Chapter 3

Inequalities and asymmetries in the global order

Globalization has not only engendered growing interdependence; it has also given rise to marked international inequalities. Expressed in terms of a metaphor widely employed in recent debates, the world economy is essentially an "uneven playing field,"[1] whose distinctive characteristics are a concentration of capital and technology generation in developed countries and the strong influence of those countries on trade in goods and services. These asymmetries in the global order are at the root of profound international inequalities in income distribution.

This chapter analyses those inequalities and asymmetries, whose accurate characterization is essential in order to alleviate and, eventually, overcome the problems they cause. The first section provides empirical evidence of the inequalities existing in global income distribution over recent centuries. The second examines the asymmetries that exist between developed and developing countries and the different ways in which they have been approached in the international debate since the Second World War.

[1] In contrast to a "level playing field," or one in which all the parties compete under equal conditions.

I. Inequalities in global income distribution

1. Long-term disparities between regions and countries

The widening income gap between different regions and countries has been a feature of the world economy for the past two centuries. Indeed, whereas per capita GDP in the more developed regions of the world was around three times that of the less developed regions in the early nineteenth century, this ratio has grown steadily, and currently stands at just under 20:1 (see table 3.1). The only exception to this trend is found in the period 1950-1973, in which the differential decreased slightly (Madisson, 1995 and 2001).[2]

Table 3.1
PATTERNS OF INTERREGIONAL DISPARITIES

	1820	1870	1913	1950	1973	1990	1998
A. Per capita GDP, by region							
Western Europe	1,232	1,974	3,473	4,594	11,534	15,988	17,921
United States, Australia, New Zealand and Canada	1,201	2,431	5,257	9,288	16,172	22,356	26,146
Japan	669	737	1,387	1,926	11,439	18,789	20,413
Asia (excluding Japan)	575	543	640	635	1,231	2,117	2,936
Latin America and the Caribbean	665	698	1,511	2,554	4,531	5,055	5,795
Eastern Europe and former Soviet Union	667	917	1,501	2,601	5,729	6,445	4,354
Africa	418	444	585	852	1,365	1,385	1,368
World	667	867	1,510	2,114	4,104	5,154	5,709
B. Interregional disparities (percentages)							
Less-developed region/more-developed region	33.9	18.3	11.1	6.8	7.6	6.2	5.2
Latin America/more-developed region	54.0	28.7	28.7	27.5	28.0	22.6	22.2
Latin America/world	99.7	80.5	100.1	120.8	110.4	98.1	101.5
Latin America/less-developed region	159.1	157.2	258.3	402.2	368.1	365.0	423.6
C. Regional share of world production (percentages)							
Western Europe	23.6	33.6	33.5	26.3	25.7	22.3	20.6
Western offshoots	1.9	10.2	21.7	30.6	25.3	24.6	25.1
Japan	3.0	2.3	2.6	3.0	7.7	8.6	7.7
Asia (excluding Japan)	56.2	36.0	21.9	15.5	16.4	23.3	29.5
Latin America	2.0	2.5	4.5	7.9	8.7	8.3	8.7
Eastern Europe and former Soviet Union	8.8	11.7	13.1	13.0	12.9	9.8	5.3
Africa	4.5	3.6	2.7	3.6	3.3	3.2	3.1
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ECLAC estimates based on data from Maddison (2001).

[2] See also Bairoch (1981). However, this author's estimates of per capita income differentials in the late eighteenth century and early nineteenth century are substantially lower than Maddison's.

Major interregional disparities in per capita GDP were already evident prior to the First World War, but they intensified rapidly between then and the mid-twentieth century,[3] and they havecontinued to increase ever since, though at a slower rate. This, as we will see, is a pattern that has been repeated by other indicators of inequality in global income distribution. The relatively slower increase in inequality after the Second World War coincided with the acceleration of economic growth in the developing world, which was one of the distinguishing characteristics of the second phase of the globalization process.

It should be recalled, however, that this acceleration was initially characterized by highly protectionist policies, which did not give way until much later —the trend began in the 1960s but did not really take hold until the 1980s and 1990s— to greater openness and participation in global trade (see chapter 2).

Latin America and the Caribbean have exhibited a number of distinctive features within this process. First, this was one of the first regions in the developing world to join in the trend towards globalization.[4] Ever since the initial phases of this process, the Latin American and Caribbean region, together with Central and Eastern Europe, has formed part of the group of middle-income countries, which has expanded to include several Asian countries in recent decades. Although no precise data are available on the subject, the gap in per capita output between this group and the most developed region of the world widened between 1820 and 1870, but then stabilized. In fact, the disparity between the per capita GDP of Latin America and the Caribbean and that of the most developed region in the world remained stable, hovering in the 27%-29% range, for a little more than a century and only began to decrease in 1973, dropping to 23% in 1990 and to 22% by the end of the twentieth century (see table 3.1.b). In terms of mean global GDP, the disparity increased from 1870 to 1950 and then began to decrease —slowly until 1973 and more rapidly from 1973 to 1990.

The region's relatively good performance during the early phase of globalization (1870-1913) in comparison with other developing countries was followed by similar successes during the first stages of "inward-looking development", which took place at a time when the globalization process was stalled at the international level. During the second phase of globalization (1945-1973), the Latin American and Caribbean region experienced the highest rates of per capita GDP growth in its history, although the pace of that growth was slightly slower than the global rate.[5] Thus, the most notable characteristic of the period between 1870 and 1973 was the region's inability to make steady progress in approaching developed-country levels. Within this general pattern, some countries experienced periods of rapid growth,[6] followed by periods of much slower growth or even declines. Over this long period, the situation of Latin America and the Caribbean could be described more as one of stabilization in an intermediate position within the world context, with individual cases of "truncated convergence", rather than divergence from the developed countries, although this did occur in some instances.

In reality, the region began to fall behind only during the third phase of globalization (which began in 1973), as it failed to achieve a sufficient degree of integration into the financial globalization process and was then overtaken by the ensuing debt crisis. Moreover, the recovery period following the "lost decade" of the 1980s proved to be a halting one. As ECLAC has shown in various studies, this has been reflected in the fairly disappointing growth rates attained by

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[3] Because of Asia's relative weight in the world population, one of the basic reasons for these trends was the economic stagnation of that region (except for Japan and a handful of other countries) until the middle of the twentieth century, which was followed by rapid economic growth in that region after the Second World War.

[4] Bulmer-Thomas (1994), Thorp (1998), Cárdenas Ocampo and Thorp (2000a, 2000b) and Hofman (2000) present a more detailed analysis of the region's performance since the mid-twentieth century.

[5] If the figures are adjusted for the effects of the demographic transition, both the acceleration of the region's growth rate in 1950-1973 and its later deceleration appear to have been even more pronounced.

[6] Among the most noteworthy are the periods of rapid growth registered in three Southern Cone countries in the late nineteenth and early twentieth centuries, in Cuba during the first quarter of the twentieth century and in Venezuela, Brazil and Mexico during several decades of the twentieth century.

theregion in the wake of its major economic reform effort, which began in the 1970s in some countries and spread throughout the region between the mid-1980s and the early 1990s.[7]

Variations in per capita GDP and differences in population dynamics between the different regions of the world have led to significant skewing of the distribution of world production (see table 3.1). In the nineteenth century, the most notable event was the emergence of Western Europe and the "Western offshoots" —as Maddison calls them— in the Americas and Oceania (United States, Canada, Australia and New Zealand), at the expense of Asia. This process led to an overwhelming concentration of the world's production of manufactured goods in the main bastions of capitalism. The trend reversed after the Second World War, but more than half of world output is still concentrated in the developed countries (now including Japan), especially in technology-intensive manufacturing and service sectors. Within this global context, Latin America and the Caribbean steadily increased their share of world production up to 1973, but this trend levelled off thereafter.

Table 3.2 shows the differences in per capita GDP among countries worldwide. As is the case with interregional disparities, the most noteworthy characteristic is the pronounced and sustained increase in inequalities across countries. This process also accelerated until 1950 and then slowed, especially during the second phase of globalization.

Table 3.2
INDICES OF PER CAPITA INCOME INEQUALITY IN THE WORLD

	1870	1913	1950	1973	1990	1998
A. Deviation index a/						
OECD industrialized countries	0.43	0.45	0.50	0.24	0.22	0.22
34 countries		0.72				
48 countries		0.70	0.87			
141 countries			0.96	1.07	1.13	1.22
Developing countries			0.85	0.93	0.94	1.04
Latin America and the Caribbean			0.51	0.56	0.60	0.70
B. Mean logarithmic deviation b/						
OECD industrialized countries	0.08	0.09	0.11	0.03	0.02	0.02
34 countries	0.16	0.23				
48 countries		0.24	0.33			
141 countries			0.54	0.56	0.58	0.65
Developing countries			0.53	0.50	0.42	0.51
Latin America and the Caribbean			0.14	0.14	0.16	0.21

Source: ECLAC estimates based on data from Maddison (2001).

a/ Standard deviation of the logarithm of GDP per capita.
b/ Average of the logarithms of the mean ratio of per capita GDP/per capita GDP of each country.

The only apparent case of convergence in levels of per capita output occurred among developed countries during this second phase, which was their "golden age" (see table 3.2). This phenomenon has been the subject of several detailed studies (see, among others, Maddison, 1991). The process proceeded steadily until 1990, albeit at a slower pace, but then came to a halt in the final decade of the twentieth century. The other historical period in which convergence was clearly occurring was the first phase of globalization or, more precisely, the second half of the nineteenth century. O'Rourke and Williamson (1999) have demonstrated that during this period the United

[7] See, in particular, ECLAC (1996a and 2001), Stallings and Peres (2000) and Escaith and Morley (2001).

States and Europe witnessed a convergence of wage levels, basically as a result of the mass migration of European labour to the New World. Within Western Europe, a process of wage equalization also occurred between several of what were then peripheral countries (especially the Scandinavian countries, Austria and, to a lesser extent, Italy and Ireland) and the most highly developed countries (Germany, France, the Netherlands and the United Kingdom). However, the same authors also note that the process did not encompass other countries of the European periphery (the Mediterranean countries, with the exception of Italy, and those of Central and Eastern Europe) or other regions of the world. Hence, even within the group of countries that today make up the Organisation for Economic Co-operation and Development (OECD), there was a slight divergence in the trend of per capita GDP, and this divergence appears to have been greater when considered in the context of a wider group of countries (see table 3.2).

This subject has been examined thoroughly in the literature on economic growth in the last quarter century.[8] In general, these analyses confirm that there was no worldwide convergence of per capita income levels in the sense that the term is used in this document. In the terminology used in the literature, the expression "unconditional convergence" is employed. However, various studies indicate that there is some statistical evidence of "conditional convergence", in which other factors that influence the growth of countries are taken into account, including the educational level of the population, infrastructure, macroeconomic stability, and political, social and economic institutions. This is basically because these determinants of economic growth are distributed just as unequally as per capita GDP, or even more so. This has led some authors to question the validity of the concept of "conditional convergence".

Table 3.3 illustrates another phenomenon that differs completely from those described above: the marked and growing dispersion of growth rates among the developing countries during the last quarter of the twentieth century —in other words, the increasing number of "winners" and "losers" among developing countries. This dispersion increased just as much in the period 1973-1990 as it did in the 1990s. It is important to note that this trend has been much more widespread than the trend towards greater international disparities in per capita GDP; indeed, it has affected all regions and both low and middle-income countries. Within countries, a similar differentiation has occurred, both across different social sectors and across different geographic regions. Undoubtedly, all these factors contribute to the tremendous uncertainty about the future that exists in contemporary society. This insecurity places further demands on the international system and on the social safety nets of each country, in addition to the more traditional demands for a reversal of the trend towards greater distributive inequality.

Table 3.3
STANDARD DEVIATION OF PER CAPITA GDP GROWTH

	1870-1913	1913-1950	1950-1973	1973-1990	1990-1998
OECD	0.37	0.62	1.53	0.59	1.16
34 countries	0.54	1.04			
48 countries		1.01	2.76		
141 countries			1.73	2.35	2.95
Developing countries			1.69	2.50	3.09
Latin America and the Caribbean			1.50	1.43	2.15

Source: ECLAC estimates based on data from Maddison (2001).

[8] See Barro and Xala-i-Martin (1995), Quah (1995), Barro (1997), Pritchett (1997), Ros (2000), Kenny and Williams (2000), and Easterly (2001a, 2001b), among many others.

2. Overall effect of international and national inequality

Several recent studies offer a much more detailed view of trends in international inequality. Figure 3.1 shows the results of Milanovic's study (2001) on disparities in population-weighted per capita GDP. The calculations are highly sensitive to the inclusion of China and India, both of which have extremely large populations and which registered relatively little economic growth during the second phase of globalization (1945-1973), but rank among the most successful countries during the third phase (1973 to the present). When these two countries are excluded, the international disparities between the means lessen substantially from the 1950s to the 1970s, although they widened considerably later, during the last two decades of the twentieth century. However, when China and India are included in the analysis, the results are quite different. Indeed, their excellent performance in recent decades counterbalances the adverse distributive trend in the rest of the world.

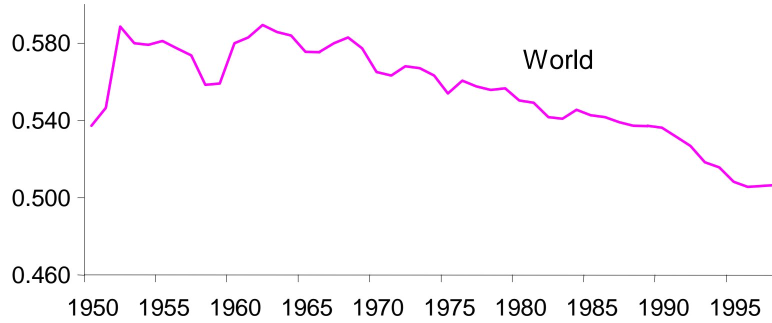
The study by Bourgignon and Morrison (2002) examines the combined effect of trends in disparities across countries and inequalities within them.[9] This analysis utilizes a broader concept of world inequality, according to which the units of analysis are not countries, but their inhabitants. Based on this concept, the authors conclude that international inequalities increased significantly between 1820 and 1910, remained stable from 1910 to 1960, and grew again from 1960 to 1992 (see figure 3.2). Up to 1910, the dominant aspect of this process was the deepening of international disparities, which grew quite markedly until the mid-twentieth century. However, during the period marked by a reversal of the globalization process (1914-1950), that trend coincided with an improvement in income distribution within countries, which curbed the further growth of international inequality. This improvement was linked both to the emergence of the welfare State in Western Europe and the United States and to the socialist revolutions in Central and Eastern Europe. The trend towards an amplification of international inequalities in recent decades can be attributed not only to moderate growth in international disparities, but also to a sharp increase in inequalities within countries.

The combination of these two trends is, in fact, one of the hallmarks of the third phase of globalization (see, *inter alia*, UNCTAD, 1997; UNDP, 1999; and Milanovic, 1999). Indeed, several studies have shown that the relative stability of inequality within countries that marked the world economy in the decades after the Second World War (see, *inter alia*, Deininger and Squire, 1996) was followed by ever greater inequality in the last quarter of the twentieth century. Cornia's figures (1999) are very informative (see table 3.4). According to his analysis, 57% of the population included in a sample of 77 nations lived in countries that exhibited growing inequality in income distribution during the period 1975-1995. Only 16% lived in nations in which inequality decreased. The rest of the study population lived in countries that had stable levels of inequality or in countries for which no trends could be discerned. These general trends are observed, with some variations, across the major regions of the developed, transition and developing worlds.

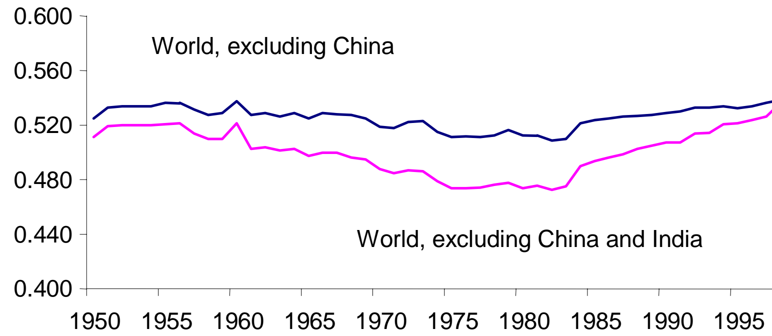
[9] Studies that paved the way for this type of analysis include the works of Berry, Bourguignon and Morrison (1983, 1991).

Figure 3.1
WEIGHTED INTERNATIONAL INEQUALITY, 1950-1998

A. World

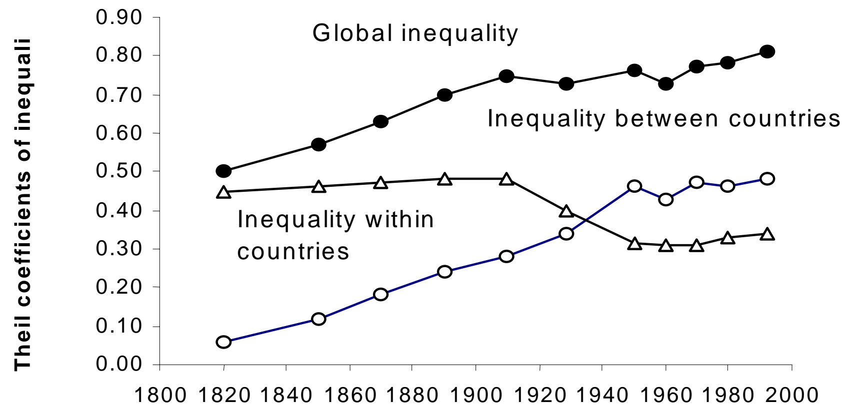


B. Weighted international inequality, excluding China and India



Source: Branko Milanovic, "World Income Inequality in the Second Half of the 20th Century", Washington, D.C., World Bank, 2001, unpublished.

Figure 3.2
GLOBAL INCOME INEQUALITY, 1820-1992



Source: Branko Milanovic, "World Income Inequality in the Second Half of the 20th Century", Washington, D.C., World Bank, 2001, unpublished.

Table 3.4
WORLD TREND IN INCOME INEQUALITY, 1975-1995
(In percentages of population)

Groups of countries	Growing inequality	Stable inequality	Decreasing inequality	No identifiable trend
Industrialized countries	71.8	1.2	27.0	0.0
Eastern Europe	98.1	0.0	0.0	1.9
Former Soviet Union	100.0	0.0	0.0	0.0
Latin America	83.8	0.0	11.4	4.8
South Asia and Middle East	1.4	70.2	14.4	14.0
East Asia	79.4	4.4	16.1	0.1
Africa	31.6	11.9	7.7	48.8
World	56.6	22.1	15.6	5.7

Source: ECLAC, *Crecer con estabilidad: el financiamiento del desarrollo en el nuevo contexto internacional*, Bogotá, D.C., Economic Commission for Latin America and the Caribbean (ECLAC)/Alfaomega, 2001; on the basis of Giovanni Andrea Cornia, "Liberalization, Globalization and Income Distribution", Working Paper, No. 157, Helsinki, United Nations University (UNU)/World Institute for Development Economics Research (WIDER), 1999.

In the case of the developed countries, the trend towards an unequal distribution of income was more marked, since 72% of the population lived in countries in which the gap was widening. It is important to point out that this relatively widespread deterioration in income distribution did not occur in the developed world during the two earlier phases of the globalization process.[10] According to several analyses (Atkinson, 1996 and 1999, and Cornia, 1999), the growth in inequality was due to an expanding wage gap, caused mainly by the erosion of institutions for the protection of labour, coupled with technical progress that favoured the most skilled workers, although trade liberalization may also have been a contributing factor. Some authors (Wood, 1998) attach more importance to this last element. Industrialized countries which continued to have central institutions responsible for wage-setting (Germany and Italy) and those which placed greater emphasis on the role of labour organizations and on upholding the minimum wage (France) were able to blunt these factors' tendency to heighten existing levels of inequality. The greatest increase in the inequality of income distribution took place in Australia, New Zealand, the United Kingdom and the United States, countries in which wage negotiations are carried out in a decentralized manner and labour markets are more flexible.

The developing and transition countries displayed a more heterogeneous pattern. The greatest deterioration in these areas occurred in the countries of Central and Eastern Europe, especially those of the former Soviet Union (see also UNDP, 1999). East Asia also registered greater degrees of inequality, mainly as a result of the widening gap between urban and coastal areas in China, on the one hand, and rural areas, on the other. However, East Asia is also the developing region in which the highest proportion of the population lived in countries where inequality was on the decline. In contrast, most of the population of southern Asia, the Middle East and Africa lived in countries where indices of

[10] The trends characteristic of the second phase of globalization have already been described. In the opinion of O'Rourke and Williamson (1999) and Lindert and Williamson (2001), during the first phase trends varied depended on the type of country concerned and included a deterioration in countries rich in natural resources, improvements in European countries with a broad agrarian base (especially the large countries of continental Europe) and no clearly discernible trend in the most industrialized countries of Europe.

inequality either remained unchanged or where there were no clearly identifiable pattern. In all these regions, the exacerbation of inequalities was linked to growing disparities between rural and urban areas.

The vast majority of Latin Americans live in countries in which the inequality of income distribution increased in the last quarter of the twentieth century. In general, as several ECLAC studies have indicated (1997, 2000b, 2000c and 2001a), inequality that characterized the 1980s —and in some countries, such as Chile, the 1970s— did not abate in the 1990s. On the contrary, countries in which income distribution became even more unequal remained in the majority. One explanation for this trend is the asymmetric nature of trends in poverty and income distribution in the different phases of the economic cycle: the debt crisis had a devastating effect on the poorest sectors, but the subsequent resumption of growth was not accompanied by a commensurate rise in income in these sectors (Cornia, 1999; La Fuente y Sáinz, 2001). The growing gap between wage levels for skilled and unskilled workers, and especially between workers with and without a university education, appears to be one of the main effects of the economic liberalization process (see the aforementioned ECLAC documents, Berry, 1998 and Morley, 2000a).

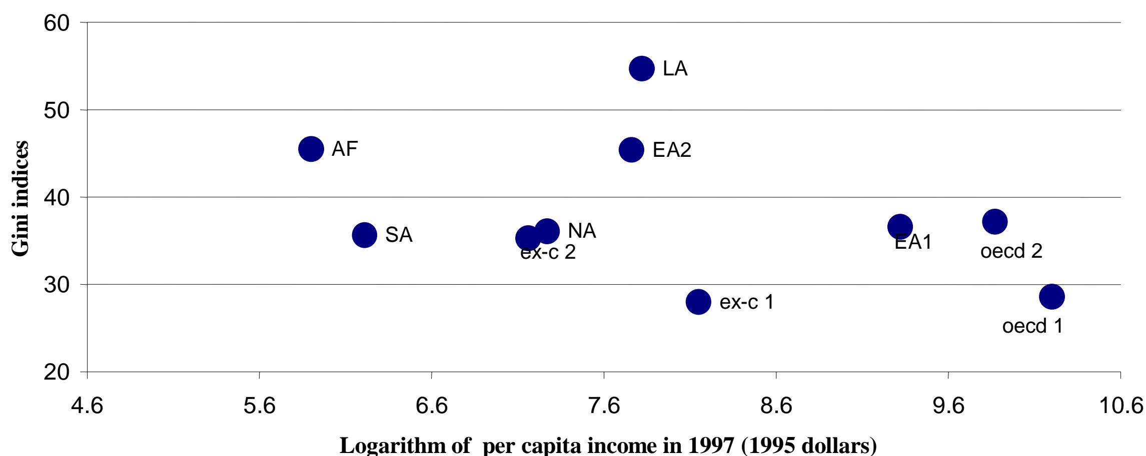
This global state of affairs suggests that new factors —in combination with more traditional ones, such as the distribution of assets and access to education— are strongly influencing income inequality. These new factors, which are associated with the third phase of globalization and with some of the national policy approaches that have accompanied it, are the reduction in earned income as a proportion of total income and the simultaneous increase in business profits and financial returns, growing skill-based wage differentials, and erosion of the State's redistributive capacity. The impact of these factors varies from region to region and even across countries within the same region.

Finally, it should be borne in mind that national income distribution structures reflect very dissimilar regional situations. The Latin American and Caribbean region has the most unequal income distribution in the world (see figure 3.3), followed by the countries of Africa and the second generation of recently industrialized countries of Eastern Asia. The next group consists of the countries of Southern Asia, those of the former Soviet Union, the first generation of recently industrialized countries of Asia and the Anglo-Saxon OECD countries. The last group, which has the best distribution of income**,** comprises the other OECD members and the countries of Central Europe (Palma, 2001).

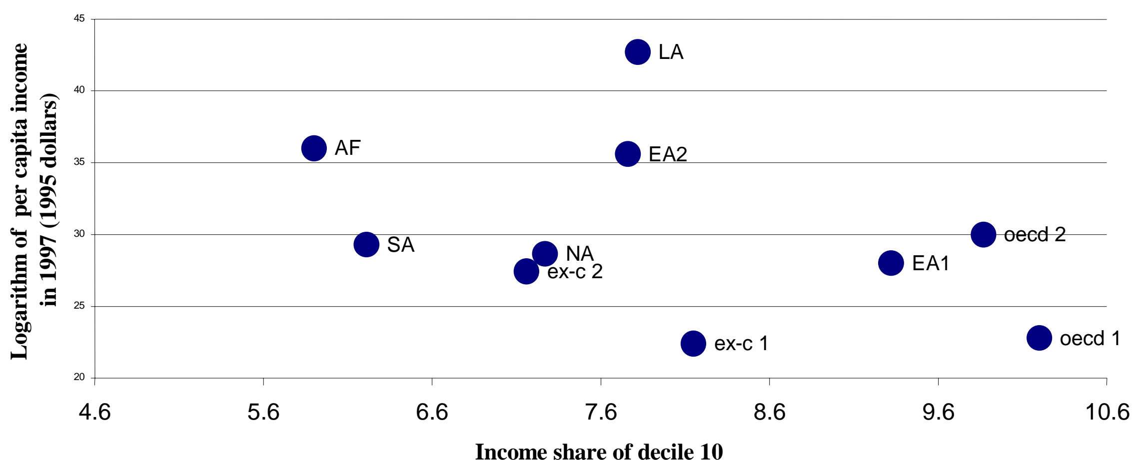
The existence of a highly unequal income distribution is an important consideration, not only because of the ethical and political problems it poses, but also because of its implications for economic growth (Solimano, 2001). Although the reciprocal relationships between growth and equity have long been a subject of controversy, in recent years numerous studies have highlighted the negative effects of inequality on economic growth —the so-called "inequality trap" (see ECLAC, 1992a; Ros, 2000, Chapter 10; Stewart, 2000; and the review of recent literature by Aghion, Caroli and García-Peñalosa, 1999). The tremendous distributive inequalities found in several regions of the developing world, especially Latin America, may thus help account for international differentials in development levels or the blockage of convergence factors. Inequality as an obstacle to growth was a favourite topic of economic debate during the 1960s, and it has awakened new interest in recent years. However, unlike that earlier period (in which the debate focused on whether the concentration of income impeded the development of domestic markets or whether, on the contrary, it facilitated capital accumulation), the implications of inequality in terms of political economy are receiving more attention today. The linkages between inequality and political economy encompass a number of different aspects, including the relationship between social cohesion and investment risk; the difficulties of implementing a predictable fiscal policy in an environment of extreme inequity capable of generating redistributive pressures and populist trends, and the positive impact of a more equal distribution of productive assets on human capital formation and the development of small and medium-sized enterprises. All of these processes are facilitated by a more smoothly operating capital market and by greater access to that market.

Figure 3.3
INEQUALITY AND WEALTH

A. Regional Gini indices and logarithm of per capita income



B. Income share of decil 10 and logarithm of per capita GDP



Source: **LA**: Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. **AF**: Burkina Faso, Burundi, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Senegal, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbawe. **EA1**: Republic of Korea, Taiwan Province of China, Singapore. **EA2**: Malaysia, Philippines. **SA**: India, Pakistan, Bangladesh, Sri Lanka, Indonesia, China, Vietnam, Cambodia, Lao PDR. **OECD 1**: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Japan, Luxemburg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland. **OECD 2**: Australia, Canada, Ireland, New Zealand, United Kingdom, United States. **Ex-c 1**: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia. **Ex-c 2**: Belarus, Estonia, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Russian Federation, Turkmenistan, Ukraine, Uzbekistan.

Taken together, the foregoing considerations leave no doubt as to the existence of a definite trend towards distributive inequality worldwide, both across and within countries. At the international level there is no evidence whatsoever that income levels are converging. When convergence has occurred, it has done so only in developed countries and only at specific stages in the evolution of the world economy. A trend towards divergence in development levels, "truncated convergence" and stagnation in mean income levels has been much more common. The deterioration of income distribution within countries, on the other hand, has been widespread in recent decades.

These conclusions suggest the need for caution when examining recent analyses which downplay the second stage of globalization's favourable effects on the developing countries because of their belated and limited integration into the world economy while emphasizing, on the other hand, the advantages gained by the developing countries that did achieve that integration in recent decades (World Bank, 2002a). In fact, the relative isolation of the developing countries in the second globalization phase was accompanied by a general acceleration in the rate of economic growth throughout the developing world —for the first time in history— as well as reductions in some indicators of international inequality (between regions and countries). As was noted in the preceding chapter, however, this positive assessment does not imply any tendency to overlook the problems that marked the development process during that stage. Nonetheless, the most recent phase of globalization has been marked by increasing inequality at the international and national levels, even though, at the world level, this trend has been less pronounced than it was in the nineteenth century and the first half of the twentieth thanks, undoubtedly, to the economic success of China and India.

II. Basic asymmetries in the global order

1. Three asymmetries in the international structure

The persistence and exacerbation of international inequalities in development levels described in the preceding pages has been the subject of considerable debate ever since the Second World War, when the concept of "economic development" gained a prominent place on the international agenda as the world strove to build a new community of nations. From the very inception of the United Nations, economic and social development and peace have been considered essential and interrelated elements for the construction of a new world order. A third such element which serves as their ethical foundation is the defence of human rights (Emmerij, Jolly). This remains the prevailing vision in the United Nations even today (Annan, 2000 and 2001).

Debates about development have revolved around two schools of thought: one that sees development or a lack thereof as essentially being a consequence of national forces, and another that, while recognizing the importance of these factors, points to elements at the international level that tend to engender or perpetuate existing inequalities. This discussion is similar to the controversy about the determinants of social inequalities that has taken place at the national level in the social sciences and in political circles. In this debate, one side views inequality as an effect of differences in individual effort, whereas the other side believes that a lack of true equality of opportunity has a decisive impact.

ECLAC has traditionally aligned itself with the second of these positions in both debates. This stance is rooted in a recognition of the fact that true equality of opportunity does not exist in the real world, either at the national or the international level. Consequently, market mechanisms tend to reproduce, and sometimes exacerbate, existing inequalities. As already mentioned in reference to the international sphere, this should not be construed as an attempt to disregard the importance of national policies. On the contrary, a recognition of the fundamental role of national

factors is entirely consistent with the idea that institutional development, social cohesion and the accumulation of human capital and technological capacity are essentially endogenous processes —an idea that is deeply ingrained in the thinking of ECLAC. This position is also consonant with the fundamental importance ECLAC attaches to national efforts aimed at achieving a sound macroeconomy, dynamic productive development, greater equity and environmental sustainability, together with the active involvement of society as a whole in shaping public interests (ECLAC, 2000a).

The essential role played by the international structure also has to do, however, with the way in which it influences what opportunities will be available to countries and what risks they will face, as well as the effectiveness of national efforts to maximize the benefits of integration into the international economy. Just as the State must take redistributive action at the national level to ensure equality of opportunity, national efforts can fully succeed at the global level only if they are complemented by equitable and stable rules of the game together with international cooperation designed to eliminate the basic asymmetries of the global order.

These asymmetries fall into three basic categories. The first is the *extreme concentration of technical progress in the developed countries*, which is the factor that all schools of economic thought identify as the primary source of economic growth in those countries. This concentration means that not only are research and development (R&D) concentrated in the developed countries, but so are the production sectors that are most closely linked to technological change —sectors which are highly dynamic components of world trade flows and of the international production structure and which receive high innovation rents (see chapter 2). The growth impulses generated by technical progress originating in the countries of the "centre" are transmitted to the "periphery" through four main channels: derived demand for raw materials; relocation to developing countries of production sectors considered to be "mature" in developed countries; technology transfer *per se*, including technologies incorporated in production equipment; and the possible participation of developing countries in the most dynamic production domains.

The main problems that arise in this area stem from the fact that, as Prebisch affirms in his classic work (Prebisch, 1951; p. 1) the universal spread of technical progress from the originating countries to the rest of the world has been relatively slow and irregular (Prebisch, 1951; p.1). This is because all of these mechanisms are subject to constraints or costs. In general, demand for raw materials is not income-elastic and, as the entry cost associated with the corresponding activities is low, demand is often affected by downward pressure on prices, especially during periods of diminished global activity (see box 2.1). The "mature" industrial sectors have narrow margins and low entry costs. This may lead to much the same kind of deterioration in profits and prices as is usually seen in the case of raw materials during times of slow growth. The protectionist pressures generated by developed countries are also concentrated in these two sets of sectors.

In addition, economies of scale and external economies, which have been the focus of the classic literature on urban and regional development and of more recent studies on international trade, may give rise to agglomeration economies that tend to lead to the polarization —rather than the convergence— of development levels.[11] This is one of the arguments highlighted by the various proponents of classical theories of economic development.[12]

In addition, technology transfers are subject to the payment of innovation royalties, which are increasingly protected by the universalization of strict regulations concerning intellectual property rights. Due to the "tacit" nature of technology —i.e., the fact that it cannot be fully specified because it is so closely linked to the collective human capital accumulated by

[11] As examples of the copious literature on the subject, see Krugman (1990a); Fujita, Krugman and Venables (1999) and Rodrik (2001a) and UNDP.

[12] See, among others, Rosenstein-Rodan (1943), Nurkse (1953), Myrdal (1957), Hirschman (1958) and, for a more contemporary perspective, Ros (2000).

innovating companies— it may not be easy to transfer, or its transference may only be attractive if it occurs through transnational corporations' networks of subsidiaries. The production of knowledge is the epitome of an activity subject to strong agglomeration economies, as is indicated by its overwhelming concentration at the world level. Developing countries therefore have very limited opportunities to participate in the most dynamic areas of activity, or else their participation is concentrated in low-skill areas (e.g., the assembly of electronic products in export assembly plants). The external economies linked to education and knowledge can, by themselves, hinder any trend towards convergence in productivity levels, as has been pointed out in the literature on endogenous growth.[13] Technological development also requires substantial government subsidies, a situation that rewards greater fiscal capacity as well as, perhaps, the less urgent nature of competing demands for the use of public resources in developed countries.

The combined effect of these factors accounts for the trend towards the stagnation of mean income levels and the "truncated convergence" or outright divergence of income levels, in place of the convergence postulated by conventional theories of economic growth. In fact, the divergence of development levels has persisted despite the impressive industrialization process undertaken in many developing countries during the last half century and, in Latin America, even before that. Although this process has translated into a more diversified production structure in the developing world, except in the most backward regions, at the global level the production structure has continued to exhibit major asymmetries, including the persistence of a heavy concentration of technical progress in the countries of the "centre," their sustained predominance in the most dynamic sectors of international trade and their hegemonic influence in the formation of large transnational corporations (see table 3.5).

The extent of the economic opportunities available to developing countries continues to be determined largely by their position in the international hierarchy, and this situation is the most serious implication of the asymmetries found in the world economy. Certainly, technical progress has spread from the centre through the aforementioned channels, but, in Prebisch's words, this transfer continues to be "relatively slow and irregular" and its fruits have been distributed unequally in the developing countries. Few countries, or sectors and companies within countries, are able to move fast enough to catch up to the world technological frontier, which is a "moving target", while many others succeed only in advancing at the same rate as the frontier, and not a few are left behind altogether (Katz, 2000).

The second type of asymmetry is associated with the *greater macroeconomic vulnerability of the developing countries* to external shocks, which also strain these countries' lesser and very limited means of coping with them. This vulnerability has tended to increase with the greater financial integration that has characterized the third phase of globalization, as have trade vulnerabilities, which have continued or intensified as a result of fluctuations in demand levels and the terms of trade. The increased instability of economic growth in developing countries during the third phase of globalization is a reflection of this fact (see figure 3.4).

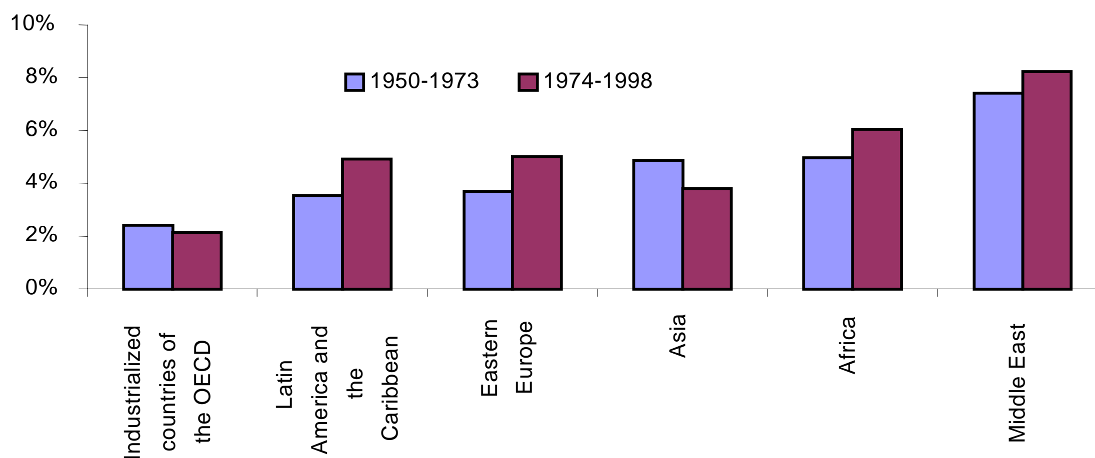
[13] See, for example, the now classic essays of Lucas (1988) and Romer (1990) and the extension of this analysis to international trade by Grossman and Helpman (1991).

Table 3.5
INTERNATIONAL ASYMMETRIES: SHARE OF DEVELOPING COUNTRIES IN THE WORLD ECONOMY
(Percentages of the world total)

	1990	1999
Population	84.0	85.0
Gross domestic product (current dollars)	22.3	23.8
Gross domestic product (purchasing power parity)	43.6	46.9
Gross fixed capital formation (1995 dollars)	23.9	24.0
Industrial value added in 1998 (1995 dollars)		27.5
Rights granted to residents	**1995**	**1999**
Patents	6.1	8.7
Designs	15.3	11.0
Trademarks	33.9	21.9
Utility models	15.3	44.4
Plant varieties	7.0	17.8
500 largest companies		**1999**
Number of companies		5.0
Sales		4.6
Assets		3.6
Market value		5.8
Employees		12.0
Market quotas by categories of technological intensity	**1985**	**2000**
Primary products	62.0	59.6
Resource-based manufactures	31.3	31.8
Low-technology manufactures	33.6	50.3
Medium-technology manufactures	10.8	21.4
High-technology manufactures	16.8	36.6
Other transactions	28.8	41.6

Source: Cálculos de la CEPAL sobre la base de Banco Mundial, *Indicadores del desarrollo mundial*, Washington, D.C., versión en CD-ROM, 2001; bases de datos de la Organización de Cooperación y Desarrollo Económicos (OCDE), Organización Mundial de la Propiedad Intelectual (OMPI), Comunidad Andina y *Fortune*, 2001.

Figure 3.4
INSTABILITY OF ECONOMIC GROWTH
(Regional average standard deviation of growth by country)



Source: Cálculos de la CEPAL sobre la base de Angus Maddison, *The World Economy. A Millennial Perspective*, París, Centro de Estudios de Desarrollo, Organización de Cooperación y Desarrollo Económicos (OCDE), 2001.

The existing financial asymmetries stem from four characteristics of developing countries: (i) the currencies in which their foreign debt is denominated; (ii) the maturity structures offered on financial markets; (iii) the scope of secondary markets; and (iv) the highly disadvantageous relationship between the size of developing-country financial markets and the speculative pressures they face. As a result of the first three of these features, agents that have access to international markets (governments and large firms) must contend with currency mismatches, while those that do not have access to international markets (small and medium-sized firms) are affected by maturity mismatches, and it is generally impossible to have a financial structure that avoids both risks at the same time. This means that developing-country financial markets are much more incomplete than international markets are, and, consequently, some financial intermediation must necessarily take place in the international market. It also means that international financial integration involves dissimilar agents (ECLAC, 2000a, 2001b and Studart, 1996).

The existing macroeconomic asymmetries are attributable to the fact that the international currencies are those of the developed countries and to the procyclical nature of capital flows to developing countries. This pattern is linked to the perception that, with few exceptions, the developing countries are high-risk markets, subject to sharp financial cycles in which phases marked by a greater appetite for risk alternate with droughts triggered by a "flight to quality assets" (see chapter 2).

The effect of all these factors is an acute macroeconomic asymmetry. Whereas the industrialized countries have greater degrees of freedom to adopt countercyclical policies[14] that help stabilize financial markets, the developing economies have virtually no breathing space, since their financial markets tend to intensify cyclical fluctuations while market agents expect the authorities to behave procyclically.

From a historical perspective, the industrialized countries have largely succeeded in freeing themselves of the "rules of the game" associated with the gold standard, but those rules have continued to determine the macroeconomic behaviour of developing countries. The developed countries were able to shake off the restrictions imposed by the rules of the game when they abandoned the gold standard in the 1930s. Since then, they have maintained a high degree of autonomy within the framework of the international macroeconomic agreements associated with the second and third stages of globalization. The developing countries, on the other hand, remained subject to strong external macroeconomic constraints during the second globalization phase, while in the third phase they have become increasingly vulnerable to financial volatility. This has translated into an increase in the centre-periphery macroeconomic asymmetries already evident in the late nineteenth century, during the heyday of the gold standard (Triffin, 1968; Aceña and Reis, 2000).

This fact has been obvious during the frequent crises suffered by the developing countries in recent decades, when markets have pressured them to adopt "depression (macro)economics," as Krugman puts it (1999). More specifically, the developing economies' main response to global financial instability has been a tendency to alternate between phases of "boom macroeconomics" and "depression macroeconomics" (ECLAC, 2000a, vol. III, chap. 1 and 2001b). Since the Second World War, multilateral macroeconomic and financial agreements have clearly offered some temporary relief at critical junctures, but their scope has been relatively limited in comparison with the financial shocks that the developing countries have had to grapple with, and their application is invariably subject to the adoption of austerity measures. Moreover, they have not led to the introduction of preventive measures during economic booms. This issue has been the focus of increasing attention in the international debate sparked by the Asian crisis.

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[14] The degree of freedom is certainly greater in the United States than in the rest of the industrialized economies because its currency carries the greatest weight internationally.

There is also a third type of asymmetry associated with the contrast between the high degree of capital mobility and the limited international mobility of labour, especially among low-skilled workers. This asymmetry is a distinctive feature of the third stage of globalization, since it was not observed in the first stage (when this factor of production was highly mobile) or the second stage (when both factors showed little mobility). As Rodrik has pointed out (1997), the asymmetries in the international mobility of production factors skews the distribution of income, placing the less mobile factors at a disadvantage. In addition, these asymmetries have a disproportionate effect on developing countries owing to the relative abundance of low-skilled labour in those countries. The limited international mobility of this factor also contributes to an oversupply on international markets of goods that are mainly produced by developing countries in production sectors characterized by low entry costs.

"Levelling the playing field" by regulatory means does not eliminate these asymmetries; on the contrary, it may end up by making them worse, both because of the different countries' widely varying levels of institutional capacity for assimilating and enforcing such regulations and because of the differing effects that such regulations have on developed and developing countries. Indeed, the high cost of building up the national institutions needed to implement the Marrakesh Agreement, which established the World Trade Organization (WTO), has been regarded as one of its main flaws.

The distribution of the costs and benefits of levelling the playing field by regulatory means is also clearly unequal, especially because the policies and standards whose application is being extended to the global level are those of the industrialized countries. Protection of intellectual property is the most conspicuous case. Regardless of its virtues in terms of creating incentives for world technological development, the benefits of protecting intellectual property rights accrue mainly to the developed countries, where the bulk of new technology is generated (see table 3.5 and chapter 7). The WTO subsidies code rewards the developed countries for their greater fiscal capacity for channelling resources into authorized mechanisms as opposed to the use of alternative instruments which have no fiscal costs (tariffs, investor and exporter performance requirements, and free trade zones) and which, therefore, have been used extensively by developing countries. The regulations on agriculture facilitate the developed countries' traditional forms of protection (tariffs and quotas), as well as rewarding them for being the only countries with the fiscal capacity to devote a considerable volume of resources to subsidizing agriculture. Prohibiting the application of local content requirements to foreign investors in developing countries runs counter to the general acceptance of rules of origin, which constitute another form of local content requirement, since they force producers to use inputs of a specified origin in order to qualify for a preferential tariff.

This situation has a parallel in the financial arena. As has been made clear in the recent debate surrounding the Basle Accord, the establishment of more rigorous standards or the application of internal bank standards to lender ratings may reduce the supply of funds on markets carrying high risk ratings, which include the developing countries as well as small and medium-sized firms in all countries (Reisen, 2001b; Griffith-Jones and Spraat, 2001). In addition, the establishment of mandatory debt workout mechanisms, unless accompanied by a sufficient supply of official emergency credits, may drive up these countries' borrowing costs.

It should be noted that this regulatory levelling of the playing field is unique to the current phase of globalization, since no attempt was made to carry out this type of process in any of the prior phases. In fact, the developed countries frequently relied on pro-development instruments whose use is not permitted today in the developing countries (see Chang, 2001 and 2002b).

2. The rise and fall of the concept of international development cooperation

The creation of international institutions to regulate the interdependent relations among States was an innovative development in international law in the twentieth century. Indeed, until early in the last century, the purpose of the rules established under international law was to ensure the sovereignty of nations. States defended their full autonomy in the conduct of matters related to their national interests, and they vigorously opposed any limitation of this independence. In reality, these principles of autonomy applied only to the imperial powers and independent nations possessing considerable military power, since in numerous cases bilateral agreements between nations having unequal degrees of power limited the autonomy of the less powerful nation. Agreements in the nineteenth century that opened up China and Japan to international trade and imposed the principles of free trade on the Ottoman Empire were clear examples of this phenomenon, as were, though in a less extreme manner, colonial expansion and military occupation of foreign territories.

In any case, the increase in international trade and financial transactions necessitated the formulation of new rules and the creation of new institutions in order for international markets to operate efficiently and for nations to resolve their disputes without resorting to force. However, as pointed out earlier, these institutions were based on the balance of power among the major States. Only after the Second World War, with the creation of the United Nations and the adoption of the principle of decolonization, did the group of developing countries begin to enjoy respect for their autonomy and their right to express their opinions in international forums. This enabled them to become involved in helping to build international institutions and to gain access to formal mechanisms for voicing their opinions about the asymmetries in the global order. This shift in international power relations and the bipolar confrontation that continued for several decades thereafter formed the global political framework that shaped the evolution of international cooperation for development. The essential elements of this process were the emergence of official development assistance (ODA) and the introduction of the principle of preferential treatment for developing countries in trade agreements.

This change was brought about through the efforts of economists, thinkers and political figures to formulate the concept of economic development, which was then extended to include the sphere of international economic law. Legal experts recognized that, as on the domestic level, the application of the same conditions to vastly different economic and social situations resulted in greater inequalities. For a number of years, international economic law was conceived of as a compensatory mechanism that protected weaker States from stronger ones by granting more rights to the former and imposing greater obligations on the latter. On the basis of this notion of international "affirmative action" for development, the governments of the developing countries endeavoured to introduce and operationalize the development dimension in multilateral forums.

In the years following the Second World War, the reconstruction of Europe took clear priority, and international development cooperation was relegated to a position of secondary importance. This was reflected both in the origins of the World Bank and, especially, in the priority attached to the Marshall Plan. The Latin American countries' failure to win approval for the implementation of a programme in the region along the lines of the Marshall Plan was also a reflection of the priorities of that time. The region's interests did not, in fact, meet with a favourable response until the late 1950s, with the creation of the Inter-American Development Bank, and early 1960s, when the Alliance for Progress was launched.

This period in the history of the region paralleled, to a certain extent, what was occurring at the international level. International development cooperation and the debates that surrounded it gathered considerable momentum during the 1950s and reached their zenith in the 1960s and 1970s, when the United Nations Conference on Trade and Development (UNCTAD) was established, the

Generalized System of Preferences was put in place, progress was made in promoting ODA, the United Nations introduced its International Development Strategy and the dialogue on the new international economic order commenced. Nevertheless, the debates and activities that took place during those years did so within a context of international polarization, and the actual progress that was achieved was fairly modest.

The failure of debates on the new international economic order in the early 1980s ushered in a radically different period. These years were marked by waning interest in ODA; the "graduation" of the developing (especially middle-income) countries; the placement of a high priority on regulatory standardization, to the detriment of the principles of preferential treatment; and the promotion of uniform structural reforms within the framework of an excessive amplification of conditionality by the Bretton Woods institutions. Under this new paradigm, the chief objective of reordering the international economy was to guarantee equitable conditions ("a level playing field") that would ensure the efficient operation of free market forces. In this context, the principal gains for the developing countries would be the possible dismantlement of the protectionist measures used by developed countries in "sensitive" sectors and assurances for the progress of an export-led development process within an international trading system based on clear and stable rules. According to this line of thought, the correction of international asymmetries would be based exclusively on the recognition of international responsibility to the less developed countries. This was tantamount to a replication at the international level of the social policy strategy of targeting the poorest sectors as beneficiaries of State action. Here again, the developing countries' gains during this period were modest.

The evolution of trade relations between developed and developing countries clearly illustrates this shift in the principles of international development cooperation. It should be recalled that from 1948 to 1955 —in the early years of the General Agreement on Tariffs and Trade (GATT)— the developing countries participated in the negotiations on an equal footing, with the same rights and obligations as the other parties. However, as discussed in chapter 2, the first six rounds of GATT negotiations favoured intra-industry specialization in the developed economies, while the areas in which internal adjustments would be required in order to respond to possible competition from developing countries (liberalization of trade in agricultural products, textiles and apparel, among others) were taken off the agenda and were not addressed by multilateral trade rules. As Tussie points out (1987/1988, p. 170), thanks to intra-industry specialization, some of the most painful aspects of the adjustment to changing patterns of international trade were overcome. Rather than allowing production to contract and industries to emigrate to other countries, the change could be managed on an intra-firm basis or, at least, within each industry. None of the countries engaging in intra-industry specialization had to cease production or let its control slip from their hands.

In 1958, a decade after the inception of GATT, the Haberler report concluded that the barriers imposed by the developed countries on imports from developing countries were the main cause of their trade problems.[15] This report served as the basis for the creation of Committee III of GATT, which was given responsibility for identifying trade measures that restricted exports from the less developed countries and for devising a programme to reduce those barriers. In 1963, after the committee had been working for five years with no apparent progress, the developing countries succeeded in passing a resolution within GATT calling for an action programme to freeze all new tariff and non-tariff barriers, eliminate all duties on tropical primary products and lead to the adoption of a schedule for phasing out tariffs on semi-processed and processed products.[16] In reality, the developing countries were only seeking application of the principles of the General

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[15] The panel of experts that produced this report was composed of Gottfried Haberler, James Meade, Jan Tinbergen and Roberto Campos.

[16] Srinivasan (1996) notes that some elements of this action programme remained on the negotiating agenda of the developing countries 20 years later, at the GATT ministerial meeting in 1982.

Agreement and greater consistency between the policies of the large countries and their discourse in defence of trade liberalization (Dam, 1970). Nevertheless, when the Uruguay Round negotiations began three decades later, the developed countries were still applying most of the barriers identified by Committee III.

The first United Nations Conference on Trade and Development was held in 1964, and in November of that year Part IV of the General Agreement was approved. Part IV provided the legal framework for the work of the Committee on Trade and Development, which, however, remained largely symbolic. Later, in 1968, the developing countries succeeded in establishing the Generalized System of Preferences under the auspices of UNCTAD. During the Tokyo Round negotiations in the 1970s, a coordinated group of developing countries, in which Latin American diplomats played a prominent role, achieved the inclusion of an enabling clause which provided a more solid legal basis for differential and favourable treatment by the developed countries.[17] However, the system was established on a voluntary basis by the developed countries and the preferences did not become binding under GATT (Michalopoulos, 2000). These concessions could therefore be annulled unilaterally, without conferring any right to retaliatory trade measures.

In retrospect, it can be seen that at no time in the history of GATT have the governments of the developed countries balked at the demands for preferential treatment made by developing countries so long as such provisions have not required them to do more than take a tolerant view of the use of more closed trade regimes by developing countries (especially in cases where they are closed only in respect of goods, rather than capital or transnational corporations). However, the developed countries have never acquiesced to demands for more secure and stable access to their markets. This has gradually undermined the real significance of special and differential treatment, since preferential access for developing countries has never translated into contractual obligations.

Together with the international community's growing recognition of the specificities of development, new factors began to take on greater importance and to push the multilateral system in another direction. On the one hand, tariff reductions made the effects of trade and industrial policies more apparent, while the need to deal with non-tariff measures gradually eroded the tolerance for diversity in national policies that figured as the pivotal element in the international consensus to create and maintain the multilateral trading system. On the other hand, as a result of the slowdown in growth and the transformation of the developed countries, they were less inclined to support affirmative actions on behalf of developing countries within the framework of international development cooperation.

The context of the Uruguay Round negotiations proved particularly adverse for the developing countries. The preparations for that round marked a turning point in their negotiating capacity because the GATT ministerial meeting of 1982, in which several developed countries expressed their intention to deepen the liberalization process initiated at the Tokyo Round, preceded the announcement of Mexico's financial insolvency by a few months. The largest debtors, including Brazil and Argentina, recognized the fragility of their bargaining position, which remained quite weak throughout the 1980s.[18] The institutional problems confronting these governments prevented a greater involvement on the part of society in the diplomatic trade debate. Furthermore, because these countries' decision makers lacked sufficient training in technical matters and negotiation skills, they continued to pursue the traditional agenda of market access and maintained a defensive stance in relation to the new issues that were being brought into the debate.

[17] This enabling clause, also known as the "Decision on Differential and More Favourable Treatment, Reciprocity, and Fuller Participation of Developing Countries", became the legal basis for the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP).

[18] See Abreu (1993), Jara (1993) and Tussie (1993), which discuss the negotiating capacity and positions of the debtor countries.

In response both to internal factors and to pressure from the structural reform programmes being promoted by multilateral financial agencies, many developing countries embarked upon a unilateral liberalization of their economies.[19] By the end of the Uruguay Round, they had consolidated almost all their tariff structures and had, for the most part, given up their demands for greater autonomy in designing and executing policies on investment and productive diversification and even in utilizing trade restrictions to cope with balance-of-payments crises.[20] The provisions on special and differential treatment contained in the Uruguay Round agreements were limited to the extension of deadlines for meeting commitments and implementing technical assistance programmes.[21] To a certain extent, these agreements signified a return to the early days of GATT and to the belief that the increase in trade brought about by liberalization ought to be enough to stimulate the growth and development of all the parties concerned.

More recent international debates and negotiations suggest that a new stage has begun, although its exact nature is not yet entirely clear. Many different factors have contributed to this situation, including the adoption of the Heavily Indebted Poor Countries (HIPC) Initiative, which began to function in the late 1990s; the commitment of some industrialized countries to curb the downward trend in ODA; the debate surrounding the unbalanced results of the Uruguay Round and the difficulties encountered in implementing the WTO agreements; the priority attached to various development issues at the Doha round of WTO negotiations initiated in November 2001; criticism of excessive increases in conditionality under structural adjustment programmes adopted during the debt crisis; the transition being made by the economies of Central and Eastern Europe and the Asian crisis; formal acceptance of the principle of developing-country ownership of economic and social policies within the context of international cooperation policies and lending arrangements made by multilateral organizations; rejection of the "homogenization" of policies and, in part, of the Bretton Woods institutions that promoted it in the past; and, within the policy debate, widespread criticism of the Washington consensus. In fact, many of these positions are shared by the principal international financial cooperation agencies (IMF, 2001b; World Bank, 2002a).

Hence, this is a particularly good time for a constructive debate on development cooperation. Development cooperation should seek to correct the basic asymmetries of the international economic order within the framework of a world economy that is much more open today than it was during the debates on development cooperation of the 1960s and 1970s. It may well be that the United Nations Millennium Declaration (2000a) is the fullest expression of a new vision of the relationship between peace, democracy and development that can serve as the foundation for the construction of a new era of international cooperation for development.

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[19] See Sáez (1999), who presents an analysis of the negotiations, and Krueger and Rajapatirana (1999), who examine World Bank policies on the promotion of trade reforms.

[20] Several countries (including Bolivia, Costa Rica, El Salvador, Mexico and Venezuela) consolidated their tariffs before the end of the Uruguay Round as part of the commitments required for their accession to GATT (Jara, 1993, p. 17). The provisions of the Understanding on Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade of 1994 severely limit the use of quantitative restrictions for reasons related to balance-of-payments problems (GATT, 1994). In 1995 the Committee on Balance of Payments Restrictions rejected Brazil's arguments for imposing tariff restrictions in order to contend with short-term balance-of-payments problems (see document WT/BOP/R/7, dated 24 November 1995, available on the WTO web site).

[21] According to WTO, the Uruguay Round agreements contain 97 provisions on special and differential treatment for developing countries, which may be classified in the following six categories: (i) provisions aimed at increasing trade opportunities; (ii) provisions that require WTO members to safeguard the interests of developing-country WTO members; (iii) flexibility in meeting obligations; (iv) transition periods; (v) technical assistance; and (vi) provisions relating to measures to assist the less developed countries (see the WTO web site).