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Producing a New Generation of Practising Development Economists

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Introduction

This note addresses a secondary question posed in Thandika Mkandawire's scene setting paper[1] for this conference: How to produce a new generation of development economists. I choose this topic (rather than the primary one of the essentials for a new development economics *per se*) because it is of particular concern to the International Development Research Centre (IDRC). The IDRC's mandate is to support the growth of expertise in development by supporting research and the generation of evidence based knowledge for development policy across many fields, including economic development. In this paper, I will present some ideas on the kind of economic development research that is needed for successful capacity building in research, making special reference to IDRC's programme experience in international economic relations.

The IDRC has a remit to nurture the growth of expertise in economic development primarily among citizens of the developing world itself, working in the south. There are two main reasons for this mandate, which does not of course signify any inherent prejudice against the scholarship and insights of those based in the north. Channelling our resources in this way does something (on however small a scale) to redress biases in resource availabilities for research efforts as between the north and the south. More importantly perhaps, in a world governance perspective, it is intended to contribute toward the authenticity and autonomy of southern voices in development policy making. Just as local priorities should be determining in aid allocations, so the policy positions espoused by developing countries in international fora should be locally generated and informed by local research. When policy formulation is driven by outside forces and outside knowledge, the credibility of policy positions is always questionable and international agreements entered into may not be fully respected down the line.

The presumption that support for research translates into a better informed - and therefore more credible and effective - southern voice in international policy fora is of course questionable and certainly not something IDRC takes

1 Thandika Mkandawire (2001) "The Need to Rethink Development Economics", Geneva, UNRISD.

for granted. In recent years IDRC has tried to develop a better understanding of the relationship between research and policy, fuelled by consideration of, among other things, events and processes related to the international economic system. We are confident that, despite many complicating factors and the presence of other determinants, there often is positive relationship between research activity and policy, and that, moreover, there are practical ways of enhancing this relationship[2].

Practising development economists (referring to the existence of a cadre of independent analysts and researchers, who may rotate into government service) are by definition expert in applied development economics. They are not expected to be adept in the construction of grand theories of development, although they should ideally (for morale, credibility and consistency) be inspired by such - explicitly or implicitly. The effort to reconsider theories of development being sponsored on this occasion is very welcome in this regard and should help to revitalise efforts in applied research in due course. Conversely, diffusion of and support for the ideas of a new development economics will depend on the existence of a flourishing new development economics profession in the south.

The key practical requirement for building up a professional cadre of development economists is that their work should be relevant to the challenges of policy formulation and implementation. This in turns implies that the role of research and knowledge as inputs into policy is known and ways of nurturing a productive relationship between researchers and policymakers are understood.

Before turning to these questions in the context of international economic policy, it is worth noting a few points on the relationship between research and policy uptake of research findings in general. First, we should recognise that the relationship is non-linear. Good research is neither strictly necessary nor sufficient to good policy-making. Some countries have had good policies with little local research capacity (e.g. Singapore and Botswana), while others have strong and vocal research communities but weak policies. There may be several reasons for this. First, policy makers will not draw on research-based evidence if there is no 'appetite' for policy change. Also, paradoxically, policy makers will not seek out or use research findings (especially negative findings) if support for a particular policy is strong and driven by purely political considerations.

Secondly, some policy makers feel overwhelmed by the current climate of greater political activism and comment, with many new actors jostling to intervene at all stages in the policy process. The move towards more complex governance structures and the growing abundance of media comment in most developing countries can crowd out the contribution of evidence-based research and comment, especially if research outputs are not well presented, do not engage with civil society arguments or if the

2 These reflections have taken the form, most recently, of an IDRC Trade Policy Seminar held in Ottawa in March 2001. The discussions at that event, the agenda and papers for which are presented at www.idrc.ca/tec, were the basis for a paper by Susan Joekes and Rohinton Medhora "Trade Policies in Developing Countries: What Role for Capacity Building and Research?" **Economic and Political Weekly**, Vol XXXVI No 21, May 26-June, 2001. The present paper draws heavily on this article.

government does not, for whatever reason, have confidence in the local research community.

Development research and trade policy

The research and policy nexus is of great interest in respect of international trade. Debates are extremely highly charged in this area. Alongside discussion of poverty reduction strategies, trade liberalisation and 'globalisation' dominate international debates. In pragmatic terms, many more policy makers in southern governments are having to turn their energies to various aspects of the trade-related policy agenda than to matters to do with strategies for poverty reduction.

This is partly because the international trade agenda, as articulated and conducted under WTO auspices, is expanding far beyond 'trade' issues as traditionally understood. Although the agenda for the liberalisation of commodities trade is far from exhausted, since the tariff regime in the most heavily protected sector (agriculture) has still to be tackled and a new regime in textiles and garments has yet to implemented, the focus in negotiations and even more so in preparatory debates has moved beyond questions of market access *per se* into considerations of the structures in place for trade operations (customs facilities and valuations, product labelling and standards, etc.) and of domestic regulatory policy regimes more generally. Discussion of these issues is not by any means limited to WTO forums, although these attract the most public attention. Furthermore, alongside multilateral negotiations, developing countries are frequently involved in discussion of similar issues at bilateral and regional level. A huge set of these other types of international agreements exists, in more or less overlapping fashion and dealing with a wide range of economic policies. All such arrangements represent a pooling of national sovereignty in economic management in some degree, clearly challenging narrowly bounded conceptions of sovereignty and further exacerbating the passions aroused in this sphere.

Even so, and despite the many criticisms, the modality hit on by the WTO for forging multilateral agreements seems to have been extremely successful. Evidently, its guiding principles for negotiations have been highly effective, the binding-in of agreed tariff reductions has conferred a steady momentum on the whole process, and the dispute settlement procedure that has been arrived at is uniquely powerful. No other body in the ensemble of international policy institutions has achieved the WTO's country coverage, or led to the same depth of regulatory buy-in by domestic authorities, or has its legal force to correct contraventions of its agreements. It is not surprising in the light of this that so many new elements are now being brought onto the WTO agenda, in the hope that its formula will facilitate international policy harmonisation in other areas too.

Nor is it surprising that the political terrain around trade and globalisation should now be so highly politically contested. Trade policies are always a hotbed of activity by vested interests, but to this is now added the engagement of civil society movements (international, northern-based and southern-based NGOs). This greatly complicates the policy process and the challenge to development research. There are frequent tensions in

developing countries between government and local NGOs. Within governments, policy makers from different line ministries are drawn in to achieve coherent new policies, more or less in disagreement among themselves, and in any event challenging the traditional monopoly of trade negotiators as the conductors of and spokespersons for international discussions.

Debate is intense within the industrialised countries as well. Both in response to public opinion and as a result of pressures from departments charged with relations with developing countries, the incoherence of national policies in terms of their impact on development is being made ever clearer. The WTO discussions are elevating the scope for manouevre that national officials have to lever changes in this direction. The European Commission's current efforts to bring the development perspective to bear on member countries' policy positions on agriculture and competition policy, for instance, provides a particularly interesting special case.

The structure and credentials of the WTO itself are also of course coming under intense scrutiny, especially as regards the extent to which it is a membership driven organisation. Do the dispute panels take development goals adequately into consideration? Do negotiating procedures and the technical advice given by the WTO Secretariat (and the new Advisory Centre on WTO Law) to members really reflect the majority status of developing countries within its membership? Whatever the simple arithmetic of composition of membership, the pressures that may be put on smaller countries not to depart from the consensus and the phenomenon of 'green room' negotiating sub-groups certainly throw doubt on the neutrality of negotiating procedures. The suggestion is of course - in industrialised no less than in developing countries - that domestic policymakers, whose own programme is set by WTO agreements, may be acting as agents of externally derived policy priorities.

Whatever the precise role of the WTO secretariat (or of alleged latter day "comprador" trade negotiators), much of the current upheaval revolves around the equity of past international policy negotiations, i.e. whether developing countries' national interests were properly exercised in the generation of past agreements. Many developing countries feel that the Uruguay Round agreements (on market access, services and intellectual property rights) either intrinsically sold them short or have in practice been sidestepped by the stronger trading partners, notably through anti-dumping actions. As a result, international commitment to the WTO agreements is broadly under question (in some quarters in the north, as well as in the south) and their future viability may be in doubt because of this[3].

The contrast between the TRIPS and GATS is instructive in this regard and also perhaps revealing of the importance of research capacity. The TRIPS negotiations were more or less ignored by the developing countries, whereas real representational effort went into the GATS. This may have been in part

3 One reason the WTO secretariat has pushed so hard for a new world trade Round to start after the next Ministerial meeting planned for November 2001 is that they fear that free standing concentration on redressal of perceived past wrongs may stoke pressures for retroactive adjustment of agreements, which would endanger the crucial binding-in principle.

because a research effort (*inter alia*, at the UNCTAD G-24) went into demonstrating the developmental significance of services, whereas little prior research was done on intellectual property rights and development. As a consequence, the conceptual framework of the GATS, as well as its specific provisions, was, shaped to acknowledge development concerns throughout unlike the TRIPS, in which these concerns have to be addressed through unsatisfactory recourse to *ad hoc* requests for special and differential treatment. Even now, when there is a flurry of interest in IPRs in natural resources and pharmaceuticals, there seems to be very little analytical work underway into other aspects of IPRs, despite considerable developing country presence in some sectors. This suggests that even if, in response to general protest, political attention may come to be given to revisiting the TRIPS, the policy positions taken by developing country negotiators may not adequately reflect development interests in IPRs across the board.

The overloaded trade policy agenda is putting great strains on developing country governments. They have limited resources not only for involvement in negotiations, but also for the analysis, identification and prioritisation of national interests which should provide the menu of options which trade negotiators work with. The press of international policy issues, notably in different levels of international negotiation and over an expanding list of topics, all the while under threat of financial market instability and international mismanagement, has led one commentator (Diana Tussie) to speak of most developing countries as merely "coping states" - with, by implication, their policy sovereignty undermined by mere press of business. The significance of this for the research and policy relationship is that "coping" states may have little appetite for policy change or for digesting the knowledge necessary to designing informed policies. This puts a great burden on researchers. Policy makers may not actively seek out their advice in such circumstances, even though, in principle, it is their work that can make the difference between poor and good policies. The more relevant and helpful the materials that researchers can produce, the more they will help overstretched policy makers manage their engagement in international policy making effectively and constructively. In the final section of the paper I suggest that capacity building in development economics research can help square this circle.

Limitations in the contribution of development economics to trade policy discussions

Up to now, the kinds of material produced by orthodox development economics for international policy makers has been surprisingly limited. Redressing the gaps would go a long way to providing the basis for building a credible, professional cadre of new development economists in developing countries.

The gaps have been manifest at many different levels:

- developmental welfare criteria need to be developed against which to assess past outcomes and assess alternative policy packages.

At present, four evaluation criteria are presented in the economic literature: improvement in the social welfare function, Pareto optimality, the Hicks criterion and Coate's pragmatic measure of the best feasible policy change. None of these seems to be used routinely in the trade literature, and in any case all are predicated on a more fundamental difficulty: there is no accepted definition of social welfare in the development context. The many discussions of the social, environmental and human rights dimensions of development are in effect addressing this problem. But policy assessments depend on a synthesised, measurable definition, which has not yet been attained[4].

The politicisation of international economic relations gives this issue real urgency. The contorted efforts that went into specifying and monitoring the 'international development targets' show how far there is still to go in this respect and gave credence to the charge that development economics is notoriously poor in data. Undoubtedly some improvements are coming through the pipeline in data collection, especially with respect to gender disaggregation, time use and definitions of work and information on SMEs. But these data will need to become the norm and to be used, in an integral fashion, in future development assessments. In the meantime, identification of a small set of key indicators might help (e.g. the infant mortality rate has been suggested as a good overall development proxy by Hamner and colleagues at the Overseas Development Institute, London).

- better assessments are needed of how trade liberalisation and WTO-type policy reforms impact on inequality and poverty reduction.

Some economists hold that the incidence and character of poverty are essentially independent of and predate trade liberalisation; some believe that, even if that is true, the current trade and international monetary regime is exacerbating income inequality between and within countries; some point to a statistical association between relative high growth countries and openness (others suggest that the association is time-dependent) and to a direct association between the incidence of poverty and poor trade performance; and some believe that trade liberalisation leads directly to increased poverty and that the conditions for this to happen are becoming more prevalent with the 'commoditisation' of some manufactures and the growth of new institutional arrangements (value chains) that in effect divert trade surpluses away from the south to the north.

The debate is broad ranging and chaotic. It badly needs clarification and evidence. As in the case of the welfare criterion, a better general definition of 'openness' is needed for discussions at a general level to proceed in a coherent fashion. Detailed evaluations of the impact of past trade agreements and internationally agreed domestic policy reforms need to be done before there can be any basis for predicting the poverty impact of alternative policy packages. Developing country policy makers and negotiators need to have research findings along these line to bolster and nuance their policy positions

4 The UNDP's Human Development Index would seem to be the best candidate for the purpose, but it has never, to my knowledge, been used as a development touchstone in discussions of trade policy options or outcomes.

and bargaining power - and to know in what circumstances *not* to seek greater integration.

- much better assessments of alternative trade policy options and packages are needed in forms useful to trade negotiators.

In the IDRC seminar held in March 2001, Mustapha Nabli, a former trade negotiator for Tunisia, explained where research findings would have been useful, but were lacking, in the course of discussions for a bilateral trade agreement between the European Union and the Maghreb countries. The Tunisian government's decision to seek an agreement was primarily a political one, and therefore negotiators approached the discussions expecting a positive outcome. They would not have been interested, for example, in a hostile critique of the whole idea. (A similar tendency is evident nowadays in some Latin American countries' approach to the hemispheric trade negotiations). Nor did they want or need - given their expertise - information on the minutiae of a prospective deal. They were however interested in, but did not find locally available, strategic arguments as to how a prospective agreement might contribute to the dynamics of development. They also needed evidence to help them consider the likely level and incidence of costs of alternative packages, the best time scale for implementation, and the best way of phasing and sequencing of particular components of a deal, but this was also missing. In the event, the issues were decided on a "back of an envelope" basis, and there is still uncertainty as to whether a deal which served Tunisian interests better could have been arrived at.

- there is little knowledge about what level of international pooling of sovereignty is appropriate, under what circumstances, for different types of policies.

Given the widespread concerns about loss of sovereignty associated with the internationalisation of economic policy making under the WTO, the "subsidiarity" question needs to be addressed systematically. There seems to be something of a tendency in general discussion to assume that issues with a cross-border dimension need to be treated in full-blown multilateral (i.e. global) forums. This exacerbates hostilities and obscures the need to consider what level of cooperation is most appropriate for what kind of issue. In some cases - e.g. perhaps in relation to the confusing plethora of international agreements relating to environmental conservation and management - there is a need to go further towards full multilateral harmonisation, but in others it may be inappropriate or premature to aim so high.

In particular, I would suggest that serious assessment of regional arrangements is needed which is interdisciplinary in character, taking political and institutional factors into account alongside an assessment of economic costs and benefits (though even a limited assessment is extremely difficult to carry out). Regional agreements are often dismissed as diverting developing countries efforts unduly from multilateral policies (that is, perceived as stumbling blocks rather than building blocks towards multilateral arrangements). But they may have many advantages. They can and often do serve as laboratories, where more innovative policies can be tried than can be agreed worldwide (e.g. the Andean Pact has put in place important policies for dealing with IPRs in natural resources). In such cases, their success depends on shared cultural and political practices and these

may also mean that regional arrangements are the most appropriate forum in which to deal with the social and cultural impacts of international policies. In the past, some aspects of the adverse impact of structural adjustment programmes imposed by the International Financial Institutions, and now, the difficulties associated with the new world trade regime might be managed in this way.

Moreover, regional arrangements may offer some practical advantages. The negotiation of regional arrangements can be a training ground for multilateral negotiations; they can be a way of diffusing knowledge of good policy options and practices among countries of a region, particularly where the region includes one large country with greater analytical capacity; and they help ensure continuity of expert knowledge among policy makers where, as is often the case, staff turnover among officials is high.

- orthodox development economists tend to lack credibility with civil society organisations and this leads to a poor quality of public debate on international economic policy.

This issue is important because civil society organisations have, through the media, an important influence on public opinion to which governments have to respond. I would suggest that up to now development economists, as a profession, are vulnerable to the charge that they do not in the main speak with moral authority. The over-concentration on trade policies is perhaps not only due to the existence (in the WTO) of an effective multilateral institutional framework, as argued above, but also represents a default mode. Logically trade policies should flow out of the identification of optimal domestic policies; and development priorities should set the pace for change, not reactions to the exigencies of the WTO negotiating calendar. Orthodox development economists have clearly not managed to generate alternative, nationally delineated policy strategies which would set the frame for engaging with trade negotiation processes.

Why should orthodox development economists lack credibility? It may be partly because of the particular gaps in arguments and evidence suggested above, and the lack of vision this seems to reflect. In addition, the scarcity of funds for research in the south means that a consultancy culture prevails, with a prevalence of 'jobbing' analysts over independent researchers, dependent for commissions on the aid donors and IFIs. Most currently practicising economists obtained their training directly or indirectly from northern curricula and this also lays them open to the charge of perpetuating neo-liberal ideology. Along with the "comprador" trade negotiators, therefore, they can be seen as acting in the interests of the north, rather than that of their own countries.

Practical dimensions of research capacity building

This is not the place to explore this issue in full but there are two points to be made. I have suggested that an increase in the amount of resources going directly to support development economics research in the south will

enhance the southern voice in trade policy making and bolster the moral authority of development economics. But this is dependent on two factors.

First, there needs to be improvement in the analytical content of development economics, such as this conference is designed to stimulate. Secondly, their research outputs need to be sought after by policy makers. The best way for ensuring this to enhance the participation of policy makers themselves in establishing the agenda for research. In addition, the way in which resources are fed into the field must not be through a piecemeal, drip-feed process, fuelling a pernicious competitive ethos, but on a longer term basis and spread widely, so that general incentives for professional development are built up and undue rivalry between research centres and atomism among researchers is prevented. The 'research network' mode which IDRC favours in giving its research support is effective on both counts.

Support for development research can also help anchor in support for policy changes in another, perhaps unexpected way. The existence of a vigorous development economics profession can make a real contribution to governance. The accountability and transparency of policy making processes will be improved where a robust research community is active. Good relations need to be nurtured between researchers and policy makers; IDRC is learning how better to support this process. Having NGOs participate in research activity can also reinforce the process of giving credibility to more intricate systems of governance. By building alliances with NGOs, rather than dismissing anti-globalisation concerns, researchers can help improve the analytical quality of public debate on development and, because they are independent of but in contact with policy makers, they can be instrumental in introducing NGOs to the realities of policy making and persuading them of the constraints thereon.