

Chapter 1: Introduction

This report is the second in a continuing series designed to address, in an analytical framework, the principal issues of development policy at the domestic and international levels. Many of the themes and points of focus in the present document have evolved out of the extensive discussion of the 1978 report. That document gave particular attention to the problems and prospects of the poor countries of Asia and Sub-Saharan Africa: countries in which the key to more rapid and equitable development lies in policies to stimulate agricultural growth and to confront rural poverty. This year's report gives greater attention to development in the Middle Income countries, in most of which the process of structural transformation is much further advanced than in the poorer developing countries. Two of the principal aspects of this transformation—industrialization and urbanization—are important concerns in all developing nations, but pose especially urgent choices for policy in Middle Income nations. Common to all developing countries is the challenge of creating enough productive jobs for a labor force that is expanding at unprecedented rates. Though world population growth is believed to have peaked in the early 1970s, the earlier rapid growth will add more than 500 million people to the labor force in developing countries between 1975 and the end of this century.

The natural growth of population and the process of industrialization are key factors fueling the rapid increase in the size of urban populations in developing countries. In the final quarter of this century the number of people living in the cities and towns of these nations is projected to increase by nearly a billion, from about 650 million in 1975 to over 1,600 million in 2000. Urbanization is likely to be accompanied by an increasing concentration of urban dwellers in large cities; by the year 2000, some 40 cities in developing nations are projected to exceed 5 million people in size, while 18 of them may be larger than 10 million. This dramatic expansion in urban communities will pose massive new tasks of urban resource management for national and municipal authorities: tasks which

will demand bold initiatives in the design and allocation of urban land, transport, shelter, water, sewerage and other services.

As policy makers confront the new challenges thrown up by rapid urban growth, they will need simultaneously to grapple with the manifold problems of industrialization. Increasing numbers of developing countries are engaged in the endeavor of widening and deepening their industrial sectors. The task they confront is to encourage a pattern of industrial development that will rapidly expand productive employment, and will strengthen the mutually beneficial links between industry and agriculture. These intersectoral links are particularly important since, in the majority of developing countries, agriculture will remain the most important single source of livelihood for some time to come, and broadly based agricultural development will, in most cases, continue to be a central element of strategies to alleviate poverty.

The discussion of international issues in this report takes as its starting point the analysis in *World Development Report, 1978*, which emphasized the growth of interdependence among nations over the past quarter century, gave illustrative projections of how the world economy might evolve in the years to 1985, and traced the implications for the economic growth of developing countries. Chapter 2 of this report assesses recent trends and their implications for future developments up to 1990. For the period up to 1985, the basic set of projections foresees somewhat slower growth of developing countries than was projected last year, particularly for Middle Income countries, whose development prospects are especially sensitive to conditions in the world economy. Alternative sets of projections are also presented. One of them outlines the dismal consequences that might follow if the slow growth of world output and trade since 1973 were to continue through to 1990. Another assesses the implications of recovery in world trade and output growth to rates comparable to those experienced in the 1960s. These projections reveal a clear need for international and domestic policy actions that will improve the

environment for international trade and capital flows, and will strengthen the basis for more rapid growth and more efficient structural adjustments in developing and industrialized nations. These policy priorities are the subject of subsequent chapters of the report.

Chapter 3 discusses three areas of international concern—trade, capital flows and energy—where all countries have strong mutual interests, which need to be protected and furthered by national and international action. The next three chapters, on employment, industrialization and urbanization, dwell on the policy issues and options confronted by developing nations as their economies develop and change in structure. Chapters 7 and 8 provide a fuller treatment of Middle Income country development experi-

ence and issues than was given in last year's report. To make the analysis more relevant and responsive to the enormous diversity among Middle Income countries, three major types of nations are distinguished and discussed.

The analysis highlights the crucial role of development strategies and policies in creating productive employment and alleviating poverty in developing countries. But it also shows that for these policies to yield their full potential, support from a liberal international environment is essential. Further deterioration in the international framework for trade and capital flows would damage both industrialized and developing economies, and make more intractable the daunting tasks the latter face of expanding employment and alleviating poverty.