

# HUMAN DEVELOPMENT IN A CHANGING WORLD

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The 1992 Human Development Report is the third in an annual series sponsored by UNDP since 1990.

The central thesis of these reports is that it is people who matter--beyond the confusing maze of GNP numbers, beyond the curling smoke of industrial chimneys, beyond the endless fascination with budget deficits and balance of payments crises--it is people who matter. People must be at the centre of our development debate--what really counts is how they participate in economic growth and how they benefit from it. Production processes are indispensable but they cannot be allowed to obscure human lives. The focus of our reports is on those human lives--how they change over time, how they contribute to national and global economic opportunities, how they share these opportunities, how the range of people's choices can be measured--whether economic or political, whether individual or national. The study of people, in national and global settings, is our central preoccupation and our overwhelming mandate.

Our 1990 Report demonstrated that it is not only the income level of a society that matters but how well that income has been translated into human lives. Costa Rica has a per capita income only one-third that of Oman but its literacy rate is three times higher, its life expectancy ten years longer, and its people enjoy a wide range of economic, social and political freedoms.

Our 1991 Report argued that most developing countries can finance their essential human goals if they have the political will to lower their current military expenditures, privatise their inefficient public enterprises, correct their distorted development priorities, and improve their national governance. In fact, the developing countries could fund as much as \$50 billion a year more for meeting their human development aspirations through a sensible restructuring of their budget priorities.

The present Report takes the development dialogue a step further and puts people in a global setting. Its central thesis is that the search for equitable access to market opportunities must extend beyond national borders to the global system as well; otherwise economic disparities between the richest and the poorest people are likely to explode.

For the first time, the Report studies the income level of people--not just nations--in a global setting. It concludes that income disparity between the richest one billion and the

poorest one billion people has doubled over the last three decades and reached by now a dangerously high level of 150 times. To put it in perspective, the income disparity between the richest 20% and the poorest 20% of the people within nations is far smaller-- 5 times in Sweden, 6 times in Germany, 9 times in USA and 26 times (the highest) in Brazil. What would be considered politically and socially unacceptable within nations, is being quietly tolerated at the global level.

And there appears no end in sight for these widening gaps--since the gaps are not only in current levels of income but also in future market opportunities and in higher levels of human development. While the bottom 20% of the world's population receives only 1.4% of global GNP, it has also a share of only 1% in global trade, 0.2% in global commercial lending and 1.3% in global investment. In fact, according to our estimates, global markets are denying as much as \$500 billion of market opportunities to poor nations and poor people every year because of the barriers to the movement of goods and people and because of the four times higher real interest rate that poor nations are paying compared to the rich nations. This estimate of \$500 billion is ten times the foreign assistance the poor nations are getting. The precise numbers are not important. What is important is that the cost of denial of market opportunities far exceeds foreign assistance levels. It is certainly better for the poor to be able to earn their living than to be put on indefinite international charity. But unless their access to market opportunities is increased, there is little chance for poor people or poor nations to break out of their poverty trap.

The situation looks even more difficult when the widening disparities in higher levels of education, technology and information systems are added to the picture. The tertiary enrolment rate in the South is only one-fifth of the North, research and development expenditure only 4%, and scientific and technical personnel only one-ninth. These widening human gaps have a telling impact in a world where technological progress is taking centre stage and where it now accounts for one-third to one-half of the increases in national output. The combination of technological disparities and limited market opportunities can be a devastating one.

What can be done about this disturbing situation?

The primary responsibility lies, of course, with the developing countries. Global reforms can never substitute for national reforms. The developing countries must improve their economic management, liberate their private initiative and invest in the education of their people and in the technological progress of their societies. The basis for such a further advance has already been laid by the rapid strides in basic education and primary health care in most developing countries, as our first two Reports have demonstrated. The 1992 Report documents the case studies of countries which followed this human investment path to development--Japan, Singapore, South Korea and, more recently, China, Malaysia and Thailand. These countries managed to achieve spectacular increases in their share of the global markets. The share of East and Southeast Asia in world trade doubled between 1970 and 1990, as did that of China. But the share of Sub-Saharan Africa, with a minimal investment in human development, went down to one-fourth of its 1970 level.

While there is a good deal that the developing countries must do, the Report also identifies a fatal contradiction in the global economic system. As national markets open up, from New Delhi to Rio, from Warsaw to Moscow, can global markets close down further? And yet this is precisely what is happening. The OECD nations have become more protectionist in the last decade at a time when additional export surpluses are likely to emerge from the liberalizing markets of developing countries and the former socialist bloc. For instance, if India follows the path of South Korea, it will have at least \$60 billion of additional exports to offer to the world markets each year.

It does not take a genius to figure out that the ongoing rapid structural adjustment in the South and in the former socialist bloc has a logical corollary--a structural change in the North as well. And yet this is the simple lesson that is being largely ignored at present--sometimes even bitterly contested. Buffeted by recession and unemployment, many Northern economies are unprepared to invest in changing their own production and job structures, not even recognising that their lack of adjustment will greatly frustrate the liberal market experiments they are encouraging so actively all over the world.

And it is not just the opening of market opportunities. Many poorest nations, particularly in Africa, cannot even begin to utilize market opportunities fully without additional financial help. Market efficiency must be balanced by social equity. Even in the market economies of USA and UK, about 15% of the GNP is recycled in the form of medicare, food stamps, unemployment benefits and social security payments. In Nordic countries, the social safety nets consume roughly one-third of their GNPs. This is the situation in the North where about 100 million people are below the official poverty line of around \$5000 income a year. But what about the developing world where 1.2 billion people barely survive below an absolute poverty line of about \$400? The rich nations can spare only one-third of 1% of GNP for official development assistance, the closest approximation to an international social safety net.

It is not just the inadequacy and unpredictability of such a social safety net that we may all bemoan. What is even more relevant is whether it is spread under the most deserving people. The Report brings out disturbing patterns of existing aid allocations. Twice as much aid per capita is given to high military spenders among the developing world as to more moderate military spenders. Only a quarter of ODA is earmarked for the ten countries containing three-fourths of the world's absolute poor. In fact, India, Pakistan and Bangladesh contain nearly one-half of the world's poor but get only one-tenth of total aid. Less than 7% of global aid is spent on human priority concerns of basic education, primary health care, family planning, safe drinking water and nutritional programmes. Even mighty international institutions like the World Bank and the IMF are now taking more money out of the developing world than they are putting in, adding to the reverse transfer of around \$50 billion a year from the commercial banks.

Much of the current pattern of development cooperation was shaped by the anxieties of the Cold War. It is highly politicised. Its link with global poverty or with human development goals is far from clear. There is certainly a need for a new framework of development cooperation focused more directly on people.

Who can persuade the rich nations that it is in their own interest to open up their markets, to design a people-centred framework for development cooperation, and to prepare their economic systems for a structural change? Unfortunately, the present international institutions of global governance--supposedly with an international reach--are often confined to an influence only in the poor nations. The IMF's structural adjustment programmes are enforced only in the developing world--responsible for less than 10% of global liquidity. And as little as 7% of global trade is at present in conformity with the GATT rules--since textiles, agriculture, tropical products, services, intellectual property, trade-related investment flows, etc. are all currently outside the GATT purview and awaiting the outcome of the Uruguay Round of Multilateral Trade Negotiations. The global institutions--which we so charitably describe as the international economic system--are hardly global in scope. The Report makes a number of proposals to make these institutions truly global in their reach, in their policy frameworks and in their management structures--in a world where markets and economic systems are getting rapidly globalized. It is in this spirit that a Development Security Council is suggested within the United Nations to offer a manageable forum for global economic policy coordination.

But this may all prove to be idealistic--and, in any case, it is for future negotiations. What of now? What pressures are there for both North and South to open an equitable access to global markets?

For the North, it could be a combination of hope and fear--a mixture of self-interest and leadership. The high cost of protectionism must be explained to the people: for instance, consumers in the United States pay \$70 billion a year more in higher prices for protected goods. A part of the peace dividend can be invested in workers training and in technological development to prepare the northern societies for future change. At least, there is one hopeful sign: military spending is beginning to decline for the first time in our lifetime. At this rate of decline, there could be a total peace dividend of \$1500 billion in the 1990s--\$1200 billion in the industrial world and \$300 billion in the developing world. What is missing still is a clear link between reduced military spending levels and between greater attention to the neglected national and global human agendas.

We can only hope that such an optimistic scenario materializes. But fear may prove to be an even greater motivating force than hope itself--as, unfortunately, it has been so often throughout history. Fear of international migration of people--as people begin to travel towards opportunities if opportunities fail to travel towards them. Or at least the fear of migration of poverty--since poverty respects no international frontiers and needs no passport to travel in the form of drugs, terrorism, political instability, unknown and deadly diseases. Or the fear of global pollution and the growing threats to common survival. An unjust world is inherently unsustainable. And it may not be possible to make the world environmentally safe for anyone unless it is made safe for every one. Global environment and global poverty are closely linked.

At the same time, the South must recognise that the sterile dialogue of the 1970s must give way to a more enlightened dialogue on new patterns of development cooperation in

a changing world--mutual interests, not unilateral concessions; two-sided responsibility, not one-sided accusations; more equitable access to global opportunities, not massive transfer of financial resources; more open markets, not more managed markets.

In the coming decade, it will be a major step forward if we begin to recognise the essential link between internal and global orders in terms of people's lives.

While there should be a pressure for developing countries to reduce their military expenditures, there should be a similar pressure at the global level for replacing military assistance by economic assistance, phasing out military bases, restraining arms shipments, and eliminating export subsidies for defence industries.

While more searchlight should be put on corruption in developing countries, there should be as much accountability for the multinationals which bribe officials and the banks which park the illegal gains of corruption--maybe through a new NGO, Honesty International, as our Report proposes.

If human rights violations are to be punished within any particular country, can we find a way to punish the rulers by denying them outlets for their corrupt money but still find a suitable means to channel much-needed funds to the people, maybe through NGOs?

If market liberalization and structural adjustment programmes are vital for the South, can we as readily accept their logical extension to the North?

A new world order can be built only on justice and shared responsibility. It would be tragic if the end of the Cold War is succeeded by the beginning of a new class war between rich and poor nations. From mutual recriminations, we must travel towards a constructive global dialogue. The 1992 report provides a professional basis for such a dialogue.

In the 1940s, as the Second World War was ending, the world saw unprecedented ferment of human creativity--Lord Keynes preparing a blueprint for Bretton Woods institutions; Jean Monet constructing the framework for a European Community; General Marshall proposing a Marshall Plan for the reconstruction of Europe; and Harry Truman signing the United Nations Charter. The last five years have been among the most dramatic in human history--the collapse of communism, the end of the Cold War, the sweep of democracy across many lands, the impending demise of apartheid in South Africa. And yet there is no real outburst of human creativity, no real blueprints for the 21st century, no real bridges between poor and rich nations.

The Report proposes new efforts to negotiate a North-South human compact, thereby supporting an ongoing process initiated by the UN Secretary-General last year calling for a World Summit on Social Development in 1995 at the time of the 50th anniversary of the United Nations. It is our hope that the 1992 Human Development Report will make a modest contribution towards a new global dialogue which redefines global security as security for people, not only for land, and which ensures that no single human being is

ever condemned by the sheer accident of birth but has equitable access to the entire range of national and global opportunities to develop his or her full human potential. This alone will translate the notion of one planet into one humanity. This alone will create a new human order.

The choice is obvious.

It is a choice our generation has to make.