DEVELOPMENT AND INDEPENDENCE

by Mahbub ul Haq

"I believe that there is going to be a dramatic shift in the balance of economic, financial and political power between the developed and developing nations over the course of the next few decades." With these words, Mahbub ul Haq, formerly Chief Economist in the Planning Commission of Pakistan and now Director of the Policy Planning and Program Review Department of the World Bank, indicated in the keynote address to a seminar of the Dag Hammarskjold Foundation in Sweden the startling outlook for development and the need for a total rethinking in the policies of both developed and developing countries. Mr. Haq who addressed the seminar in his personal capacity, has been in the fore front of the new thinking on Third world problems and has been associated with the recent drafting of several Third World declarations for a Now Economic Order.

My irreverence for established thinking and my impertinence in questioning some of the currently fashionable thought on development aid and trade have been referred to. I would certainly like to keep up that tradition of irreverence and impertinence, since I do feel strongly that we have to question what has happened in the last two decades in a spirit of utter frankness and candour—in order to be honest to ourselves, to our mission and to the problems that we confront.

Let me briefly review the present state of development, particularly the emerging mood in the Third World. I believe that if Dag Hammarskjold (the man whose memory the Dag Hammarskjold Foundation commemorates) were alive today, he would have been greatly distressed by the present mood of confrontation between the developed and the developing countries, between the rich and the poor nations. He would have been greatly saddened by a world which was so divided economically as to have about 20 per cent of the population enjoying about 80 per cent of the world income. We have today about two-thirds of humanity living—if it can be called living at all—on less than 30 US cents a day. We have today a situation where there are about 1,000 million illiterate people around the world, although the world has the means and the technology to spread education. We have about 60 to 70 per cent of the children in the Third World suffering from malnutrition, although the world has the resources to give adequate nutrition to all of its population. We have maldistribution of the world resources on a scale where the developed countries are consuming about twenty-five times more of the resources per capita than the developing countries. We are in a situation where, in the Third World, millions of people work incredibly hard for very miserable rewards. It is easy to be very sophisticated about it and to explain it all in terms of stages of development but it is not likely to carry much conviction in our countries where people toil in a broiling sun from morning till dusk for mere subsistence and for premature death without ever discovering the reason why.

We had assumed, two decades ago, that this cause of development was going to be a joint venture between the developing countries and the developed world, and that there would be a major transfer of resources from the rich to the poor nations, to lay the framework for accelerated development in the developing countries. That has not happened, and we should honestly face the fact today that it is unlikely to happen, judging by the current trends.

There was, in the last two or three years, again a revival of hope that man may realize the limitations of this planet and, as such, there may again be a common concern for joint development. When the concern about the environment arose in the developed countries, many of us in the developing world viewed it partly with suspicion and apprehension, but partly, at least, with some hope. The hope was that this concern could bring home to humanity the fact that this was a small planet and that its survival was a matter of interdependence. But I must confess that the environment concern has contributed, so far, not to uniting this world but to further dividing it. We all subscribe to the concept of one planet and one world and one humanity, but very few practical steps have been taken to translate this concept into real shape. In fact, most of the people in the Third World are acutely aware of the fact that there are two worlds, two planets, two humanities—one embarrassingly rich, the other desperately poor—and that their concerns have gradually drifted apart.

Two Worlds, two planets, two humanities...

In your world, there is a concern today about the quality of life; in our world, there is a concern about life itself, which is threatened by hunger and malnutrition. In your world there is a concern today about the conservation of non-renewable resources and learned books are written about how the world should go into a stationary state in order to conserve these resources. In our world, anxiety is not about depletion of resources but about the best distribution and exploitation of these resources, for the benefit of all mankind rather than for the benefit of a few nations. While you are worried about industrial pollution, we are worried about the pollution of poverty, because our problems arise not out of excess of development and technology but because of the lack of development and technology and inadequate control over natural phenomena. In the developed countries, you can afford to fuss about adverse effects of DDT; we have to be concerned about what it means for our crops and for sustaining human lives. You can afford to be concerned about polluted beaches; we have to worry a lot about the fact that less than 10 per cent of the population in the Third World has even drinkable water. I do not wish to overdraw the contrast here, but I think we must recognize something which is becoming increasingly a fact of international life—that our two worlds, while they touch and meet, rarely communicate. And it is that process of real communication,

real dialogue, that we have to encourage today if we are to equip ourselves to deal with the problems of this world.

It is my own conviction that the developed countries simply do not care—except for a very few exceptions, and Sweden constitutes such an exception—what really happens to the Third World. The Third World is not important enough, financially, economically or politically, to figure in the calculations of the developed countries. While we all pay homage in all international forums, in various conferences and seminars, to the concept of international co-operation, the world—particularly the rich world today—simply does not believe in it. And it is a blunt truth that unless the realization comes to the developed countries that the Third World is important for them—economically, financially and politically—there will be no major change in the policies of the rich nations. I think that we must all work to create that realization. Such a realization can come only if we look at the Third World in a longer-term perspective, because I for one believe that there is going to be a dramatic shift in the balance of economic, financial and political power between the developed and the developing nations over the course of the next few decades. I think most people in the developed countries look at these problems from the wrong end of the telescope. They keep arguing that, even though international order may be unjust, the Third World has to reconcile itself to it and find its place in it. I do not think that they realize that the Third World is the future international order, and that the developed countries have to start thinking today in terms of fashioning policies to come to some reasonable accommodation with this future international order.

A dramatic shift in the balance

Let me illustrate what I mean by a dramatic shift in the world balance of power. First, if we look at the demographic trends, we find that the rich nations are a shrinking minority of the world. Today they are about 30 per cent of the total population of the world; by the next century, they would have dwindled to 10 per cent. There is a real question whether such a shrinking minority will be able to control the economic, financial and political destiny of the world—and what means it may have to employ to do that.

Second, look at the control of international resources. Most of the agricultural and mineral resources are produced by the farmers, labourers and miners in the Third World and it is quite obvious that the developed countries are going to be increasingly dependent on the resources imported from outside. Initially, natural resources were obtained by the developed countries on the basis of a colonial pattern of exploitation of the developing world. Later, the availability of cheap oil enabled the developed countries to replace many of the natural fibres by synthetics and to create new resources for continued industrialization. We are witnessing today a major change in the balance of power in regard to the sharing of benefits from the exploitation of these resources. Already oil is becoming more expensive and its price in future is likely to be determined by the free play of market forces and the availability of viable substitutes rather than by feudal power structures. This is a painful transition for the industrialized world for it implies a major transfer of resources from the developed countries to the producers of oil. I would suggest that this is merely the beginning of a redistribution of real resources on an international scale which is long overdue. The world financial power is likely to change dramatically right in front of our eyes. The change is probably too close for us fully to comprehend its significance and there may be a good deal of resistance to it in the developed countries, but none the less the change is a real one—and almost an inevitable one.

Third, the developed countries will need the Third World in future even to sustain effective demand for their expanding production. While the developing countries are not really important today in the economic calculations of the developed countries, I am convinced that over the next few decades a realization will come that the prosperity of the developed world cannot be sustained by the continued impoverishment of the Third World. Western capitalism learnt a bitter lesson, through the depression of the 1930s, that every penny going to labour was not a penny taken away from profits but would come back twice over through effective demand and really grease the wheels of prosperity. This led to the birth of enlightened capitalism, where as much attention was paid to sustaining the purchasing power of the workers as to worrying about the profits of the capitalists. Today we have a situation where the capital of the world is concentrated in a handful of nations but its labour is mainly crowded in the Third World. I am not sure that you can keep this capital and labour apart through immigration laws and through restrictions on capital transfers and yet have the basis of continued world prosperity.

Fourth, let us also realize that the future balance of political power will change radically as some of the developing countries also acquire nuclear weapons. It is inconceivable that the monopoly of nuclear power should remain only in a few selected hands over the course of the next century and that political power be exercised by a minority of mankind in a world that prides itself on its democratic philosophy.

It is my belief, therefore, that the balance of political, economic and social power is likely to shift dramatically in favour of the Third World over the course of the next century. The developed world will do well to recognize this so that we can all shape the international order in such a way that, instead of a bitter confrontation and a catastrophe, we can promote policies of mutual accommodation and harmony. This is our common responsibility as the citizens of this world. I am sure that if Dag Hammarskjold were alive today he would have dedicated his life to evolving such policies of accommodation so that we could all move away from the ugly confrontation which otherwise may arise.

Need to avoid confrontation

If the world were ruled by enlightened self-interest, a number of policies would immediately make sense. First, the developed countries would come to terms with the termination of the windfall profits they obtained in the past, as a result of cheap oil and other natural resources, instead of regarding the current developments as illegitimate ones. In fact, they would go

further and facilitate the geographical redistribution of industry that must come as a result of this development. There must be a major redistribution of industry today, particularly those industries based on energy or using a lot of unskilled labour or leading to environmental pollution. The comparative advantage in some of these industries is changing radically in favour of the Third World. The developed countries can either resist this trend ferociously through protection and international manipulations or come to terms with it gracefully, since it is likely to prevail in any case in the long run.

Essence of enlightened self-interest

Second, if there were policies of accommodation and the developed countries were ruled by enlightened self-interest, they would not try to exploit the present weak bargaining power of the poor countries in all international forums in order to gain only a temporary advantage. Instead, they would create a framework for those agreements which can last over time, since they benefit all the parties. Let me mention a few examples. There is a major dialogue today over the exploitation of the resources of the ocean which, according to some estimates, can yield £15,000 to £20,000 million a year over the next few decades. Only the developed countries today have the capital and technology to exploit these resources, even though they belong to all mankind. It would be the essence of enlightened self-interest to establish an international regime for the exploitation of these resources so that the Third World could obtain an adequate benefit from them. It would be narrow and short-sighted to try to split the Third World around this issue in international forums and to promote unilateral national exploitation, since this would only set the stage for territorial battles tomorrow.

Similarly, take the exploitation of some of the natural resources of the Third World by multinational corporations based in the developed countries. If the multinational corporations were guided by enlightened self-interest, they would dismiss rather than reward those officials who negotiate extremely favourable concessions from poor, helpless developing countries, concessions which give these corporations a temporary advantage that cannot last and which provoke these countries at a later stage to nationalize foreign interests.

Again, in the past, whenever a synthetic substitute was developed to replace a natural resource, it was hailed in the developed countries as a triumph of Western technology, without worrying about the poor producers of natural resources—whether rubber, jute or cotton and without worrying about how they would now survive on 10 cents a day, instead of their former 30 cents. The developed countries debated endlessly the question of adjustment assistance on a national basis, i.e. how to take care of those people who were displaced by international competition and new technologies within their own countries. There has been very little concern about adjustment assistance on a world-wide basis, even though some of the poor countries have gone through some major and abrupt changes in their living standards because of the impact of Western technology. It is in fact ironic that there is so much concern about possible adjustments in life styles in the rich nations today as a result of the so-called oil crisis, while there has been so little talk in the past about much more abrupt and cruel adjustments in the living standards of the poor.

I realize that all this talk about enlightened self-interest is far too idealistic. It is too idealistic to believe that somehow the rich nations and the whole world are going to be able to foresee these long-term developments and to shape current negotiations between the developed and the developing countries accordingly. Here the Third World faces a major dilemma. Should they base their policies today on certain optimistic assumptions which they feel may not materialize despite the fact that they have some liberal allies in the developed countries? Or should they turn away from policies of accommodation and turn inwards and base their future policies on fairly pessimistic assumptions about aid, trade and the future pattern of international co-operation? It is my personal view that while it is incumbent on the liberals in the developed and the developing world alike to keep working for policies of accommodation, there is no alternative for the Third World but to turn inwards and to assume the major burden of its own development. It is futile for the Third World to keep blaming the international order for its own future development and conceive its longer-term development within a framework of economic and political independence. Since the time is short, let me give you in a summary fashion my own views on what this would imply.

Entirely new development strategy

First and foremost, this implies an entirely new strategy of development. The Third World must evolve a life style consistent with its own poverty and current level of development rather than pursuing illusive Western living standards. This means that development should not aim merely at the highest rate of GNP growth but at the participation of the majority of the people in the development process, so that increasing production does not get warped in favour of a privileged minority. It means a direct attack on poverty by mobilizing the creative energies of the people themselves. It implies reliance on local institutions and improvised technology. Basically, the new development strategy has to build development around people rather than people around development and has to achieve this largely through local resources and indigenous effort. This appears to be a simple statement but its significance for refashioning current development strategies is extremely profound. I have expressed myself at length on this subject elsewhere so I will not elaborate this theme any further.

If development strategies in the Third World are refashioned in this manner, the role of foreign assistance will also have to be redefined. I have a feeling that the present pattern and form of foreign assistance is in for a radical change. This pattern developed in the 1950s and has not adjusted too well to the changing realities in the Third World in the last two decades. What is needed today is that foreign assistance should indeed be available on concessionary terms. It should link up with the goal of a direct attack on poverty and it should identify itself with the objectives of the recipient country.

Probably there is not much assistance that would become available along these lines but, if that is true, the room for confrontation on this issue is enormous. In particular, we must seriously think of the major debt burden that has arisen as a result of the past so-called foreign assistance. There must be a review and orderly settlement of the $75,000 million of debt burden that the Third World has acquired so far. Unless this is done soon, new assistance in many of the poor countries is merely paying for the old debts and not leading to any significant net transfer of resources. Instead of continuing with such a charade, it would be more honest to convene a conference of the major creditors and debtors to arrange a satisfactory debt settlement so that the Third World may pursue its future policies without being burdened by the past.

My own feeling is that the future development of the Third World has to be based more on the expectations of expanding trade rather than on increasing levels of foreign assistance. It will create a more satisfactory pattern of international cooperation and partnership if the developing countries are enabled to earn their own keep by reducing the protectionism in international trade and by the geographic redistribution of world industry that I have already mentioned. It is wrong to assume that the Third World needs trade concessions from the developed countries in order to survive. In fact, it is the developed countries today which cannot face free competition since laissez-faire would also simply free movement of labour and capital without restrictions on immigration or capital transfers. If such free competition were to prevail, real incomes all over the world would tend towards equality as the labour from the developing countries would move to the rich nations in search of economic opportunities and the capital of the developed countries would pour into poor lands. Such free competition is likely to threaten the life styles of the rich nations and, as such, is unlikely to prevail. The most that can be expected is that there is more attention paid to shifting comparative advantage and that the international world does not turn increasingly protectionist.

If the Third World has to fashion its own development strategy in a framework of independence, its countries will have to move increasingly closer together. It is in a position today to arrange its own foreign assistance, since financial resources are moving to the oil-producing countries which are a part of this world and which should regard themselves as such. It is also in a position to arrange its own trading patterns based on pots and pans and bicycle economies rather than on the traditional trading patterns between the developing and the developed world.

If the Third World has to carry on its development within a framework of independence, what it needs most is an intellectual liberation. I feel that our countries went on from political dependence twenty years ago to economic dependence in the last two decades, and even though some of the economic dependence is disappearing, we are slow to recognize it in the Third World where an intellectual dependence still persists. Many of us—who are products of Western education and liberalism—went back to our countries hoping to deliver economic development, trying to change our systems in a hurry without even understanding them fully, and we managed instead to deliver only tensions and anxieties. There is a great need today that the Third World should debate its choices frankly and honestly in the forums of the Third World itself. It is remarkable that while we have many forums where economists and social scientists from the Third World and developed countries meet together, there are hardly any intellectual forums of the Third World itself where these issues can be debated. As a result, the intellectual effort of the Third World is always judged by Western standards. How else can we explain the fact that the Nobel Prize, which is given for excellence of intellectual work anywhere in the world, has been conferred on so few in the developing countries, containing 70 per cent of the world population? Is it because the Third World, besides being poor politically and economically, is also poor in intellectual thought? Or is it because the thinking of the Third World is often judged by Western standards or by standards alien to the Third World? It was in response to some of these misgivings that some of us met in Santiago in 1973 to establish a Third World forum, not in a mood of bitterness and anguish, but in order to address ourselves honestly and frankly to our own problems in our own forums. This intellectual liberation is vital, but I do hope that this does not constitute a parting of the ways. I sometimes wonder whether ours is the last generation that can still communicate meaningfully with the West. I recently went home to Pakistan and the mood of frustration and disillusionment that is emerging there in response to the indifference of the developed world simply frightened me. In fact, many of us are seen by our own countries as products of Western liberalism and irrelevant to their present needs. I believe that in considering the future relationships between the developed and the developing countries, you should take this seriously into account.

Let me say, in conclusion, that I personally believe in a meaningful partnership between the developed and the developing world and in policies of liberalism and I do believe that there is an even greater need today than before for the kind of liberalism that Dag Hammarskjold symbolized. It is only in that spirit that I have attempted to offer some of my own frank and candid views on this subject.

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