutrality regarding socio-political choices. Trained generally in Western universities, Third World planners believed firmly in the academic excellence of what they have learned. They never questioned their tools and they blamed for failure the politicians, the traditionalist attitudes, the lack of entrepreneurial drive, the inefficiency of bureaucracies... etc. in other words the whole reality they were seeking to change. If the patient dies, it is his body that failed to react to the medicine, the latter having been tested in the best hospitals of the World. Unfortunately, this is not the case. A good

number of questions must be asked concerning planning for development, because confusion and intellectual anarchy are not less serious in the field of planning than they are in that of development. A right conception of development is the necessary but not sufficient condition for sustained progress in this field. A clear concept of what is a plan and how it can operate satisfactorily in a developing society is essential.

In Western economic literature planning as theoretical concept remains ambiguous, it has not been refined to the same degree as those of "perfect market", "general equilibrium" or "effective demand". Coined first by socialist authors about a century ago it took a modest place in this "non-scientific language" of those social agitators with much less notoriety than "surplus value" or the "iron law of wages".⁽³⁾ In the twenties, planning came into practice in the Soviet Union, but the academic circles in the West ignored this practice as totally inoperative and looked to the concept as a kind of heresy, while in daily politics the word was anathema and like "bolshevik" referred to only to provoke fear. Ironically the most bellicose enemy of Soviet socialism, Nazi Germany, was the first Western nation to admit the idea of a plan. It is true that Hitler in his demagogy went as far as coupling the word socialism itself with nationalism to designate

(3) To our knowledge F. Engels was the first to explicit the concept: "Only conscious organization of social production in which production and distribution are carried on in a planned way can lift mankind above the rest of the animal world". Dialectics of Nature, Moscow 1954.

the most atrocious regime in Man's history and his four-year plan was intended to prepare Germany for a devastating war.⁽⁴⁾ But World War II introduced planning practices - and in some cases the term itself - in Western democracies. Most European nations kept afterwards a machinery for planning making use of the experience of war-time and admitting the concept of planning at least on the macro-level dealing with aggregate variables.⁽⁵⁾ In the U.S.A., planning became a normal practice for big corporations, but the government still prefers the term policy for what is in fact very similar to what is called planning in Western Europe. However, American Universities took more interest than the European ones in development planning and no planning in general as if planning were only of utility for under-developed nations. The majority of Third World influential planners were trained in the U.S.A. or with textbooks published there. Anyhow, planning till now is not in the heart of university curricula of Economics. It is either completely absent or appearing like an added appendix more related to economic policy than economic theory.

(4) Ch. Bettelheim: "L'Economie Allemande Sous le Nazism" Paris, 1946.

(5) P. Massé: "Le Plan ou L'Anti-Hazard", Paris, 1965
The author explains the rationale of planning in a capitalist society.
C. Cruson: "Origine et Espoirs de la planification française". Paris 1968.

In fact there is no theory of planning in non-socialist economic literature. It is quite remarkable that the monumental work of J. Schumpeter "History of Economic Analysis" does not contain the word plan even in its subject index. Less than three pages out of more than 1200 are devoted to Russian economic literature and, in writing them this great intellectual departed from his usual serenity. With due homage to the work of economists like Frish, Tinbergen and Myrdal one can state that a quarter of a century after Schumpeter's book, economic theory in the West remains a juxtaposition of neoclassical Micro-Economics and Keynesian Macro-Economics with no room for planning. It could not be otherwise because planning is basically a way of optimizing the allocation of resources, a task assumed to be fulfilled at best by market mechanisms. In this condition intellectual efforts were directed towards improvement of techniques especially the quantitative ones relying heavily on advanced mathematical tools. On the other hand, the elaborate systems of national accounts seemed able to make these techniques operational. This is the original sin, because techniques are no substitute for theory. Price and monetary policies rely on price and money theories, the same should apply to planning if its practice has to be something more relevant than empirical approaches. The elegance of mathematical formulation can no more mask this fact.

However, the economic and political power structures in Western economies do not believe in the need for an elaborate theory of planning. All that they need are models and forecasting scenarios and a relatively simple model describing the behaviour of the main interrelated aggregates (the French type of plans). These models and plans are of informative character and indicate to government and business some directions considered to be appropriate. They are not binding and have no built-in implementation measures. Concrete actions remain the prerogative of private enterprises and households. State intervention tends only to rectify harmful trends by policy measures influencing the so-called economic levers: rate of interest, money supply, taxes, public expenditure, government contracts... etc. This set-up did work fairly well for more than two decades because its centrepiece was growth and not development latu sensu as it is understood in this paper. But it is of no help to developing countries where the issue is one of overall change and where sensitivity to economic levers is still mediocre. Nevertheless, planners in most Third World countries tried hard to master tools like national account systems or the Harrod-Domar or the "FIFI" models and to fit in them the realities of developing economies where statistical information is poor and the main ratios and coefficients are hard to compute. The outcome of their endeavors was afflicting. The more the plan was technically sophisticated the less it had chances to be implemented; divorce between what is planned and what actually

takes place is rather common feature among developing countries. What is even more serious is the fact that plans did not succeed in involving the masses and mobilizing their energy. Transnationals and local big business never really bothered about them, while bureaucracies usually managed to turn them aside. Yet, planners continued publishing figures too often reassuring like the rate of growth of the GNP or the per capita income. Such figures are bound to be misleading for several reasons. Firstly, the system of national accounts allows for some oddities like: a school attended by no pupil accounts in the GDP for the amount of its running costs, the construction of a prison adds to capital formation, excessive exportation of a mineral ore pushes up dramatically the rate of growth while in fact it is impoverishing the nation, and an important increase in the number of foreign tourists for some years can raise substantially the rate of growth while there is no evidence of continuity and heavy investment in tourism facilities might distort the pattern of resources allocations... etc. Secondly, many of the necessary data are simply not available and planners have to proceed by estimates and sometimes more guessing; a striking example for this is the case of subsistence economy sector which is still sizable in many developing countries. Thirdly, aggregation is bound to be incomplete, for instance investment figures never include irrigation canals and small drains dug by the peasants, neither cottages