THE THIRD WORLD

The economic growth prospects of the more than 120 Third World countries vary considerably. Even after excluding the NICs and oil-exporting countries, these variations are striking. For example, the remaining group can be subdivided as follows:

-- Countries that have been able to sustain rapid economic growth and that have developed sufficient economic sophistication to become NICs within a decade. This group includes Malaysia, Thailand and the Philippines.

-- Countries that have been unable to sustain rapid economic growth mainly because of political reasons but have sufficient economic sophistication to become NICs within a decade. They include Argentina, Chile, and Zimbabwe.

-- Countries that lack the critical mass of entrepreneurial talents, skilled workers, and modern institutions needed to sustain rapid economic growth.

Even in this latter group, there are major differences. Many of these countries have abundant natural resources but lack the ability to harness them (Zaire, Angola, etc.). Others lack both natural and skilled human resources and thereby have essentially become dependent on outside assistance to maintain even their meager standard of living (the countries of the Sahel). More than 40 Third World countries have a population of less than a million, a factor that prevents them from developing all but a very few competitive industries and services (mainly tourism). At the other extreme is India, with a population that is nearly five times that of the second largest LDC (Indonesia). India has pockets of economic sophistication matching that of the NICs and has areas where the population is as destitute as the most improverished Third World country.

Differences in economic strategy also vary considerably. Some countries, such as the Ivory Coast or Malaysia, have a free market orientation; others, such as Ethiopia or Angola, have a Marxist-Leninist orientation. Many Third World states are governed by leaders who, educated in the West, are steeped in the utopian socialist tradition of the British Fabians. Such leaders--Julius Nyerere is a leading example--combine a naive faith in socialist-collectivist policies with a contempt for Western democratic norms.

One other important distinction that should be made in gauging the economic progress of Third World countries is the difference between <u>growth</u> and <u>development</u>. Some countries such as Nigeria, Indonesia, Algeria, and Libya have enjoyed rapid economic <u>growth</u> because they are blessed with enormous reserves of petroleum. Despite the large amounts they have spent on internal projects, they still have not <u>developed</u> the wherewithal to sustain rapid growth in economic activity or in exports other than oil.

Despite enormous differences in size and natural resources, the more successful Third World countries have a number of elements in common:

-- They have a populace that places considerable emphasis on education, hard work and savings, and a labor force that is highly skilled, disciplined, and well motivated. These factors have been especially important in the striking success of the East Asian NICs.

-- They have business and financial leaders who are highly sophisticated in terms of world markets and in attracting needed foreign capital.

-- Governments of these successful countries, although mostly authoritarian, allow their citizens considerable latitude in pursuing economic ends. In fact, most often the government and the business community in these countries work together closely in supporting economic progress.

-- Their governments emphasize exports and the development of industries that can compete effectively in world markets. Those countries lacking natural resources, such as Hong Kong and South Korea, have concentrated on manufactures while those with highly productive agricultural regions, such as Malaysia and Ivory Coast, have done exceptionally well by expanding their share of the world market for farm products.

Some of the poorer Third World countries also have made significant economic progress, even though it will be decades before they will have the critical mass needed for broad-based economic development. For exaple, Kenya and Malawi are in this category. In these cases, the important factors, besides political stability, that have spurred growth include:

-- The encouragement of a small-scale, cash-oriented farm sector through market incentives, co-ops and technical support.

-- The encouragement of traditional manufactures -- textiles, crafts, etc.

-- The encouragement of foreign private investment needed to support the above two endeavors.