

## Development and Interdependence

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My theme today is "Development and Interdependence". The appropriate time frame for a reconsideration of development is, obviously enough, the post-war period during which the concept of planned and directed economic growth with attendant social benefits gained almost universal acceptance. We are coming to the end of the fourth decade of the post-war period, and it is, I think, an appropriate time to cast a critical eye over the institutions that were born at the beginning of this era.

I cannot think of a better place than this university in Helsinki to begin a search for a clearer understanding of development and the limitations of aid as we know it. The commitment of the people of Finland over the centuries to the maintenance of their national dignity is well-known and documented; yet, while being acutely conscious and concerned with the integrity of your own culture, with the development of your economy and the establishment of a model system for social security, you have never remained inward-looking. From the Northernmost capital of the industrialized world you have been consistent and ardent advocates of the needs of the South, especially its smallest and poorest countries, and of the North's responsibilities to development. Within the United Nations, Finland has been a voice of moderation, of common sense, of coalition rather than fragmentation. The participation of Finland in the peace-keeping operations of the United Nations and its strong support for the multilateral development work of the UN are just two manifestations of the commitment of this country to the ideals and operations of the United Nations.

In the aftermath of the massive global crisis that was World War II, the then much smaller community of nations devised a creative and co-operative arrangement for the promotion of a safer, more stable and prosperous world: namely, the United Nations system, whose fortieth anniversary we will celebrate next year. Secretary-General Pérez de Cuéllar has expressed his hope that this will be an occasion for the Member States to rededicate themselves to the principles and spirit of the United Nations Charter. The timing is more than felicitous. For it is no exaggeration to say that the world is again facing a crisis of global proportions, different in nature but, in its own way, as threatening to humanity as World War II. The crucial question is: will today's community of nations be able to come up with a constructive collective response to today's crisis?

The global crisis of our time, unlike World War II, is not primarily a military and political crisis, though it has these dimensions. It is fundamentally a crisis of development, in the very broadest sense of this term which is by no means restricted to what we call the developing world. In saying that development has been blocked, misdirected or stalled, I do not mean to overlook or belittle the great accomplishments of the post-war development effort. The reconstruction of Europe and Japan deserve to be known as economic miracles. Both allies and former enemies were aided in reconstruction, precisely because of the recognition that an abject and subject nation was more likely to return to the ways of the aggressor. There have also been great successes in the developing countries. In the fifties, sixties and early seventies they experienced far higher growth rates than the industrialized countries did in their own early periods of growth. A number of them have moved from dire poverty into the range of the comfortably middle class. Outside the strictly economic sphere, we can point to the eradication of smallpox, once one of the great scourges of humankind; to the dramatic reduction of infant mortality rates and the extension of life spans in many countries; to the slower, but still marked, reduction of fertility rates. We should not forget, even as we confront the problem of too-rapid population growth, that this growth is based on a reduction of premature death.

It is only when measured against the remaining and growing needs of the world's poor majority that the achievements of post-war development disappoint. The scale of accomplishment has not been commensurate with the task, and we must make the most rigorous attempt to understand why, so that we can plot a more satisfactory course.

Trying to draw lessons from the past is not as easy as it sounds. Nearly two hundred years ago, Hegel cautioned us that "What experience and history teach is this - that people and governments never have learned anything from history, or acted on principles deduced from it." More recently, and succinctly, Henry Ford said "History is more or less bunk."

Being a sort of historian myself, I do not agree with Mr. Ford. But his observation seems to me to have some force with respect to contemporary circumstances, which differ so markedly from earlier conditions that history offers few useful analogies. These four decades have been a period of tumultuous, bewildering and often frightening transformation of the world, marked by the emergence of new actors on the international economic scene, radical shifts in the global configuration of power, a growing sense of the limits of our planetary resources, and sweeping changes in values.

The world of 1985 differs as profoundly from the world of 1945 as 1945 differed from 1935. I am tempted to declare that at some point in the past 10 years the post-war period came to an end. We should, therefore, stop defining our institutions and our times with reference to the needs and expectations of 40 years ago. The relevance of those post-war assumptions has dimmed; the time has come to rethink our assumptions in accordance with the emerging realities of the twenty-first century.

Of these new realities, the most inescapable is the fact of global economic interdependence. The phrase has already become a cliché, but the reality behind it has not yet been assimilated into our thinking, our actions, our policies or our institutions. We still speak and plan in terms of North and South, East and West. These categories have political meaning, but little economic content. All countries function today in a single world economy. National governments no longer have the power to control the value of their currencies, the size of their money supplies or the balance of their external accounts. The incentives or disincentives that producers respond to are increasingly set by transnational forces rather than domestic markets or policies.

Within this single global economy, the transitional difficulties of the mature industrial economies are new phenomena that affect not only their own societies but also the prospects of the poorer countries. It has long been assumed that the OECD countries, once they recovered from the deep recession of the early eighties, would again be the engines of growth that they were in the 1960s and 1970s. But Europe continues in virtual stagnation, while the US recovery is regarded by many as fragile and perhaps unsustainable. On both sides of the Atlantic, governments focus their attention on internal problems of unemployment, still persisting in the face of recovery; the unraveling of the welfare state; and the low level of productive investment. Thus preoccupied, they fail to perceive the opportunities for mutually reinforcing growth that co-operation might bring. To illustrate this potential with just one example, let me cite an estimate (from a 1984 report of the Overseas Development Institute in London) that the trading partners of the oil-importing developing countries lost 30 billion dollars worth of export orders in the past two years alone, because the developing countries had to cut imports drastically in the face of their financial crises.

No country has yet come to grips with the knot of issues surrounding the problem of employment in a world that is at once part pre-industrial and part post-industrial. There is a danger that technological innovation may continue to raise labour productivity while consumption stagnates under the constraint of widespread poverty; this is a recipe for a vicious circle of unemployment and economic dualism of the sort that has entrenched structural poverty in much of the South.

Structural poverty is another of the stark new realities with which any attempt to formulate forward-looking strategies must come to grips. The prevailing asymmetry in the levels of living, between nations and within them, is simply insupportable. It is a drag on the prosperity of the entire international economic system. Yet the causes of the persistence of structural poverty have escaped satisfactory economic analysis - perhaps because so many of these causes lie outside economics, narrowly defined. The causes lie as much in the realms of politics, culture, and social dynamics. Perhaps it is the daunting complexity of these interwoven factors that has limited the scope of the analysis. But relevance must not be allowed to fall victim to the desire for analytical simplicity and elegance. It is possible to study the

management and stabilization of the existing world financial system, and still leave unquestioned the terrible asymmetry between rich and poor. Similarly, it is perfectly possible to balance supply and demand, but at such low levels of consumption that millions of people are unable to realize their productive potential.

I will mention only one more of the new factors with which development policy must contend, though there remain many others to consider. In one sense this last one is not new at all, and awareness of it goes back at least 200 years; but in another sense its current dimensions give it quite a different character from that which it has assumed in the past. I am referring to the rising density of human populations, and particularly to the large-scale movements of people that seem to have become a feature of our time. The growth of human numbers places new demands on social and political systems - to say nothing of economic systems - while, in many cases, making it more difficult to meet old demands. Consider for example that the developing countries as a group (excluding China) increased staple food production by 2.7 per cent per year between 1961 and 1977 - an impressive accomplishment by any standard. But in the same period their population increased 2.6 per cent per year. Although population growth and food production varied considerably among countries, for the group as a whole the enormous effort and the scientific advances served only to maintain the status quo. For many countries, increased consumption was based on increased importation of food, mostly from the richest countries.

The old maxims which once guided the world's economic functions, power balances, resource allocations, energy uses, and societal arrangements, are everywhere being questioned in the face of increasing fragmentation, instability, and awareness of shared vulnerability. These old formulae might have been able to provide a slim and precarious measure of stability during the early post-war period. But they ignored basic issues of structural change and cultural diversity, at both global and national levels, that now demand attention.

Two powerful and conflicting forces, now making themselves felt in the world, contribute greatly to the alienation and anxiety that seem to pervade so much of humanity's present outlook.

The first of these processes is universalism - often presented in day-to-day operational terms as global interdependence. The second is the search for authenticity, the age-old impulse of humans to assert their own particularities and creativities within a natural unit or group. Pulling in opposite directions, these processes generate fragmentation and instability.

But these processes of universalism and particularity need not necessarily be at cross-purposes, and the challenge we confront is to find ways to harness them together in the development of a global society that honours both human solidarity and cultural diversity.

Recalling the high hopes that many of us had in those heady days of 1945 when the United Nations was born, it is not easy to be optimistic about the dawn of the twenty-first century. Tensions between the superpowers are tauter than for many years; progress toward any kind of arms control, much less disarmament, is minimal; the world economy is in dangerous disarray; millions of people are poor, homeless, hungry, with no prospect of improvement in their lot; throughout the world, and particularly in developing countries, the structures of societies are showing themselves incapable of adjusting to change quickly enough.

It is clearly a time for greater understanding and greater effort. Yet the reverse is happening. In many industrialized countries impatience with the lack of progress being made, coupled with slow moving recovery from economic recession, is leading to reduced financial support for the developing world and also to increased insistence on bilateral aid where, often, the decisions on how money should be spent are based on considerations other than real development needs.

There has been no shortage of analysis of the problems of the Third World or indeed of the globe. Definitive reports on the state of the human condition as a whole, or in particular areas, seem to appear almost every month. Generally they tell a depressing story: despite much dedication and expertise, problems are mounting, resources are dwindling; the sum total is that conflict, poverty, hunger, malnutrition, illiteracy - simple human hopelessness and misery - are not being adequately reduced.

Yet, the urgency and gravity of the situation seem not to be understood. The phenomenon of so-called aid-fatigue among the principal donor countries is very alarming indeed, especially in the light of the accomplishments I referred to earlier. What a terrible thing that something as young as aid should already be fatigued! There is widespread criticism in donor countries about the effectiveness of aid programmes, and recipient countries have often been slow to separate legitimate and constructive criticisms from cynical ones. There seems to be a danger that the cause of development may lose many of its adherents before the process has had sufficient time to work.

When we think about the ultimate objective of development aid, we tend to think in terms of enough food to eat, clean water to drink, health for all, viable agriculture and industry, the essential infrastructures of modern society. Development is all that and more. It is also manifested in the individual's ability to develop the richness inside himself or herself to the fullest possible extent, to participate in decision-making at all levels of society, to express thoughts freely and creatively: in other words, to participate in the creation of economically and culturally rich societies, diverse, vigorous, tolerant and stable.

If we accept these more intangible challenges, we will have to look anew into the dynamics of democratic processes, into questions of how to enhance our capacity to manage complexity, and how to resolve the many conflicts that

are inherent in the process of evolution towards more viable democratic societies. Above all, we will have to learn to manage our fears in the conditions of increased vulnerability which will accompany the growing complexity of our societies and their problems.

Development is, after all, only one of the factors that determines the state of the human condition. Thus we cannot attempt to reconsider development without taking into account the historical setting of war and revolution and social and cultural upheaval that has characterized the past four decades and within which the development effort has taken place.

Apart from outright war, many Third World societies have been rent by serious domestic conflicts along class, ethnic, religious or ideological lines. These conflicts have resulted both from the destabilizing impact of development and from the absence of development.

We have witnessed in some societies polarization and the escalation of violence, the collapse of political systems and even the wholesale destruction of the social fabric. We have also seen processes emerge that have led to militarization; the rapid rise in arms purchases is only one manifestation of this. More than 100 wars have been fought since 1945, most of them in developing countries.

One major feature of these recent decades has been the growing self-assertiveness of the traditionally powerless and of those marginalized by development. In many different ways, the "grass roots" are shooting up. In some cases people have simply moved up the economic development ladder, sometimes meeting conflict and violence on the way. But their heightened expectations and refusal to accept their lot have also contributed to massive population movements, involving migration within and across national boundaries and even across continents.

In the face of these social, political and economic convulsions, and the human suffering, despair and rage associated with them, the development planners and practitioners often stand speechless and powerless as they realize that the development programmes to which they are committed are one, and only one, of the many interacting forces of change in society.

Gone, therefore, are the early certitudes and illusions about development as an endeavour in social engineering towards a brave new world. Multiple goals have replaced the initial single focus. There is now a greater understanding of the interaction between international and national and local factors and their inseparability in the development process - to the point where it becomes impossible to view that process in the context of a single nation-state alone. Equally important, there is now an increasing emphasis on people, on human beings and human potential, as the means and the ultimate purpose of the development effort. The true human dimension of development is moving to the fore and most of us have become more humble as we have come to recognize its infinite complexity.

Forty years of development experience seem to suggest that beyond the conventional cultural policies there lies a host of insufficiently explored cultural factors. These bear on such issues as a society's response to modernization; the choice between isolation and openness; a society's capacity to maintain solidarity and cohesiveness in the face of changes which upset sensitive social and political equilibria; a society's need to harmonize modernization, including scientific and technological innovation, with its own aspirations and sense of moral purpose.

The pervasive influence on development of traditional notions of power, and the role of the state in the development effort, also need sustained study. Too often, supposedly new political and developmental institutions are simply new bottles for the old wine of traditional power structures.

Traditional factors are instrumental in determining what is perceived as a proper relationship between the governing and the governed, between state and society. They explain a great deal about the difficulties in turning a colonial bureaucracy dedicated primarily to preserving order and collecting revenue into a developmental bureaucracy dedicated to public service. Modern training in development administration with its emphasis on efficiency and technique has unwittingly tended to strengthen deeply-rooted colonial and pre-colonial paternalistic notions about the official's relationship to the public; and it has also reinforced the elite's disinclination to accept the legitimacy and importance of people's participation, self-management and self-reliance as essential vehicles for development.

We have seen large programmes of rural development mounted by international agencies that have resulted in the increase in the power of the bureaucracy and the police at the expense of the self-managed growth potential of rural communities. Projects that started in the name of development have sometimes produced other kinds of unanticipated consequences as well.

Simply drawing up a balance sheet of achievements and failures of development has limited usefulness, and does not significantly add either to our understanding of the dynamics of large-scale social and cultural change or to the formulation of more meaningful concepts of development. That will require, ultimately, an inquiry into the historical processes of societal transformation and self-renewal in different cultures.

One final point needs to be made. Both the success and failures of 40 years of development experience have also shown that the organized pursuit of material improvement does not automatically bring in its wake freedom, human dignity, justice and civility. These values have in fact often fallen victim to the development endeavour, even when the provision of basic services includes access to education and legal protection.

We need explicit strategies for democratic structural change that would enable people to liberate themselves from the oppressive social structures which perpetuate their dependency and their powerlessness. This could lead

to societies which have the resilience, and the capacity for autonomous creativity and continuous redefinition, essential for survival in a crowded, competitive and rapidly changing world.

The realities of interdependence ensure that it is no longer possible for any nation to maintain its security, to safeguard its national interests and to pursue its developmental goals in isolation. The utter fragility of the control of the destructive capacity of nations threatens all of us; the persistence of large-scale hunger and poverty degrades the poor and the rich alike and denies the humanity of each and all of us; the resort to violence and the violation of human rights - in whatever way defined - have become common concerns and responsibilities of all, even though each of us may respond differently.

The common survival of humanity in civility on this limited earth, in an international system in which no single nation or group of nations is in control, will require unprecedented levels of mutual understanding, tolerance and co-operation. Our groping for ways to achieve this reflects our progress in learning to see and treat the human race in all its diversity as a single unit, of which we are all indispensable parts.

This is a lesson that is not only - perhaps not primarily - for governments. All sections of the community - non-governmental organizations, industry and commerce, the trade unions, the churches and schools and universities - should be leaders. There is no hope for development if it is left solely to the experts.

By increasing the quantity and the quality of development assistance industrialized nations have the opportunity to participate constructively in shaping the quality of the human community in the last days of this century and into the next. That is the reward and the responsibility of interdependence. But at the same time, we must face the fact that aid is not the determining factor in any country's progress or lack of it. It cannot compensate for an exploitative social structure, an incompetent bureaucracy, a corrupt political leadership, a divided polity, an inflated military budget, or a lack of national purpose. Nor can it compensate for closed external markets, crushing debt burdens, arbitrary trade policies, and unfair commodity prices.

The industrialized countries and the developing countries have been unable to agree about which of these two groups of factors has been most responsible for the slow progress of development in recent years, amounting in some cases to a virtual halt. This lack of a common diagnosis of the problem is a real obstacle to co-operative international action. In my view, building the theoretical, empirical and analytical basis for a shared diagnosis should be given high priority in academic work on development issues.

One thing that I would expect to emerge from a new diagnosis of the current crisis is a new concept of development aid. Our current aid institutions, both national and multilateral, grew out of the relief operations of World War II. Their emphasis was on reconstruction; the desperate needs

that they addressed were seen as historical exceptions and their purpose was to return the world to normalcy so that progress could again commence. In time, most of them evolved into technical assistance institutions. It was assumed that development could be accomplished, if not simply, at least systematically, by a transfusion of capital and skills.

It is clear, I think, that we now need a different conception of aid. It is acknowledged in most quarters that the developing countries' own efforts and policies are the keys to successful development. Therefore we need to recognize that aid is marginal, though it may be very important in some cases, particularly for the least developed countries. It is consequently all the more important to identify the strategic points where aid of the right quality can make a critical difference. In the future the impulse for aid will not necessarily be a charitable impulse, except in the continuing institutions of disaster relief. Rather, aid should be seen as a co-operative effort arising out of mutual self-interest in a stable global economic system that permits the reasonable pursuit of national interests.

The World Institute for Development Economics Research, known as WIDER, is just such a co-operative endeavour. It will serve the interests of all countries by addressing the broad issues of development.

All of us at the United Nations University are striving to contribute to a clearer understanding of the processes of change. We work at the intersection of the international system and academia. We try to bring the political urgencies of the UN into the scholar's study and focus the light of scholarship onto the policy-making process. Our ability to play a constructive role has been greatly strengthened by the establishment of the World Institute for Development Economics Research, thanks to the generosity and far-sightedness of the Government and people of Finland. I believe that WIDER will make a much-needed contribution to addressing the issues I have put before you today. And I believe that the United Nations University is extremely fortunate that it has been able to establish WIDER in Finland, where the roots of concern for international understanding run so deep.

Thank you.

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