

New Perspectives for North-South Relations

by Soedjatmoko
Rector, United Nations University

1983 Copland Memorial Lecture
Melbourne, Australia
14 February 1983

I am very honoured at the opportunity to give the 1983 Copland Memorial Lecture. The list of those who have preceded me in this lecture series over the past six years is a most distinguished one, marked in particular by some of the world's leading economic thinkers. So I approach my task here today with a measure of humility and trepidation.

I have chosen for my topic the question of new perspectives that I believe are now required in North-South relations. As Prime Minister Fraser rightly observed several years ago, Australia, with virtually all its nearby neighbours from the third world, of necessity must be more aware of the problems of the South than any developed country in the Northern hemisphere. Since then, as the combination of the deepening world recession and the severe drought have worsened Australia's economic situation, this country has been affected as if it were part of the South; it is suffering from the rising tide of protectionism as much as any third world country. This forum thus provides a rather unique vantage point from which to consider the state of North-South relationships.

We are at a moment in history, it seems to me, when we badly need a change in our categories of thought about those relationships. The phraseologies of the 1960s and 1970s simply will no longer do. Increasingly, many of the South's problems are shared by industrial countries in the North on both sides of the East-West divide. It may well be time to begin to think of new alignments based on new configurations of common interests that will more accord with the economic, political and social realities of our age and the trends for the future.

But before one can pursue the question of what the new perspectives should be, in any rational manner, it is essential first to consider the nature of the global situation in which humankind finds itself.

It is a situation in which the whole international system itself is in a state of crisis. The many cohesions -- political, economic, social and otherwise -- which have held that system together are coming unstuck at a frightening rate, and there are no signs of any replacements for those cohesions at hand.

Economically, the current global recession is the longest, and by most measures already the deepest, since the Great Depression of the 1930s. In the OECD countries, unemployment stands at a post-war record of 32 million men and women whose frustrations will have major political consequences and sorely overtax the social service system of governments. In Australia as you all know, it has reached a level of 10 per cent of the increasing population.

Idle capacity is increasing. Profits are low. World trade is declining substantially for the first time since World War II. Commodity prices are at their lowest real levels for 30 years. Economic growth has gone into reverse in Latin America and sub-Saharan Africa. Even in the most dynamic developing countries in East Asia -- some of Australia's most important trading partners -- the growth rate has been halved.

One of the most foreboding signs on the current scene is the manner in which the international financial system has become divorced from the economic system and made rational management almost impossible. The recent unpredictability of oil prices is like a loose cannon, whose sudden lurch in either direction triggers panic in the world's financial markets.

We have reached a state of human folly where nations stricken by hunger and poverty must pay as much as \$125 billion a year on their debts despite stagnating economies, declining incomes and starving populations. Three quarters of a billion people are hungry in a world economy which, for all its present afflictions, still has the productive capacity to produce sufficient food for all. Seeking economic relief, millions of people are pouring into already overcrowded slums of cities; those who stay behind ravage the environment as they engage in a desperate search for more fuel wood or more land to till. Unprecedented flows of migrants across national and continental boundaries in search of jobs raise political, economic and cultural tensions that strain government management capabilities to the breaking point; the expulsion of millions of migrant

workers from Nigeria in recent days is a tragic example of the form the backlash can take.

Further feeding the global economic crisis is the fact that we have lost political control over the nuclear arms race and the arms trade. A labour force of more than one hundred million people is paid directly or indirectly by defence ministries. Globally, more than \$50 billion is spent annually on military research and development and nearly half a million scientists and engineers are engaged in the arms industry or weapons related research. The folly has now reached the point where it is clear, even in some of the most advanced nations, that we cannot have both guns and butter -- some very hard choices will have to be made.

The cost of the arms race must be measured not only in the annual \$600 billion spent -- which is itself only a rough approximation in the view of most experts -- but also in the lost opportunities, the possibilities that are foregone for improving economic and social conditions throughout the world. True, there may be minor positive spin-offs from military R and D; their benefits are very slight, however, when one weighs them against the fundamental core damage than an excessive military build-up can do to a nation's economy and spiritual and ethical well-being.

Both in the North and South, governments keep buying ever more sophisticated arms for security, only to increase the globe's insecurity and vulnerability as well as their own. It is a sad commentary at a time of global recession that the

last remaining growth sector in many countries is the arms industry; this distorts a nation's whole economic and social development and raises profound questions about patterns of post-recession reindustrialization. In addition, we are also witnessing the militarization of whole societies. In short, humankind has allowed science and technology to serve its fears rather than its better creative impulses.

Governments everywhere show an increasing incapacity to make the hard choices that must be made to implement the difficult policies needed to find our way out of the current crisis. We are in a situation in which the rate of change, fuelled by economic, as well as profoundly political, social, cultural and especially technological factors, outpaces and outstrips the capacity not only of governments but also of the political and social institutions that undergird them to absorb and adjust to these changes. It is a rapidly deteriorating international situation drifting in what the Secretary-General of the United Nations, in his Annual Report last autumn, very rightly saw as the threat of a new international anarchy.

In looking for a way out of the present economic crisis, we are confronted with a number of "bite-the-bullet" realities:

* Even if we are able to overcome the present recessionary cycle in the next few years, it is only realistic to assume that the rate of economic growth of the OECD countries will be very low for a very long time. The clear fall in inflation and decline in interest rates since last summer, however welcome, are insufficient to hold out the hope of restoring

anything like the prosperity of the 1960s and early 1970s in the mid-1980s. Real rates of interest remain extremely high. Productive investment is falling; indeed the investment rate was falling even before the oil crisis in the 1970s. Investments have been tending more toward dampening capital flow and mobility -- into the purchase of homes, for example, or collector's items. Most forecasts currently predict at best weak expansion in 1983 and beyond. The minimum growth rate that would be needed to prevent increased unemployment in the OECD countries -- 2 to 3 per cent per annum -- is at the top of the range of current forecasts for actual growth.

* This long period of slow economic growth is likely to be accompanied by continuing high levels of unemployment. These are essentially structural in nature and they will impede the efforts by the OECD countries to move into a much more knowledge-intensive, post-industrial stage with a still unpredictable impact on unemployment and life-styles. In this connection, it needs to be recognized that recovery, this time around, will not simply involve the process of taking up idle capacity. The anticipated slowness and difficulties really reflect the present state of technological obsolescence in many industrialized countries. Recovery needs to be viewed, therefore, as essentially contingent on the reindustrialization of the North.

* From this it follows that a major challenge to the industrialized countries is the need to retrain their labour forces for new industries and new ways of organizing production.

Both industry and labour must find ways to overcome the rigidities that have developed in their structures, in order to respond more effectively and efficiently to the technological revolution that is already under way. The heart of the problem is not in debate over the conservation of "sunset" industries versus the promotion of "sunrise" industries; rather it goes toward the articulation of a new vision of post-industrial society.

* One more reality that must be faced is the growing evidence of an inadequate international financial system. The rapidity of financial information flows and international movements of money has almost completely escaped any sort of reasonable control by even the most powerful governments. The international banking system has clearly over-extended itself and the spree is over. The developing countries have amassed foreign debts of something of the order of 600 billion US dollars, and more than half of that is owed to commercial banks. The risks have now become clear and the banking community will be increasingly chary of extending credit -- even for new investments in the first world. In all of this uncertainty and even looming threat of collapse of the international banking system, it is now finally coming to be recognized that there is an urgent and compelling need for a second Bretton Woods Conference to think anew and in reasoned fashion about how we might put the international financial system on a more realistic course.

All of these problems are economic in nature, to be sure,

-- but they go much deeper than that. In their reach into all our daily lives, they also touch on basic political, social and cultural concerns as well. Perhaps nowhere is this so manifest as in the problem of the growing numbers of older people in our population, the so-called "greying of society." By the year 2000, it is projected that there will be more than 590 million people in the world over 60 years of age, or about one-tenth of the estimated world population at the end of this century. Nearly half of them, some 280 million, will live in Asia.

The problem of the greying of society in the North has three basic dimensions. First is simply the sheer numbers of the elderly taxing the social service capacities of governments. Second is the pressure that this will put on an increasingly smaller productive cohort in the population -- those who are working will have to support many more older people. This is one of the great conundrums that is just newly emerging from efforts to curb population growth; limiting family size today to only one or two children means inevitably that there will be far fewer in the future work force to support greater numbers of the elderly.

A third dimension to this question is the matter of leisure with increasing longevity. Studies in Japan, for instance, indicate that over the course of this century, longevity will have doubled from 40 years in 1900 to 80 years in the year 2000. An 80-year life span translates into about 700,000 hours. Of this, some 450,000 are consumed by education, work and

biological functions, leaving 250,000 hours of leisure time. This raises profound questions about how this time could be used in a fulfilling manner and not left to idle frustrations and discontent.

The current economic problems are also being affected in the Northern industrialized states by changed attitudes toward work. Greater numbers of people in the North no longer think of work and earning money, essential though they may be, as the chief purpose of life. Economic profit has traditionally been a measure of efficiency. However, when profit and efficiency are no longer the governing principles of productive organization, then new ways must be found that will enable us to deal with social growth not only in economic terms but also in terms of social and cultural productivity and value. The patterns of reindustrialization are bound to be affected by these new value configurations:

A further problem is the rapid growth of the non-tax paying sector of the economy -- the so-called underground or black economy increasingly operating in many nations. It is growing at such a pace that it escapes the management capacity of governments, reducing their tax revenues and their abilities to provide social security assistance to the elderly and others who heretofore relied on this source of income.

These and other new domestic forces that thread throughout the international economic scene have combined to bring on what we might call the crisis of the welfare state. It should be noted that the welfare state has been essentially a compromise

between liberty and equity -- and that compromise is now coming apart. In the face of its dissolution, three options would appear to be open. The first, which several countries have already elected, is the way of regression, the dismantling of the welfare state. The second is the increasingly difficult task, given the many strains I have just cited, of defending some continuing form of the welfare state with adjusted benefits and services. The third is to move beyond the defence of the welfare state to a more advanced and sustainable form of societal organization based on a new dynamic configuration of the values of liberty and equity that more effectively relates economic growth, technology, employment, and quality of life. Implicit in a move in this direction is the notion that no country can any longer hope to overcome these problems in isolation simply on the basis of national solutions. This requires the recognition that no country -- neither North nor South -- can overcome the type of impedances that have arisen in the present situation.

Any national solutions in the present and future world will have to be worked out within a coherent international context that is capable of overcoming the structural disparities of previous international economic systems. All these solutions turn around two basic and interrelated issues: the North's ability to move successfully into the post-industrial world and the South's ability to move out of its present stagnation into new pathways of industrialization.

Given the features of the current economic situation that

I have been describing, it may not be realistic to assume that the OECD countries will be the engines of growth that they were in the 1960s and 1970s. What seems far more likely is that the larger Northern economies will be increasingly preoccupied with their own problems, leaving the smaller and middle-sized industrialized and developing states as some of the chief victims of such "beggar-thy-neighbour" policies. Under these circumstances, the latter countries will no doubt want to look for alignments and partnerships in the South with which, under the circumstances, they have far more in common.

The indifference of the larger Northern economies means that the South is effectively thrown back on its own resources, however limited they may be. This means that the South will have to find ways to use those resources more efficiently and effectively.

Many countries of the third world will have to come to grips with their central problem -- domestic inequality. Coping with this will mean coming to terms directly with the question of poverty. It will be necessary to develop domestic markets long-neglected in the interests of export-oriented strategies which are of little avail in a time of global recession that is closing Northern markets.

With a few exceptions, the developing countries have failed to overcome the structural dualism of their societies which has been inherited from their colonial and pre-colonial past. Something must be done about the consumptive life-styles of the third world elites which helps to perpetuate this

dualism with its endemic rural poverty. Too many of these elites continue to be bewitched by outworn assumptions about economic planning, technology transfer and the modernizing technocratic and bureaucratic state. The real issues are increasingly of a different order, involving social dynamics and innovation, equity, justice, freedom, alternative industrial trajectories, and revitalization of the countryside -- all turning around the central problem of poverty and inequality.

This core problem of inequality is further complicated in the South by the increasing numbers of older people -- the most dramatic growth in those over 60 years of age over the next several decades will be in the third world, most notably in Asia. By the year 2025, it is projected that China will have 284.1 million elderly, India will have 146.2 million, Indonesia 31.3 million, Bangladesh 16.8 million.

This greying process will be taking place at the same time that the median age in most third world countries is still dropping with rapidly increasing numbers of the young. With the development process almost certain to stagnate for some time, the end result of this trend is to put tremendous pressures on the employment market. These pressures in turn could trigger major political convulsions, mass exodus, economic collapse, violence, civil war, annexation attempts, and increased interference by external powers. All of this will be irrespective of ideological orientations and different development strategies.

A further problem for the South is that the assumption

that continued industrialization will take place through the movement of marginal industries of the North to the South is now being severely challenged by the revolutions in automation, robotization and communications. In particular, the late-comers in industrialization in the third world will have to begin to rethink their patterns of industrialization along lines that will enable them to compete in different areas and on different terms with the North and at the same time take care of their own massive unemployment problems. Protectionism and slow economic growth in the North will provide pressures that will demand a review of export-oriented development strategies that depend heavily on Northern markets.

Central to the South's ability to make its own response to the current global crisis is the necessity that it put its own house in order. The third world, it needs to be admitted, is beset by fragmentation and disorder and caught up in many sharp tensions and conflicts, whose roots lie, to a large extent, in historical and new tribal, ethnic, communal and religious antagonisms and rivalries. It should be recalled that more than 100 wars have been fought in the third world since the end of the Second World War, and most of them have been between third world adversaries.

The inherent instabilities within many developing societies have led to the collapse of a number of the first generation of political institutions, based on Western models, which proved unable to cope with the needs of their societies. The second generation is now being tested by problems of succession and

in some cases a third generation may well be required before a measure of stability and equity can be achieved.

An effort by the South to overcome the central problem of inequality through the development of their own internal markets, might well prove to be the instrument by which the developing countries stimulate and revive their economies and reduce the paralyzing social and political tensions which afflict them. In this effort, modern innovations in science and technology need to be employed to the fullest.

The technological revolution already under way will impact sharply all over the globe but perhaps nowhere so sharply as in the third world where it could have particularly negative effects and create new dependencies. To prevent this, the South must prepare itself to play an active role in that same revolution. Here I am talking about the enormous implications for the South's future and for North-South relations in the revolutionary developments in fields like biotechnology, communications and microprocessors, energy technology, materials technology, sea bed technology, and space technology.

Certainly one of the middle powers already feeling the effects of the "beggar-thy-neighbour" policies of the large Northern economies is Australia. In many ways her interests coincide with those of her third world neighbours and suggest that Australia's future lies in greater co-operation with those neighbours than is presently the case. Australia's own dynamics seem closely tuned to those of the South -- not only on the southern and eastern rim of Asia, but also with

the Latin American countries that lie along the western rim of the Pacific Basin.

This is already being demonstrated in the area of trade in most convincing fashion. Australia's trade with the Southeast Asian countries has increased dramatically over the last several decades. Not even counting the US or Japan, half of Australia's trade is with the remainder of the Pacific region -- it equals the trade volume with the US and is only slightly lower than that with Japan.

The direction that Australia's economic interests could take in the future is suggested by some recent analysis of labour productivity growth in the OECD countries over the past several decades. Japan's growth figures, these studies indicate, were well ahead of the rest of the OECD. With a well-educated labour force and effective management practices, Japan was in a position to adopt and absorb the latest advances in technology -- to pick and choose, as it were, what it needed. In the last few years, however, Japan's labour productivity growth has dropped off sharply, although it is still ahead of the other OECD countries. What this would appear to signal is that Japan's process of catching up with the US and Western Europe is over.

Which, of course, raises the question of who will be in the best position to do the catching up in the next decade or so -- who, so to speak, will be the Japan's of the 1980s?

While a great deal of attention has focussed on the so-called Newly Industrialized Countries, the NICS, we are now

coming to realize just how precarious their success stories have been -- with certain of the NICs the most severely damaged in the recent international financial upheavals.

Most of the catching up opportunities lies with the large populous countries of the third world, and particularly in East, South and Southeast Asia -- but only if these countries are able to overcome their structural disparities and internal rigidities. Australia's future lies, I believe, in being part of that catching up process that could take place in various parts of the Pacific Basin.

East Asia, it should be noted, has survived the global recession better than any other region of the world. Relatively healthy GNP growth rates have been maintained. Increasing flows of intraregional trade and investment have helped to insulate the region from the severest economic woes of the West. Moreover, the growing ills of the North are helping to awaken East Asian's to their own strengths and to their own potential for the emergence of indigenous forms of society. We may, in fact, be witnessing here the beginning over a long and painful time period of the emergence of region-specific civilizations that -- along with a variety of Sinitic, Hindu and Islamic civilizations -- are rising to demand a rightful place side-by-side Western civilization on a basis of rough parity.

While Australia's civilizational roots are in Western traditions, I see no reason why she could not be a full partner in sets of regional arrangements in this part of the

world without losing its own cultural identity. Such arrangements should encompass regional co-operation in matters of security and development. Regional economic co-operation, for example, would help enhance social stability in the area. Regional arrangements could include agreements on confidence building measures and the meshing of national interests of the countries within the region to reduce the capacity and inclination to make war on each other within the region. Over the long term, regional security agreements under the United Nations Charter need not be excluded. Various synergistic actions could be developed to aid the poorer nations within the region in the industrial catching up process as well as facilitating structural domestic reforms.

Let me emphasize further that the regional arrangements which Australia could consider need not be confined to Asia. Others could respond to common interests that Australia has with her Latin American neighbours across the Pacific, or with the Middle Eastern and African countries across the Indian Ocean. I am aware that Australia has already made important beginnings in these directions. However, it is evident that a much deeper involvement in the Asia and Pacific environment and the third world in general could bring greater mutual benefits. Such deeper involvement is indeed an urgent necessity as we move into the 21st century. In this context, it may even be necessary to envisage the need for new co-operative arrangements or quasi-coalitions between the South and those small and medium powers among the industrialized

countries which find themselves in the same bind. Any sort of regional arrangements however will have to be worked out in a global context.

The crisis of the international system has now reached the point where its continued viability virtually depends on the willingness of major debtor-countries in the South to forego the option of defaulting on their debt repayment and servicing, and the willingness of the richer countries to help bail them out. This situation is well nigh intolerable and cannot long continue unless effective and comprehensive measures are taken to put things right.

To avoid a total collapse of the international financial system and to move effectively and rapidly towards the kind of global negotiations that might lead to a new and broader kind of Bretton Woods agreement may require the calling together of a series of mini-summit meetings between leaders of compatible groupings of the smaller and medium sized industrialized countries and the countries of the South that share common, longer-term interests. These summit meetings between the North and South should be organized to deal with the new interlinkages between the following three sets of problems that have so far been dealt with separately:

- * First, the group of problems relating to the debt burden, falling commodity prices and access to industrial country markets;

- * Second, the probability of slow economic recovery and the need for restructuring and reindustrialization within

the industrial economies; and

* Third, the need for more rapid structural domestic reforms in the South.

It would seem to me that only in this way could the new concepts and, with them, the political will be developed that is needed for a new and serious thrust towards a global and comprehensive way out of the deepening crisis.

In this search it is important to realize that, as we move into the 21st century, the major shifts in the global configuration of power, in relative economic growth rates and competitive capacity, and in the major changes in trade patterns and the international division of labour, will, to a very large extent, be a function of scientific and technological innovation. It is no longer true that the flag follows the trade; increasingly trade will follow technological development and innovation.

In such a situation the medium and small sized industrial countries and the larger, poorer developing countries will have to be able to make quantum jumps in their scientific and technological capabilities in order to respond creatively to the revolutionary advances in science and technology and the new problems and opportunities these open. By the same token it is no longer possible or meaningful for medium-sized industrial countries like Australia to relate to the South only in terms of its development needs, conventionally defined. Certainly in the Asia Pacific region, such countries will have to relate their own scientific and technological capabilities

to the development of the scientific and technological infrastructure of the developing countries needed to maintain the momentum of the catching-up process in labour productivity that is now taking place in this region. This may require quite innovative trajectories of industrialization in response to specific problems of poverty and unemployment.

In other words, if Australia decided that its future lies with the South in a significant fashion, is Australia prepared, over and beyond its very creditable role in development assistance to become a major centre of science and high technology for this region of the world? A positive answer to this question means that much greater efforts will have to be made in placing increased emphasis on graduate and post-graduate collaborative research and training arrangements between Australia and these countries, both Australia itself as well as in these countries. It will also require a considerable strengthening of Asian, Latin America and other third world studies in Australia, in order to reinforce the multicultural commitment and sensitivity that such a role requires. It is encouraging to note, in this respect, the recent trends in this country away from the earlier Eurocentric preoccupations, and increased interest in domestic multiculturalism. It is on such a foundation that Australia, in its own longer term interests, can build the strong capacity to serve as an effective centre for science and technology within Asia and the Pacific region and indeed the whole world. As we approach the 21st century, therefore, it has

become increasingly clear to most observers that all countries whether in the North or in the South, will have to rethink their strategies of national and international development, and to reposition themselves accordingly. Such an enhanced capacity as a centre for science and technology will certainly help enable Australia to come to terms with a rapidly changing, increasingly crowded and highly competitive world as it moves inexorably towards the 21st century.

The realization that the world is in the process of rapid global transformation and even greater interdependence, and that change is an inescapable companion of all our modern lives, is an essential focus of the work of the UN University. This University was created by the United Nations to promote scientific and intellectual co-operation in the world and to help identify and find solutions to "the pressing global problems of human survival, development and welfare," working through a worldwide network of institutions of research, advanced training and the dissemination of knowledge. The University accordingly stands at the intersection of the world of universities, science and scholarship, and the critical global concerns of the Member States of the United Nations

It has established a network involving over 120 institutions of research and training in some 60 countries. With its guarantee of autonomy and academic freedom under its Charter, the UN University stands as a ready instrument for this essential task of international co-operation, and is facing

squarely the enormous challenges in North-South relations about which I have been speaking so far. Through its research and advanced training programmes, the UN University can, among many contributions, help to provide the essential knowledge base that is so much needed if the North and South are to be united in a harmonious and equal quest for human survival, development and welfare, as we approach the 21st century. It will be a painfully slow and difficult road for the North and South to travel together. From the little that I have seen, since my arrival this week in this country, however, I am more than ever convinced that Australia has the capacity and the potential to play a significant role that will go far beyond its present regional boundaries and traditional and historical ties, and that, with its human and material resources, its intellectual, scientific and technological endowment, it could, if it decided to do so, indeed make a major contribution to joint North-South efforts towards a common global prosperity.

Sir Douglas Copland, also whose memory we in these bi-annual lectures, is the founder of the Australian National University, an institution which, together with its sister-institutions, is in the forefront of Australia's scientific and intellectual co-operation with the international community. The work of the UN University has so far involved only a small number of scholars and scientists from Australia. We in the UN University, hope that this involvement will greatly increase; and we look forward to enhanced participation and continued support from this country's scientific and

academic community in the very important tasks that lie ahead for a mobilized international scholarly community. We are sure we can count on the support of the Government and people of Australia.

Mr. Chairman, Ladies and Gentlemen, I am proud and grateful to have been invited to participate in these lectures. I thank you.