

**PROMOTING EQUITABLE DEVELOPMENT BETWEEN  
THE DEVELOPED AND DEVELOPING COUNTRIES**

**Vincent Rigby**  
**Political and Social Affairs Division**

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## **DEVELOPED AND DEVELOPING COUNTRIES: PROMOTING EQUITABLE DEVELOPMENT**

### **INTRODUCTION**

It has become routine for international observers to point out the extraordinary changes that have taken place in the global political landscape in recent years. While it is still too early to render any definitive judgment, it is indisputable that the liberation of Eastern Europe and the dissolution of the Soviet Union have produced a historical watershed. Within four years, international politics have been transformed and a new era has begun.

However, a genuine “new world order” remains elusive. While experts may hail the global spread of democracy and the lifting of the threat of nuclear war, political and economic instability has reached an unprecedented level. One need look no further than the Third World. Developing countries remain mired in economic crisis as the disparities between North and South become increasingly pronounced. The gap between rich and poor has doubled in the past 30 years, so that we now live in a world in which 20% of its people consume more than 80% of its wealth. During the 1980s, per capita incomes fell in many developing countries; in sub-Saharan Africa, for example, per capita income dropped 25% from levels that were already severely depressed. Poverty, famine, and disease remain widespread. Ironically, the changes in Eastern Europe and the former Soviet Union have exacerbated the problem, as the Third World is now competing with this region for scarce Western aid. As more than one authority has suggested, the “lost decade” of the 1980s has continued into the 1990s.<sup>(1)</sup>

The international community often blames the developing countries themselves for their own failed development. They suggest that Third World governments should spend less on the military and inefficient government enterprises and more on structural adjustment programs and priority areas of human development such as basic health care and primary education. But clearly

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(1) M. O'Neill and A. Clark, “Canada and International Development: New Agendas,” in Fen Osler Hampson and C.J. Maule, eds., *Canada Among Nations 1991-92: A New World Order?*, Ottawa, 1992, p. 219.

there is a critical international dimension to development. Third World countries cannot reverse the current trend on their own; in an increasingly inter-dependent world, they need the assistance of the industrial North.

This paper will examine the role that developed countries might play in promoting equitable development between North and South. In doing so, it will also attempt to explain why international assistance has failed in the past to produce more tangible results in the struggle to close the gap between the developed and developing countries of the world.

## WHAT IS DEVELOPMENT?

Until recently, most experts defined Third World development in exclusively economic terms; for example, GNP growth, income and wealth, the production of commodities and the accumulation of capital. No one will deny that these criteria remain important, but over the past several years the social, political and environmental components of development have come under closer scrutiny. As a result, new definitions of development are emerging, much broader in scope and more reflective of the basic needs of people living in the Third World.

Virtually all of these definitions bear a common theme. The Dag Hammarskjöld Foundation, for example, has stated that “development is a whole; it is an integral, value loaded, cultural process; it encompasses the natural environment, social relations, education, production, consumption, and well-being.”<sup>(2)</sup> The World Bank, in a major departure for the international financial institution, pointed out in its 1991 *World Development Report* that the ultimate goal of development should be to enhance the quality of life. While economic productivity and income are certainly important in achieving this goal, development also encompasses “better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life.”<sup>(3)</sup> Finally, the United Nations Development Programme (UNDP), in its first *Human Development Report*, expanded on this theme and offered perhaps the most comprehensive definition of all:

Human development is a process of enlarging people’s choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Additional choices include political freedom, guaranteed human rights and personal self-respect.

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(2) Quoted in D. Roche, *A Bargain for Humanity: Global Security by 2000*, Edmonton, 1993, p. 84.

(3) World Bank, *World Development Report 1991: The Challenge of Development*, Washington, 1991, p. 4.

Development enables people to have these choices. No one can guarantee human happiness, and the choices people make are their own concern. But the process of development should at least create a conducive environment for people, individually and collectively, to develop their full potential and to have a reasonable chance of leading productive and creative lives in accord with their needs and interests.<sup>(4)</sup>

Development, then, encompasses two concepts: the economic pursuit of a pattern of growth that ensures the productive use of a developing country's most abundant resource, its labour; and the widespread provision of basic social services, thereby meeting the human needs of the population.<sup>(5)</sup> Unfortunately, the international community has learned from experience that economic and human development are not always complementary; indeed, if not carefully coordinated, they can often be mutually exclusive. Any aid strategy formulated by developed countries must address this central dilemma.

## **THE PERILS OF STRUCTURAL ADJUSTMENT**

In the 1980s, industrial countries and international agencies such as the World Bank and the International Monetary Fund stressed the need for continued economic growth in order to promote development in Third World countries. The prevailing sentiment was that such growth could be achieved only through "structural adjustment programs" (SAPs). IMF and World Bank loans were disbursed only to those developing countries that implemented tough domestic policies whose main thrust was to reduce government expenditure and make the over-all economy more competitive. These long-term, market-oriented reforms were based on a simple premise: better government was less government.

By the late 1980s, studies revealed that adjustment measures were not working; many countries receiving IMF or World Bank assistance had made little or no progress in improving their economic performance. What is more, many of the reforms – such as reducing the size of government, raising interest rates, lowering budget deficits by cutting subsidies, abolishing price controls and curbing wage increases – were resulting in wide-spread unemployment and causing particular hardship among poor people and vulnerable groups dependent on food subsidies and agricultural, educational and welfare services. Women were especially hard hit. In other

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(4) United Nations Development Programme, *Human Development Report 1990*, New York, 1990, p. 1.

(5) See World Bank, *World Development Report 1990*, Washington, 1990, p. 3.

words, the people most in need of assistance were being left to fend for themselves, with inevitable results.

Structural adjustment programs continue to be implemented, however. Over the last two years, Canada, for example, has become more directly involved in their initial formulation, and there has been an increased linking of Canada's bilateral aid to SAPs. This policy shift has come under considerable attack from Canada's NGO, church and academic communities, as the social costs of structural adjustment continue to inflict serious damage on the poorer segments of the Third World's population.<sup>(6)</sup>

### **RESTRUCTURING AID: TARGETING HUMAN DEVELOPMENT**

The focus on structural adjustment and the need for economic stabilization and growth in the 1980s and early 1990s have left human development in the shadows. While few would deny that SAPs are necessary so that developing countries can build market-oriented economies and learn to balance their budgets, it is becoming increasingly clear that adjustment will not ensure sustainable economic growth if a country's population is illiterate or in poor health. Most experts now agree that in order to make structural adjustment work (while at the same time reducing the severity of some of its side-effects), more effort must be made to target the poorest through support for the social sector, specifically primary health care and basic education. Within these areas, women, who comprise the majority of the world's poor, must be given special priority.

Producing a healthy population is not only an end in itself, but also releases resources that can be used to achieve other development goals. By raising workers' productivity, for example, it yields sustainable economic benefits. Primary health care is for many countries the cheapest and quickest way to improve health standards. The 1991 *Human Development Report* estimated that it costs between \$100 and \$600 to save each additional life through preventive health care; in the case of curative care, the cost rises to as much as \$5,000. However, most developing countries spend a large proportion of their health budgets on hospitals, while very high infant mortality rates continue. Moreover, when a country is undergoing a severe economic adjustment program, primary health care is often the first social service to be cut.<sup>(7)</sup>

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(6) See O'Neill and Clark (1992), p. 224-25.

(7) *Human Development Report 1991*, p. 51.

Along the same lines, education is not only a noble aim in itself and a true measure of quality of life but promotes economic growth and puts other development goals within reach. Primary education, in particular, yields high economic returns, often twice those of higher education. Moreover, it is an excellent means of channelling resources towards the poor, since a far greater share of the benefits of primary education accrue to those less well off. Unfortunately, primary education accounts for less than half the total expenditure on education in developing countries. It has been estimated that over 100 million children worldwide receive no primary education, while a further 200 million receive no education beyond the age of 12.<sup>(8)</sup>

International aid constitutes a high proportion of many Third World countries' development budgets, and for this reason, it should be carefully directed. Clearly, the industrial states can offer tremendous help to the poor in developing countries by directing their aid towards the social sectors, in particular primary health care and education. Unfortunately, the record up to now has not been impressive. Dr. Mahbub ul Haq, project director of the *Human Development Report*, has estimated that less than 7% of industrial countries' official development assistance (ODA) is currently being channelled into human priority areas: health care, education, family planning and nutrition.<sup>(9)</sup> In 1978-79 the figure was 17%.<sup>(10)</sup> Moreover, only 7% of educational aid is aimed at primary schooling; likewise, only 27% of aid delivered to the health sector is for primary health. Dr. ul Haq has lamented that "in country after country in the Third World, human infrastructure is being left behind..."<sup>(11)</sup>

According to the North-South Institute, Canada's record in this area follows the international trend. In 1989, for example, only 20% of Canada's ODA budget went to the health and education sectors. Of this 20%, approximately a quarter was directed to primary health care, basic education and water and sanitation. In other words, only 5% of Canada's ODA reaches those sectors that specifically affect the poorest.<sup>(12)</sup> By contrast, New Zealand allocates over half of its aid to the social sector.<sup>(13)</sup>

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(8) *Ibid.*

(9) *Minutes of Proceedings*, House of Commons Standing Committee on External Affairs and International Trade (SCEAIT), 2 February 1993, 51:13.

(10) *Human Development Report 1990*, p. 80.

(11) *Proceedings*, SCEAIT, 51:14.

(12) O'Neill and Clark (1992), p. 225. See also K. Mundy, "Human Resources Development Assistance in Canada's Overseas Development Assistance Program: A Critical Analysis," *Canadian Journal of Development Studies*, XIII, No. 3, 1992, p. 385-409.

(13) *Human Development Report 1991*, p. 54.



Most donor countries prefer to pour money into capital intensive schemes that happen to require machinery and technical assistance from the same donor countries. For example, much of the \$15-billion technical assistance received by developing countries is reserved for the salaries and travel of foreign experts and equipment and technology from industrial countries. Unemployment of trained personnel and a national civil service demoralised by low salary levels often exist side by side with large numbers of foreign, high-priced experts and consultants.<sup>(14)</sup>

The 1993 *Human Development Report* argues that the time has come to change this trend. It suggests that at least 20% of total aid should be allocated to human priority concerns.<sup>(15)</sup> In a previous report, UNDP officials stated that if only one-third of existing aid were committed to human priority areas, the aid allocation to these sectors would increase fourfold.<sup>(16)</sup> They have also argued that technical assistance should be carefully scrutinised to ensure that it builds human capabilities and institutions in developing countries. This would not only reduce the cost of assistance, it would also release millions of dollars that could be put to more productive purposes.

Donors could also enhance human development in the Third World by offering new conditions for cooperation – for example, by specifying that human development programs should be the last, not the first, to be reduced in an adjustment period or by making it clear that external assistance would be reduced if a country's military expenditure exceeded its social expenditure. Finally, aid channelled into the social sector might also serve as an incentive to reluctant finance ministers to devote a larger share of domestic resources to social spending, as Third World governments often need to be encouraged to set up food and health subsidies that transfer income and other economic opportunities to the very poor. The erection of such safety nets would cost only a small fraction of GNP and would prevent more costly political and social disturbances later.

## **THE ENVIRONMENT AND POVERTY**

No aid strategy aimed at human development in the Third World can neglect the environment, for there is ultimately a fundamental link between a healthy environment and a healthy society and economy. It is no coincidence that the vast majority of the world's poor live in the most ecologically vulnerable areas of Latin America, Asia and Africa. In these societies, there

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(14) *Human Development Report 1990*, p. 80. One World Bank report states that there are as many as 80,000 consultants at work in Africa alone, some charging \$1,500 per day, more than many locals make in a year. See R. Taylor, "A Rigged Game," *Canada and the World*, May 1993, p. 15.

(15) *Human Development Report 1993*, p. 7.

(16) *Human Development Report 1991*, p. 53.

is no choice between rapid economic growth and environmental protection. Indeed, growth is not an option but an absolute necessity. Many choices that degrade the environment are made not because of lack of concern for the future, but because of the imperative for immediate survival. As the 1992 *Human Development Report* explains, “it is not the quality of life that is at risk – it is life itself.”<sup>(17)</sup>

The countries of the North and South define environmentally sustainable development in different ways. The industrial states focus on such “global change issues” as the depletion of the ozone layer and global warming; the Third World, on the other hand, is more concerned with localized issues such as soil degradation and polluted water. Clean water and safe sanitation, along with adequate food, are the foundations of human development. But the demands of poverty often clash with the environment, and vice versa. The poor, for example, overuse their marginal lands for fuel wood and for subsistence and cash-crop production. This endangers their physical environment, which in turn reinforces their poverty and threatens the health and the lives of their children. It is a vicious cycle.

The industrialized countries must come to terms with this connection between the environment on the one hand, and poverty and human development on the other. Approximately \$10 billion is spent each year on water supplies in developing countries, but nearly 80% of this total is aimed at the better off. Approximately 50% of rural and 20% of urban households in the Third World, most of them poor, have no safe water supply.<sup>(18)</sup> Human development experts suggest strongly that the industrial countries must provide more environmentally sound technologies and additional resources to confront these basic problems. Global ecological security, at whatever level, can be seen as a unifying link rather than a divisive issue between the North and South.

## **DEMOCRACY AND HUMAN RIGHTS: CREATING A BASE FOR DEVELOPMENT**

Allen Weinstein of Washington’s Centre for Democracy has stated that “people cannot afford not to have a democracy. It is not a luxury, it’s a necessity.”<sup>(19)</sup> It is clear that democratic values – respect for human rights, political accountability, the rule of law and transparency in the exercise of power – are pivotal in sustaining development. Only in a political system that recognizes the potential of people can development, in all its myriad forms, truly take place.

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(17) *Human Development Report 1992*, p. 2.

(18) *Human Development Report 1991*, p. 52.

(19) *Time*, 10 June 1991, p. 46-47.

Most experts, for example, agree that, given time, democratic government will further economic development by increasing demand and productivity and enhancing income distribution.<sup>(20)</sup> Democracy creates a climate that allows the free market to operate efficiently. It also improves the quality of life and strengthens human development. The United Nations Development Programme has stated bluntly that “human development is incomplete if it does not incorporate freedom.”<sup>(21)</sup> More and more experts are stressing the link between political freedoms and civil liberties on the one hand and progress in health, education and the status of women on the other. Democracy unleashes the creative energies of the people and gives them perhaps the greatest freedom of all, the freedom to make their own choices. Ultimately, “people are the best advocates of their own interests – if they have the opportunity to do so. Ensuring full participation in the community and in the nation is thus often the best route for reform-minded governments to take.”<sup>(22)</sup> In short, a government’s development policies are destined to fail if they do not have the support of the people.

Once again, countries such as Canada, steeped in the democratic tradition, have a critical role to play in ensuring that stable democratic governments are established in the Third World. All forms of ODA will help developing countries strengthen their democratic institutions, but technical assistance is perhaps the most critical of all. Many of these countries have absolutely no democratic legacy whatsoever, and for that reason need to be taught the fundamentals of democratic government and human rights. Whether drafting constitutions or helping organize and monitor elections, the developed countries can lend vital assistance. At the same time, those countries that consistently refuse to embrace democracy and continue to abuse human rights, can be singled out. Former Prime Minister Brian Mulroney made it clear that Canada would channel its aid increasingly to those countries that respected basic freedoms. He insisted that Canada would “not subsidize repression and the stifling of democracy.”<sup>(23)</sup>

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(20) See, for example, Phillipe C. Schmitter and Terry Lynn Karl, “What Democracy Is... and Is Not,” *Journal of Democracy*, Vol. II, No. 3, Summer 1991, p. 85.

(21) *Human Development Report 1991*, p. 21.

(22) *Ibid.*, p. 71.

(23) Speech delivered to the Commonwealth Heads of Government Meeting, Harare, Zimbabwe, 16 October 1991.

## THE POLITICS OF AID

As we have seen, there is a growing consensus in the aid community that a considerable portion of the international aid budget should perhaps be restructured to focus on human development concerns that help the poorest elements of Third World societies. The first step in ensuring this is to target the poorest countries.

For many years one of the basic motivations of aid donors was the wish to win friends in the cold-war confrontation between capitalism and communism. In other words, the dominant objective was often political. With the end of the Cold War, it was expected that this trend would change and “need” would become the main criterion. However, this has not been the case. According to the UNDP, bilateral ODA (which comprises 70% of total international aid) is still badly allocated. Only a quarter of ODA is delivered to the ten countries containing three-quarters of the world’s poor, while the richest 40% of the developing world’s population receive more than twice as much aid per capita as the poorest 40%.<sup>(24)</sup> According to the North-South Institute, only about 30% of Canadian aid is offered to the world’s poorest nations.<sup>(25)</sup>

A strong argument can be made that aid allocation is still suffering from the scars of the Cold War (twice as much aid per capita goes to high military spenders rather than more moderate spenders) and from a preoccupation with nation states rather than people. UNDP officials believe that ODA should be given to people rather than countries, and that it should go where the need is greatest, to the poorest people wherever they happen to be.<sup>(26)</sup>

Most development experts will acknowledge that the countries of Africa, especially those south of the Sahara, should be given priority in any concerted international effort to improve human development in the Third World. Africa has the lowest life expectancy of all the developing regions, the highest infant mortality rates and the lowest literacy rates. Its average per capita income fell by a quarter in the 1980s, and by the end of the century more than 400 million people on the continent are expected to be below the poverty line.<sup>(27)</sup> Long-term development restructuring is needed to strengthen Africa’s human potential and the momentum of its growth. However,

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(24) *Human Development Report 1992*, p. 45.

(25) *Proceedings*, SCEAIT, 51:13.

(26) *Human Development Report 1993*, p. 7-8.

(27) *Human Development Report 1990*, p. 5.

Canada's recent decision to cut bilateral aid to Central and East Africa – including Tanzania, Rwanda, Ethiopia, Kenya, Uganda, Madagascar and Burundi – and focus more on middle-income nations has raised eyebrows in Canadian aid circles. Since the mid-1980s, Canadian aid to Africa has dropped considerably, although it maintains a larger share of the ODA budget than any other region.

## **INCREASING AID BUDGETS**

While focusing on human development issues and ensuring that more aid goes to the poorest countries should perhaps be priorities for developed countries, a more fundamental problem remains. Quite simply, without greater external financing, the development effort will continue to struggle.

The industrial countries currently provide about \$54 billion a year in international aid, the equivalent of approximately 0.35% of their combined GNP. Many experts question whether this amount of ODA can truly make a difference for the one billion poor living in the Third World. By contrast, the industrial nations allocate roughly 25% of GNP to their 1.2 billion people, of whom only 100 million (less than a tenth of their populations) live below the poverty line.<sup>(28)</sup>

At the same time, ODA budgets everywhere are contracting, partly because of tough financial times and partly because of the competing demands of Eastern Europe and the former Soviet Union. Canada's ODA budget has suffered severe cuts in recent years; it is expected to drop to 0.4% of GNP by 1994-95, the lowest figure in 20 years. Few countries, with the exception of those from Scandinavia, meet the UN target for ODA of 0.7% of GNP. Arguments that a 10% cut in the military spending of NATO countries could potentially double the amount of international aid should not be dismissed out of hand.

## **THE CONTINUING DEBT CRISIS**

Restructured aid, whether in greater quantities or not, could make a tremendous difference to the Third World, but the promotion of equitable development must still be conceived in a larger framework. For example, the developed countries must address the critical issue of the international debt.

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(28) *Human Development Report 1992*, p. 44.

Between 1983 and 1989, rich creditors received \$242 billion in net transfers on long-term lending from indebted developing countries. The foreign debts of the Third World now total nearly \$1.3 trillion, requiring \$200 billion a year in debt servicing alone. Many countries devote up to a third of their export earnings to service their debt or else accumulate unpayable arrears. According to the World Bank, over half of the international debt is held by just 20 countries – with Brazil, Mexico, India and Egypt leading the way – but it is the least developed countries in regions such as Sub-Saharan Africa that have suffered the most social and economic damage. With the debt continuing to increase, these countries' troubles will persist long into the future, paralysing economic initiatives and blocking much-needed expenditure on human development.<sup>(29)</sup>

Throughout the 1980s and early 1990s, the industrial countries attempted to devise debt rescheduling and reduction schemes. The Brady Plan to reduce commercial debt and debt service was touted as a major turning point but it did little to help the least developed countries. The G7 industrial countries, including Canada and Great Britain, devised their own strategy in Toronto in 1988 and the Organisation for Economic Co-operation and Development (OECD) announced plans to help low-income African countries; however, once again, there was little progress. Some headway has been made recently. A breakthrough of sorts was achieved with the Paris Club meeting of December 1991, which set out a strategy to reduce the present value of debt by 50%. Canada has taken some important initiatives on its own, including forgiving \$1.2 billion of ODA debt since 1978; however, it is still owed \$3 billion by developing countries.<sup>(30)</sup> Great Britain has promised to write off two-thirds of the debt of low-income countries.<sup>(31)</sup> But ultimately, a broad solution is still waiting to be found.

Despite repeated failures, it is imperative that the developed countries continue to search for a way out of the debt impasse. If the rich nations do not start transferring resources to the poorer nations soon, the Third World will have little hope for the future. Whichever path is chosen, debt relief must be pursued, and the developed countries should continue to throw their full support behind it.<sup>(32)</sup>

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(29) *Human Development Report 1992*, p. 45.

(30) O'Neill and Clark (1992), p. 230-31.

(31) See *Commonwealth Currents*, December 1991/January 1992, p. 6.

(32) See M. Ahmed and L. Summers, "A Tenth Anniversary Report on the Debt Crisis," *Finance and Development*, September 1992, p. 2-5.

## CHANGING THE RULES OF INTERNATIONAL TRADE

In addition to debt relief, developing countries desperately need a liberal and expanded trade environment to encourage economic growth and human development. Dr. ul Haq has commented that “what the poor ultimately need is not charity, except as a temporary measure, but access to markets, whether domestically or internationally.”<sup>(33)</sup> However, global market opportunities for the Third World are extremely limited. The 24 countries of the OECD dominate 80% of world trade, and over the past decade 20 of them have become more protectionist.<sup>(34)</sup> As a result, developing countries are being denied critical markets. It has been estimated that if the Third World were granted unrestricted access to northern markets, especially in such heavily subsidized sectors as agriculture and clothing and textiles, some \$55 billion in additional export earnings could be generated, equal to the amount the less developed states receive in aid.<sup>(35)</sup>

The North-South Institute claims that Canada fits in with this unfortunate trend. While Canada has made important contributions to the GATT Uruguay Round of multilateral trade negotiations and has also supported the Cairns Group (a 13-country coalition that is tackling agricultural issues), only 12% of its imports originate in the Third World, a low total even among OECD members.<sup>(36)</sup> Canada also imposes an average tariff of over 10% on industrial imports from less developed countries, while the average tariff faced by developed states is less than 5%. There are also heavy quotas on clothing imports – the largest single export category from developing countries in an industry which is a major stepping-stone to industrialization.<sup>(37)</sup>

Reforming the world trading system requires concerted international action. Protectionist measures continue to increase as the Uruguay round is dragged out, and, with the continuing trend toward regional trading blocs – the European Community and the North American Free Trade Agreement, for example – there is a danger that markets might shrink even further. Unless the trading interests of developing countries are protected through careful negotiations, these countries may become completely blocked out, with expected results. It is up to the developed countries to ensure that the Uruguay Round does not fail.

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(33) *Proceedings*, SCEAIT, 51:15.

(34) *Ibid.*, 51:16.

(35) *World Development Report 1991*, p. 11, 150. See also Taylor, “A Rigged Game” (1993), p. 16.

(36) O’Neill and Clark (1992), p. 231.

(37) *Ibid.*, p. 232.

## CONCLUSION

The industrial countries of the world clearly have an important yet daunting task ahead of them as they attempt to help bridge the economic and social gap that exists between North and South. There is much work to be done in attempting to expand and refocus international aid while at the same time opening up international markets and solving the debt crisis. It is critical that the developed countries focus their attention on these issues immediately. It is not only compassion that should generate new initiatives, but self-interest as well. All countries, both North and South, have a stake in development. By the end of the decade, 80% of humanity will be living in the developing world. If the Third World explodes, its problems – poverty, drugs, pollution, terrorism, and AIDS – will explode with it. Political boundaries will then be of little use.