

Muslims who themselves have revolted many times in the past against impious and corrupt rule. Government according to the precepts of Islam provides a basis for the just and dignified development of Muslim societies.

The Role of Advanced Developing Countries in the World Economy

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The postwar history of Japan reveals the risks which are posed for an open world economy by a country which views itself as poor and dependent long after it has become a major force in world trade, and which fails to take into account the repercussions on its own most vital interests of waiting too long to assume truly reciprocal obligations — such as opening its own markets to imports and eliminating export aids which are no longer needed. It is the strong hope of the United States that today's advanced

developing countries (ADCs) will not repeat this serious mistake.

The ADCs have represented the most dynamic component of the world economy for over a decade, and are likely to do so for at least the decade ahead as well. The World Bank projects exports of manufactures by the developing countries to continue growing at an annual rate, adjusted for inflation, of over 12 percent. This would bring their total exports in 1985 to about \$110 billion in 1975 prices — only slightly less than the combined manufactured exports of the United States and Japan in 1975.

An effective economic relationship between industrialized and developing countries must, in fact, be based on the twin principles of shared responsibility by all and a right for all to full participation in international economic decisions. The degree of responsibility assumed by each country will depend on its stage of development. For the poorest developing countries, where extreme poverty is pervasive, the United States supports increased concessional development assistance and preferential treatment in international trading arrangements. For ADCs, and particularly for many of the countries of Latin America, a relatively advanced stage of development implies a gradual phasing out of preferential treatment, the beginning of active participation in efforts to assist those countries in less fortunate circumstances, and growing collaboration in molding the evolution of the international economic system.

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In practice, this means an increasing acceptance by the more advanced developing countries of at least partial reciprocity in the Multilateral Trade Negotiations. For example, they could accept a commitment to limit their government procurement practices which discriminate against foreign suppliers. They could follow the guidelines of the International Arrangement on Export Credits. They could significantly reduce their excessively high tariffs. In general, it means phasing out special treatment as development proceeds so that needier countries can benefit more fully from such preferences.

The acceptance of greater responsibility in trade relations is especially important in the use of government subsidies. One of the most important objectives in the MTN must be to reach an agreement on subsidies and countervailing duties, to avoid the growing use of such practices by many countries and retaliation against them by others.

Subsidies can of course play an important role in national economic policy, and flexibility in the rules is needed for countries on different rungs of the development ladder. Fully developed countries should subscribe to all provisions of the agreement immediately, whereas developing countries should be accorded special and differential treatment. However, the code should provide for increased acceptance of its obligations by ADCs as their industries become internationally competitive, as well as acceptance from the outset of the principle that their subsidies should not hurt other countries.

A large volume of US trade with developing countries enters the United States duty-free under the existing tariff schedule and generalized system of preferences (GSP) — which the United States adopted in large part due to the needs of Latin America, which was largely excluded from the extensive system of specialized tariff preferences offered by the European Community.

The United States approach to GSP is designed to assure that the greatest benefits are made available to those who need them most. When a particular product from a country eligible for GSP becomes competitive in the US market, that product reverts to normal tariff treatment on the grounds that special help is no longer needed — and that its continuance would unfairly hamper less competitive countries from getting an opportunity to enter the market.

In the area of development finance, US global policy is to expand the flow of resources to developing countries, on appropriate terms, to assist them in their efforts to reduce poverty and achieve self-sustaining growth. This approach suggests that countries should, as they progress, move gradually but deliberately from (1) concessional assistance as provided by AID and the soft-loan windows of the multilateral development banks (MDBs) to (2) the non-concessional windows of the latter institutions and the private capital markets into (3) positions where they can assist their poor neighbors through various bilateral and multilateral assistance channels.

This shift is well underway for most of Latin America. The United States has now terminated its AID programs in Argentina, Brazil, Colombia, Chile, Ecuador, Uruguay and Venezuela (and in Korea, Taiwan and Malaysia). A few of these countries have already begun to mount their own foreign assistance efforts to help the poorer LDCs.

As official financing for the more advanced developing countries has declined, the US capital market has become their major source of financing. Open access to such funds has thus become a crucial element in meeting their financing needs. One applauds the success of these countries in tapping this source of funding, which should continue to grow in importance.

The latest replenishment of the Inter-American Development Bank (IDB) reveals the growing collaboration between the United States and the ADCs of Latin America in financial matters. The ADCs which still borrow from the bank — Argentina, Brazil, and Mexico — have indicated a willingness to limit their shares to enable the poorer countries of the Hemisphere to increase theirs, and to increase their own contribution to the usable resources of the concessional lending window of the bank. The United States has therefore indicated a willingness to increase sharply its contribution to the Bank's capital resources and expects the result to be a highly satisfactory basis for IDB lending for the next four years.

In conclusion, the international economic role of the developing countries, particularly the ADCs, cuts across the entire spectrum of international economic interests and relationships:

- They should be assured a large role in the management of international economic relations.
- As they reap greater benefits from world trade, their trade practices should increasingly conform to the rules applying to major world economic actors.
- As their financial positions become more solid, the more rapidly growing developing countries should depend less upon concessional assistance so that increased resources can be made available to their less fortunate neighbors, and they should begin to contribute to those resource flows themselves.

“North-South” relations are far too important to be relegated to a separate niche, isolated from the mainstream of national policies in either industrialized or developing countries. The United States seeks to integrate the needs and concerns of the developing countries into each aspect of its international economic policy — and hopes they will increasingly recognize US needs and concerns in their policies as well.