Statement by the Secretary-General of UNCTAD

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50 years of development: What have we learned

AS PREPARED FOR DELIVERY

Excellencies,
Ladies and Gentlemen,

It is a great pleasure for me to welcome all of you to this lunch-event. Allow me to begin by expressing our gratitude to the government of Kazakhstan for hosting this lunch jointly with the United Nations Conference on Trade and Development (UNCTAD). This event was organized in anticipation of our organization's fiftieth anniversary, which we will celebrate next year. To mark this occasion, the government of Kazakhstan has kindly agreed to host a commemorative event during next year's Anti-Crisis Conference, and I hope it will be possible for all of you to join us again for that.

Ladies and Gentlemen,

The title of this lunchtime discussion - 50 years of development: what have we learned – is a humbling one. Not only because it seems impossible to cover in 15 minutes, but also because there is no shortage of anecdotes of experienced development experts getting it wrong. Perhaps the most famous is Nobel Laureate James Meade, who he travelled to Mauritius in 1960, and expressed grave doubts about the country's prospects for development. As we all know, Mauritius subsequently became one of the great success stories in Africa - in large part thanks to Meade's advice. When I was a student in the 1960s at the University of Rotterdam, my Professor Jan Tinbergen, who later went on to win the first Nobel Prize in Economics, gave me some important advice. He told me that economists should always be moderate, and never give in to mere incantation of accepted theories. Thus, a degree of humility is warranted.

Nevertheless, I believe that there is something to be said. We have learned a great deal about development in the last fifty years. Indeed, the example of Mauritius I gave is encouraging, because it demonstrates that initial conditions are not everything, and that policy matters. And we have a wide range of observations of policies.

Indeed, during the last fifty years, development policy advice has gone from one extreme to the other. In the 1960s, there was a lot of talk of a “big push” of investment to achieve development. Indeed, the Indian statistician Mahalanobis became famous by calculating the ratio of investment to GDP needed to achieve rapid development. By the 1970s, the changed international environment after the oil shocks, with higher interest rates and debt crises, moderated these ambitions somewhat. The focus shifted to stabilization. In the 1980s, there was the march towards further liberalization. And in the 1990s, we saw the impact of financial crises. The 2000s saw a beneficial global expansion, once again ended by a global crisis.

It is difficult to draw from such a long experience with development policy and to cover it in 10 or 15 minutes. Nevertheless, I believe that some broad lessons can be learnt from studying the paths of countries that have done well, as well as some of the failures. A lot of attention has understandably gone to the experience of the East Asian countries, whose phenomenal growth has been an inspiration for their developing peers. Unfortunately, the lessons to be learnt do not come in the form of hard and fast rules with guaranteed results, of the type: "You have to do XYZ, and development will follow". Many of the lessons will need to be adapted to local circumstances.

With these caveats, allow me to briefly outline some of the tentative lessons, that I believe we can draw from 50 years of development. Three of the key lessons can be summed up by the catchwords: Policy Space, Productive Capacity and Participatory Governance, or the "three Ps".

The first lesson is the need for policy space. By this we mean the need for developing countries to be able to implement policies to build productive capacities and support their development, without being constrained by the international system. The crucial point is that the use of many of the policies employed by governments to support the building of productive capacities – be they temporary tariff protection, subsidies, performance requirements on foreign investments as well as capital controls - is increasingly becoming constrained. The global trading system contains rules on the use of tariffs, export subsidies, trade-related investment measures, and trade-related intellectual property rights. Similarly, the prescriptions of the IMF on capital mobility and liberalization have often constrained available policy choices.

The second lesson is that in order to achieve growth and broader human development, you need to build domestic productive capacities. What we mean by that is the mobilization of capital, human skills and technological capabilities to create value added. This process is not only economy-wide, but also sectorally focussed, and a particular case can be made for the manufacturing sector. None of the other sectors offers the same opportunities for productivity gains, innovation, and learning as manufacturing.

Industrialization has been given a bad name by some of the misguided policies used to achieve it. But it remains the bread and butter of development. Barring a few exceptional cases, no country in the world has ever achieved high levels of development without the creation of productive capacities.

This may seem like an obvious lesson. But it has important implications. For example, the economic foundations of development have been relatively neglected in the Millennium Development Goals, and development assistance.

The final lesson I would like to touch upon today has been broadly captured by the phrase pragmatic participatory governance, in which the government plays a developmental role, through engaging with a vibrant private sector. What this is meant to highlight is the need for a commitment by the state to steer the process of development. They embody a shared commitment to a long-term process of development. Secondly, there is a close relationship with private sector institutions, such as banks and industries, but not so close as to lead to capture. With these attributes, pragmatic participatory governance can stimulate investments in high-value added industries, and steer the development process. Thus, it is time to recognize the crucial role of the state in development.

So, policy space, productive capacities and participatory governance. These are three key lessons I believe we can draw from the past fifty years of development. I now look forward to hearing your views, as well as a lively debate.

Thank you very much.