Forum: General Assembly

Issue of: Promoting economic development in developing countries

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Introduction

International inequality refers to economic differences between countries, and this is a great threat to global stability. According to a report conducted by the United Nations University's World Institute for Development Economics Research, a clear dichotomy exists between the wealthy industrialized western economies and the developing countries in the rest of the world. This is especially true when comparing North America to Africa and southeastern Asia. The issue of promoting economic development in developing countries is therefore an important one, as a mean of offering equality to all, and more importantly providing proper infrastructure, proper education and breaking the cycle of poverty in remote locations. In pursuit of bringing the United Nations Sustainable Development Goals of No Poverty, No Hunger, Infrastructure and Reduced Inequalities to fruition, granting impoverished people their basic rights and promoting development in these countries is crucial. Solving this issue will require cooperation between developed countries with developing countries, as well as the proper governance of international organizations. Solutions to the issue might therefore consist of elaborating policies of financial aid or structural reform to boost economic development, but all strategies should be mindful of keeping their policies cost-effective and in accord to the objectives of both the donor and the recipient of the aid.

Definition of Key Terms

Economic development

It is the process by which a nation improves the economic, political, and social well-being of its people. Modernization, Westernization and Industrialization are terms often associated with economic development. The Gross Domestic Product by capita (GDP/capita) is a unit often used to assess the relative advancement of a region.

Inward looking strategy

Inward looking strategies are strategies focusing on a country's means to achieve a certain objective through internally oriented policies. For a developing country trying to promoting development, this can mean encouraging domestic industries by placing tariffs or quotas on imports to protect them from foreign competition (this process is called import substitution). Benefits associated to such strategies are protecting declining industries and fostering job creation.

Outward looking strategy

Outward looking strategies are strategies focusing on a means to achieve a certain objective through externally oriented policies. For a developing country trying to promoting development, this can mean opening up to tourism or enabling a free trade environment to open the domestic market to world trade. Benefits associated to such strategies are commonly a better capacity to cope with a globalized world, reduced reliance on government intervention, and an increased competition and efficiency due to free trade.

Primary/Secondary/Tertiary sectors

The primary sector involves the retrieval and production of raw materials. The secondary sector involves the transformation of raw or intermediate materials into goods. The tertiary involves the supplying of services to consumers and businesses, which yields the highest added-value products.

Aid effectiveness

Aid effectiveness is the effectiveness of a development aid. Aid agencies look for new ways to improve aid effectiveness, including conditionality and capacity building. **Conditionality** in international relations is attaching a condition to the provision of benefits (e.g. requiring the recipient country of a loan to change certain policies). **Capacity building** is an approach to development that focuses on understanding the obstacles to development and enhancing these.

Background Information

Developed and developing countries

Developed countries include the Western industrialized economies as well as Australia, South Korea and Japan. Developing countries are all others countries while differential levels on development exist, often calculated based on GDP per capita. Least developed countries are mainly in central Africa. On the issue of promoting development, aid goes from developed countries to developing countries. Therefore, the creation of a partnership between the donor and recipient becomes an increasingly important issue in order to prevent the relationship to be dominated by the wealthier side.

Development aid

Development aid is financial aid given by governments or other agency to support development in developing countries. It is different from humanitarian aid as it seeks to find a long-term solution to alleviating poverty. Aid may be bilateral, from one country directly to another (30% of aids). Or it can also be multilateral (70% of aids), with donor countries giving to international organizations such as the International Monetary Fund, the World Bank or United Nations Agencies (UNDP, UNICEF, UNAIDS…). Development aid comes mainly from Western industrialized countries, however some private organizations are involved in the donation process too (e.g. Oxfam International).

Structural reforms

A structural reform is the reorganization of a system in order to strengthen the impact or effectiveness of that system. Structural reforms in developing countries is considered essential by development theories because the reach of financial aid is sometimes limited. Budgetary aid allowing countries to restructure their policies in a development oriented manner is most likely to yield long-term independence and growth.

Major Countries and Organizations Involved

Developed countries

Developed countries are the source of the donations that seek promote development. The largest donor countries include the United Kingdom, the United States, Japan, Canada, Germany and France. This gives these countries considerable power in the International Monetary Fund and World Bank, which lets these countries choose how. Policies that are financially affordable and that offer benefits to the donating countries are key to the help of developed countries.

Developing countries

Developing countries require policies that benefit them on the long term for their economic development, while being in accord with their domestic objectives. Even though structural reforms and budgetary aid might be essential to a healthy economic development, having policies imposed upon them in the manner of the SAP's conditional help might lead developing countries to refuse to participate in the global effort for economic development.

Least developed countries (LDC)

As LDCs, their need for economic development is further important than the needs of other developing countries. Additionally, their influence in international policy making is small which could be an issue needing to be explored.

International Monetary Fund and World Bank

Both organization were formed in 1944 during the Bretton Woods Conference. The IMF is meant to foster global monetary cooperation, high employment, sustainable economic growth and reduce poverty around the world. The World Bank aims to reduce poverty and promote foreign investment. Thus, these two organization have a part to play in promoting global economic development, as countries will act through them to carry out international policies or donations. However, these two international organization are sometimes criticized as giving the most powerful countries considerable power over other countries.

Previous Attempts to solve the Issue

Structural Adjustment Programs (SAP)

SAPs consist of loans by the International Monetary Fund and the World Bank, on a basis of conditionality, to countries that experience economic crises. This means that whn countries ask for budgetary aid, the borrowing country is required to implement certain policies such as “free market” programs, reduction of trade barriers and generally market oriented policies. Thus, loans are given in exchange of structural reforms in the recipient country, to adjust these countries’ economies for long-term growth. However critics argue that SAPs are a way for external organizations to hamper national sovereignty.

United Nations Development Programme (UNDP)

The UNDP was founded in 1965 and follows the vocation to change and connect countries to knowledge, experience and resource to help build better lives. It puts increased emphasis on the development of least developed countries. This UN agency contributes to global development through poverty reduction, social development, crisis prevention and recovery and publishes an annual Human Development Report to analyze development progress.

Participation of major international aid agencies

- Development Assistance Committee
- European Bank for Reconstruction and Development
- World Bank Group
- International Monetary Fund
- World Trade Organization
- World Health Organization
- United Nations

The list goes on, however development aid by such agencies is sometimes criticized for being unable foster long term economic growth in developing countries.

Possible Solutions

Developing particular sectors in developing countries

For developing countries that strongly focus on the primary sector, improvement of agriculture is important for development prospects. Agriculture can be developed through extending property rights to individuals, through land reforms and improvement, technological advancement, subsidies, etc. But over-specialization in certain products can be risky in terms of primary production.

Developing the service sector is also crucial. Considering that the primary sector produces low value-added, unbranded and inconsistent products, a progressive shift from agricultural and manufacturing sectors to the service sector is also necessary for development prospects.

Promoting tourism in developing countries

As an outward looking strategy, tourism can be an effective mean to achieving development. The injection of tourist activity can have a powerful effect on economic activities, including job creation. Additionally, the tourist industry requires the construction of infrastructures (roads, airports…) that can ease in efficient transport and production, and also often times develops the service sector which also diversifies the economy.

Calling for implementation of trade oriented policies in developing countries

Free trade oriented policies such as reducing import tariffs brings welfare gains through increased competition and efficiency. In an increasingly globalized and interdependent world, developing countries should consider opening up their economy to maximize productivity as closing up borders will hamper development.

Reassess budgetary aids for more effective structural reforms

Since its advent in the 1980s, budgetary aids seem to have had limited impact on the design and implementation of economic reforms in developing countries. To remedy this situation, repositioning budgetary aid to induce more profound and far-reaching structural reforms should be considered.

Stimulating the technical capacity of the workforce in developing countries

Stimulating the technical capacity of the workforce and creating a pool of well-educated and certified engineers might attract multi-national companies. Additionally, a skilled workforce can engage in entrepreneurial startups as well as provide infrastructure projects within the country. Such a workforce can be created in developing countries through higher education.

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