The poor shall always be among us—but who are they?

Classifying the LDCs

BY WILLIAM C. ROGERS

For a full generation the world, like Gaul, has been divided into three parts: the rich, the poor, and the Communists. Scholars and bureaucrats have devised these economic categories, calling them the developed world, the Communist countries, and the less developed countries (LDCs). In the last few years, however, these classifications have been bursting at the seams of their logic. Even the man in the street is beginning to wonder why such nations as Saudi Arabia, Venezuela, Argentina, and Brazil are still "poor" LDCs and thus eligible for various aid programs. Visual evidence of their burgeoning wealth is available on TV and in the popular press. Yet the list of developed countries remains the same. It seems no one ever gets promoted. Oil-rich Middle Eastern countries have higher per capita gross national products than Italy, Spain, Greece, and Ireland but they remain "developing countries." Bangladesh, Haiti, Egypt, and India are, of course, still LDCs but are found in the company of economically explosive Mexico, Iraq, Iran, and Singapore. China, with a fourth of the world population, is listed as part of the Communist world, but its standard of living is more like that of the Philippines, Bolivia, and Senegal than it is of the western Communist states of Czechoslovakia and Poland.

How did the countries of the world get cast into these solid economic molds? After the great success of America's Marshall Plan the U.S. optimistically applied the same aid formula to the poor countries of Asia, Africa, and Latin America. Though they had been largely ignored during the war, now their poverty was thought to furnish a breeding ground for "international communism." They were to be transformed and kept safe through American largesse. In addition the new nations emerging from colonialism were beginning to voice their plight, asking for help in the United Nations and other world forums.

Like the pope, who once divided the world between Spain and Portugal, the United States made its own division. In the first grouping were its Western allies, in the second were Communist countries, and in the third compartment were the "poor/backward/underdeveloped nations." These last appelations were not well received by newly emerging nations and, after a period of jockeying, all parties arrived at a verbal solution that has lasted for over a quarter-century. We now refer to the "developed world" and "developing world." The Communist world is the "second world."

This classification scheme seemed quite comfortable. Everyone knew which were the Communist countries. The developed world was the United States, Canada, and Australia, plus those assisted by the Marshall Plan, including England, France, Germany, Italy, the Low Countries, and the Scandinavian nations. All "non-white" countries, except Japan, were conveniently thrown into the developing nations' pot along with everything south of the Rio Grande. A few countries didn't quite fit, such as Spain, Greece, Ireland, and Portugal. Their low per capita GNPs placed them perilously close to some Middle Eastern oil-producing countries and a Latin American state or two. Nevertheless, until recently the triple classification was relatively well-accepted. The rich, the Communist, and the poor would always be with us, so why worry?

WHY CLASSIFY?

Classifications are important. In the computer age everybody and everything must have a number and a category. Classifications tell us how to think about the people and places that are important in any discussion of world affairs. Climates are classified. We know about cold countries and hot countries. The old atlases showed us who was colonized by whom and they used bright contrasting colors to indicate the races and religions of the world. With the coming of the welfare state, national governments began to classify their populations on the basis of income. As income transfers policies were adopted, the level of an individual's needs had to be carefully calibrated to fit rules and guidelines that were developed after much of the "New Deal" and "Great Society" legislation had been enacted. Later, the doctrines of the welfare state were exported through foreign aid programs. If the richer countries were to help the poorer ones, regulations and classifications had to be developed. Which nations would be available for low-interest loans? Which would get direct relief? Which could pay and which could not? Obviously, Israel and Saudi Arabia could not have the same economic relationship with the United States or the United Nations as Ghana or India.

What has changed since the immediate postwar period to raise the problem of reclassification? In the first

William C. Rogers is Director of the World Affairs Center at the University of Minnesota.

period of our concern with LDCs, international aid planners gave birth to an immortal statistic. "Two-thirds of the world's people go to bed hungry every night" remains in the minds and on the tongues of a significant number of people who should know better by now. Today, the United Nations has put the figure at one-eighth (FAO *News*, June 15, 1979). Still too many, of course, but there has been movement in the LDCs after all! Unchanging classifications and the accompanying rhetoric obscure the scope and nature of actual changes in the developing world.

Government statisticians do not rate all the blame for this situation. One factor that tends to distort how Americans view the 153-plus nations of the world is related to our own historical-political experience. In the American federal system all states were created equal. The smallest in size, Rhode Island, has the same number of senators as the largest, Alaska. The most populous, California and New York, have the same number of senators as South Dakota and Vermont. This illusion of political equality is transferred to the international scene, making it difficult for many Americans to distinguish between "island countries and territories with populations under one million" (one official U.S. Government classification) and vast continental countries in Africa and South America. Of course Americans were never much good at geography, and only experts can keep up with *all* the new names for old places.

Most classifications of nations by their economy are related to per capita gross national product (PC/GNP). This is not the best basis, but no one seems to have come up with a better one. The private Overseas Development Council has its Physical Quality of Life Index (PQLI), based on infant mortality, literacy, and life expectancy, which results in the rather astonishing pairing of the USSR and the U.S. and ranks Cuba and Ceylon just under Europe. During the Great Depression, President Roosevelt referred to one-third of the nation that was ill-housed, ill-clothed, and ill-fed. In 1941, 42 per cent of the U.S. population was classified as "low income." Most of us recognize that this proportion has declined, but how many are aware of the percentage of legally "poor" in the United States today? The 1979 figure is 11.4 per cent.

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One of the most serious problems of the PC/GNP listing arises with the oil states such as Qatar. They are "really poor countries with a lot of cash," to quote one of their own economists. They have an immense amount of money which, when divided by population, results in PC/GNPs of over $10,000 per year. Yet because the country is unable or unwilling to absorb the cash, the average citizen remains poor. Another problem is that there are large countries, among them Brazil and Mexico, where much of the wealth is in the hands of a few people and a good part of the population lives at subsistence level. There are also very poor countries in which one finds a number of people with fairly high incomes. For instance, it is said that there are forty million people in India who constitute a market for California almonds. Such situations as the inequalities within states cannot be covered by PC/GNP figures.

WHY SWITCH?

The term LDC implies the need for aid. There never seems enough of it. When half the world is classified LDC, the job of dispensing aid seems insurmountable and the presence of OPEC nations on the list is repellent. Narrowing the list by eliminating most of the advanced developing countries might make the task more meaningful, manageable, and appealing. Actually, the bulk of U.S. aid goes to two areas of the world—the Middle East, for political reasons, and the subcontinent of Asia, where most of the really hungry people live. Aid to these two regions makes political sense to most Americans, who want to prevent war in the Middle East and want to help really *hungry* people. But that long list of more than a hundred nations labeled LDCs may be a real psychological barrier to reallocating foreign aid.

In fact, LDC nations want to keep this label. One reason is that they can continue to get aid and loans at lower rates of interest; another is the value of political association with the Group of 77 (now 119 countries plus the PLO). Association with this group, ranging from oil-rich Kuwait to $70 PC/GNP Bhutan, is valuable because it is the largest group of countries in the world. For some, it is much better to be a rich fish in a poor pond. Venezuela, let's say, might prefer to be at the top of the Group of 77 than to find itself, upon joining the "developed market economy countries" (DMEs), ranked between Greece and Ireland.

Some progress has been made in classifications within and among the LDCs. One reason for this effort is the importance of finding out which countries are having the greatest trouble keeping their people fed. In 1977 the Department of State Policy Planning Division was using a list of forty-eight countries, all with a PC/GNP of less than $500, considered eligible for U.N. International Development Association (IDA) assistance. The most startling and important statistic is that 70 per cent of these 1.25 billion people live in India, Pakistan, Bangladesh, and Indonesia, where the PC/GNP is not more than $200. There is also a list of forty-five "most seriously affected countries" which, according to the State Department, is internationally recognized, and a list of thirty-one least developed countries. Afghanistan, Bangladesh, Ethiopia, and Haiti, among others, are on all three lists. We thus have a real handle on the low-income developing countries, where hunger is endemic.

A significant group of LDCs has only recently been receiving public attention. These are the advanced developing countries (ADCs), including Singapore, Venezuela, Iran, Argentina, Brazil, Mexico, Lebanon, Algeria, and the Republic of Korea. The last is a billion dollar importer of American agricultural products, as is Taiwan. Taiwan, not one of the Group of 77, is listed by the State Department under a small classification called "other developed and developing countries" that includes Israel, Hong Kong, South Africa, and Zimbabwe. All of these ADCs have larger populations than at least half a dozen American states and most of them are rich in natural resources. A couple, such as Singapore and Hong Kong, are really city states, which owe their prosperity to hardworking Chinese who find ways of getting rich in a free enterprise economy. With few exceptions the economic strength and well-being of all the LDCs have improved greatly in the last twenty-five years. They are important markets for United States goods, often are important as allies, and they have things we need.

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Again, we must warn against the distortions that arise from lumping together the LDCs. *The Statistical Abstract of the United States* does this, and so do various humanitarian pro-foreign aid pressure groups, which like to point out in ominous tones that the U.S. imports 47 per cent of its goods from the LDCs and exports only 36 per cent. This is a new departure from the usual humanitarian appeal—a threat that we "treat the LDCs right or there'll be trouble for America."

On examination of the *Statistical Abstract*, however, we find that the 7.2 million barrels of oil we import daily as of July come from the so-called poor countries of OPEC. When the OPEC countries and such ADCs as Brazil, Mexico, Taiwan, Hong Kong, Korea, etc. are removed from the list, imports drop to 9 per cent and exports rise to 15 per cent, which puts us in a surplus rather than a deficit trade situation.

WHY DIVERSIFY?

The World Bank issues an annual *Atlas* containing population, GNP per capita, and growth rates for 185 countries and territories. It lists countries with per capita incomes of less than $200, $200-499, $500-1,999, $2,000-4,999, and $5,000 and above. The last group contains such odd bedfellows as Australia, Brunei, Greenland, Japan, and Qatar. On a map illustrating these classifications the poorest group is concentrated in Africa south of the Sahara and the Indian subcontinent plus Southeast Asia. The "north-south" character of world wealth distribution is clear from the map, with Afghanistan (at the same latitude as Atlanta, Georgia) the northernmost of the poorest countries.

The Bank's classification is similar to that used by a number of other international agencies, including the Commission of the European Communities, which refers to the "diversity of underdeveloped situations." According to the Commission, forty-two "very poor countries" have a PC/GNP with an average of around $110 and never above $220. These states represent 64 per cent of the 1.7 billion people residing in the developing countries. Thirty-six medium countries have a PC/GNP between $220 and $530, averaging $330, and include 26 per cent or 450 million; and the twenty-one high-income countries have a PC/GNP exceeding $640 and a population of 170 million.

A further refinement of these classifications yields eight groups of developing countries: (1) small poor countries with a low exportable surplus; (2) heavily populated poor countries with a vast internal market; (3) poor countries whose economy depends on the export of commodities; (4) medium-income countries producing primary products; (5) high-income countries producing primary products; (6) medium-income countries that are in the process of industrialization; (7) semi-industrialized high-income countries; (8) oil-producing countries with a low absorption capacity.

Inflation bedevils the classification problem. For instance, a U.S. AID Policy Paper of March, 1978, speaks of middle-income-status countries (PC/GNP above $550) in 1976 prices. One must be aware constantly of rapidly rising inflation and watch the list of dollar amounts carefully, although the basic classification will probably remain much the same.

THE LIST OF LISTS

An official of the Department of Agriculture wrote in reply to an inquiry of mine: "You have identified an area in which some sorting out and organization is sorely needed. You have already discovered there are just about as many lists of LDCs as there are LDCs."

Each of the many LDC classifications reflects a certain way of looking at countries in terms of their level of economic development. Yet none of the terms for "advanced developing countries" seems quite right. What is needed, then, is some fourth classification that would distinguish more readily the world's really hungry countries from the other LDCs. At the same time, we require better ways to encourage the wealthier ADCs to leave the Third World and assume the responsibilities that accompany a higher economic status—including assistance to the least fortunate of the global community. WV