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THE NEW ROLE OF DEVELOPMENT PLANNING,
WITH SPECIAL REFERENCE TO SMALL COUNTRIES

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by Dudley Seers

The combination of rising prices for oil and manufactures, weak markets for agricultural products and increased protectionism in the industrial countries has created considerable problems for many small countries of the Third World. 'Planning' has fallen into disrepute. But in the sense of a coherent attempt at national development, it is more necessary than ever, though in quite new forms.

A. The weaknesses in conventional 'development planning'

First, let us look at the weaknesses in the old-style planning. The post-war colonial 'development plans' were little more than public investment programmes. After independence, the growing political need to tackle social and economic problems required a statement of government objectives both in general terms ('reducing unemployment', etc.) and for individual sectors (e.g. 'achieving universal primary education'), illustrated by a set of projections for the following 5 (+2) years for selected variables covering the economy as a whole, such as income, consumption, investment (private as well as public) etc. accompanied by particulars of some leading projects.

But the record of such plans has not been good, especially in the past few years. Economic growth has often diverged a long way from target - indeed, in some cases been negative - and even where it has been fast there has been little progress towards social objectives such as reducing unemployment. Many plans cease to have any administrative or even political significance after a year or two and fade out of sight.

1/ I gratefully acknowledge comments by David Evans, Percy Selwyn and Michael Ward.

There are several reasons for this. Notes on some of them follow:-

(a) Technical weaknesses

The technical quality of most development plans is poor. There is little attempt to distinguish between exogenous variables, targets, instrumental variables, constraints and the residuals obtained from a national accounting framework.

Moreover, single values are usually assumed for exogenous variables, such as export prices in the end-year of the plan period, whereas decisionmakers would need to know the range and the implications of possible extremes and the nature and extent of uncertainty. Indeed, the use of single values is one of the reasons why so many plans have become obsolete: any major change - e.g. a sharp climb in import prices - can make them evidently irrelevant.

Few politicians in any country point out how much their programmes are contingent, especially on external events. Indeed, plans usually give the impression that the economy is far more under government control than it is in reality.

Moreover, most plans are highly aggregative, and thus evade issues of distribution - between social classes, ethnic groups, urban and rural areas, coastal regions and the interior, etc.^{1/} Yet these issues are usually crucial to development. The same is true of the distinction between the foreign and domestic sectors. Rarely is an attempt made to specify (in plans or elsewhere) targets for foreign capital investment, the criteria for its entry, etc., even in countries where self-reliance is put forward as a major development objective.

Plans derived from the Harrod-Domar model treat investment as the determinant of economic growth and rely heavily on incremental capital-output ratios (ICORs). Yet there is little meaning in ICORs if they cover groups of industries with very different levels of technology, less still if they cover the whole economy. They are moreover subject to great variation,

1/ A conspicuous exception is Malaysia, where successive development plans (since the second) have shown targets for poverty groups, and for each of the main races.

especially over periods as short as 5 years. They can range from over 15 to less than 2.^{1/} Indeed, although they are usually derived from past experience, a major object of policy should be precisely to reduce them by choosing appropriate technologies, and investing in activities with low ICORs. Moreover the Harrod-Domar approach is open to a more basic question: how can one justify assuming that investment is the sole determinant of growth? This diverts attention away from many other important causes, such as maintenance of existing capital, improvements in the health of the workforce, technical training, etc.

The statistical basis for plans is often very weak anyway.

It is impossible to estimate production at all precisely, or how fast it grows, in sectors such as agriculture and services if there is no regular, at least annual, collection of data, especially where much of the sector's activity is not marketed, or only marketed illegally.

There are three consequences. First, most national income estimates and therefore growth rates are the product of hypotheses rather than facts (which lays them open to political manipulation). Secondly plans (and policies) using national income data ignore what are often the main economic changes - the destruction of the household and village economies, which are not at all adequately measured, and their replacement by a monetised, national economy.^{2/} Thirdly, the growth of 'black markets', 'informal' activities, etc. is also ignored, imparting a serious bias to policy.

1/ This can be true even for a decade. For the period 1960-70 the aggregate ICOR was 16 for Uruguay to 1.8 for Saudi Arabia. (TD/118/Supp:3/Rev/1 Trade Prospects and Capital Needs of developing countries during the Second United Nations Development Decade. UN, New York, 1972, p.29).

2/ See next page

2/ (From previous page) There are anyway serious conceptual problems in defining the national income in economies where many activities are internal to the household or the village economy which elsewhere would be marketed (e.g. stream fishing, rice milling, handloom weaving, furniture making, nursing, etc.).

(b) Lack of effective commitment

A more basic problem which helps explain the technical weaknesses, including the presumptions of plans and the neglect of statistics, is lack of commitment to development. Leaving aside those cases, not numerous, where the political leader has merely plundered the country for the sake of himself and a few relatives and associates (e.g. Idi Amin, Bokassa), many other governments do not give much priority to social progress. Rhetorical references may be made to increasing equality and eliminating poverty. Governments may even call themselves 'revolutionary'. But policies actually operating permit or even encourage the concentration of the benefits of growth in those sectors, areas or social classes (sometimes ethnic groups) which are already relatively affluent. Other sections of the community have little voice in shaping the process of planning.

In such situations there seems no role for a self-respecting planning office: yet surely it should persevere, making its projections, etc., until in due course the political wheel turns and a government comes to power eager to draw on such work.

(c) Lack of rationality in decisionmaking

Especially where there is no commitment to development, the leadership typically relies on intuition, and takes decisions on exchange rates, wage rates, etc., ad hoc, without concern for their effect on the pattern of development, an effect which may well be considerable, indeed very often without even consulting the director of planning.^{1/}

1/ Thus, when many governments have decreed big increases in the wages and salaries of civil servants, those taking the decision ought to have received a brief pointing out what would happen to port congestion (and thus the rate of investment), to the demand for cars (and thus the needs for investment in roads, etc.) and to wages and salaries in other sectors (and thus to the feasibility of self-sufficiency in foodstuffs and of import substitution in manufactures, unless there were a compensating devaluation), etc.

This is not to say that political leaders will accept the advice of the development planner (or even ought to): they always take into account other considerations, some of which may be quite legitimate in any political philosophy, but not necessarily easily quantifiable (the benefits of self-reliance, for example). They have the right, however, and even the duty to listen to advice on the measurable costs and benefits of a particular short-term policy decision in the light of their long-term development strategy. What is needed could be called 'informal intuition'.

There is often no channel through which they get such advice. Many planning offices work in a sort of administrative vacuum, neither being consulted by the political leadership at all frequently nor enjoying access to it. Some have become little more than machines for absorbing the output of the economics faculties, and add a pseudo-professional patina to government policies which are decided elsewhere.

Rationality requires consistency. The prime purpose of planning, is, according to the textbooks, to make government policies in different sectors more consistent with each other and with the main policy goals. It is only one of the means to this end. The principal instrument for introducing coherence across the whole range of government policies, and thus providing planning with some justification, is regular interdepartmental meetings at Ministerial and 'lower' levels. For these to be effective, those who take part should accept their discipline, not least the obligation to reach agreements and to implement them.

Anyone familiar with the way governments actually work knows that the reality is often somewhat different. Ministries usually treat certain conventional policy areas as their sole responsibility. Moreover, a Minister with a personal power base that is indispensable to the government is under little compulsion to defer to a meeting of colleagues. Most planning offices lack the authority to obtain the co-operation

of the other ministries. In particular, unless they have strong political support they will be unable to match the institutional strength of the Treasury which tends to concentrate on short term needs. Yet planning is hardly likely to make policy coherent if there is no effective framework for inter-ministerial co-operation.^{1/}

(d) False conceptions of planning

Linked to the other weaknesses, especially lack of commitment, are various unhelpful characteristics of the way in which planning has been perceived. First, the short time horizon of the typical plan means that the development issues can hardly be posed. After all, decisions on the crucial determinants of development, such as the content of education or the system of land tenure, or even major capital works such as irrigation schemes, are not likely to show their effects in less than a decade. Indeed, the transformation of society is a very lengthy process. A plan for a few years only makes sense within a much longer perspective.

Secondly, partly because of the shortness of the planners' horizons, critical issues of development such as the content of education and the system of land tenure mentioned in the last paragraph are often ignored - indeed the economic dimension tends to be greatly exaggerated. After all, economic growth is merely one among the means, by no means sufficient in itself, to 'development'.^{2/} This would imply now-a-days not just growth but a society free of poverty, united, peaceful, egalitarian, democratic, self-reliant, sufficiently strong to withstand external threats, and with the internal dynamic

^{1/} Usually the only real instrument for achieving a degree of coherence is the annual budget; yet, since departmental estimates are in the first place agreed bilaterally between the Treasury and other departments, they too reflect the balance of political power and the personal effectiveness of ministers.

^{2/} In particular, while increases in some types of output are always needed, the national income aggregates conventionally used are not at all necessarily appropriate. Their price-weights reflect distributions of income and consumer tastes which are endogenous to the development process.

to continue improving itself in these respects. And to achieve these ends not merely economic policies are needed, but associated policies in social and administrative fields.

Thirdly, the functions of a planning office are also widely misconceived. It is seen (even often by itself) as an agency whose main responsibility it is to give birth every 5 years or so to a plan for publication. The object of this is apparently to demonstrate to the public (and perhaps to aid agencies) a degree of government commitment to development (which may in fact hardly exist). If a planning office were actually dealing with the real issues of development, its output would principally take the form, not of publications, but of direct advice to the decisionmakers, estimating how possible external events or departmental policies under consideration would affect the country's development.

Indeed, advice on crucial social issues such as the ethnic division of income are by no means necessarily suitable for publication.^{1/}

One consequence of the belief that the main function of a planning office consists in producing plans periodically is that the office engages in a burst of frenetic activity every few years, putting on one side its other responsibilities such as project evaluation, preparation of annual investment plans, etc. Paradoxically the work of planning offices is often badly planned.

Some policy issues might well be illustrated by quantitative projections, and some of the projections might well be put before the public. Publishing medium term plans is one way of doing this. However, neither the preparation nor the publication of medium-term plans is essential to planning properly conceived.

1/ The tendency of technical assistance experts in economic and social fields, especially those on 'missions', to see their role as preparing reports for publication indicates their remoteness from the real process of policymaking (Would legal or military experts work in this way?) The primary role of technical assistance, especially in macro-economic policy, is clearly often to assist a government's public relations.

B. The need for new development strategies^{1/}

The case for a thorough reconsideration of 'planning', due to such defects, has now been reinforced by recent events. While the 'oil shocks' and related increases in the prices of manufactures, together with deteriorations in markets for other commodities, have effectively undermined many existing development plans, they have also opened new horizons for planning offices.

The effect of the oil shocks

In the first place, most oil-importing countries find that foreign exchange is a constraint more dominant than ever (especially the poorer ones that do not enjoy possibilities of borrowing on a significant scale from private banks^{2/}), and that in particular oil imports need to be minimised. Short-term policymaking has therefore become primarily dependent on the allocation of foreign exchange, and costly errors can be made if the planning office is not consulted on the implications, both short- and longer-run, of foreign exchange budgets.

The task of optimising the scale and pattern of imports, especially of oil, can be facilitated by elaborating input-output tables so as to show the oil and total foreign exchange content of different types of final expenditure in some detail. (Such tables are by now common; where they do not exist, the oil crisis underlines the need to create them). In addition such research can be helpful in attempts to minimise the immediate effect of the sharp rise in oil prices. It would assist, for example, decisions on whether petrol should be rationed, whether kerosene should continue to be subsidised (as it often is,

1/ I am referring here to oil-importing economies. In countries that export oil the need for a coherent development strategy is by no means less urgent, indeed in some ways more so, but it raises different issues. It is very difficult for a petroleum exporter to build up other sectors sufficiently to be able to support their high incomes when oil exports start to decline. Trinidad, for example, has seen the decay of formerly important export sectors, notably cocoa.

2/ "Eurocurrency market recycling of OPEC surpluses to Developing Countries; Fact or Myth?" by Tony Killick, published in The EEC and the Third World: A Survey, edited by Christopher Stevens, Hodder & Stoughton, London 1981 for ODI/IDS.

because of its importance for rural households) and whether it is worthwhile to convert crops into ethanol.^{1/} Such work can now be facilitated by using mini-computers to re-run models.

The need to simulate the effects of different assumptions about oil prices has also now become inescapable. Whether the terms of trade become 25% worse or 25% better by 1985 will make a great deal of difference to what governments can do. Indeed contingency plans are needed for a situation in which oil suddenly became unobtainable due to a major disruption (for whatever reasons) in supplies from the Middle East.

The implications of the oil shocks for planning offices are, however, much more far-reaching than the need for a refinement of existing techniques. Fundamental questions are posed about their functions.

The outlook for the 1980s

The foreign exchange crises are not transient. While there will doubtless be occasional declines in the price of oil in the years ahead, the outlook is for underlying strength despite conservation, the discoveries in Mexico and the gradual emergence of alternative sources of energy (e.g. solar power and ethanol). World consumption is rising^{2/}, depletion policies in OPEC members are more conservative, and the political situation in the Gulf is chronically unstable. Yet prices of other primary commodities will remain weak until there is a revival of activity in the industrial countries - but that will hardly relieve the foreign exchange shortage of most commodity exporters because it will set the stage for further price rises in oil.

1/ All these issues raise of course other questions according to local circumstances. For example, could the administration cope with petrol rationing, in view of the opportunities for corruption? Would making kerosene more expensive accelerate deforestation to a dangerous extent? What would be the opportunity costs in terms of food foregone if crops are grown for fuel?

2/ Especially in OPEC members: the trend of exportable surpluses is declining in those with large populations (Indonesia, Venezuela and, especially, Nigeria.)

Moreover an additional problem lies ahead. When a transition to new sources of energy becomes economically practical, as can be confidently predicted, it will be far from easy for countries already in a chronic foreign exchange crisis to afford the necessary equipment. This is likely to become cheaper but still to constitute a very big burden on the balance of payments.

The nature of new development strategies

This prospect suggests, indeed compels, a thorough re-examination of the development strategies that were adopted in the era of cheap energy, and thus of the role of planning - just as the politico-economic changes of the 1950s did earlier. Governments of various political ideologies in the past quarter-century treated industrialisation as virtually synonymous with development and fell into the convenient practice of relying primarily on imported technologies. These are energy-intensive as well as capital-intensive. Many sectors came also to rely on oil-based inputs (especially textiles, chemicals and agriculture). Governments allowed foreign life styles to be copied, so - in view of the heavy concentration of income - consumption also became highly energy-intensive.

This type of economic growth always raised serious questions because of its effects on employment and income distribution. Moreover in most cases it has led to a chronic dependence on food imports. The issue now, however, is no longer whether it is desirable but whether it is possible. When the price of imported oil quadrupled in 1973-4, this meant in most countries reductions in reserves and indebtedness rising at a very fast (in some cases unsustainable) rate for those governments able to borrow. Some promoted exports, if they could, and reduced superfluous imports. Many were forced to cut capital investment and social expenditures.

There was a partial recovery in foreign exchange positions after 1975, but when oil prices started to soar again after the Iranian Revolution early in 1979, a number of governments

were in a much worse state than when they were struck by the first oil price rise. Many of the buffers (reserves, borrowing capacity, export expansion, easy import cuts) had been used up already, and industries which were oil-intensive became hard to sustain. Among the consequences many governments put much more emphasis on agriculture and reduced consumer activities such as motoring.

These effects have, however, not been parts of consistent strategies, but by-products of numerous ad hoc emergency decisions of various departments, often taken on very short-term grounds. The objective need for planning basic structural changes is now in many countries overwhelming. This starts with studying, partly by cross-examination, the plans and policies of individual departments, (which would also make personnel there more aware of national objectives.)

As pointed out above, such ~~changes~~ will take far longer than the few years of medium-term plans. An appropriate horizon might be about the end of the century: a longer time span would involve too big a range of projections of 'exogenous' variables. After 13 years, for example, the size of the population of working age begins to be affected by births that have not yet been made

Long-term strategic possibilities can be illustrated by scenarios.^{1/} These would incorporate some of the elements of conventional plans, but also show additional dimensions. An important one now would be distributional, particularly in view of the relationship between income and the oil-intensity of different patterns of consumption. In many countries, issues of urban-rural balance are more pressing than ever.

In addition, non-quantitative elements, such as the extent and nature of decentralisation of decisionmaking, would also be covered. Indeed, realistic scenarios would take account of illegal activities too (doubtless without numerical precision) where these are a major influence on the pattern of the economy. (No development strategy that ignored magendo, for example, would be of much use for Uganda.) Projections in less numerical detail would not merely avoid a misleading appearance of the scope of government influence over the economy: they would

1/ Examples of the use of scenarios can be found in the INTERFUTURES report, Facing the Future: Mastering the Probable and Managing the Unpredictable (OECD, 1979).

also permit a proper emphasis on the rural sector, especially the degree of its resilience in the face of the 'oil shock'. (It might be a major aim of development strategy to find ways of reinforcing such resilience).

Perhaps the most important dimension of some alternative strategies is that they require not merely social changes within a country but reassessment of external relations: more autonomous strategies which are now on the agenda may provoke the hostility of foreign powers.

Administrative implications

Consideration of alternative development paths underlines the importance of continuous contact between political leaders and development planners, on almost a day-to-day basis. Governments committed to development will be demanding studies of the longer-term aspects of various issues, especially those that cut across departmental frontiers. Development planners need more than ever direct access to the government.^{1/} It is true that such a working relationship will still not be initiated by many political leaders, and may even be resisted by them. But it will be made increasingly necessary by the logic of the economic crisis.

Planning offices could perform functions like those of a military general staff, which include preparing not only contingency plans to cover sudden emergencies (known as 'war games'), but also long-term strategies and medium-term plans of organisation, re-equipment and training to implement them. The strategies are sketched in the light of possible changes in military technology, according to the expectations and policies of governments with respect to (e.g.) relations with neighbours and great powers. This requires (and normally involves) regular discussion with the political leadership about the strategic alternatives.

1/ Naturally, a close advisory relationship to politicians implies that such studies will not automatically be published, though release of summaries or extracts would certainly in some cases help make outside opinion more knowledgeable and enable it to be consulted.

Military planning not merely offers analogies to development planning: they should be linked in obvious ways (how much can be afforded for defence) but also because development strategy needs to be coherent, incorporating military, economic and social dimensions. For example, an 'open door' strategy is more easily compatible with a pro-US than a pro-Soviet military alignment.

These considerations imply that naive 'rate of return' cost benefit analysis is less use than ever. Factors such as the extent to which a project reduces dependence (and what sort of technology would reduce it most) need to be taken into account, usually by allowing for them qualitatively after the quantitative exercises have been performed.^{1/}

Work of this type on development options would require new types of staff - not merely economists but also sociologists and ecologists, because the long-run problems are now obviously not exclusively economic. It would also need new statistical priorities. Since maximising the national income would be less significant, that variable would cease to be central to the programme of a statistical office. Work on particular sectors would be of greater importance, especially on the production and consumption of energy (see above). There would also be other tasks which would be specific to the country concerned - e.g. estimating how much land lay uncultivated (which might be available for growing substitutes for imported foodstuffs.)

C. The strategic options in small countries

The choice facing many governments, especially of small countries, is bleak. The development options for dealing with their current economic crisis are constrained by realities. Political, #

1/ Attempts to quantify all relevant factors, as in some forms of 'social cost-benefit analysis', lead to highly artificial assumptions (e.g. the attempts of the Roskill Commission to value historic churches). They stem fundamentally from a dubious attempt to simplify choices that are inherently complex.

economic and cultural constraints are implicit in the work of many analysts, especially dependency theorists. Geographical determinants of development strategy have, however, been very little discussed by social scientists of any school.^{1/} Such determinants do not change at all, or do not change significantly, within say 20 years and limit for any particular country the range of feasible scenarios - whether it is ruled by a conservative military dictatorship or a revolutionary junta. One of these is location (especially close proximity to countries with overwhelming military power). Another, relevant for our present purposes, is size.

The implications of size for planning

Size can, of course, as other papers for this conference will undoubtedly explain, be defined in various ways - geographical, demographic and economic.^{2/} The government of a country with a small area has fewer options because it is unlikely to have a very diversified resource base, in particular much arable land - in contrast to Canada, say, or Australia or Brazil. Now-a-days the extent of territorial waters is also important in view of the importance of fishing and sub-sea mineral potential in a country's "economic zone".

Area, however, does not mean much except in relation to the population inhabiting it. If the area is small in relation to the population (even though that is also small), the country will be dependent on imports of strategic commodities, which might include iron ore (or steel), copper, wood, cereals and livestock products - above all, oil.

1/ I have discussed these in "Development Options: The Strengths and Weaknesses of Dependency Theories in Explaining a Government's Room to Manoeuvre", (in Dependency Theory: A Critical Assessment, ed. Dudley Seers, Frances Pinter, forthcoming).

As I point out there, the tendency of development theorists to ignore size may be due to ideological doctrine - some of them would not find it easy to accept that, in certain circumstances, geographical factors rule out far-reaching social change.

2/ Also what one means by 'small'. This does not, however, affect my argument much, since I am mainly talking about how much associations between size and other characteristics affect the scope of planning.

In such countries, unless they offer good prospects of economic advance (like Singapore) population pressure has historically been reduced by emigration. This has often been encouraged by government policy: Malta and Mauritius are cases in point. But it creams off some of the most enterprising and highly skilled people (an effect only partially compensated by remittances they subsequently send home). Anyway, the opportunities for large scale migration have mostly disappeared, through tightening of controls in the recipient countries, except for temporary labour permits in countries of the Middle East that have small populations in relation to their oil reserves.

But, if size of population matters, then population policy forms an important part of strategic planning. This does not necessarily mean, as it has often meant in the past, a policy of population limitation. If the resource base is adequate and the government adopts a development strategy involving external risks, there would be arguments for a pronatal policy, especially if the economy has been needing immigrants.^{1/} On the other hand, if chronic emigration has in the past signalled a shortage of resources, and particularly if this is no longer feasible, while military threats are remote, the indicated policy would be antinatal. This evaluation would determine attitudes to family allowances, and of course contraception and abortion. Policies in many other fields also affect population growth in one way or another - e.g. housing and female education.

The nature of the manufacturing sector is determined by the third possible criterion of size, the magnitude of the market,

1/ Even to consider the need for military mobilisation and pronatal policies will shock many of those (in the industrial countries) working on development problems. Are there not global dangers in excessive military expenditures and fast population expansion? These are, however, not relevant questions for policymakers (or planners) in small countries, which have to concern themselves with their own national interests until the seemingly remote time when there is some world political authority that can provide for their security and economic needs. (It is clear that the United Nations cannot do this). In a period of struggle for resources, a great power may even attack a small country that lacks any resource interest, simply to obtain the use of airfields, ports, etc., to enable it to deploy its forces against some completely different objective. (The German army invaded Belgium twice, for example, to obtain access to Northern France).

for which the estimated national income can be a proxy. This is ultimately a matter of population: the national income equals population multiplied by per capita income, but the former factor has a much greater variation than the latter.

Industrialisation can hardly be based mainly on a home market that is relatively small. If it is less than some \$US 10 billion (corresponding to a population of 5 to 50 million, say, according to per capita income) it would hardly support industries producing intermediate products such as steel, aluminium, heavy chemicals, etc. especially since many of the necessary materials would have to be imported, and thus paid for in foreign exchange. So the only feasible development strategy in small countries with limited natural resources, lies in creating export-oriented industries or services (in view of the drawbacks of emigration - and its limits).

It is very hard for such a government to create these at all rapidly without foreign capital and technology, the main channels for which are the transnational corporations (TNCs). Only in a large country (e.g. India) do local companies export goods with a local market sufficient to enable economies of scale to be enjoyed, and overhead costs to be written off. Moreover, TNCs also provide access to the necessary markets abroad. Planning in a small country of this type, in almost any sense of the word, is therefore obviously somewhat restricted, because many of the important decisions about output and investment are taken overseas. Moreover, tax revenues depend partly on how much the TNCs concerned choose to resort to 'transfer pricing'.

Small countries and large companies

But this does not mean the government need be entirely dependent on the TNCs. The crucial need in a small country, especially one following this route, is to develop the technological and administrative capacity for an industrial policy that is both deliberate and selective. Typically it is neither. Industries that can provide little foreign exchange or employment for the country (if import requirements and profit remittances are deducted from export proceeds) are often allowed to enter,

sometimes actually subsidised by tax concessions, cheap land, even power.^{1/} Indeed, industrialisation policy may be purely reactive - saying 'yes' or 'no' (almost always 'yes') to whatever corporation in whatever industry based in whatever country happens to send executives.^{2/} The result is a ragbag of industries, with virtually zero integration (not even producing much for one another).

Technological and administrative capacity are needed not only to select suitable industries but to monitor their performance subsequently. Many industrial development corporations request information about a firm's plans for employment, production, exports, etc. before deciding whether or not to grant tax concessions, for example, and then subsequently make no effort whatever to see whether the promises are in fact being fulfilled.

One element in selective long-term strategy may be to reduce foreign influence over the industrial sector, either directly via joint ventures, or indirectly through requiring the participation of citizens in ownership and/or management, or lending money to local entrepreneurs to buy their way into a sector. (These would be more sensitive to national needs than subsidiaries which have to conform to worldwide corporate policies).

A purposive industrial policy can of course only be derived from an overall development strategy. As indicated above, a planning office has a role in shaping this, but ultimately what it can do depends on the perceptions and political skills of the leadership. There is little point in requiring potential foreign investors to justify their projects if the government

1/ Now that the price of oil has gone up, many of these industries may involve net foreign exchange costs.

2/ To predict the pattern of industrialisation in a small country in the 1980s it may well be more useful to study the registers of the leading hotels in the 1970s rather than the government's industrial policy statements. Contrast Japanese policy during the early stages of their highly professional industrial strategy: foreign businessmen who had the presumption to take the initiative were firmly snubbed.

is committed, overtly or de facto, to an 'open door' strategy, or if it is not able or willing to negotiate effectively.

Countries that have industrialised during the cheap oil period have proved highly vulnerable to recent increases in the price of oil and manufactures (and associated recessions in the industrial countries). It is true that the immediate impact is less severe than on other types of economy, because they have a greater capacity to borrow foreign exchange from private banks (Hong Kong and Singapore, for example) and their manufactured exports have continued to grow, especially to the Middle East. But their borrowing capacity can hardly increase indefinitely, and they face rising protective barriers in the industrial countries.^{1/}

For them, therefore, as for most small countries, it is not easy to devise a plausible long-term strategy. To 'delink' to any considerable extent from the world economy would involve heavy social costs. Limiting, for example, imports of industrial inputs threatens the livelihood of the workers; so not merely do the firms concerned resist such policies, also the trade unions. It may even be difficult to raise corporate taxes (or start collecting them once a 'tax holiday' expires) without provoking a decline in production, possibly complete withdrawal. Jamaican experience with TNCs in the period 1975-80 illustrates some of those constraints. Various other forms of retaliation are possible, even military,^{2/} (Governments, especially of small countries, which have not yet linked themselves to the world economy, should consider such possible eventual consequences.)

1/ Notably the Multi-Fibre Arrangement, which may be extended to small countries adhering to the Lomé agreement (a possibility being studied by the Commonwealth Secretariat). There are also bilateral pressures to limit exports of textiles and clothing 'voluntarily' (e.g. by Britain on Mauritius).

2/ Though such retaliation often seems to be provoked by rhetoric (especially in the field of international affairs) as much as by actual policy changes.

A self-reliant strategy for a small country?

The range of development options to be considered by planning offices is not great in small countries which have already become habituated to cars, television programmes, etc. and types of food that cannot be produced locally. (In many tropical countries, for example, dietary customs incorporate bread manufactured from wheat). Typically a small country shows a severe incompatibility between its patterns of consumption and production.^{1/} It is of course the function of trade to reconcile these, but, especially in the 1980s the prospective costs (in various senses) of dependence on trade points to searching for ways of increasing self-reliance. Since on the supply side the possibilities are very limited planners might turn their attention more to the structure of demand. For example, it is absurd for governments of oil-importing countries to permit advertisements for energy-intensive forms of consumption, such as motoring. Yet restraints on such consumption, and especially attempts to alter the distribution of income significantly, may be incompatible with a government's political base or administrative capacity.

A drastic plan of autonomy would, moreover, involve external, ultimately military risks, and countries with small populations have by definition only a limited military capacity. It is true that the potential size of military manpower is less important today, in view of the sophistication of technology, which requires not so much large armies as high-level skills and expensive equipment, but the very foreign exchange problem that induces more self-reliant strategies also rules out such technology unless it can be obtained without unacceptable political strings. If its military equipment comes from a great power that exerts influence over its policies, it is dependent on spare parts and technical assistance from that source; but if it turns elsewhere for arms this may be treated as provocative (viz. Guatemalan experience in the mid-1950s).

1/ See Development Strategies and Specialisation in Small Countries: A case study of Belize, unpublished doctoral thesis by John Wyeth, prepared at the University of Sussex

A small country with too limited a military establishment to withstand attack by a big power can hope to deter such intervention by making it expensive. The economic dimensions of development strategy (with heavy reliance on a militia that could be converted into guerillas), backed by local small-arms production.

Other possible strategies for small countries

However, there are two possibilities to be considered, which may extend the range of scenarios in some countries. One is the development of service industries, if the location is suitable. Examples are banking (Bahrein); tourism (Bermuda). Perhaps the contrasts with industrialisation are not really so great. Again it may be necessary to rely to a greater or lesser extent on the capital and expertise of transnational corporations (in banking, transportation and hotels).

The alternative possibility, for some small countries, is to link up with others, thus adding resources, increasing the military potential, widening the market and strengthening the technological base. Planning would then not merely be able to show a greater variety of strategic options; the possibility would be opened up of cooperation, at least, between planning offices, and formulation of coordinated policies (e.g. agreements not to compete with tax concessions).

To go into pros and cons would not be appropriate here. It is just necessary to make two points in the light of international experience about the basic viability of a scheme of integration. This depends in the first place on machinery for redistributing some of the benefits gained by the larger, more industrialised members: such machinery has rarely been of much significance.^{1/}

1/ There has been an attempt in the Andean Pact to see that the poorer countries obtained some new industries. See "A Case Study of Latin America" by Ernesto Tironi in Integration and Unequal Development: the Experience of the EEC, (eds. Seers and Vaitzos, Macmillan, 1980). The fiscal machinery of the European Community has if anything redistributed revenue from the poorer countries to the richer. See "Conclusions: the EEC and Unequal Development" by Dudley Seers, ibid.

Secondly, its survival may depend on cultural compatibility: moreover, in the absence of this, the price paid by a small country for economic integration is ultimately a weakening of its cultural identity.

For some planning offices a major task is to work on the implications of possible integration schemes in terms of industrial structures, educational programmes, etc.

Size and the role of a planning office in a small country

Weaving the various policies into a consistent whole, compatible with constraints (internal and external) and with exogeneous variables, and deciding what should be put to the particular political leadership, is a central task of a planning office, but especially important in small countries, where the penalty for strategic mistakes can be high.

The government's budget and the number of professional personnel available are related to a country's size, and in a small country a highly elaborate system of alternative detailed strategies, with various time horizons, can hardly be envisaged.^{1/} The government will also lack a wide range of expertise to formulate and implement policy, especially vis-a-vis foreign firms.

Yet, in a small administration the planning office is less likely to remain forgotten, in political limbo. Moreover, face-to-face contact between the political leaders and the people is much more feasible than in a large country. This can provide the political solidarity required for a development strategy - especially for the forced self-reliance that may lie ahead for some countries. It is, however, far from a sufficient condition for this. Finding a way forward for

1/ However, the need for such sophistication may also be less, because there will be fewer options that can realistically be considered (see above). Moreover, a small country (at least in terms of area) has less need for regional planning.

a small country, avoiding setbacks but taking advantage of political opportunities, linking policies to political reality and inducing support for them, exploiting what room to manoeuvre there is, requires a high level of leadership, which is a more important factor than in a large country.^{1/} The work of a planning office (provided it does not concentrate on 'plans') can be a useful support.

1/ I would not necessarily endorse all of Dom Mintoff's policies in Malta, but he has shown a remarkable ability to sustain economic development in a small island with heavy demographic pressure (relieved only by possibilities of emigration, especially to Australia) but with a harbour that is of considerable military and civil importance. Mr. Mintoff once told me that the government of a small country had to decide what trump cards it held and then play them for all they are worth.

DS/BMT
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