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**Article — Digitized Version**

## New approach to development aid

Intereconomics

*Suggested Citation:* Mende, Tibor (1972) : New approach to development aid, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 12, pp. 370-372, <https://doi.org/10.1007/BF02927489>

This Version is available at:

<https://hdl.handle.net/10419/138748>

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the Federal Republic of Germany to gear future public credit aid generally to an interest rate of 2 p.c. over a period of 30 years, including 10 free years, was much noticed at Santiago; the share of (non-repayable) grants in public aid is to be stepped up further. The least advanced developing countries (25 of them) will get credits at 0.75 p.c. interest which run over 50 years including 10 interest-free years. At present Germany extends three-quarters of its public capital aid without any ties as regards supplies and is prepared to increase this proportion further.

### Future Developments

All the same, though, one faces a sizeable bundle of demands from the LDCs for the improvement of this contribution. Among them is the realisation of the target of 1 p.c. of the GNP for total net aid as well as the 0.7 p.c. for public aid and credits at soft conditions. Also included are demands for the gradual and internationally coordinated abolition of all ties to public aid; a strong uplifting

of aid extended by multinational institutions; the introduction of a supplementary and a compensatory financing; the practising of additional and improved general preferential systems by all industrial countries; the link between Special Drawing Rights and development financing; more consideration of the Third World in the enlarged EEC; orientation of the industrial countries' agricultural and industrial policy towards a stronger integration of the Third World's exports; introduction of favourable freight rates for the shipment of LDCs' exports; mutual agreements about the steering and handling of private direct investments and the control of international concerns as well as stronger participation of the Third World in the solution of monetary problems. While demands of this nature will only partly become the subject of serious negotiations, particularly in respect of their realisation, there can yet be no doubt that especially the qualitative contribution of the industrial nations for the development of the Third World can be improved upon also in future.

## New Approach to Development Aid

by Professor Tibor Mende, Geneva \*

**The prevailing disenchantment concerning the less developed countries (LDCs) has multiple roots. Two, however, are of particular importance. The first, symbolised by the report of the Club of Rome, is connected with the implications of the world's finite resources. The second, underlined by Mr McNamara, is in the obstinately and grossly unequal distribution of the benefits of whatever progress is being made.**

**T**o counter the discouraging picture produced by the projection of prevailing trends into the future, it is possible to construct a far more optimistic development scenario. Innovations in the petro-chemical field might multiply the Green Revolution's blessings without excessive ecological harm. New birth-control techniques may bring within sight stabilized population levels. Synthetic products and unsuspected reserves may replenish the world's stock of basic resources and the harnessing of the sun's heat or nuclear fusion might banish any foreseeable energy constraint. Computer-assisted audio-visual learning programmes might accelerate the dissemination of

knowledge, managerial and other skills. May be the fruits of such scientific achievements will be put at the disposal of the poor countries without asking for any onerous or political price. Meanwhile, in their continued progress towards ever more sophisticated technologies, the industrial powers may come to consider wasteful to freeze part of their work-force in the production of simple goods and transfer on a massive scale their labour-intensive industries to the low-income countries. Finally, while the multi-national corporations spread the material benefits of transnational production techniques, thanks to appropriate priorities and skillful planning, the new prosperity of the LDCs could be turned into self-sustaining growth and begin to modify the post-colonial division of labour.

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It would be irresponsible to rule out the possibility of such developments. But it would be difficult to pretend that they are probable or that they may happen in time.

But there are also contradictory scenarios, built, unfortunately, on more realistic premises. Technological progress and the discoveries of new basic resources within the frontiers of the advanced powers constituting the northern temperate belt make it possible for them to maintain their control over only a handful of resource-rich ex-colonial countries and simply ignore the rest. Alternatively, if the existing industrial system renders it unprofitable to produce what the majorities in the poor countries need, it may choose to emancipate merely culturally expatriate minorities disposed to consume what is being produced. And if so, demographic pressure, mounting tension and spreading destitution might be hidden behind the coercive curtain of some kind of global *apartheid*. Finally, should indeed growth ambitions go beyond our possibilities, it cannot be ruled out that in the ensuing crises and trade rivalries reckless governments would have recourse to threats and even wars in order to wrest a larger share of the world's vanishing resources.

#### **Necessary Measures**

The future, so one hopes, might be rather somewhere half-way between the two extremes. Yet any constructive new approach to development would have to confront at last, rather than hide, the undeniable conflict of interest between an industrial world determined to maintain and increase its opulence, and the people of the LDCs struggling for subsistence and dignity. To do so, to begin with, a dispassionate analysis would be needed of the real impact—from the cultural to the economic—of the industrial on the economically backward world. This ought to be followed by an equally impartial enquiry into what it would mean to the rich countries—in attitudes and policies—to modify that impact whenever it is manifestly harmful. Finally, the attempt would have to be made to define those of the harmful policies currently pursued in the name of development which might be revised at smaller cost to the rich countries themselves than would be the long-term advantages of a modified approach. In brief, instead of living with the injustices of today in preference to the risks of tomorrow, it may turn out to be wiser to be the ally of inevitable change as an investment in a less dangerous world.

This may seem both too ambitious and too modest. In practice, it may not demand more than to cease to harm. The abstention from inflicting

damage may be just as quantifiable as is what is now added up as aid. And the sum of the first would far outweigh that of the second.

#### **Redistribution of Power**

One of the few lessons learned from a quarter century of tinkering with aid policies is that development is as much a political as an economic problem. But usually the institutions of the LDCs—from the political, agrarian or fiscal to the educational—are inimical to real development. Moreover, if the contemporaries of Dickens believed that production comes first and there is time to worry about distribution, we now know better. In the circumstances of the poor countries of today the key to rapid and sustained development is a radical redistribution of economic and political power. Destitute masses will remain reluctant to invest themselves in a future deprived of hope. Only such structural changes could help to liquidate dual economies lacking the transmission belts to spread the prosperity and the possibilities of the urban few to the rural masses on whose progress alone a healthy industrial structure can be built. Without such change, mere technological improvements may alleviate the extremes of deprivation but will not heal poverty and passivity or turn satellite economies into healthy societies oriented towards the satisfaction of local needs.

Against such a background, and whatever ideals the LDCs choose to guide them, they have to satisfy at least their basic needs. To do so they have but three tools at their disposal: outside assistance, the foreign currency they can earn with their exports and, by far the most important, the mobilization of their own human and material resources.

#### **Questionable Aid Practices**

The industrial world's impact in these three fields is interdependent. Also it interacts with the interests and cultural preferences of ruling minorities in the recipient countries. Combined, they usually short-circuit the official aim of aid policies by lowering rather than improving the capacity of the poor countries to import productive equipment, and by maintaining in power minorities whose policies prolong practices far more costly than any aid received: Excessive spending on imported, sophisticated arms, often stimulated from outside; profiting from the brain-drain, depriving countries of specialists educated at high cost; offering haven to flight-capital, usually amassed by anti-social practices and seeking refuge from the insecurity created by them; or the benefits derived from accommodation to cor-

ruption — these are but a few examples where the donor countries rarely exert moderating influence and where if harm could be quantified, it would easily surpass the amount of aid received.

But the mercantile right-hand takes back in a variety of other forms what the other hand has given. Prevailing trade policies, certain forms of technical assistance barely distinguishable from commercial and cultural promotion, or high-interest loans provided for foreseeable misuse are examples. The monumental debts accumulated by the LDCs are due as much to unpostponable needs as to faulty priorities, to inadapted technologies, to the import of inessentials, or to interested advice. The cancellation of debts, at least those attributable to unscrupulous advice or salesmanship, would certainly be of greater help than the provision of new loans which prolong the servitudes connected with mounting indebtedness.

#### **Forgotten Promises**

Though the free play of market forces demonstrably discriminates the poor in favour of the rich and the powerful, very few are the remedial measures the industrial countries have conceded. A rare and recent exception, the unilateral tariff preferences (not yet ratified by the USA), was carefully designed so as to exclude (or reduce to the minimum) the very products—like textiles and shoes—in which the low-income countries are really competitive. But this tiny breach apart, the commercial policies of the developed countries are in flagrant contradiction to their professions of aid. To show more sympathy to commodity agreements; to undertake industrial conversion programmes in the interest of their own consumers, so as to be able to dismantle the network of obstacles—like discriminatory tariffs, taxes or quotas—in the way of the cheaper products from the poor countries; or to end subsidized exports of agricultural surpluses depriving the poor countries of their natural markets — all these measures would offer the LDCs far greater possibilities to finance their development than whatever aid they can ever hope to obtain.

It would be naive to try to dissociate the aid, trade and investment policies of the industrial powers from their understandable desire to prolong their privileged situation. The combined political impact of such policies on the poor countries, however, is scarcely conducive to the effective mobilization of their own human and material resources. Yet the obsessive pursuit of "stability", promoted to a prerequisite of development, is a poor guarantee of continuity in a world which is threatened much less by the revolt of the illiterate and the undernourished than by

anti-colonialist and nationalist passions fired by the inflexibility of the status quo.

The response, in the years to come, will be less uniform than the generalizing epitaph, the "third world", would suggest. It will be influenced by a variety of factors ranging from history to national character, resources or even climate.

#### **Future Aspects**

A handful of backward countries, either too dependent on their essential raw materials they cannot exploit, or strategically too important, will be allowed no choice. A very few, capable to combine exceptional material and human resources and strategic assets with skillful economics and superb political leadership, might succeed in breaking out of the constraints of underdevelopment. Many more states may accept the prolongation of their dependence, either because—until regional collaboration modifies their condition—they lack the human and material means required by the effort of self-emancipation or, more often, because finding themselves on the margins of one of the dynamic industrial areas of the world, the overspill effects of which promise them easier rewards than the intimidatingly long march in search of self-reliance.

But some countries will opt for that long, lonely march. Relying on their own socio-cultural heritage and determined to shoulder the sacrifices involved, they will set out to satisfy their needs mainly by their own means. They will attempt to involve hitherto passive masses in their enterprise to lift themselves from indigence to at least a modest level of decent material existence, and from humiliating dependence to the reconstitution of their lost self-respect. The rich world might follow with sympathy the constructive disengagement of those to whom it cannot offer real solutions. Remembering the transformation of Japan, Russia and now China, it might even come to consider it to be in its own interest to facilitate rather than to obstruct such endeavours so as to hasten the return of those countries to constructive and mutually profitable international co-operation.

Once that much admitted, it would be a turning point in the search for genuine development. From North-Atlantic domination, followed by a bi-polar world and, after that, by the multi-polar hegemony of the powers of the northern temperate belt, it may lead to a really plural international society. Whether it would be a more peaceful world would not depend only on the parameters of its combined resources. It would depend much more on the disposition of people ever to be able to share them equitably.