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**Review of progress and obstacles in the promotion, implementation, operationalization, and enjoyment of the right to development**

**Consideration of the sixth report of the independent expert on the right to development**

**Implementing the right to development in the current global context***

* The report was submitted late in order to include the most recent information, including the outcomes of the mission to the World Bank and the International Monetary Fund in December 2003.

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**Summary**

This report of the independent expert on the right to development is submitted in pursuance of Commission on Human Rights resolution 2003/83, wherein he was requested to deepen his preliminary study on the impact of international economic and financial issues on the enjoyment of the right to development. In preparing this report he undertook a mission to the World Bank and the International Monetary Fund.

The independent expert outlines the main characteristics of the present phase of globalization and discusses how it has impacted upon the desired development outcomes and the methods of realizing them. He also analyses the issue of technology transfer between the technology producers and the technology recipients and the implications that this has for the implementation of the right to development.

The analysis suggests that globalization, for developing countries, has not always resulted in increased economic growth and, where it has, it has not always been associated with increased equity and social justice or resulted in reduced poverty. Though the current global developments have improved the overall prospects of realizing the right to development by extending the production and consumption frontiers beyond the limitations of the national frontiers, in reality the enjoyment of the right has not necessarily improved either uniformly across countries or, within countries, across regions and population segments. There is a need to regulate and guide the market to make the production of goods and services correspond to the desired outcomes consistent with the realization of the right to development. It is recognized that the primary responsibility for translating the potentialities into actual capabilities rests with the State. A State would need to adopt an appropriate set of policies that harnesses the opportunity provided by the global economy. It would need a development policy framework that enables it to realize all the human rights and fundamental freedoms progressively and sustainably. The independent expert points out that in the implementation of such a development policy and in managing the process of globalization, there is a definite and significant role for international development cooperation. The international community, comprising countries and institutions at the international level, has the responsibility to create a global environment conducive for development. Indeed, by virtue of their acceptance and commitment to the legal instruments, the members of the international community have the obligation to support effectively the efforts of those States that set for themselves the goal of realizing human rights, including the right to development, through trade, investment, financial assistance and technology transfer.

The independent expert outlines a set of policy measures and the steps at the national and the international level that could help in managing the process of globalization, with a view to realizing human rights, including the right to development. In this context, he revisits his notion of a development compact as a possible means of implementing a country-level right to development programme.

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## Introduction

1. This sixth report of the independent expert on the right to development[1] is submitted in pursuance of Commission on Human Rights resolution 2003/83, wherein he was requested to deepen his preliminary study on the impact of international economic and financial issues on the enjoyment of the right to development, in consultation with all relevant United Nations agencies and Bretton Woods institutions. In particular, he was asked to analyse the existing efforts and means of assessing and evaluating such an impact. He was also asked to focus on the question and impact of the transfer of technology on the realization of the right to development. Accordingly, while building on the elements that he presented in his preliminary study (E/CN.4/2003/WG.18/2), the independent expert undertook a mission to the World Bank and the International Monetary Fund from 8 to 12 December 2003 and held extensive discussions at those institutions with a view to finalizing this report.

2. In the present report, the independent expert recapitulates in section I the notion of the right to development as it has evolved in his successive reports to the Working Group on the Right to Development and to the Commission on Human Rights. Section II outlines the main characteristics of the present phase of globalization and discusses how it has impacted upon the desired development outcomes and the methods of realizing them. He also analyses the issue of technology transfer between the technology producers and the technology recipients, which are primarily the developing countries, for realizing the right to development. In section III, the independent expert addresses the issue of "managing globalization". Based on the available evidence and a few case studies, he discusses some of the policy measures at the national and the international level that need to be followed if countries are to benefit from the opportunities that globalization offers. In concluding the section, the independent expert discusses the nature of international cooperation in implementing a country-specific right to development programme in the present global context and revisits his notion of the "development compact" presented in his earlier reports.

## I. THE RIGHT TO DEVELOPMENT - A RECAPITULATION

3. The independent expert has defined the right to development, following article 1 and the preamble to the Declaration on the Right to Development, as a right to a particular process of development in which "all human rights and fundamental freedoms can be fully realized".[2] Development is regarded as a process of economic growth, with expanding output and employment, institutional transformation and technological progress of a country that steadily improves the well-being of all people. When that well-being is regarded as the fulfilment of human rights and fundamental freedoms that enhance the capabilities of the people to realize their full potential, the process of development that leads to the improvement of that well-being can be claimed as a human right. The realization of the right to development is seen as the fulfilment of a set of claims by people, principally on their State but also on the society at large, including the international community, to a process that enables them to realize the rights and freedoms set forth in the International Bill of Human Rights[3] in their totality as an integrated whole. The right to development encompasses the right of the people to the outcomes of the process, i.e. improved realization of different human rights, as well as the right to the process of realizing these outcomes itself. It is to be facilitated and ensured by the corresponding duty-bearers on whom the claims are made, and who must adopt and implement policies and interventions that conform to the human rights norms, standards and principles. In other words,

both the ends and the means of such a process of development are to be treated as a right. Further, it has to be viewed as a composite right wherein all the rights, i.e. economic, social and cultural, as well as civil and political rights, because of their interdependence and indivisibility, are realized together. The integrity of these rights implies that if any one of them is violated, the composite right to development is also violated. The independent expert has described the realization of the right to development in terms of an improvement of a "vector" of human rights, such that there is improvement of some or at least one of those rights, without any other right being violated. Also, this right is not a finite event but a process in time, wherein some, if not all, of the desired outcomes are realized progressively, with resource constraints on their realization being gradually relaxed through, inter alia, economic growth consistent with human rights norms and principles.

4. In effect, the realization of all these interdependent rights depends on the availability of resources and the access of people to such goods and services (resources) as are necessary to support the enjoyment of those rights. Some civil and political human rights can, however, be guaranteed by States irrespective of the available means. The resources available to a country depend on its endowments and its capacity to grow and sustain the process of transforming them into the relevant goods and services over time. Similarly, the access of the people to relevant goods and services would depend on their initial endowments (both material and human) and, given opportunities, their capacity to improve these endowments. The availability of any one of the relevant goods or services corresponding to the realization of a human right cannot be increased indefinitely without decreasing the availability of another, if the country's resources do not increase. Similarly, access to the relevant goods and services would depend, among other things, on public policies, including, critically, on public expenditure, which cannot expand indefinitely without an increase in public revenue; this, in turn, would be related to an increase in the country's gross domestic product (GDP).

5. In the absence of an adequate consensus on what could be considered as human rights and right to development indicators, the independent expert has focused on various conventionally used socio-economic indicators to monitor and assess the development process for the realization of the right to development. Attainments of individuals and population groups, for instance in education, health, food or shelter and the civil and political aspects of life (corresponding to the international human rights standards), could be interpreted as the realization of rights that comprise the composite right to development. The constitutive elements of the composite right chosen for realization in sequence would depend on the country context and the priorities of the State. The independent expert has argued that the characteristics of the process for realizing the right to development and the success or failure of these efforts could be analysed appropriately by focusing on the policies to eradicate poverty - the worst form of deprivation of human rights - and the policies to protect vulnerable groups in society from the dislocative impacts of development. Poverty is multidimensional, extending beyond income-poverty to capability-poverty covering nutrition, health, education, social security, etc., making poverty, in effect, a denial of the right to development. The well-being of the poor and the vulnerable groups could be reckoned both in terms of their income and consumption and their capabilities, reflected, for example, in their access to food, education, health, shelter, work, etc. Policies to eradicate poverty are therefore appropriate examples of policies to secure the right to development.

6. In his preliminary study (E/CN.4/2003/WG.18/2), the independent expert argues that indicators for the right to development would be a combination of indicators on availability of goods and services corresponding to the realization of different rights, and appropriate indicators of rights-based access (with equity, non-discrimination, participation, accountability and transparency) to those goods and services. While appropriate indicators of access may not be easily formulated, indicators of availability could be derived from the conventionally used socio-economic indicators such as the ones tabulated by the United Nations Development Programme (UNDP) in its Human Development Reports. More recently, in his report (E/CN.4/2004/WG.18/3) on his mission to Argentina, Chile and Brazil, the independent expert assesses the experience of these economies in implementing the right to development in terms of their success in sustaining economic growth with macroeconomic stability, removing poverty as well as social exclusion, and dealing with high inequality in income and wealth. Economic growth has a critical instrumental role in facilitating the realization of the interdependent and indivisible human rights[4] comprising the right to development, in any context. The latter two concerns are at the core of a rights-based approach to realization of human rights.[5] Following this approach, in the next section the report examines the impact of the international economic and financial developments characteristic of the current phase of globalization on the implementation and enjoyment of the right to development.

## II. GLOBALIZATION AND THE RIGHT TO DEVELOPMENT

7. Globalization is a process of integration of national economies from different regions of the world, through enhanced interdependence of markets for goods and services, of demands and supplies, of investments and savings, of financial flows and capital holdings, of institutions, and of information, technologies and knowledge. For a country, it is essentially an expansion of the operation of market forces beyond national boundaries through international trade, cross-border capital flows, technology transfers and migration of labour. It is also associated with greater political interaction and even interdependence, particularly in matters of defence and security, with the rest of the world. At the individual level, the process of globalization implies that people are more likely to be producing goods and services for nationals of other countries and, in return, to consume more goods and services from other countries; they are likely be more aware about happenings in other countries and to be more affected by developments in other parts of the world - economically, socially, culturally and politically.

8. To be meaningful, globalization, in the sense of its current usage, refers to an accelerated process of market integration. The present era of globalization is characterized by (although not restricted to) significant advances in technology, in particular those relating to information, communications and transportation; tremendous mobility of capital across national boundaries with a manifold increase in the total amount of financial flows; growth in the size and power of transnational corporations; and, above all, by a considerable liberalization of international trade. What is striking is the fact that much of this liberalization in international trade has been managed, to a large extent, by various unprecedented international trade mechanisms that have been successful in binding the different countries in a multilateral framework of agreements. The adjustments in the exchange rate regimes from pegged to adjustable peg systems, and finally to flexible exchange rate regimes, have contributed to the process of economic integration. While these developments have benefited from the significant reductions in the cost of transactions, they in turn have encouraged a steady erosion of the barriers to international trade, investment and finance in the developed and the developing countries. As a result, there has

been a sharp increase in gross trade flows - exports and imports taken together - as a proportion of the GDP of the low-income countries since 1980, as well as in the inflows of foreign direct investment in these countries, both as a proportion of their gross fixed capital formation and of their GDP. Though there has been considerable variation in the performance of different countries, in general, compared with their own past records, there was a significant increase in these indices during this period.[6]

9. In analysing the impact of globalization on the implementation and enjoyment of the right to development, this report builds on the examination of available evidence undertaken in the preliminary study (E/CN.4/2003/WG.18/2) and focuses on the following key issues:

(a) Have the countries improved their growth performance and prospects due to increased integration into the global economy?

(b) Has the incidence of poverty and trends in distributional inequalities, interpersonal and interregional, improved in the desired direction?

(c) Has the process of globalization bridged the technology divide between the industrial and the developing countries and have the rules and institutions that have evolved so far for protecting intellectual property rights (IPRs) contributed to technology transfer to help in development and in the reduction of poverty in developing countries?

(d) Has increased economic integration led to increased capital mobility and the instability of financial systems, in the process exposing economies to unforeseen economic and social dislocation and crisis?

(e) What have been the implications of globalization on the policy and decision-making process at the national and the international level?

Another important issue in the present context of globalization, examined in the earlier report and for want of space revisited only very briefly in section III, relates to the issue of resource transfers to developing countries in general, and development assistance in particular.

### A. Growth - performance and prospects

10. The impact of increased economic integration on the economic performance and prospects of a country, though not unequivocal, has on balance shown a positive relationship since the mid-1970s. It is true that quite a few developing countries in the post-Second World War and post-colonial period adopted a strategy of import-substitution-based industrialization, with a fair degree of success.[7] However, it turned out that countries that had pursued an export-promotion strategy as central to their economic policy regime (Japan, followed by the East Asian economies of the Republic of Korea, Singapore, Taiwan, Thailand and Malaysia) outperformed those that were in the former category. Moreover, the returns on import-substituting industrialization appeared to be diminishing. There are a host of studies[8] undertaken for various periods since the 1970s, including by the Organization for Economic Cooperation for Development (OECD), the National Bureau of Economic Research (NBER) and the World Bank, that, by and large, support the case for greater integration into the global economy if countries are to improve and sustain their growth performance. An influential

study on the positive relationship between openness/integration with the world economy and economic growth by Sachs and Warner[9] shows that open economies grew at an annual rate of over 2.4 percentage points more than the closed ones - which is indeed a substantial difference. However, openness alone could not be considered as responsible for this higher growth performance. These economies were following policies that, besides reducing trade barriers and exchange rate adjustments, focused on ensuring macroeconomic stability and exploiting location advantages. Among other studies that corroborate the importance of complementary policies in harnessing the benefits of openness, a study by Sebastian Edward, using data on 93 countries and taking nine different indices of openness, concludes that greater openness led to higher economic growth, as expanded trade forced domestic producers to be more competitive and to assimilate and develop new technologies, all of which required complementary supportive policies.[10]

11. Those who question and criticize this evidence argue that results are not robust, primarily because the indices of openness used in most of these studies are neither clearly exogenous nor consistent across studies, and that the econometric methodology is often flawed. Thus, for instance, it is pointed out that indicators like increased trade-GDP ratio are the outcomes of a country's improved overall economic performance, which results from a number of policies carried out simultaneously, not all of which relate to opening up of the economy, or policies of trade liberalization. Indeed, studies based on actual policies of openness such as the reduction of a country's average level of tariff and non-tariff barriers do not suggest any systematic positive relationship with its rate of economic growth.[11] Notwithstanding these arguments, based on the evidence from case studies that shows that trade liberalization has been a central element in the policy reforms that have led to improved growth performance and prospects, it could be concluded that greater integration into the global economy is a necessary, though not sufficient, condition for sustained growth. Dani Rodrik (2001)[12] summarizes this discussion by pointing out that while no country has developed successfully by turning its back on international trade and long-term capital flows, it is equally true that no country has developed simply by opening itself up to foreign trade and investment. The most successful cases are those where the countries have been able to use an appropriate domestic investment and institution-building strategy to harness the opportunities offered by world markets.

### B. Poverty incidence and distributional inequalities

12. The independent expert has defined poverty as a state of denial or even violation of human rights. He has suggested that indicators on poverty incidence - in terms of income poverty and inequality or, more broadly, in terms of attainments of the poor and the vulnerable segments of the population, social indicators of development could be a good way to assess the impact of globalization on the implementation and the enjoyment of the right to development. In other words, the well-being of the poor could be assessed in terms of their income or consumption levels and the disparities in these indicators across population groups. It could also be assessed in terms of their capabilities, reflected, for example, in their access to food, education, health, shelter and work opportunities.

13. In general, it has been observed that decline in poverty has been most significant where economic growth has been fastest and sustained over an adequate period of time, as had been the case in South-East Asia earlier and in China and India more recently, and it has been the slowest in countries where growth has been slow and erratic, as in parts of Africa. Further, while growing integration into the global economy has been seen to improve the growth performance

and prospects of a country (all the more when the policies on trade liberalization have been accompanied by complementary initiatives), the same is not true about its implications for decline in the incidence of poverty and inequality. The impact of globalization on the reduction in income poverty incidence would be straightforward if globalization led to economic growth, and if there was no sharp deterioration in income distribution. Clearly, this does not seem to be the case for most parts of the world. Either there has been inadequate growth (and it has not been sustained for an adequate duration), or it has been accompanied by a deterioration in income distribution. As a result, gains from higher growth have not translated into lower poverty incidence. As per the World Bank estimates of the incidence of poverty[13] at the global level, based on the poverty line of one (United States) dollar a day, the number of poor declined from 1,183,000,000 in 1987 to 1,169,000,000 in 1999. In terms of proportions, the decline was from 28.3 to 23.2 per cent. If one excludes the performance of China from these estimates, then, over the same period, there was a rise in the number of poor from 880 million to 945 million, though the proportion of poor declined from 28.5 to 25 per cent.[14] The regional breakdown of these estimates shows that in case of East Asia and the Pacific, Latin America and the Caribbean, and the Middle East and North Africa there was a decline in the number of poor between 1987 and 1999. In the case of South Asia, the increase in the number of poor was only marginal, but for Europe and Central Asia, and sub-Saharan Africa there was a significant increase in the number of poor. The proportion of the poor declined in all the regions except Europe and Central Asia, and sub-Saharan Africa. In the case of the former, it was largely on account of the performance of the transition economies whereas in the latter, it has been due to a combination of failed policies, faltering growth, civil wars and political unrest. There are some, like Robert Wade, who question these global trends in poverty reduction and argue that the liberal policies underpinning the process of globalization have not necessarily performed better in terms of both growth and poverty reduction.[15]

14. In terms of social indicators of development, such as the one used by UNDP in its Human Development Reports, there has been considerable all-round improvement in the post-Second World War period and more so in the recent decades. In the last 25 years, educational attainment measured by adult literacy has increased in all regions of the world and infant mortality rates have recorded significant declines. Life expectancy has also increased, except in sub-Saharan Africa where it has started to decline in recent years due to the onslaught of the HIV/AIDS pandemic. The countries that are most affected, in this case, are Botswana, Zimbabwe, South Africa and Kenya.

15. In examining the evidence on the relationship between globalization and income inequality, one has to look at two separate issues. The first involves analysing the impact of globalization on inequality between countries and the second relates to studying changes in interpersonal inequalities within countries as they become more integrated into the global economy. In general, it would be expected that, because of the “initial conditions” and the head start that many of the developed countries have enjoyed for centuries, there would be a tendency for cross-country inequalities in average income to increase over time. Some would argue that this tendency would have only accentuated in the face of the bias and unfairness of the international trade regimes and financial flows. Similarly, it would be expected that because of political-economy dynamics within countries, the inequality parameters, particularly those related to income or private consumption, would tend to be stable, or change only sluggishly. However, none of these observations is entirely borne out by the experience of the last few decades.

16. Thus, one finds that though inequality among national average incomes appears to have been increasing for a few centuries, there is evidence that this long-term rise in income inequality across countries may have slowed during the 1980s and 1990s.[16] The literature on growth convergence also supports this observation. The raw data on average national incomes show divergences, not convergence, but when income estimates are based on purchasing power parity there is evidence for either conditional convergence,[17] or for twin peak convergence.[18] Conditional convergence would suggest that if the conditional variables do not change in an offsetting manner, then, over an extended period, inequality in average national incomes would eventually decline. The twin peak argument would suggest that high-income countries would converge towards one peak and the low-income countries would converge towards another peak at a lower level of average income. However, there is a note of caution here, as Sala-I-Martin[19] points out, that unless Africa starts growing in the near future the income inequalities will start rising again.

17. In respect of the interpersonal income inequality, a comprehensive study by Cornia[20] showed that the performance of most countries worsened in the accelerated-globalization period since 1973 as compared to the earlier period. For instance, in the case of the OECD countries, because of a steady decline in unemployment, stable earnings and expansion of social security, inequality declined steadily between the 1950s and the 1960s and even up to most of the 1970s. Since the late 1970s, however, this trend has reversed, first in the United States, the United Kingdom, Australia and New Zealand, followed gradually by Scandinavian counties, the Netherlands and Italy. There was a flattening out of the trend in France and in Finland. After 1989, inequality increased sharply in the former Soviet Union and the transition economies of the former Soviet bloc. In Latin America, the Gini coefficients (the parameter measuring income inequality), which were among the highest in the world, started to decline in the 1970s in most of the region excluding the Southern Cone. But in the 1980s and 1990s, inequality rose again, due to recession and decline in wage share. There was also some evidence of increasing inequality within some poor countries as also occurred in China and India, even though incomes increased at both ends of the income scale in those countries. In sub-Saharan Africa, the rural-urban gap has been the main source of inequality. Here, during the period of declining income the urban incomes deteriorated more than the rural incomes in a process of "equalization-downward".

18. In short, the Cornia study shows that for the period of accelerated globalization of the 1980s and 1990s, 45 of the 77 countries studied, representing 46.2 per cent of world population, recorded rising inequality, some continuously, and others, including the United States and China, in a U-shaped manner. For 4 countries the rise in inequality slowed down while for 16 countries inequality actually declined. There is, thus, no uniform or universal relationship between income growth in a globalizing economy and income equality. The relationship would in most cases be contextually determined, influenced by specific "initial" conditions and policies followed in the countries.

## C. Technology transfer and intellectual property rights

19. Availability of resources - material and human - and access to technology have always been recognized as the forces that drive and sustain the development process. Indeed, access to appropriate technology has often been the more critical input in undertaking development. It has not only been a substitute for other inputs, but has also provided the quantum jumps in attaining

outcomes perceived, at some point in time, as being unattainable. It has been the means by which the developing countries have tried to catch up with those that had a head start, and it has been the tool that the developed world has used in attaining and sustaining their well-being and living standards. The issue of access to and transfer of technology is, however, an issue between the developed and the developing world. Most of the low- and middle-income developing countries are dependent on the industrialized world for their technology requirements. The presence of this technology divide is not surprising when one looks at the expenditure on research and development (R & D) that is undertaken in the developing countries. It is instructive to see that China accounts for 4.9 per cent of global R & D expenditure, India and Central Asia for 2.2 per cent, Latin America for 1.9 per cent, the Pacific and South-East Asia (excluding the newly industrialized countries) 0.9 per cent and sub-Saharan Africa only 0.5 per cent.[21] In other words, the low- and middle-income developing countries accounting for 21 per cent of world GDP spend less than 10 per cent of global expenditure on research and development. This has meant that there is low level of technological capability in the developing countries. A commonly used indicator of technological capability is the extent of patenting in the United States, and in terms of international applications through the Patent Cooperation Treaty (PCT). In 2001, less than 1 per cent of United States patents were granted to applicants from developing countries, and 60 per cent of these were from seven of the most technologically advanced developing countries. In PCT developing countries accounted for less than 2 per cent of applications in 1999-2001 and over 95 per cent of these were from five countries, namely China, India, South Africa, Brazil and Mexico.[22] Thus, few developing countries have been able to develop a strong indigenous technological capability. For most of them, that means that it is difficult to develop their own technology or to assimilate technology from the developed countries.

20. In the history of the globalization process, technology transfer has played an important part in sustaining the global economy and in helping countries to sustain their growth rates, either directly through foreign investments and outright purchase of technology or by way of diffusion and indirect means, depending on the policies adopted by the countries concerned. It provided the scope for narrowing the technology gap between the industrialized world and those developing countries that were able to benefit from such transfers because of their indigenous capacity to adopt, adapt and develop the technology for their development needs. However, much of this transfer in technology took place at a time when the international policy regime on technology transfer and intellectual property rights had yet to emerge, and States had the flexibility to adopt policies that helped further their own interests. Among the more recent examples of countries benefiting from such an approach are in the East Asian economies that are now in the category of newly industrialized countries. In the case of the Republic of Korea, during the period from 1960 to 1980, when its economy was transformed, it emphasized the importance of imitation and reverse engineering as an important element in developing its indigenous technological and innovative capacity. Though Korea adopted patent legislation in 1961 with a limited coverage of commodities, it was not until much later, in response to action taken by the United States, that these laws were revised in line with the emerging international standards. A similar process took place in Taiwan, and also in India in respect of its pharmaceutical industry. In India, the weakening of intellectual property protection in pharmaceuticals in its 1970 Act[23] is widely seen as having catalysed the subsequent growth in this sector, making India a major producer and exporter of low-cost generic medicines. In general, the lesson from history is that States have been able to adapt intellectual property rights

(IPRs) regimes to facilitate technological learning and promote their own industrial policy objectives. However, with the advent of a code of conduct on transfer of technology, namely the Trade Related Intellectual Property Rights (TRIPS),[24] a large part of this flexibility has been removed. Developing countries can no longer follow the path adopted by the Republic of Korea, or Taiwan and many other countries.

21. The issue then is to assess how the emergence of TRIPS has affected the accessibility of developing countries to technology, in the present phase of globalization. But since IPRs are not ends in themselves, but only a means to sustainable development, the more appropriate question is to assess the extent to which IPRs under the TRIPS Agreement have contributed to the reduction of poverty and to development or, more particularly, to the implementation of the right to development. Much of the evidence is either indirect or based on proxy measures, for the reason that it is not possible to measure directly a country's capacity for innovation, nor is it possible to measure directly the strength of its patent protection. Econometric techniques that are employed to isolate the independent effects of IPRs on economic variables are also not entirely free from criticism. Nonetheless, based on the evidence analysed in the report of the Commission on Intellectual Property Rights,[25] some conclusions are summarized here. In terms of the *redistributive impact*, a study undertaken by the World Bank[26] estimated that most developed countries (the holders of the patent rights) would be major beneficiaries of TRIPS in terms of the enhanced value of their patents, with the benefit to the United States alone estimated at US$ 19 billion. Most developing countries and a few developed ones would be net losers, with the Republic of Korea alone losing US$ 15 billion. While this captures the costs to the development process in the developing countries when IPRs under TRIPS are applied, it would be necessary also to analyse the benefits in terms of *growth and innovation* in these countries due to the application of TRIPS. In this respect, the report concludes that for most low-income countries, with a weak scientific and technological infrastructure, IP protection at the levels mandated by TRIPS is not a significant determinant of growth. It points out that historically rapid growth has more often been associated with weaker IP protection. In case of technologically advanced developing countries, while there is some evidence that IP protection becomes important in contributing to growth and innovation, that stage is not reached until a country is well into the category of upper-middle-income developing country. The report also examines the impact of IPRs on furthering *trade and investment*, essentially in terms of the impact on developed country exports and investments due to strengthening of IPRs in the developing countries. The conclusion in this case is that strong IPRs are neither necessary nor sufficient incentives for trade and investment flows to most developing countries. If this were not the case, then significant amounts of trade and investment flows would not have been directed to countries with weak IPR regimes. There is, however, some evidence that trade and investment flows in certain cases, such as high technology industries or "IPR-sensitive industries", may be influenced by the strength of IP protection, but the evidence is far from clear, but such cases are few and confined to the "technologically developed" developing countries. For other developing countries, the report concludes that any beneficial trade and investment effects are unlikely to outweigh the cost, at least in the short and medium term. Moreover, even in the "technologically developed" developing countries strong IP regimes to attract certain kinds of trade and investment flows may be at the expense of domestic output and employment in the "imitation" and related industries.

22. Finally, in addressing the initial issue, namely, how does TRIPS help or hinder developing countries to gain access to technologies, the general consensus is that the most distinctive single factor determining the success of technology transfer is the early emergence of an indigenous technology capacity in developing countries. Much of the responsibility for developing such a capacity rests on the domestic policy and initiative of the country. However, to the extent that implementation of TRIPS now restricts the developing countries from using a weak IP regime as a means of gaining access to foreign technology and developing it through reverse engineering (in the process also enhancing their indigenous technological capacity), the current code of conduct on technology transfer may in fact be restricting the access of the developing countries to the critical technology inputs for sustaining their development. A question that arises in this context is: What led the developing countries to accept TRIPS? It could well be argued that TRIPS is but a reflection of the fundamental asymmetry in relationships between the developed and the developing countries, based ultimately on the latter's relative economic strength. The developing countries accepted TRIPS because the overall package offered at that juncture in the negotiation process, including the reduction in trade protectionism (in agriculture and textile) in the developed countries, was seen as beneficial and not because IPRs were high on their list of priorities. Subsequent events have belied some of these expectations. The developed countries have not honoured some of their commitments and the developing countries are living with the burden of the TRIPS Agreement. Before concluding this subsection, it will be worthwhile to note that the High Commissioner for Human Rights has examined, in a report to the Sub-Commission on the Promotion and Protection of Human Rights (E/CN.4/Sub.2/2001/13), the impact of TRIPS on human rights, in particular on the implementation of the right to health.

## D. Capital mobility and financial instability

23. The issues of whether the ongoing process of greater economic integration has led to an increase in capital mobility across national borders and whether the volatility of the flows has contributed to instability in the financial systems have been at the centre of the debate on globalization, the more so after a series of crises hit some of the emerging markets that were in many respects thought of as model reformers. Thus, starting with Mexico in 1994-1995, East Asia and the Russian Federation in 1997-1998, followed by Brazil, Turkey and Argentina in 2001-2002 and then Brazil again in 2001, in each case the proximate cause of the crisis was the reversal of short-term capital flows on a large scale. According to the available estimates, in the extreme cases like Indonesia and Turkey, during 2000-2001, capital inflows declined by 16.5 and nearly 14 per cent of GDP, respectively. The independent expert has analysed in detail the developments that led to the crises in Argentina and Brazil in his mission report to those countries (E/CN.4/2004/WG.18/3). In most cases, the crisis had a serious impact on the economy in terms of output contraction, with dislocative consequences on the labour market, an increase in the incidence of poverty and a deterioration of other social indicators of development. These are outcomes that amount to a violation of the right to development. The question that has to be answered in this context is: Are such crisis the inevitable by-products of the present process of globalization, or do they represent "market failures" that could potentially be addressed through appropriate measures by the national policy planners, as well as the international institutions, donor Governments and private players who collectively comprises the international community?

24. At one level, the communication technology that underpins the present phase of globalization has clearly enhanced the mobility of capital at this time, as opposed to the earlier golden period of globalization. While the process of globalization has gone on for many centuries, there are elements of the current process, particularly with regard to the quantum and the speed of capital flows, that are unique to the present phase of globalization. The requisite institutional capacity and policy instruments for regulating and managing these aspects have yet to emerge fully. The fact that in every case other than Brazil in 2001-2002, the crisis affected a country that had a pegged exchange rate system, which gave way in most cases at the beginning of the crisis, is a point to note. In all these countries, again with the exception of Brazil, the financial system was either inherently weak, or as in the case of Argentina, had eroded considerably in the period immediately preceding the crisis. Clearly, a pegged exchange rate regime with the monetary policy targeting a stable (or a near fixed) exchange rate was incompatible with the realities of large-scale short-term capital mobility, particularly as it was often driven by speculative motives. The management of the crisis in Brazil and the experience since then in other countries has shown that the introduction of a flexible exchange rate system with inflation targeting (as opposed to maintaining the exchange rate) sharply reduces short-term capital inflows. It may contribute to a reduction in undesirable volatility of capital flows in some countries. Moreover, experience during this period from Malaysia, where restrictions were successfully placed on capital outflows, and Chile, where the same was done for short-term capital inflows, demonstrates the measures that could be taken at the national level to manage the volatility of capital during transition periods. It is also necessary, as apparent from the Brazilian experience, to recognize that even with flexible exchange rates, it is ultimately the fiscal fundamentals of an economy, including the perception of investors on indebtedness and the weakness of the financial sector, that causes economies to be vulnerable to internal and external shocks.

25. Similarly, the international response to addressing the crisis in East Asia, particularly in the Republic of Korea and earlier in Latin America, where the IMF, along with the United States federal authorities, worked closely with the principal creditors to work out a revival package, suggests that there is scope for evolving a considered international response to such crises that goes beyond the inevitable ad hoc measures that are usually adopted, at least to begin with, in such instances. But whatever the international response may be, there has to be a differentiated and contextually relevant approach to creditor coordination. It could be a formal approach, involving the global actors in working out creditor coordination, when the magnitude of the crisis so demands, as implemented in Korea in 1997, or it could be left to voluntary agreement among the lending banks, as in Brazil, or it could be the IMF package if the financing requirements to address the reversal of the capital outflows are within its institutional means. It is important in these cases that the primary objective be to minimize the dislocative and distortionary effects of the crisis on the people and the functioning of the markets, respectively.

### E. Globalization and the implications for policy-making

26. From the point of view of preventing a violation of the right to development, whatever may be the international response to resolving a crisis, it is of paramount importance that a system of social safety net be in place in every globalizing economy. This may not always be possible to work out by the countries directly concerned; alone the international community will

have the responsibility to enable the countries to set up such safety nets and come forward with special assistance when they are not in place or not functioning with adequate speed and coverage. This leads us to examine a few major implications for national and international policy-making on globalization.

**Loss of policy autonomy**

27. With globalization, no State can now act in isolation while discharging its obligations to its claim-holders. It has to consider the effects of its policies on other countries and take into account their reaction to its policies. This assessment has to be carried out before the policies are even formulated. There is thus a loss of autonomy in policy-making, particularly for the developing countries, who are often too weak to withstand that reaction. Several policy options that were available earlier to many of the now-industrialized countries at their initial stages of development (namely weak IPRs, or revenues from tariffs to fund public expenditure on priority areas), or to several developing countries in the years of import-substituting industrialization, are no longer available to most developing countries. Consider, for instance, the implications of implementing the WTO code of conduct on the international trade and tariff regime that tends to equalize domestic prices with international prices - which are exogenously set for most developing countries. As a result, the developing countries lose significant microeconomic policy manoeuvrability to influence their relative prices and, consequently, the domestic allocation of resources. The role of tax policy also becomes limited, as its extensive use would tend to distort the relative prices of goods, services and factors of production compared with international prices, thereby compromising the country’s competitiveness in the external markets. In such a case, the developing countries are left with the macroeconomic policies of exchange rate adjustments, interest rate changes and wage restraints - all of which are constrained by developments in the world market. The only instrument that these countries can still use with some flexibility is public expenditure, provided it can be properly financed. However, in most cases this instrument is also severely constrained by the lack of buoyancy of tax revenues, especially when import tariffs are being cut across the board, and public-deficit targeting that determines the level at which public expenditure can be sustained.

**Constraints of institutional capacity**

28. This complexity of the integration process and the consequences of the various international trade mechanisms and the agreements to which a country becomes a signatory have to be understood and anticipated by States and factored into the process of formulating their respective strategies. This often calls for building specific capacities, knowledge bases and negotiating skills to articulate and successfully address their concerns in the relevant international forums. It has been recognized that developing countries often lack these capacities; as a result, they are occasionally led into commitments whose consequences on the process of their development are not fully anticipated or understood a priori. This makes it difficult to have the necessary safeguards in place in time for minimizing or overcoming the consequences of some of the eventual outcomes. Clearly, there is a case for improving the management of the globalization process by way of technical assistance and development assistance in building such capacities in the developing countries.

**Speed of adjustment**

29. In the earlier phases of globalization, nation States could adjust to international changes over a long enough period through changes in institutions, modes of conduct and social practices. In the current phase, the changes are so rapid that before they can adjust to some shocks, they are dislocated by others. As a result, the weaker countries, with limited institutional capacity, seem to be dominated by stronger countries, economically, financially and even culturally. Much of the criticism of globalization results from this asymmetry and inequality and the inability of the developing countries to adjust to the changes quickly enough to reap the benefits of globalization.

**Need for coordination of policies**

30. This leads us to concede the necessity of having a coordinated and a harmonised approach to policy formulation and decision-making at various levels. There is a need for sectoral policies to be in concert with the overall subnational and national policies; for the national policies to be in harmony with the international policy regime; and for coordination and consistency in the actions of various States and their institutions that together define the international environment for development. These concerns have implications for evolving an equitable, transparent and credible international policy regime for managing the process of globalization and building the national capacity for harnessing benefits that a global economy provides by way of enabling the production and consumption frontiers of countries to go beyond their national frontiers.

## III. MANAGING GLOBALIZATION: TOWARDS IMPLEMENTING THE RIGHT TO DEVELOPMENT

31. The process of managing market-based global economic integration to deliver a desired process of development in general, and the fulfilment and realization of the right to development in particular, is bound by a major inherent constraint. The constraint arises because such a process of globalization tends to favour those with better endowments and greater command over resources, and hence with favourable initial conditions, as against those that are at a disadvantage on these counts and are "latecomers" in the process of development. There are, of course, ways to overcome these initial handicaps and to chart a development path that not only reverses the inherent inequities but, more importantly, yields outcomes consistent with the fulfilment and realization of the right to development. That path is founded on the recognition that the State has the primary responsibility to identify, devise and implement appropriate development policies and to follow the requisite sequencing of strategies so as to harness the opportunities provided by the global economy. Notwithstanding this role that the State has to play, there is also a definite and substantive role for the international community, which has the responsibility of creating a supportive global environment for countries to realize those development policies. At the same time - and not necessarily out of humanitarian concern alone - it is obliged to step in with such development assistance and technical cooperation as could help countries committed to the universal realization of all human rights in meeting their goals.

32. There is, however, clearly no uniform policy prescription that can be followed by all countries in pursuing the objectives of development, the more so when it comes to implementing the right to development. The strategy and the economic policy instruments must be devised and deployed in accordance with the development objectives in the specific country context. The nature of the policy adopted would, however, be strongly “path dependent”.[27] It would be dependent on the initial conditions and the course of development of the economy. Such “path dependency” would rule out any universally optimal public interventions. In most cases there would be a set of policies to reach the desired outcomes - a corridor, so to speak - from among which the optimal may have to be chosen. Furthermore, policies that affect different aspects of the desired performance will have to be coordinated and applied together as a package or as a programme of reform, so that they reinforce each other in the process of attaining the desired development outcomes. Thus, it is possible, for instance, that an external shock originating in the international economy has a distinct impact in different countries, generating different policy responses or adjustment processes in keeping with the respective initial conditions, institutions, and level and path of development, and accordingly result in non-uniform outcomes.

## A. National policies for implementing the right to development

33. In analysing the impact of globalization on the realization of outcomes consistent with the right to development, it emerged that in every instance, be it the desire to improve economic performance and sustain future growth prospects, or to bring down poverty incidence and inequality in incomes and social indicators, or to successfully access the required technology for implementing and sustaining the development process, or to minimize the impact of volatility in capital flows and their dislocative impact on the economy, the most successful cases were those where the countries were able to use contextually appropriate domestic investment and institution-building strategies to harness the opportunities of growing integration with the world markets. For many developing countries in Latin America and Africa, this increase in the pace of integration with the global economy started with adoption of a liberal model of economic reform. In an assessment of this experience (E/CN.4/2004/WG.18/3), the independent expert concludes:

(a) The liberal model as a development framework was found to be limited in terms of development goals that it directly addressed and instruments that it sought to encourage to meet those goals. But some countries like Chile that went beyond the basket of policies of the liberal model were able to realize and sustain a high and stable rate of economic growth, and reduce poverty incidence and (to some extent), inequality, thereby achieving outcomes consistent with the realization of the right to development;

(b) Stable domestic macroeconomic environmental and fiscal prudence are seen to be necessary for sustaining economic growth at improved and stable rates;

(c) Economic growth has instrumental and constitutive relevance when it is labour absorbing and it benefits from enhanced integration of the economy with global markets through productivity gains and access to larger and deeper markets;

(d) As no country can remain entirely insulated from the dislocative impact of shocks from the global economy and from the unanticipated consequences of domestic policies, it is necessary to have an adequate and appropriate approach to social security and safety net; and

(e) A well-conceived and -implemented income transfer policy could reduce poverty incidence, but reduction in persistent income inequalities needs a strategy to improve human capabilities and institutional capacity to deliver critical social services.

## B. International cooperation for implementing the right to development

34. The experience from the case studies reveals that, in the current phase of globalization, international cooperation is as important as the package of national policies in implementing a strategy for realizing the right to development. It is, perhaps, even more critical in the case of poor and least developed countries where there is a wide gap in the level of realization of human rights and the relevant international human rights norms and standards, and because such countries do not have an adequate technical and resource capacity for the realization of human rights. It could also be critical in addressing sudden and unanticipated economic crises and their contingent dislocation, in particular on labour markets, even in the middle-income developing countries. Further, unlike the national policies for implementing the right to development that have invariably to be contextually designed, the international framework for supporting the implementation of the right to development has to be global in its reach. It has to provide an environment that is transparent and non-discriminatory and promotes universal access and equity in the distribution of benefits from the development process to the countries' regions and their people. Thus, for instance, the international trade regime under WTO that codifies the agreement on international trade in goods and services has to be uniform, consistent and fair in its application. The fact that it has not been so (particularly for trade in agriculture and textiles) is in part a reflection of the fundamental asymmetry in the relationships between the developed and the developing countries. It has occupied a prime slot in the negotiation between the two sets of countries in the most recent trade rounds. The resolution of this issue is key to future progress in evolving a fair and credible international framework for implementing the right to development.

35. At the same time, international cooperation for implementing the right to development could also take other contextually suitable forms. This could be the case in meeting specific exigencies in time of locally or externally induced crisis; it could also be the case in unfolding a medium- to long-term development strategy. Thus, for instance, in his country study on the South American economies, the independent expert reports that in the context of the Argentine crisis in 2002, international cooperation could have taken the form of providing for implementing a counter-cyclical policy on social safety nets in the post-crisis period rather than forcing the country to generate a larger primary surplus. This, it could be argued, would have helped in alleviating the dislocative impact of the crisis that at its peak brought the level of poor, unemployed and destitute (those categorized as extremely poor) to an unprecedented level in the history of the country. In the case of Chile, the independent expert has argued that in an effort to bring about a greater degree of certainty in its external environment for trade, the country sought and gained international support for its medium- to long-term development strategy by improving market access for its exports - primarily commodities - through a series of trade agreements with its partners. Finally, in the case of Brazil, it has been suggested that international cooperation could take the form of protecting resource flows to maintain social sector and social security spending while releasing resources to fuel growth and implement a

development strategy that potentially reflects the notion of right to development. Finally, an important kind of international cooperation administered through transfer of grants and concessional assistance relates to the official development assistance (ODA) flows that could be contextually tailored to the needs of the recipient countries.

### C. The development compact - implementing the country-level right to development programmes

36. In his earlier reports the independent expert extended the notion of a “development compact” as a mechanism for implementing a right to development programme. He has argued that if a country finds itself in a situation where its commitment to pursue rights-based development involving an adequate development policy, including provisioning for public goods and a policy on social sector development, is threatened or compromised by its inability to find resources to sustain growth, then, under the right to development framework, it has the option of entering into a “development compact” with the international community to seek assistance and cooperation in meeting its development goals. The logic of a development compact rests on the acceptance by and a legal commitment of the international community to pursue, individually and collectively, the universal realization of all human rights and, on their part, for the developing countries to follow explicitly a development strategy geared towards the universal realization of human rights. The independent expert has invoked the notion of a development compact as a means of pursuing a rights-based approach to development that is anchored in a framework of “mutual commitment” or “reciprocal obligations” between the nation State and the international community to recognize, promote and protect the universal realization of all human rights. The purpose of development compacts is to assure developing countries that if they fulfil their obligations, their programmes for realizing the right to development will not be disrupted for lack of resources.

37. There are three essential elements in implementing a development compact. First, there has to be a programme, formulated by a developing country through a process of consultation, both within the country among the people concerned with transparency and fair participation, and with other countries and donor institutions on equal footing. The programme should indicate policies and sequential measures to be adopted in order to realize the right to development. Secondly, it should spell out the responsibilities of others, such as the donors and multilateral agencies, for steps to be taken by them for cooperation, including the provision of ODA. The third element would require setting up a mechanism that will monitor the implementation of the programme. This monitoring mechanism must be credible, independent and fair, so that the conditionalities associated with the programme can be accepted by all concerned. To finance the development compacts, the independent expert invokes the commitment of the international community, particularly the members of the Development Assistance Committee, to contribute up to 0.7 per cent of their GNP for ODA and proposes that a “callable fund” be established that can be resorted to when contingencies arise and a country’s right to development programme threatens to be disrupted by lack of finance. A support group is expected to service the mechanism and call for a release of funds when it approves the mutually agreed plan of the developing country that puts the proposal.

38. The independent expert has emphasized that his proposal of the development compact does not entail the creation of an additional development instrument. On the contrary, it offers a mechanism to provide for effective implementation of the existing development instruments like

the poverty reduction strategy papers or the Comprehensive Development Framework in a manner that is consistent with the principles of a rights-based development approach. He argues that the suggested notion of the development compact allows for the mutuality of responsibilities and for independent and credible monitoring of the actions of the aid recipients and the donors alike and, at the same time, provides for an appropriate mechanism of redress in case of policy failures in the course of a development process. This brings into play two of the central concerns of a rights-based development approach, namely the principle of accountability and the recourse to a mechanism of redress that allows for relief, not necessarily through legal means alone, for those who bear the unanticipated and dislocative consequences of external development, or when a programme for realizing the right to development cannot be implemented owing to lack of finance or an unsupportive international environment.

**Notes**

[1] This report builds on, elaborates on and analyses in depth most of the points made in the earlier "preliminary study".

[2] First report: E/CN.4/1999/WG.18/2; second report: A/55/306; third report: E/CN.4/2001/WG.18/2; fourth report: E/CN.4/2002/WG.18/2; fifth report: E/CN.4/2002/WG.18/6 and E/CN.4/2003/WG.18/2, at www.unhchr.org.

[3] It mainly comprises the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights. The other more recent instruments that address the situation of special groups and regions in the promotion and protection of human rights are the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of the Child and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

[4] See the independent expert's fifth report for further discussion on this issue.

[5] A particular kind of economic growth may also have a constitutive role in the notion of the right to development when seen in terms of the opportunities that it generates for the people to be productively employed and have a life of dignity and self-esteem.

[6] See UNCTAD, *Trade and Development Report 1999*, World Bank, *World Development Report 1999*, IMF, *World Economic Outlook 1999*.

[7] As many as 42 developing countries, of which 12 were in Latin America, 6 in the Middle East and North Africa and 15 in sub-Saharan Africa, grew at a rate of more than 2.5 per cent per capita in the face of high population growth rates in the years up to 1973. See Dani Rodrik, *The Global Governance of Trade as if Development Really Mattered*, Boston, John F. Kennedy School of Government, Harvard University, July 2001.

[8] See, for instance, Jadish Bhagwati, F*oreign Trade Regimes and Economic Development - Anatomy and Consequences of Exchange Control Regimes*, and Anne Krueger, *Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequence*, Cambridge, MA, Ballinger, 1978; and Michael Michaely, Dmitri Papageorgiou and Armeane Choksi (eds.), *Liberalising Foreign Trade - Lessons of Experience in the Developing World*, Cambridge, MA, Blackwell, 1991.

[9] Jeffrey Sachs and Andrew Warner, “Economic reform and the process of global integration”, *Brookings Papers on Economic Activities*, 1995.

[10] Edward’s study also indicates that countries with higher levels of trade distortion have had lower economic growth - a result that is important for formulating policies for implementing the right to development.

[11] Francisco Rodriguez and Dani Rodrik, *Trade Policy and Economic Growth - A Sceptic’s Guide to the Evidence*, NBER Macroeconomics Annual, 2001.

[12] See reference at note 7.

[13] World Bank staff estimates, GEP 2003, as reported in Stanley Fischer’s revised version of the Ely Lecture delivered at the American Economic Association meeting in Washington, DC on 3 January 2003.

[14] China and India account for 38 per cent of the world’s population and 60 per cent of the poor in 1990. It is not surprising that during the 1990s, when China grew at 9 per cent and India at 6 per cent per annum, there was a sharp decline in the global poverty rate.

[15] Robert Wade, *Globalization, poverty and income distribution - Does the liberal argument hold?*, LSE Working Paper Series No. 02-33, Development Studies Institute, 2002.

[16] See, for instance, François Bourguignon and Christian Morrison, *Inequality among World Citizens 1820-1992*, *American Economic Review*, September 2002, pp. 727-744; Xavier Sala-I-Martin, *The World Distribution of Income*, National Bureau of Economic Research (NBER) Working Paper w8933, May 2002.

[17] See Robert Barro, *Determinants of Economic Growth: a Cross-Country Empirical Study*, Cambridge, MA, MIT Press, 1997.

[18] Danny T. Quah, *Twin Peaks: Growth and Convergence in Models of Distribution Dynamics*, *Economic Journal*, 106, 1996, pp. 1045-1055.

[19] Xavier Sala-I-Martin, *The Disturbing Rise of Global Income Inequality*, NBER Working Paper w8904, April 2002.

[20] See G.A. Cornia, *Liberalization, globalization and income distribution*, United Nations University, World Institute for Development Economic Research (WIDER), working paper No. 157, March 1999.

[21] Source: *World Science Report 1998*, UNESCO, Geneva.

[22] Figures from the report of the Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy*; United Kingdom Department for International Development (DFID), September 2002.

[23] The Act provided, inter alia, for only process protection for a period of seven years in food, drugs and chemicals. This allowed patented drugs to be reverse-engineered, provided a different process was used in manufacture.

[24] The agreement on TRIPS emerged from the Uruguay Round of trade negotiations completed in 1994 that led to the creation of the World Trade Organization (WTO) and set the rules for the WTO Agreements, including TRIPS. Under this agreement all WTO members are to provide minimum standards of protection for a wide range of IPRs. It incorporates provisions from many existing IP international agreements such as the Paris and Berne Conventions administered by the World Intellectual Property Organization (WIPO). TRIPS, however, also introduces a number of new obligations, particularly in relation to geographical indications, patents, trade secrets and measures governing how IP rights should be enforced. The rules under the Agreement came into effect on 1 January 1995 though the developing and transition economies were given until l January 2000, and the least developed countries until 2006, to comply with the rules.

[25] See note 22.

[26] See for details, World Bank, “Global Economic Prospects and the Developing Countries 2002 - Making Trade Work for the World’s Poor”, Washington, DC, p. 133.

[27] The theoretical literature on this subject is large and well known. However, the best account of the importance of policies in a set-up of dynamic equilibrium may be seen in a recently published lecture on path dependency given by the noted economist, the late Professor Sukhamoy Chakravarty, at Erasmus University in April 1990. See Storm and Naastepad.

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