

NEW ISSUES IN DEVELOPMENT

by

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I

**Development and the International Economy.**

We all have in recent years become aware of the growing complexity of the development enterprise the world over. The globalisation of national economies, the fragility and instability of the international economic system, the transborder movements of capital, unprecedented in scale and rapidity and unrelated to the movements of goods, the emergence of a transnational sphere, with privileged access to capital, technology, higher skills, information and markets, largely beyond the control of any single government, however powerful, have made it very clear that the development effort is no longer a national affair, but an endeavour that is international in its ramifications. In fact it is no longer possible for any developing nation - and for that matter for any nation in the world - to realize its economic and social goals by itself alone.

The devastating impact of the global recession in the early 80's on development gains in the 3d world, and the reverse resourceflow from the developing to the industrial countries, have cruelly rammed home to us in the 3d World how vulnerable we are to events and developments in the international system. It is in fact no longer possible for any developing country to develop unless it takes into account these and other major changes in the international economy. Among these other changes are the rapid shifts in patterns of comparative advantage as a result of advances in technology, heightened competitiveness worldwide - also affecting developing countries - , and in response, new economic nationalisms and regional market integration in several parts of the world. We also have to take into account changing perceptions of the proper role of government in the management of the economy and the emergence of a kind of ideological notion about the inherent superiority of the marketplace as the proven instrument for optimal resource allocation.

II

**Development and the Global Environment**

The cumulative impact of human action on the global environment have added another dimension to our awareness of interdependence, and has made us realize that development has to take place within both local and global environmental limits.



We all owe a great deal to the Brundtland Commission on Environment and Development for our understanding of the centrality of the concept of sustainable development .

A great deal of work remains to be done to make the concept fully operational. One of the needs now is to develop a globally accepted system of national accounts that not only registers the increase in the production of goods and services, but also fully takes into account the reduction in the stock of a nation's natural resources, resulting from their utilisation in that nation's economic activities. There is also a need for methods capable of integrating economic development planning and natural resource planning . In the longer run it will be necessary to " to work upstream" and, in the words of Gus Speth of the World Resources Institute, in a Washington Post article last year, " to change the products, processes, policies and pressures that give rise to pollution"

But most importantly, and more immediately, sustainable world development and the economic development of each developing country, now have inevitably to confront the limits to the global life support system's capacity to absorb the impact of human actions that now threaten them. Humankind collectively, and all countries seperately, will have to taken into account the impact of global warming on those life support systems, if humankind is to survive.

Development has become on of the conditions for human survival.

The new set of global environmental problems that have come to the fore, have also shown the interdependence of these problems, how these problems interact and in some ways mutually reinforce each other or cancel each other out..

To take as an example, most often the calculations about the scale of CO2 emissions are based on data in the industrial world. They leave out the likelihood that the drive towards industrialisation in the 3d world is bound - with present technologies- to add substantially to the level of CO2 emissions in the world. Already now China is the 3d largest CO2 producer after the USA and the USSR. The impact of greater energy efficiency in the industrial countries on the atmosphere's CO2 level may well be cancelled out by the industrialisation effort of the developing countries. This is especially so because on the one hand public reluctance to accept a more sober lifestyle in the industrial countries may well prevent the maximally efficient technologies from being used to the full, and on the other hand the widespread inefficient use of coal in many parts of the developing world.

One point not taken up by the Brundtland Commission concerns what the impact on world economic growth might be if - at least using present technologies- the increase of CO2 levels is deliberately limited, or if the level



of CO2 equivalents is held constant. Professor Yoichi Kaya of the Tokyo University and two collaborators, presented at the recent Tokyo Conference on "The Global Environment and Human Response : Toward Sustainable Development" held on September 11-13, a paper entitled "A Grand Strategy for Global Warming" which, through a discussion of three scenarios suggested that a sharp limitation of the rate of increase of CO2 equivalent emissions world economic growth will have to be reduced to levels which both the industrial world and the developing countries would find unacceptable. This raises the central question of what kind of growth and development are called for that is sustainable and acceptable.

It is obvious that any effort to reduce the rate of increase in CO2 levels has to be global in scope in order to have any appreciable impact. The Western industrial nations cannot hope to save themselves from the effect of global warming by themselves. This suggests the need for a collective effort, global in scope, towards the abatement, if not prevention of global warming. This would require ecologically oriented energy policies in each country, and gradually a global energy regime that aims at 1) greater energy efficiency the world over, 2) a less destructive mix of energy sources, and 3) a massive effort at developing and sharing alternative technologies.

### III

#### **Science/Technology and Development.**

For this reason, as well for the purpose of poverty abatement, to which I will come in a moment, the building up of an indigenous science and technology capability in the major third world countries is a crucial requirement for any global energy regime to be effective. Otherwise the vast difference in perceived and real interests between the industrial and the developing world will be too great to overcome. A precipitous flight into nuclear power would face wellnigh insurmountable problems in terms of political support, cost and safety.

Whether such a science build up will be possible in light of the growing commercialisation of scientific knowledge and technology remains an open question. On the other hand, the much greater costs of moving large urban and rural concentrations of population in various parts of the world to higher ground as ocean levels begin to rise, should make people realise that the dissemination of science and technology capabilities to third world countries and the continued sharing of the products of science and technology is a much cheaper alternative for all concerned.

With regard to measures that could be taken in terms of human adaptation to the effects of global warming, a major effort, again collectively, should be made in the area of anticipatory scientific cooperation towards looking into



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to impact of , for the moment unpredictable , changes in wheather and therefore agricultural patterns in the most vulnerable countries. The locations and migratory patterns of fish are also bound to change as temperatures of the ocean rise. The development of plants that are more resistant to higher temperatures and water salinity are also problems which hopefully the application of biotechnology would make possible.

It is at the same time very likely that when the first advances in biotechnology begin to enter worldmarkets social disruption, especially among the peasants in the 3d world will constitute a major threat to social stability.. Already now the likelihood that biotechnology, as it is being developed by the major corporations for instance, may well make various export commodities in the developing world , redundant .

Unless 3d world countries develop their own capability in biotechnology and thereby become capable of keeping foodproduction up with population increase and of maintaining their competitive edge, they may well become defenseless against those advances in biotechnology whose impact on agriculture may serve the interests of these corporations more than they do the needs of 3d world countries.. It is essential for the developing countries themselves to develop an adequate capability in the field of biotechnology , serving their own needs, and utilizing the potentials of the genetic pool locked in the biological diversity of their biota.. Otherwise the arbitrary application of biotechnology may well further widen the gap between rich and poor, ultimately destabilizing these countries and making effective global management even more difficult , if not impossible

The redirection of science and technology with a view to make possible the abatement of global warming and the adaptation of agriculture, industry and social arrangements then becomes the overriding priority of all nations as we move into the 21st century..Whether the scientists themselves will be able to bring about this redirection, whether the marketplace or governments can and should do it and whether it is possible to do so without destroying the creativity of the sciences is one of the open questions that we will face in the near future

#### IV

#### **Development and Population**

Another problem that has begun dramatically to force itself upon our consciousness and that lies at the root of several of the global problems ,is population increase.. Despite the success of a number of developing countries to reduce their birthrate, worldpopulation keeps increasing and will most likely only stabilize at levels between 8 to 10 billion people.

The disparity in population growth rate and rates of economic growth combined between the industrial world and the developing countries is



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striking.. It may , in the first part of the 21st century , well lead to major population movements from the poor to the richer areas in the world, but also within countries. Already the pressures along the Mexican and US border and between the northern and southern riparian states around the Mediterranean sea. are considerable .Other reasons for movement also within and among Third world countries are insecurity, continuing poverty, exhaustion of land and shortage of water on the one hand and continuous or regular flooding on the other..

To avoid population influxes beyond the absorptive capacity of the receiving country , with all the dangers of social, ethnic, racial or religious conflict, the economic and social gap between the rich and poor in the world will have to substantially narrowed. This means not only that a resolution of the 3d world debt problem and the restoration of a net resourceflow to these countries for development, becomes an urgent priority..It also makes it incumbent to overcome the quite hypocritical contradictions between urging developing countries to go for export driven development models while protectionism in the industrial world is rampant.; and to continue speaking about developmentcooperation and development aid, when the net resource outflow from the developing to the industrial countries is allowed to continue.

The restoration of the development effort will also require a major collective effort on the part of the major industrial countries to help building up the scientific and technological capacity of the major developing countries as an essential condition towards the reduction of the poverty gap.

It should also be realised that the poverty gap may well constitute one of the major obstacles to effective international action and to global regimes of any kind. It is the result of different perceptions between the rich and the poor countries about their respective priorities and the nature of the global regime necessary , and of the difficulty under such circumstances to agree on how to share both the burdens and the gains between them.

Overcoming the poverty gap, in other words development, may well be an important prior condition for effective global management.

In light of these considerations then national development efforts will have to be seen not only in terms of the national purpose of a developing country, it has also to be seen as a precondition for effective global management towards human survival, in the sense of ensuring the continued habitability of the globe and the governability of the human race in ways that are respectful of freedom and diversity.

## V

### **Global economic policy coordination.**



This immediately brings to mind the fact that for quite some years now macro-economic policy coordination of the world economy has been conducted by the Group of 5(7), without any representation of the economic interests of the 3d world. The various statements at the end of their summit meetings clearly show how much their preoccupation with the coordination of their own economies has marginalised their interest in the economic conditions of the 3d World. These problems have in effect become residual problems, to be dealt with only after the coordination of their economies has been able to maintain the growth level of their respective economies, and only to the extent that the 3d world's economic problems do not constitute an additional burden on their economies..

The Group of 5 ( or 7) exercises a de facto veto on issues to be discussed within the IMF or World Bank, because of their reluctance to see decisions reached among themselves, being reopened for discussion within the UN system. This role of the Group of 5(7) as sort of a Global Economic Directorate , operating outside the UN system, may look to the 5 (or 7) an expression of the natural order of things. The depth of global interdependence and longer term economic and political common sense does not make this arrangement seem very tenable. There is a need to involve the rest of the world, namely the developing and smaller industrial countries Through Global Economic Summits in which all the other countries, developing as well as the smaller industrial countries, are represented by a small number of representatives, say not more than 10, through a system of voluntary groupings, - not unlike the system now in operation at the IMF -, economic summitry coordinating the global economy could become part of the UN system., restoring its legitimate paramountcy in the world. A proposal of this kind has been developed by a UNU economic institute, WIDER, entitled "World Economic Summits: the role of representative groups in the governance of the World Economy."

I hope that Mr. Lal Jayawardane's paper tomorrow will refer to this proposal.

## VI

### **General Implications:**

Let me at this point suggest some general conclusions that can be drawn from this necessarily very cursory overview of new international development issues, before moving on to some issues in development in the more conventional use of the term.

1. National development is now inextricably linked to the state of the world economy:

- it is dependent on the health and stability of the world economy



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-the longer term health of the world economy will depend on an adequate purchasing power of the developing countries.

-failure to reverse economic regression and restore growth will lead to political instability, violence and massive population movements of various kinds.

2. Sustainable development on the national scale, is only feasible in the context of a collective effort towards sustainability of the world economy. The reverse is also true: Global sustainability may not be attainable without appropriate measures at the national level.

A global energy regime, for instance, may not be effective, even if internationally agreed upon, without ecologically sensitive technologies and policies regarding the appropriate kind of economic growth and development at the national level in industrial and developing countries alike.

3. Development therefore is no longer a philanthropic issue on the part of the international community or an issue of shared economic bilateral interests, however asymmetric often, but an essential precondition for life in the 21st century. The stakes are human survival, the continued habitability of the earth, the governability of human society in freedom, and the living conditions of future generations.

The continuation of poverty and underdevelopment may constitute a major obstacle to global collective action towards these ends.

4) In view of these considerations a new understanding has become necessary between the industrialised and developing countries as a precondition for a new dialogue and eventually negotiations. Part of the dialogue should concern agreement on a less cumbersome and inefficient negotiating mechanism. The WIDER proposal may be relevant here. The dialogue should, apart from the obvious problems mentioned above, at least cover the following items:

a) the scientific and technological dimensions, specifically the development and widest possible distribution of "green" technologies, as a common interest of North and South. In addition major cooperative scientific projects, among others in the field of biotechnology, will be necessary in anticipation of rapid population increase and of the various impacts of global warming, like the rise of sealevels, increased watersalinity, and changes in agricultural and fishing patterns. Sustained efforts should also be undertaken to find satisfactor solutions to the anomaly that international competitiveness, generally requiring laborsaving technologies, only aggravates the overwhelming problem of 3d world unemployment.



b) a global, equitable and effective energy regime, that includes ecologically sensitive energy policies at the national level in industrial and developing countries alike.

c) an adequate compensatory scheme for the conservation of tropical rain forests as a manifestation of an interest shared by both North and South

d) an early settlement of the 3d world debt problem and an adequate resourceflow to the South to make possible a resumption of economic growth., before the collapse of political stability will make a solution even more difficult.

e) while human resource development is not a new issue- it has emerged and reemerged from time to time, in different guises, in the history of development theory - it is important not to approach this problem too narrowly ,i.e. simply in terms of formal education and training in specific skills. Rapid changes in the labor market as a result of technological advances require a capacity for flexibility and a nurturing of the motivation for such flexibility. Also a deliberate effort should be made in human resource development to include the whole population, and specifically the poor and the marginalised. What is needed is what might be called a multimedia and interactive "poor man's learning system" . For just as much as international poverty is an obstacle to effective global policies, so will domestic poverty very definitely be an obstacle to the major structural changes that development needs.

f) In this light a major review of Technical Assistance is called for. Technical Assistance has become very much donor-driven . The enhancement of institutional and staff capabilities of the developing country concerned , has somehow become less important than the supply of expatriate experts., a development that absorbs a disproportionate share of available resources and leads to unnecessary dependency Such a review should include an investigation into the constraints on the availability and use of local consultants. Such a review should include comparative payscales, employment structures etc.

g) present structural adjustment policies are generally of a short term character aimed primarily at the needs for debt servicing. It is important to review these policies so as better to be able to serve the longer term needs for economic growth.



h) It is of the utmost importance that the financing of international environmental policies, of enabling effective participation of 3d world countries in global policymaking and the building up 3d world capabilities to deal with these global problems, be additional to development financing proper.

In addition it will be necessary to ensure as much as possible automaticity of such financing.

## VII

### **Some other issues:**

Allow me, in conclusion, to make a few general remarks about a number of issues that have previously been considered to fall outside, or to be merely tangential to, the domain of development proper, but have now become crucial to our understanding of the dynamics of the development process.

### **Social sustainability**

These problems have to do with the strains a developing society experiences as a result of the rapidity and depth of social changes occurring because of the development effort itself, but also, unrelated to it, resulting from changes in the international socio-techno-cultural environment. More specifically we are concerned with the impacts of advances in sciences and technology, the communications revolution and the transborder information flows. These strains force us to confront what now turns out to be one of the crucial questions in development, i.e. the question of social and cultural sustainability, the capacity of a developing country to absorb change and its unsettling effects, including the inequality and injustice that often go with it. We all know that different societies have different thresholds of tolerance for change, and that with the present easy availability of arms, social and political cohesion can collapse to be replaced by continuous spirals of escalating violence if those limits are breached. How to raise those thresholds is an issue that to my knowledge has not yet been adequately explored.

### **Global pluralism**

There is another set of problems.

On the one hand, there are the powerful universalizing and homogenizing tendencies inherent in the "rationality" of modern scientific and technological culture, and in the dominant perception of modernisation and development, enticing some people to dream about a single world culture. However these same tendencies have in many ways also continued and sharpened the economic and social dualism of the colonial era. The modern elite in developing countries has, in terms of lifestyles and consumerist patterns,



often more in common with the lifestyles, and economic interests in the rich industrial countries than with those of the majority in their own countries. On the other hand, - largely in reaction - one witnesses the equally powerful insistence of many cultures in developing countries on maintaining their own cultural and political identity, often forged around a religious core. This makes the image of a closely knit world of cultural and religious diversity seem closer to emerging reality. It seems to be quite true that no culture can make the necessary creative adaptations to changed external conditions without the selfconfidence that a sense of authenticity and selfworth engenders, and that a degree of cultural privacy and a sense of cultural continuity is an essential feature of this adaptation process. Without it there is no opportunity for the kind of cultural openness that is so crucial for international understanding and effective international cooperation.

At the same time the rapidity of change, the imposition of homogenized developmental patterns, the emergence of new disparities, the perceived threat to cultural identity and group interests, have been in some cases so traumatic that reaction has overshot into ethnic or religious fanaticism, separatism and political fragmentation, often becoming a serious threat to the concept of the modern nationstate.

Experience in the postwar years have clearly shown that many of these social changes have led to, or are caused by, valuechanges. These are reflected in people's aspirations much earlier than in the consciousness or programs of governments. In this respect, governments have followed rather than led popular movements for peace and human rights, for the environment and for women's rights.

We don't know where these conflicting tendencies of universalism and particularism will lead us to. In any case they have also, especially among the young in developing countries, - in addition to the spectre of permanent un- and under-employment - led to a considerable degree of anxiety, alienation from the prevailing political system, whatever its ideological orientation, to anomie, violence, but also to drug abuse and alcoholism. These are disturbing signs of societies under stress. They also suggest the considerable pressures on the prevailing political systems, leading in response often to greater oppressiveness threatening to undo any developmental progress already made.

### **State and society**

Such threats to the development process have led in turn to the emergence of a renewed concern with the relationship between State, society and village-cum informal-sector, in development and its accompanying



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syndroms. During and after the struggle for independence the state was seen as the major instrument of political and economic decolonisation. After twenty to thirty years of independence, many people are raising the question to what extent the reverse has not happened, i.e. that the state has become the ally of transnational interests, and development has become the *raison d'être* of continued elite monopoly of power, be it civilian or military or both. One could argue that such a dichotomy is neither fair nor realistic, the fact is that much of the discourse in developing countries turns around this issue.

There is an interesting coming together of this issue with the international debate about the reduction of the role of government in the industrial countries and the re-emergence of faith in the superior capacity of marketforces in terms of optimal allocation of resources. While it is correct to say that also in the developing world decentralisation, debureaucratisation and privatisation have become -to a considerable extent rightly I feel,- the symbol of the new economic orthodoxy, its relationship to the modernizing bureaucratic state with its top-down developmental concepts and practices, as well as its relationship to emerging concepts of the crucial importance of the liberation and evolution of the informal sector and of rural industrialisation, their self-organisation and empowerment and, finally to the structural disparities inherited from colonial times, remain to be clarified and subsequently incorporated into a coherent alternative development theory that also meet the requirements of sustainable development. Continued debate in the developing countries - and hopefully in the industrial countries as well- will also have to include what kind of growth would be compatible with such alternative and sustainable concepts of development. It may also lead to the kind of institutional creativity that commensurate with the scale and complexity of the problem.

### **Rural industrialisation**

Another problem, not new but intractable so far, and requiring new approaches is the problem of rural development, so deeply interwoven with the problem of poverty.

All previous efforts at rural development have failed to stem the tide of rapid urbanisation. In Latin America it has become conventional wisdom to consider urbanisation an inevitability, resulting in the almost exclusive concentration of development on the cities. That approach may be less applicable for Asia with its huge rural population.

Some new approaches seem to hold considerable promise.

One is the set of recommendations formulated by a UN studygroup headed by Umberto Colombo, essentially advocating rural industrialisation in the form of the development of dispersed but efficient rural production systems,



based on the application of high-tech, specifically microprocessors and biotechnology, to traditional social structures.

The Chinese experience, after their breaking up of the communes, using the family as the basic productive unit in combination with rural based industry, may also contain some very useful lessons in this regard

The third, based on the work of Hernando de Soto in Peru, as reported in his seminal book "The Other Path" advocating the removal of legal and other regulatory obstacles obstructing economic and development initiatives from the informal sector and providing that sector with the kind of legal protection it needs for its own evolution and for its integration on equitable terms into the modern sector

### **The modernizing bureaucratic state and Development**

It seems obvious that after the initial mobilisation phase in its development effort the modernizing bureaucratic state will have to transcend its inherent limitations, if it does not want to become an obstacle to further development, and concern itself with a sustained effort at overcoming the structural dualism that keeps obstructing effective poverty-reduction, and with creating the conditions and political space for the autonomous evolution of an increasingly inclusive and creative civil society that encompasses the poor and marginalised as well.

It would in light of all this be a mistake to dismiss the crucial role of the state in development in its various stages. But ways have to be developed for the state to play that role without stifling the economy and initiatives emanating from within society, but also without the excesses that 3d world states have often shown themselves prone to.

Continued informed debate on these issues in the developing countries - and hopefully in the industrial countries, and between North and South as well - will inevitably include alternative concepts of planning as learning interactions between state and society, and questions regarding what kinds of growth are compatible with such alternative as well as sustainable concepts of development that are at the same time respectful of freedom.

### **How prepared are we for Our Common Future?**

In light of all this and given the fundamental linkages of development with the manner in which the international economy functions, with global and local environmental problems, and with the social and economic impact of rapid advances in science and technology, a great deal of rethinking needs to be done about the developmental enterprise and its connectedness with the overall question of human survival.

The performance of the international community in the 80's does not suggest that there will be enough of a shared political will in the decade of the nineties to generate adequate cooperative policies. Most energies of the



industrial world will be absorbed by efforts at regional economic integration, the adjustments to these new realities, including the integration of the European South into the Western economy. The economic opportunities and needs in Eastern Europe and the Soviet Union are also bound to claim a great deal of attention and energy.. All this will leave little for the necessary effort to resolve the debt problem and for effectively dealing with the global economic, environmental and developmental problems that now have become so closely interlinked.

The hour is late.. What can be done with some hope of success, is to gain as full an understanding of this complex and intractable problem as our state of scientific uncertainty allows us, prepare public opinion the world over, to develop the national and transnational constituencies for future action at both the global and national level, and hope that humankind collectively, and each of us individually will be capable to respond in time .

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