

From New Delhi by Susan Maitra

World Bank in the dock

An indiscretion by the Bank's chief economist confirms the worst fears of the developing nations.

An internal memorandum written by World Bank chief economist Lawrence Summers, arguing for relocation of "dirty" industries from the OECD into the developing countries, has evoked angry responses here. India's leading financial daily, the *Economic Times*, in its editorial of Feb. 16, said that Summers "has put down in writing what must often have been discussed in the developed countries."

When the memo was made public by the *Economist* of London on Feb. 8, the World Bank mandarins went into a "crisis management" mode and hastened to insist that the chief economist was merely trying to spark a debate.

If debate was what the World Bank wanted, there is plenty of that here. But there is no one to speak in favor of the motion. The most scathing attack was carried in the *Times of India* on Feb. 12, which called the Summers memo a "scientific economics" which has become the handmaiden to a new, less overt but "no less arrogant kind of colonialism."

What gives the lie to the Bank's disclaimers is the fact that the memo was an elaborate argument on the basis of "scientific economics" as to why the Bank should give open, material backing to such a relocation strategy.

As a starter, Summers argued that since health-impairing pollution can cause morbidity and mortality, the industries which cause such pollution should be located "in the countries with the lowest cost"—i.e., the lowest wage. This argument, Summers states, is "impeccable" from a purely

theoretical point of view.

Second, Summers says, vast areas in underpopulated Africa are "under-polluted." Hence, Summers suggests that such areas can be subjected to a bit more health-impairing pollution.

Finally, he argues that the demand for a clean environment is highly income-elastic—which means the poor do not care much about the air they breathe or the water they drink, and that concern about polluting industries is much greater in the developing countries. For instance, Summers says, the concern with prostate cancer is likely to be much higher in a country where people survive to get cancer, than where infant mortality is 200 per 1,000. The developing countries, which are also plagued with high unemployment, will in fact benefit by the transfer of polluting industries. This, he claims, is a firm enough basis for encouraging a tradeoff.

Summers's critics in India say he has let the cat out of the bag: The developing nations, at least some of them, were always suspicious of the North's promises of technology transfer and apprehensive of the quality of technology pawned off to the South. It is common knowledge that advanced technologies are simply *not* transferred to the South, under one pretext or another.

But what the World Bank is really suggesting here, is that the South is to be lured in through one "economic logic" or another. Summers argues that "technology transfer" is the appropriate bait. As the *Economic Times* editorial, "Quiet, Lawrence," points

out, this fits in neatly with the classic game theory prescription that side payments must be made to induce the participation of those who stand little to gain from cooperation, but whose cooperation is essential to the objective.

Besides the direct approach to pollution control laid out by Summers, a more clever approach has already been put into practice, commentators here have noted. A U.S. company, AED James, will be building a 180 MW coal-fired plant in Connecticut. The company has calculated how many trees will be required to absorb the carbon dioxide that the plant will emit. Hence, it has been decided that a large number of trees will be planted in Guatemala to act as the "carbon sink," and not in Connecticut, where the real estate is much more expensive.

The Dutch authorities are also planning to build two new coal-fired power plants between Amsterdam and Rotterdam. The present estimate shows that these two plants would emit about 6 million tons of carbon dioxide. The Dutch authorities have reportedly budgeted \$500 million to plant some 250,000 hectares of land with trees in Bolivia, Peru, and Colombia. Of course, when the Guatemalans, or the Peruvians, or the Bolivians or the Colombians decide to build coal-fired power plants, they cannot expect to be able to plant thousands of acres with trees in the United States or the Netherlands as their "carbon sinks."

But the message is clear. It says that these poor countries either accept polluting industries and enjoy them, or give up the hope of industrializing and remain as a "carbon sink" for the polluting industries set up in the developed countries. The World Bank already has a name for this project: "intergenerational compensation project."