New Approaches to Economic Challenges

Facing the Future
A PROPOSED RESEARCH PROJECT

ON

"THE FUTURE DEVELOPMENT OF ADVANCED INDUSTRIAL

SOCIETIES IN HARMONY WITH THAT OF

DEVELOPING COUNTRIES"

(Note by the Secretary-General)

1. In a Note to the Council of 20th May, 1975 [C(75)757
the Secretary-General informed Member Governments of a proposal
by the Japanese Government that a research project on the above
subject should be carried out within the framework of OECD. He
also invited those Member Governments interested in participating
in the project to attend an ad hoc meeting which was held on
19th and 20th June, 1975 to provide an opportunity for a first
exchange of views. The participants reached a broad consensus
on the purpose of the project and on the main emphasis for the
research, but differing views were expressed on the most
appropriate organisational and financial arrangements. The views
of the participants are set out in the Summary Record of the
Meeting [DSTI/PSC/75.2007. This Note, which is a revision of
the background paper for the meeting [CES/75.67], is intended to
provide a basis for internal discussions within Member Govern-
ments in preparation for a second ad hoc meeting to discuss the
project.
A NEW LOOK AT THE FUTURE OF INDUSTRIALISED SOCIETIES

A major research programme, designed to provide governments with new insights into possible alternative patterns of longer-term world development in formulating short and medium-term policies, has been launched by the Organisation for Economic Co-operation and Development (OECD).

Member governments, increasingly conscious of the need to re-examine their policy approaches in the face of rapid changes and the growing complexities of the world economy, have decided to invite this Organisation to take a new look at the fundamental problems and prospects of industrialised societies seen in their international context.

The OECD Council has accordingly approved a three-year project costing around $4 million, underwritten by 14 Member governments*, the Secretary-General, Mr. Emile van Lennep, announced today.
A research project designed to help governments place their day-to-day actions in a context that is both long-term and world-wide, OECD’s INTERFUTURES (more formally entitled a study of “the future development of advanced industrial societies in harmony with that of developing countries”) was launched two years ago (1). Intended to relate short and medium-term concerns to the long-term outlook, the Interfutures research project explores the problems which will face OECD countries between now and the year 2000. This means examining not only the likely course of events within these countries and in the developing world but also the interactions between the two, the aim being to assess the importance of structural changes which will affect the economy of the world as a whole.

Based on the premise that many exercises in exploring the future fail to analyse sufficiently the existing data, Interfutures has begun its work with a systematic review of a large number of world problems (see below), examining what has already been done in all parts of the world, highlighting the main trends, asking the key questions and only then moving on to examine likely future trends.

After this preliminary phase, the team was organised into three working groups. The first is making macro-economic projections to serve as a framework for the study and, more specifically, examining the outlook for international trade. The second group is concerned with changes in values and the resulting new demands which may make themselves felt in advanced societies and is also analysing the structural and sectoral changes likely to affect economic activity, both in these societies and in the developing world. The third group is focussing on the long-term outlook for the developing countries and is also responsible for integrating the separate strands of study and constructing scenarios of world development. Thus the conclusions of the Interfutures research project, which will be presented in a final report at the end of 1978, will be based on both macro-economic analyses and models and micro-economic or structural analyses of the main industrial sectors. The scenarios obtained are designed to facilitate understanding of the interaction between economic, social and political factors and to explore consequences of various possible strategies that might be adopted by OECD Governments.

(1) Eighteen countries are taking part in this project, which was initiated by Japan; Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Italy, Japan, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States. In addition the project is given financial support by the European Communities.
High Level Meeting of OECD’s Interfutures project, 26-27 February 1979, Versailles. Under the mirror from left to right: Emile van Lennep, OECD Secretary-General; Hiromichi Miyazaki, Japanese Deputy Minister for Foreign Affairs and chairman of the meeting; Jacques Lesourne, OECD Director of the Interfutures Project.
OECD Observer No. 100
(September 1979) cover page.
An International Exercise in Prospective Analysis

The international character of Interfutures was evident throughout. A permanent team was set up within the OECD Secretariat comprising fifteen researchers from ten different Member countries of the Organisation. This team used consultants from OECD countries and also, for the study of Third World prospects, from developing countries from the Far East to Latin America.

The Interfutures team also benefited from the opinions and advice of an advisory panel headed by Professor Ruffolo of Italy and made up of ten eminent persons from different countries representing economics, business, sociology and other disciplines.

Finally, a steering committee on which each government was represented met several times a year under the chairmanship of Saburo Okita and later Isamu Miyazaki.

I think that people in the developed countries are interested in the future. But the problem is whether this interest is an adult one. Often people have one of two images in their minds — a utopian image or a doom-laden one full of the terrors of the year 2000. These are not adult attitudes.

The adult attitude is to interest oneself in the future because an understanding of what may happen — whether highly probable or highly uncertain — can help us to take decisions here and now. And one must be aware that the future is much less far off than we think: a child of seven who has just learned to read will be twenty-seven at the end of the century and, in 2025, he will be fifty-two, which is just about my age now.

Preliminary reactions to this study would indicate that people are more interested in the future than is generally supposed. Do you think this is true? And if so, why?

OECD Observer No. 100 (September 1979), page 3 and 4 excerpts.
Economic Recovery: The North/South Trade and Debt Nexus

The recent cooperative effort between the IMF, the BIS, debtor countries and the private banks prevented the international debt problem from jeopardising the international financial system. It is now possible to think in terms of a medium-term approach to the problem – one that will resolve it in a way that expands trade rather than contracting it. In the year or so immediately ahead, the most important need may be to ensure that debtor countries undertaking firm domestic adjustment policies have enough finance to maintain their imports or restore them to more appropriate levels. But if lending to developing countries is to serve the economic interests of both parties over the longer run, the major imperative is to ensure that debtors use external finance effectively so as to build up market-oriented economies capable of competing in developed country markets – and to ensure that they are allowed to compete in them. If viable mutual benefits are to be obtained, finance has to support trade in the period immediately ahead, but there is also need for more trade to support continued financing.

The external debt, medium and long term, of all developing countries quintupled in 9 years, rising from $125 billion in 1973 to $600 billion in 1982. Several OECD committees and the OECD Secretariat have made an analysis of what caused this situation and how advantage can be taken of the economic recovery now underway to remedy it.1
GROUP ON NORTH–SOUTH ECONOMIC ISSUES

RESOURCES AND DEVELOPMENT IN THE 1980s:
NEW REALITIES AND EVOLVING POLICY RESPONSES

(Note by the Secretariat)

This Note is circulated for consideration under Items 3 and 4 of the Draft Agenda for the Group's thirty-third meeting on 10th-11th March 1987 (NS/A(87)1; paragraph 8 of Annotations).

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RESOURCES AND DEVELOPMENT IN THE 1980s:
NEW REALITIES AND EVOLVING POLICY RESPONSES

I. THE MACROECONOMIC SETTING, INTERNATIONAL BALANCES AND FINANCIAL FLOWS

Overview - The 1980s in Perspective

1. The environment for financial resource flows to developing countries has changed radically in the 1980s, compared with the conditions which obtained in the 1970s.

2. Unprecedentedly large financial flows to developing countries in the 1970s were linked with a special combination of factors:
   
   -- high oil and commodity prices
   -- low real interest rates
   -- the OPEC savings surplus
   -- lagging investment in industrial countries
   -- high and sustained growth in most developing areas
   -- the relatively low debt ratios and interest obligations of most developing countries at the beginning of the 1970s.
I. Ministerial mandate

1. OECD’s study on "Globalisation and Linkages to 2020: Challenges and Opportunities for OECD Countries" follows a request contained in the Communiqué from the meeting of the OECD Council at Ministerial level on 23 and 24 May 1995:

"In an increasingly interdependent world, Ministers request the OECD to ...... examine further, with the completion of the first phase of the Organisation’s Study on Linkages between OECD and Major Developing Economies, more specific aspects and impacts of such linkages and implications on OECD Members’ policy options in the future"
GLOBALISATION AND LINKAGES TO 2020
CHALLENGES AND OPPORTUNITIES FOR OECD COUNTRIES

International High-Level Experts Meeting
Paris, 17-18 June 1996

What impact has globalisation had on the world economy, the global environment, OECD economies and society? What key issues and challenges will further deepening of linkages between OECD and non-OECD economies over the next 25 years raise for the world trade, investment and financial systems?

High-level experts will debate these issues at an international meeting, held as part of the OECD study on "Globalisation and Linkages to 2020: Challenges and Opportunities for OECD Countries".

The World Economy in 2020

In recent years, an increasing number of non-OECD countries have become sizable exporters of manufactures, in which there is now a flourishing two-way trade with OECD countries; it accounts for a large portion of the growth in commerce. The same trend is observed in capital flows, with an ever-larger share of OECD private foreign investment destined for non-member countries. Brazil, China, India, Indonesia, Russia – the ‘Big Five’ (each with a population over 150 million and GDP larger than $100 billion) – are already substantial importers, producers for world markets, hosts to foreign investment and, more and more, foreign investors themselves. If these and other countries are able to sustain outward-oriented reforms, the non-members of the OECD should play an increasingly prominent role in the globalised economy of the 21st century.
DAC Chair James Michel presents report “Shaping the 21st Century” during DAC High Level Meeting, 6-7 May 1996.
1. As we approach the end of the twentieth century, the time is ripe to reflect on the lessons of development co-operation over the last 50 years and to put forward strategies for the first part of the next century. This report sets forth the collective views on these matters of development ministers, heads of aid agencies and other senior officials responsible for development co-operation, meeting as the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

2. In the year 2000, four-fifths of the people of the world will be living in the developing countries, most with improving conditions. But the number in absolute poverty and despair will still be growing. Those of us in the industrialised countries have a strong moral imperative to respond to the extreme poverty and human suffering that still afflict more than one billion people. We also have a strong self-interest in fostering increased prosperity in the developing countries. Our solidarity with the people of all countries causes us to seek to expand the community of interests and values needed to manage the problems that respect no borders—from environmental degradation and migration, to drugs and epidemic diseases. All people are made less secure by the poverty and misery that exist in the world. Development matters.

3. The record of the last 50 years, from Marshall Plan aid to the network of development partnerships now evolving, shows that the efforts of countries and societies to help themselves have been the main ingredients in their success. But the record also shows that development assistance has been an essential complementary factor in many achievements: the green revolution, the fall in birth rates, improved basic infrastructure, a diminished prevalence of disease and dramatically reduced poverty. Properly applied in propitious environments, aid works.
NEW GLOBAL PARTNERSHIP:
DEVELOPMENT GOALS FOR THE FUTURE

Ministers and Heads of Agencies of the 22 Members of the Development Assistance Committee (DAC) of the OECD today agreed on a clear set of goals for the next 20 years. This is intended to serve as a basis of a new global partnership with developing countries and to strengthen co-ordination to achieve global results.

This ground-breaking agreement at the Committee’s annual High Level Meeting, together with decisions on a number of other pressing concerns in the field of development will be a point of reference for the OECD Ministerial Council later in May and for the G7 Summit meeting in Lyon in June where development co-operation is expected to be a major agenda item. The Members of the Committee will also pursue an active dialogue with developing country partners on shared goals and approaches.
The goals in action

Since the OECD’s Development Assistance Committee (DAC) published the international development goals in 1996 – in a report called *Shaping the 21st Century: the Contribution of Development Co-operation* – the commitment to halve world poverty has become the focus of the development policies of the majority of donor organisations. Indeed, many donors measure their performance – and some set their budgets – by the contribution that they make towards achieving this goal. This focus on poverty reduction – long central to UN programmes – is now key to future IMF and World Bank lending to low income countries, which is to be provided in support of locally-owned, participatory poverty reduction strategies, usually in connection with debt relief.

The United Kingdom’s Department for International Development (DFID) has made the international development goals central to its policies and programmes. In its 1997 White Paper it pledged: “We shall work closely with other governments and organisations to eliminate poverty, and use our influence to encourage others to achieve the international development targets. We shall pursue these partnerships with poorer countries who are also committed to them. We shall measure how effective our efforts are against the internationally agreed targets.” In order to secure additional development financing for 2001-2004, DFID has set intermediate targets, by which its results will be judged. These include:
OECD@100: Key Findings. Meeting of the OECD Council at Ministerial Level, 6-7 May 2014.