

DUTCH DEVELOPMENT POLICY

Within the last two years, the Netherlands government with its relatively young Minister for Development Co-operation, Jan Pronk (thirty six years) has shown a refreshing understanding of the deep structural reasons for underdevelopment. It has changed its policy very significantly and has shown in several deeds and actions (specially in crucial votes at the United Nations and other agencies) that it is now becoming a genuine friend of the Third World. We hail and welcome this changed outlook from one of our former colonial masters. The paragraphs below are all taken from the Dutch Government publication 'Netherlands Development Policy 1974' which emphasises the main causes for underdevelopment and the structural reasons for it, as well as the Netherlands' new policy. There are many points on which the document does not go far enough from a Third World perspective, but nevertheless it is a strong and straightforward document and readers of the Economic Review will find large areas of agreement between this policy and the new mood of the Third World.

The problem of development has reached an impasse. The analyses and models that have hitherto been used to attack the development problem have proved to be inadequate. For instance, the power relations between states and the balance of power within countries themselves have received too little attention in the models. The same is true of the relationship between growth and distribution, between the economic and social components of the development process, and of the influence of monetary and trade structures. Consequently, part of the true situation has been left out of consideration. This means that the analyses we are using do not accurately reflect reality, that in some measure at least they have become unusable, and that policies based on them must be revised. All this makes it necessary to analyse the problem of development anew. Work has begun on a new analysis in recent years and is now being speeded up.

The re-orientation is finding expression in new scientific theories which assign a manifest place to power relations, political relations and the global character of the development problem. Politically, the re-orientation is taking place within the developing countries and in mutual consultation between them.

Hitherto, there has been little co-ordination of international discussion. Some degree of institutionalisation

has now been achieved in the discussions concerning the adjustment of the U.N. Development Strategy. Such discussions, during which new ideas and views were put forward, are now being integrated into international policy-making. The picture is consequently becoming slightly clearer and somewhat more operational. Still, we have a long way to go before a new and adequate analysis and policy are achieved and generally accepted.

Such re-orientation is a laborious process. At the same time, there is a desire for immediate action and for immediate improvement. Consequently, tension has arisen between involvement and the concrete possibilities, and this can only be relieved by involving as many people and groups as possible in the new analysis and by allowing the discussions to be as open as possible. This will be the aim of the policy designed to inform and educate public opinion.

Freedom and Independence

In the U.N. Economic and Social Council, the Netherlands has formulated this point of departure as identification with the "underprivileged". In the relationship between the rich and the poor countries, this means identification with the poor countries and, within those countries, with the people who are worst off.

In order to achieve this goal, our policy with regard to the developing countries is directed in the present phase towards achieving the true freedom of these countries. Such freedom is a pre-requisite for a just and peaceful international community: just, because the right of peoples to self-determination can only be realised on the basis of freedom, and only on the basis of equality can they participate in the world economy, in the sense that they are no longer dominated by foreign influences, peaceful, since freedom is the only basis for lasting international order and agreement. Moreover, freedom is essential from the point of view of the domestic development of the poor countries, since it is only on a basis of freedom that these countries can take responsibility for just economic and social relations at home.

The freedom of the developing countries means a new place for them in the world. Finding a new place involves the whole web of political and economic power relations. In so far as these are external relations, they are the same as those traditionally described as foreign politics. This means that, by definition, the problem of the developing countries is a matter of foreign policy and cannot be separated from such. In other words: development co-operation and foreign policy are one and the same; the one cannot be opposed to the other.

Finding a new place in the world for developing countries involves a process of redistribution of the world's power and prosperity. Such a process involves in turn a drastic change in the international scene, of which political decolonisation was the first act. In the policy aimed at bringing this about there is room for political measures, such as support of freedom movements, as well as for economic ones.

True independence as proof of the freedom of the developing countries will mean that they will be able to enjoy a reasonable level of prosperity free of foreign domination. Free of foreign domination, they themselves will be able to choose the social system within which the people's preferences can best be ascertained.

In progressing towards such independence they wish to acquire the maximum amount of freedom by casting off as much foreign influence as possible and by making, wherever possible, their own deliberate choice of a development model. In such a policy, which is typified by the term 'self-reliance', development co-operation is a derivative factor which must serve as a transition to a situation where assistance is dispensed with.

It also means that the Netherlands must work for greater economic independence through changes in international economic structures and the adaptation of development assistance so that it affects the independence of the receiving countries as little as possible.

Thus, a policy which supports self-reliance will prefer public assistance with no strings attached to commercial, non-governmental investment; untied assistance to tied assistance; gifts to loans; and programme assistance to project assistance.

It is possible for tension to arise between a policy directed at 'self-reliance' and a policy which strives to bring about international discussion on the aims and resources of development policies. To deny the existence of this area of tension would be just as unrealistic as to circumvent it by dropping one of the two policy objectives.

The new position of the developing countries will affect all the relations which the rich countries maintain with them. This means that, if it is to prove effective, development assistance too must extend to all such relations. It will affect trade policy, investment policy, restructuring policy the stimulation of awareness within the framework of educational policy, international monetary policy and, in the field of politics proper, the decolonisation of areas still occupied. Much attention will be given to these structural problems within the framework of development co-operation. As far as the solution of the development problem is concerned they are of greater importance than traditional financial and technical assistance.

Assistance to freedom movements in the colonial areas of southern

Africa will be rendered for humanitarian and development projects in the fields of education and health for the benefit of the liberated areas.

Policy of Developing Countries

Moreover, during the opening years of the present decade, there has been little improvement in relations between the developing and rich countries. In production relationships no improvements worthy of the name have occurred. In many developing countries the principal industries remain in the hands of investors from rich countries. Production policy is not determined by the needs of the developing country concerned, but by the short-term profit considerations of the investor. The rich countries' position of power also finds expression in the trade structure, which hampers the processing of raw materials by developing countries. International services, communications and financial traffic remain almost entirely in the hands of the rich countries. The development of shipping lines of their own by the nations of the Third World is minimal, as is also the development of banking and credit systems. The draining away of capital from the poor countries to the rich countries in the form of transferred profits, loan repayments and interest is on the increase. In the case of a few countries, this flow already exceeds that of the capital being brought into the countries in the form of development assistance and private investment. This, combined with a colossal accumulation of debts, is bringing the day of crisis nearer. Such a crisis has actually overtaken some countries owing to insolvency and the resulting special debt arrangements.

Any policy which is to bring about a genuine improvement of the situation will have to effect both a radical restructuring of the internal economy of the developing countries and of their relations with the rich countries.

The development which results from restructuring is not identical with economic growth. There are two reasons why it is wrong to identify development with economic growth. Firstly, development has also a political and social dimension and secondly, development is more than

'more of the same'. It has to be growth and structural change. Such change must be expressed both in the economic, political and social structure of the society which determines the development process, and in the distribution of the benefits derived from the process.

One important accomplishment of recent years is the improved understanding we have gained of the elements which are essential to the realisation of such a policy. We have gained a better understanding of the dynamics of power relations between rich and poor countries and of the effect such relations have on the process of growth of the poor countries. We have gained a better understanding of the role of power relations within the developing countries themselves. We have gained a better understanding of the relationship between the problem of development and other world problems e.g. the defects of the monetary system, the scarcity of raw materials and the destruction of the environment. We have gained more understanding of the part played by multi-national enterprises and of how they affect the process of development in the Third World.

From the point of view of the developing countries, the problems of growth and distribution of income are central here. In many developing countries the distribution of income is unreasonable. This socially unacceptable situation is often justified by the argument that a more even distribution of income would place growth in jeopardy, were it to result in a lower level of savings and investment. That is why usually—irrespective of whether the economy concerned is a planned one or not—the advice has been given: follow the Western Post-industrial Revolution path to development. Under that system the growth of income accumulated to the industrial elite who were disposed to re-invest it, thus accelerating the rate of growth. In other words the advice is to maintain the present unequal distribution of income in order to achieve as quickly as possible a situation where there is actually something to be distributed.

Apart from the question of whether western policies of growth can be termed successful in terms of welfare, such a manner of reasoning can be attacked on quite different grounds.

Western Policies of Growth

In the first place, no account has been taken of the part played by government, which by taxing high incomes is able to reduce inequality and still safeguard national investment. In the second place it is doubtful, even if inequality of income is necessary to ensure high investment, whether maintaining the present inequality of income is the best way of achieving this. The present-day agricultural elite in many developing countries are often unwilling to invest, and the transfer of their income and wealth to other groups is precisely what is necessary to achieve greater investment. That would then constitute a redistribution of income in the interest of growth. In the third place, the traditional reasoning implies that more importance is attached to the welfare of future generations than to that of the present one. There is no objection to that, provided that such priority is established democratically. In the development phase which the majority of countries concerned have reached, however, it is safely possible for a decision to be taken in this way. In practice, the decision is frequently taken by individuals and groups who themselves are unaffected by it. Fourthly, it can be said that the structural changes which are necessary to initiate a development process call for active participation by the masses. This can only be expected if the people have some prospects of benefitting thereby.

Position of the Rich Countries

The great differences in prosperity in the present-day world economy are to a large measure bound up with differences in economic and political power. The present rich countries are the powerful ones. From their position of strength, economic relations have been built up with the developing countries, and these are such that far and away the largest share of the benefits accrue to the rich countries. The relationship of centre to periphery—as the relationship between industrialised and developing countries was first defined by Prebisch—

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UNCTAD IV

SECRETARY GENERAL'S EVALUATION

On 13 July, Dr. Gamani Corea, Secretary-General of UNCTAD, reported to the Economic and Social Council at Geneva on the results of the Conference on Trade and Development held in Nairobi last May. Dr. Corea concluded that despite certain shortfalls, the session's outcome was a positive one. Some excerpts from his comprehensive statement follow:

".....We did obtain in Nairobi, by consensus, an endorsement of the Integrated Programme for Commodities, including the objectives and mechanisms that are an essential part of that Programme. In the provisions of the resolution on the integrated programme there are many innovations and many advances that have not previously been recorded in any decision by the international community on the commodity issue. Thus, I believe that a new framework has been established within which the commodity problem can be dealt with in the future. I see this as a major step forward..... As a result of decisions taken in Nairobi on commodities, we have embarked upon a major negotiating process, a major negotiating phase, that should occupy the energies of the international community—and that of UNCTAD—over the next eighteen months to two years. It is vitally important that the member states of UNCTAD appreciate the significance of this great challenge. Through these negotiations, we have a real opportunity of restructuring many aspects of world trade in commodities, and thereby of bringing about changes of basic significance to new international economic order. I believe therefore that it is of the utmost importance that member states should view this negotiating exercise as one of their major preoccupations in the months to come....."

".....In the area of trade in manufactures and semi-manufactures, UNCTAD IV adopted a resolution spelling out what has been called 'a set of interrelated and mutually supporting measures' to deal with the problems of developing countries..... So we do have in this area a considerable basis on which to build in the future....."

".....In the realm of the transfer of technology, UNCTAD IV was able to make considerable advances. I think it is recognized that this was an area in which the conference proved to be particularly successful....."

".....In regard to co-operation amongst the developing countries, there have again been some new departures which the Nairobi Conference was able to highlight..... UNCTAD itself has been given a number of tasks in this field and it was decided to add to the inter-governmental machinery of UNCTAD a new committee to consider measures of support and assistance for co-operation among developing

countries. The Group of 77 are convening a conference on this subject in Mexico City in September....."

".....With respect to trade among countries having different economic and social systems, I think the significant feature of UNCTAD IV was the awareness that was shown of the potential that exists in this field and of the need to exploit this potential through new mechanisms and new modalities....."

".....(The resolution on) the special problems of the least-developed among the developing countries, the land-locked developing countries and the developing island countries..... has given to UNCTAD a series of new tasks which would help the countries in these categories to cope with some of their problems....."

".....The major problem of the external debt of developing countries was one in respect of which we had hoped for some operational results from Nairobi. Quite frankly, I was disappointed by the resolution adopted with regard to this issue. We had hoped for two kinds of action on the debt problem. Firstly, we sought some concrete action to help relieve the immediate debt problems of a large number of developing countries. To this end, we had proposed some specific measures, such as a moratorium on the official debts of the most seriously affected countries and the refinancing of the commercial debts of the middle income developing countries. Secondly, we had also hoped to lay the foundations of an international policy on the debt question through the medium of a world conference—a conference which might have been an occasion for establishing a framework of principles and guidelines within which individual debt problems could be considered..... These objectives were not quite attained in Nairobi. The resolution did not embody any specific commitment regarding the action to be taken to relieve the immediate debt problems of the developing countries. There was another area where—although much of the negotiations are undertaken in other bodies—we were hoping that UNCTAD IV would make a contribution of a long-term character but where the Conference was virtually totally silent. That was the area of money and finance, other than debt problems....."

".....I can say, with a certain degree of confidence, that UNCTAD after Nairobi will not remain the organization that it was before..... I believe that the transformation of UNCTAD will be in the direction of making it a more effective, a more useful component of the United Nations system, and from that point of view, too, I believe that the decisions of Nairobi were of far-reaching importance....."

originated in the relationship of colonial power to colony. But the ending of colonial relationship did not mean that rich countries ceased to exercise power over the poor ones. By making use of their dominant position in international trade and movement of capital, and through their mastery of science and technology, the rich countries are able to maintain their centre position and to skin off any wealth there may be in the poor countries. This process is usually described as exploitation. The actual level varies. Often the exploitation is not deliberate, but is the result of an international economic structure which has got out of hand. Sometimes it is more a question of 'ignoring' than 'exploiting'. The form the process takes is also very variable. In some cases it is the position of strength of investors from America and Europe which is dominant.

As a reaction, the developing countries have opted for polarisation. Polarisation enables positions to be formulated more clearly and differences to be more easily discernible. Occasionally, this leads to extreme positions being adopted by the developing countries.

'Self-reliance' implies a shift in the exercise of power. The present-day differences between North and South throughout the world can therefore be resolved harmoniously if the rich countries are prepared explicitly to incorporate the development of the Third World in their own objectives. If they fail to do so, the differences will continue. To avoid this, intensified consultation in a world-wide context will be required, in addition to greater awareness of the problems involved. For these reasons, the formulation of the Netherlands' policy with regard to the Third World will—in view of the relationships, communities of interest and differences referred to above—take place in large measure within the international organisations of which Netherland is a member: the United Nations, the OECD and the EEC. This policy formulation will lead to a special effort to broaden development policy—so as to be able to give weight not only to economic growth but also to the distribution of wealth and to socio-political aspects—and to bring the developing countries into multilateral consultation as equal partners.