

## ESCAP and the Decade of the 1980s\*

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Ladies and Gentlemen.

I hope that I will be able to match the advance billing that you have been given. Mr. Kibria has put me in a rather difficult position by not telling me ahead of time what he wants me to talk to you about. He said to me, only a few minutes ago, "just talk," and so what you will get is a sort of stream of consciousness containing some of the reflections that have occurred to me as I watched the unfolding of some of the global problems and their interactions especially with regard to Asia. I have, of course, had rather an extended involvement with Asian problems but, to be frank, I have not kept up with the work of ESCAP.

We all know that the challenges now facing us are tremendous. So far it might be said that the governments in Asia have reacted to the global recession in a rather defensive way, by trying to ride the storm through crisis management rather than by preparing themselves for what may well be a very fundamental change in the position in which particularly the third world countries of Asia will find themselves in the years to come. The impact of the global recession on Asia generally is something

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\*Transcript of remarks made at meeting with ESCAP Secretariat.

that we all live with daily, and I need not spend any time on it. I do believe, however, that it will be important for all of us to try to look at the longer term social and political implications of the international economic situation for Asia over the next decade or so. It is very clear that the situation that prevailed in the 1960s will simply not recur again. Even if the global recession can be overcome by restimulation of the traditional engines of growth in the OECD countries, it is very likely that these countries will go through a long period of low economic growth accompanied with high unemployment. The reasons for these two conditions are not only economic; they are very deeply and profoundly social and cultural as well. It will take the OECD countries a great deal of time before they will be able to move into the reindustrialization process that will lead them into the knowledge-intensive, post-industrial phase. It will involve major structural changes that have to do with new types of industries that are less labour-intensive. These changes will also have to take into account changing conceptions of work on the part of the labour force, including white collar workers. The aging of the population will put an additional burden on the social security system. Even already I think it is not unrealistic to speak of the crisis of the welfare state. The question that the OECD countries will have to face is how to go beyond the welfare state rather than how to dismantle it, yet the latter view seems to be the predominant philosophy in a number of major OECD countries. I personally believe that the dismantling of the welfare state, that is, the simple reduction of the social services and social security system that is built into the society will not resolve the problem of reconciling equity, economic growth and freedom. A great



deal more really innovative thinking will be necessary before the OECD countries can have a clearer vision of what lies beyond the welfare state and how the social services and social security can be organized differently and less bureaucratically while meeting the very different requirements resulting from the changing shape of the population pyramid. This period of structural readjustment that the US, Western Europe and, to some extent Japan, will have to go through is therefore likely to be a long and painful one. The adjustment problems will manifest themselves in social unrest and conflict, in weak or divided constituencies, and therefore weak governments incapable of making the very hard decisions that will have to be made for this transition process to be successful. The protectionist attitudes that are now emerging for example are also likely to continue and to spread, simply for lack of innovative, imaginative responses. The crisis in the industrial countries is therefore a very deeply societal one, that has far more than purely economic dimensions. In some way this crisis also reflects the fact that the great ideologies, the great systems of thought that have given shape to the historical process in the first part of the century have run out of steam. No new ideas have emerged as yet that can capture the mind and the imagination and lead to action and give direction and shape to the historical process. The crisis, therefore, is also very much an intellectual one, something that intellectuals, the universities, and the research centres of the world will have to come to grips with.

In the meantime of course, the impact on the South, and on Asia specifically, will be very profound. Already now the impact of the recession has made itself widely felt; even some of the countries that

have been more resilient in responding to that recession in the western Pacific are themselves now too beginning to feel the pinch, and, as seems likely, if the recession is going to last for another two years or so, its impact will be devastating. It is going to be felt not only in the stagnation of the development process as such but it may very well be that the pressures on the political systems in our countries in Asia will be such that the cohesiveness of these systems, whatever their ideological outlook, will suffer greatly and that there will be a considerable amount of political tension and unrest.

Now what does this mean to us who are so involved in the development process in Asia? It means, I'm afraid, that quite a number of issues with which we have been concerned will have to be looked at in a different context. Let me try to sketch out for you some of the elements of that change in context.

That context, in my view, is determined first by the likelihood of a long period of slow economic growth in the North even after the recession is over, and, second, by the very rapid technological changes that are in the offing. The slow economic growth with high unemployment levels in the North along with strong inclinations towards continued protectionism raise very profound questions about the viability of export-oriented industrialization strategies of developing countries. We in the South may have to rethink our industrialization strategies; we may have to have another look at the import-substitution strategies which have led to some success in the past but also to considerable inefficiencies. However, inasmuch as the protectionist climate in the North will likely continue, we will have to try to reduce the cost of inefficiencies in



alternative strategies of industrialization.

Essentially what may be required is that we in Asia here will have to make much more effective and efficient use of our own resources. Effectively, we are now thrown back on our resources and it is totally useless to continue lamenting to the North and to the world at large about the decreasing transfer of resources, about the increase in the tying of aid; these are I think realities about which further complaint will not help unless the South and specifically Asia puts its own house in order. That is the primary requirement, I believe, for any effective effort to get something resembling the global negotiations going. The UN system appears wedded to having these global negotiations but I'm afraid that those negotiations are bound to go through a period of empty gestures unless the South begins to shape up and organize itself better. There have been a number of general, rather vague ideas about recovery of the global economy through a sort of international Keynesianism, trying to increase effective demand in the South with a view to stimulating the economies of the North. I think it is only realistic for us to realize that what happened, for example, during World War I -- when South America grew despite the war -- is not something that will repeat itself, at least under present conditions. For growth to occur today, it will be necessary for us to come to grips with the basic problem of Asia: the problem of domestic inequality.

If we want to develop our domestic markets and raise effective domestic demand, this is the central problem that will have to be addressed. We have, in my view, lulled ourselves too much by primarily orienting our industrial policies towards markets in the North. I think that period is

virtually over by and large. I'm not saying that there is no use in participating in international trade; certainly it will have to be done. There will still be a continuing case for export-oriented industrial development dimension, and especially in South-South terms, but, in and by itself, it will not be sufficient. It will not be enough to pull our countries out of the mess in which we now are. There is simply no escape for dealing with this central problem of domestic inequality we have largely avoided to date. As we all know, governments on the whole have avoided dealing with this problem because of the difficulties it presents. But I don't think that there is any longer any escape, and we will simply have to deal with these difficulties. It is here that questions of social development and of the reorientation of development strategy, as well as the question of employment creation in the rural areas, will all become extremely important.

In development theory, there have been in the past speculations about delinking. We are now really in a situation in which a kind of delinking may well take place, not by choice, but by force of circumstances. We are brought to this conclusion from the present situation and the choices will be very hard and urgent. Why? Because of the continuing lowering of the median age, the pressure on the employment market will be tremendous and it may be only a few years before those pressures will translate themselves into political tensions that may well tear apart the very limited political cohesiveness of our societies. So the urgency is there.

Now there is the second dimension, and that is the rapid rate of technological innovation. It is becoming increasingly clear that the advances in biotechnology, in energy technology, in micro-processors and



in materials technology will have profound influence on North-South relations. On the one hand, to the extent that the reindustrialization effort in the North succeeds -- and it is fortunate in a way this will take some time -- the North's reliance on the usual materials and products from the South will be reduced. On the other hand, new dependencies will arise as a result of these technologies. There are very important developments here which we will have to take into account as we begin to rethink our notions about the dynamics of development and the direction of development.

Take, for example, the advances in biotechnology and here I think it is important to mention the decision of the US Supreme Court that has made it possible for advances in biology to be patented. What is going to happen -- what is already happening -- is that a whole high-risk but rapid-growth industry in biotechnology is developing. Many of the great universities in the North, which had taken pride in making scientific knowledge available to whoever was capable of sharing it, now have a number of commercial offshoots that narrows access to scientific knowledge in this very crucial field of biotechnology. The advances in biotechnology, I think, are going to be the most essential part of what one may call the second Green Revolution, a revolution that will have to come if we want food production, especially food distribution and food availability to the poor, to keep up with population increase.

Similarly, the impact that developments in the area of micro-processors will have on productivity in the North will be such that one basic assumption in our industrialization policy will have to be changed. That assumption was that marginal industries from the North would increasingly

move towards the South. In fact some of the newly industrialized countries, the NICs, have profited from that process. We all had more or less assumed that gradually that process would be extended towards the latecomers. I think the latter now are faced with an entirely different set of problems due to the fact that already a few industrial enterprises in the North which were on the verge of bankruptcy and disappearance have been revived because of computerization and robotization. Thus we can no longer assume -- and I speak primarily for the latecomers in industrialization -- that the process of gradual extension of the movement of marginal industries from the North to the South will continue. This raises some very profound questions on basic development strategies for those countries about how to meet those changes in the North and what to do about the creation of employment opportunities. Frankly, I have no answer at this stage and I think it will take us a considerable effort to develop the answers and the necessary responses. On the one hand, we will have to develop in ways that will enable us to meet the massive employment needs in our countries. At the same time we will have to recast our notions about industrialization in terms of capacity of a different type that will enable us to compete with the North; in what areas and through what types of industries?

On top of this, I think we should also take into account that, as a result of scientific innovation, there will be changes in materials technology; biotechnology among others will lead to the capacity to produce industrially and synthetically a number of materials which in the past the North has been importing from the South. The industrial revolution in these frontier areas therefore is bound to affect traditional



trade patterns and conventional North-South relationships. In a very profound sense we will see evolve a different international division of labour. How exactly we don't know for it is too early to say; biotechnology at the moment is still primarily a promise, the results aren't visible yet, but I think it is reasonable to assume that in maybe five years the impact of new findings will make themselves sharply felt.

We are therefore forced in a very fundamental way to rethink our own development strategies. Failure to do so would make us even more vulnerable and even more dependent on the North than we would be if trends prevailing before the recession had continued. This, I believe, is the major problem that we will eventually have to face. The question is: how do we get started? How can the South go about the strengthening of its own science capabilities to the point where it can participate actively in the new technological revolution?

Here, I think it is important for us to have a very hard look at our own science development policies. In the past, we have followed the conventional wisdom held by donor countries and institutions that, for the third world research in the basic sciences was a luxury. The emphasis has been for quite some time on the applied sciences. This course certainly paid off to some extent but now, with the potential developments on these frontier areas that I cited, a very fundamental question arises: is it enough for the South to emphasize the applied sciences? Hasn't the time come for the developing countries to pay much more attention to the development of basic science capacity in a number of fields which underlie the needed capabilities in biotechnology, in communications technology and in materials technology? There are a few exceptions -- I think India

is one -- but on the whole in Asia, our capacity in the basic sciences is very low. Without much greater capacity in microbiology, in genetic engineering, in solid state physics, we simply won't be able to participate within the foreseeable future in any effective way in the scientific and technological revolution that will reshape and recast our relationship with and dependencies on the North. This, of course, is an area in which we will have to be sensitive to the specificities of the situations of each of our countries. Nevertheless, I think it is possible to set up this broad framework describing the setting in which we will have to look at our own national policies.

Earlier on I spoke about the fact that we are now thrown back on our own resources and that there is simply no way out except by trying to use our own resources more effectively. I believe we will have to do so, not only in the context of our own separate nations, but also through regional and sub-regional co-operation. What is needed is a much greater capacity for co-operation optimizing our complementarities if we want to weather the impact of the very profound changes that are going to affect the world. I am afraid we have not made much progress in that regard because of the almost exclusive preoccupation of all our governments with our own national problems and we all know how urgent, how immediate and how great these problems are. Nevertheless, I think it is futile to think in terms of saving each of our own countries separately from the major process of transformation on a global scale that is already under way. It is only through much more effective regional and sub-regional co-operation, and interregional co-operation that we can hope to assert ourselves, and to meet our specific needs in the context of this changing pattern of national



and regional interests -- North, South, East and West.

A great deal of new thinking will have to be done about this and, frankly, I do not believe that governments will be able to find the time and the energy to do so. The complexities of our social and economic and political situations are such that governmental emphasis is bound to remain on crisis management within short time frames dictated by elections or by succession needs. I think therefore that it is essential that we try to mobilize the intellectual capacities of institutions outside the governmental structure to have the capacity to look at our problems in a longer time frame.

A number of other problems of an ecological character also will have to be brought into the equation. This will again lead to the need to develop much more innovative and imaginative structures of co-operation both within the South and between North and South. Let me cite just one example -- there are figures that show that by the year 2000 the needs of Japan alone for wood products would be such that the forest cover of the whole of Southeast Asia would have been used up if this were the only wood source on which Japan would draw. It raises questions about conservation, ecological preservation and the enhancement of the carrying capacity of our regions, especially in the area of renewable resources, that will require the development of a new and common ethos of shared responsibility between consumer and producer for the preservation of these forests. Of course, we are all fully aware of the importance of the maintenance of forest cover, not just in economic terms but for sustaining the ecological balance on a global scale. We simply can't leave it to market mechanisms to decide whether or not there will be the total destruction of forest

cover in our part of the world. We will have to develop a new ethos, a new sense of shared responsibility. Again we don't know how we will do this but study of such problems is urgently required. There are of course a number of other ecological problems, but I cite this one particular case as an example of how we need to move our thinking beyond a conventional concern about ecology into the development of a different set of rules and to a different ethos. In the meantime, of course, the question is can we make do with simply crisis management?

I think there are a number of additional problems that we should look at and in which an organization like ESCAP could play a significant role. It could look at policies that have worked out well and policies that have not worked to assist other countries in deciding which policies to pursue. Intergovernmental institutions, on the whole, avoid making judgements about whether a particular policy has been successful or failed in one country and investigating why it has been a success or failure. I think it will be necessary for us collectively, within the governments and outside our governments, to learn more concrete lessons about the development experience so far before we begin evolving grandiose alternative schemes. I think we should look at our own experience much more critically and discriminately. Assessments of successes and failures and identification of possible reasons why, I think, would be of great benefit to our countries as we all try to weather the storm that is now taking place.

I hope these remarks will be taken as having thrown a stone in the water and we shall see what the ripples are in the discussions that follow. Thank you very much.

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