

Lemper, Alfons

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Collective Self-Reliance — A Development Strategy of Promise?

by Alfons Lemper, Hamburg *

Collective Self-Reliance is the descriptive term for a development strategy which has lately often been suggested as a means of overcoming underdevelopment. The question for us is whether it is to be treated as more than a slogan, which it is still today, and whether it really offers a possible way, a practicable strategy to cope with this global problem. The article by Dr Lemper is followed by another contribution by Professor Bauer concerning this subject.

As a slogan collective self-reliance can be traced back to the early days of the so-called "Group of 77". It evoked an ever louder echo at the big UN Conferences and General Assemblies of recent years and at the UNCTAD conferences in Santiago and Nairobi, and most recently played quite a prominent role at the Colombo Conference of last summer.

It is of some significance that the term "Collective Self-Reliance" abuts on another originally politico-economic term, "Autocentric Development", which is frequently used, following Samir Amin and others, to denote a development strategy by which developing countries sever their connection with the world market to varying degrees for an indeterminate transition period, pursue internal development efforts of their own and, having built up their own economies behind a more or less impenetrable screen protecting them from the world market in analogy to Friedrich List's protective trade policy, re-integrate themselves into the world market as partners with by and large equal rights and qualifications.

Permanent Challenge

It seems to be quite certain that self-reliance can never have complete independence, total self-containment, as its aim. Fortunately, hardly anybody is talking in this context of autarky. It can be taken for granted that neither the individual nor a society can or will ever have anything like complete self-containment or independence. There can only be a greater or lesser approximation to self-reliance; there is a narrow corridor in which responsible policy can move. This corridor runs between intolerable foreign dominance and harmful isolation, between implantation of an alien socio-economic structure and perseverance in sterile autarky. Self-reliance is thus neither a

precisely determinable area with distinct borders nor a clearly definable policy, but it is a dynamic field for decisions to be marked out anew all the time which presents a permanent challenge to those who have to take the political and economic decisions. In concrete terms the scope for a policy of self-reliance is circumscribed by a number of factors such as the import and export ratio, the direction and composition of foreign trade, capital entanglements, historic-cultural relations, etc.

A policy of self-reliance must obviously conflict somehow with the concept of international trade. This is true even of the traditional concept of trade based on the static allocation model which rests on division of labour and specialization according to comparative cost advantages and disadvantages. This concept is in large parts still the basis of the theory of trade and the policy of GATT. The principal element of this interpretation of trade is that commerce benefits all participants if it obeys the rules of comparative costs and specialized division of labour. The basic motive of this concept is not self-reliance but exchange, not isolation but communication. We know by now that exception must be taken to an insufficiently differentiating use of this static model. We shall not repeat here the criticism to which the model has been subjected in many quarters on this ground.

Curtailed Dynamic Trade Effects

Much more serious seems to be the conflict potential of a policy of self-reliance due to loss or curtailment of the dynamic effects of trade, for its dynamic aspects show international trade, as also national trade, to be a vast competitive complex. International trade releases enormous dynamic forces in all its aspects: by the dynamics

* Deutsches Überseeinstitut.

of the product cycles, the mechanism of the technological gap trade, the perpetual process of import substitution and the entrepreneurial competition for the sake of expansion. The compulsion to hold one's own in the market, to make the most of opportunities, to build up market positions acts as a permanent challenge to the performance and zeal of the participants. It is one of the most effective economic motive-forces, contributes eminently to the conveyance of ideas and know-how and provides one of the most effective vehicles for technology transfer from one country to another. These dynamic aspects of international trade give a much better description of the proper function of trade than the static allocation concept can do, and indicate functions of trade far beyond the scope of the static concept.

Dissociation of a country from the world market, even if only temporary, is likely to involve the renunciation of at least part of this dynamic force by the country concerned. Another important consequence of dissociation from the world market is a reduction of exports as a demand factor. The export demand is of course part of the total demand, though its share varies from country to country, and has thus an impact on overall activity. The export trade performs besides the function of an earner of foreign currencies which must be available for indispensable imports.

Import Reduction

Almost more important still seems to be the fact that dissociation from the world market leads to a reduction of imports which involves a more or less severe hindrance of foreign contacts, of relations with the outside world, of the flow of ideas. A curtailment of the influences from abroad can have positive as well as negative repercussions. What effects will in fact follow from dissociation on the import side depends upon the nature and volume of the continuing imports. Decisive is strict and purposeful selection of imports according to their relevance to or necessity for the development of the country concerned. To be reasonable and consistent, a policy of self-reliance based on dissociation from the world market must be founded on a clear development concept by the importing country allowing appropriate import selection.

A policy of self-reliance thus implicates increased self-determination and increased self-responsibility as an essential and logical correlate. Past experience shows unfortunately that most developing countries are quite incapable of fulfilling these essential requisites. It is true that there are examples of the successful application of such a policy: Japan has, in a certain sense, pursued a policy of self-reliance through several decades.

Although it did not dissociate itself entirely from the world market, its foreign trade took its bearings quite clearly from the priorities of internal development. The People's Republic of China may be mentioned as another well-known example: the policy of self-reliance which it pursued has evidently for various reasons proved highly successful.

Relation to the National Development Process

A second very important aspect of a policy of self-reliance is its relation to the national development process of a country. It is true that the orthodox interpretation of trade does not give sufficient attention to the place of trade in the national long-term development process. On the other hand the theory of trade cannot as yet refer to a clear operative concept of development either. With all due reservations the problem is probably tackled best by regarding development as based on and part of a simultaneous process of industrialization. It need not be stressed here that development and industrialization are not necessarily and in every respect identical terms. However, the primary aim of development is, according to all the pronouncements of international bodies, to enhance the well-being of the masses of the population. There is hardly a single resolution of the United Nations in recent years, of UNCTAD, the "Group of 77", Cocoyoc or any other international grouping which does not give high and highest priority to the need for industrialization. Nor has one ever heard of a practical recipe which would allow the gap between the incomes in industrialized and developing countries to be narrowed to 1:5 or 1:3 without recourse to the remedy of industrialization. It would be equally impossible to satisfy the basic requirements, as postulated so solemnly in Cocoyoc for instance, without making increased and selective use of the rules of division of labour and exploitation of the opportunities for technical progress — and industrialization is of course nothing else. In this context an intensification of agriculture involving simultaneous mechanization, which is the basis for an increase in agricultural production to satisfy the elementary nutritional needs, is to be regarded as merely one particular stage of industrialization.

Basic Logic of the Industrialization Process

We may thus narrow down the problem judiciously to the question what significance attaches to the industrialization process for the concept of self-reliance. For this purpose we have to look somewhat more closely at the basic logic of the industrialization process.

Industrialization implies first and foremost the

creation of new internal economic circuits on the basis of division of labour and work organization. It means constantly growing market creation and production appropriate to these markets. It calls for new forms of production organization which are needed to direct these processes. Industrialization involves, moreover, the creation of a constant equivalence of purchasing power and demand on the one side and of produced goods and services on the other.

In other words, purchasing power has to be created for the masses of the population through production with the help of these same masses, a purchasing power which enables the products produced for their benefit to be absorbed. Keynes' old precept that income is being created by effective demand holds its full and unqualified validity in this respect in particular. From this follows that industrialization cannot be successful unless it can always ensure the conformity of production and demand, and this on the broadest possible basis if distribution struggles and social conflicts are to be avoided.

□ Industrialization must as a rule be geared to the conditions and requirements of the country concerned. Undiscerning emulation of industrialization schemata of other countries is almost certain to fail because decisive prerequisites for their success do not exist equally in all countries. The qualification of "as a rule" implies that "externally-oriented" industrialization, i.e. industrialization with an export market bias, can be successful only in exceptional cases; the chance of success is the greater the smaller a country (i.e. the smaller an economic potential) is involved. Conversely, industrialization with primarily external orientation is in the logic of things the less promising the larger the country concerned. To explain this would not be difficult but take up rather more space than is available here.

□ Industrialization furthermore involves the gradual development of productive capacities by a steady, deliberate and patient process of learning by doing. And it involves much more than just setting up certain production capacities which could after all if necessary be imported from abroad. If the broad masses of the population are to be made to take part in the production and to derive incomes from this production, the appropriate prerequisites for incorporating these masses in an increasingly complex process of division of labour have to be created. This calls for large-scale communication of the basics of literacy, technology and organization and their systematic advancement.

It is also necessary to provide the essential organizational prerequisites of industrial production and to give training to all concerned in appro-

priate organizational practices. These are matters which cannot be imported but must be created by every country for itself. What can be imported are ideas, certain ready problem solutions, which can be adapted in the recipient country provided that the talent for adaptation exists or else that it can be systematically promoted and developed. Let us assume for instance that we are offered a motor car with a small defect, an article which forms part of our daily life and has been familiar to us since childhood; if we as non-experts are set the task of finding and removing the defect, we shall be generally helpless. We should be even more helpless if we tried to reproduce this motor car. The same can be said of the electro-technical, chemical and other products of highly developed industries. We should find ourselves unable to meet such calls. Most developing countries are suffering from the same disability, only to a much greater degree. There is a wide gap between the importing of industrial goods for which the availability of foreign currencies is all that is needed and their duplication from own resources or independent production of similar goods, and this gap can be bridged only by a lengthy and laborious process of learning. Each country has first to assimilate the technology, according to the stage of technologization required and corresponding to the available human and objective capabilities.

□ Industrialization finally requires the evolution of complementary industrial correlations on both sides, in production and in demand.

Even the demand originated by an economic subject with a certain standard of living is not the sum of component parts but a system of demands. Demand mostly emerges as a package. The life style and living standard of the individual whose demands are to be met usually encompass a large variety of objects which stand in a more or less definitely fixed relationship to each other. The production must be adapted to such complementary demand correlations, and anticipate them, in order to meet the requirement of adequate demand orientation.

On the production side we encounter complementary correlations not only in the rigid form of link-production but much more frequently, because of the logic of the division of labour process, in the form of the direction of more and more component parts to the production of one aggregate. The degree of aggregation is the greater the further the process of the division of labour has advanced. The larger the number of performable divided-labour processes, the greater a potential must be available to allow of economical production. For a policy of self-reliance this means that the chances for an effective and suc-

cessful self-reliance policy diminish in proportion to the economic potential.

To draw from these four points a conclusion for the policy of self-reliance, it may be stated that the creation of basic markets and the gradual adaptation of available technology are not only not inconsistent with a pertinent and purposeful policy of self-reliance but are actually an indispensable prerequisite of such a policy. Or, put more poignantly, any policy of self-reliance which is based on even a modest degree of industrialization is bound to fail unless a political leadership succeeds in creating the prerequisites for this kind of process, and it is in keeping with the universal claims for political autonomy that such a policy can, essentially, be formulated and executed only by the national government of the country concerned.

The fourth prerequisite — the creation of complementary industrial correlations and the availability of the requisite potential — can impose a crucial constraint on a policy of self-reliance. It is no coincidence that wherever a self-sustaining process of industrialization is in fact working, there exists firstly a sufficiently large potential while secondly the spacial frictions do not exceed a certain maximum. Hence we find everywhere in all such industrialized areas in the world a considerable population density (Europe, Japan) or, if in large territories the density is less marked, convergence processes taking place as a general rule. Conversely, the smaller the population (in absolute numbers) and the lower its density, the more limited are the chances for a policy of self-reliance on the basis of industrialization.

Influence of Multinational Corporations

One cannot speak about self-reliance without dealing with one exceedingly important factor which plays a role in this connection, namely, the multinational corporations. They really form a subject of their own, and an extremely fascinating one. Its significance is indicated by the fact that international production has already overtaken the international trade as a salient factor. As for the products, there are hardly any differences between one produced by a multinational in a foreign market and one exported by a foreign firm. The product of the multinational enterprise is likely to affect the foreign market about as much as the traded merchandise.

Significant differences arise however in the case of international production because of the much greater measure of possible and actual intervention in the economic and social structure of another country. Multinationals are known to exercise enormous influence on the wages structure

because they regularly pay very much higher wages and offer better social benefits than comparable indigenous enterprises. That emerges from studies by the ILO and other organizations as well as from other sources. International production furthermore tends to result in specific purchasing and marketing conditions geared to the balance of interests of the multinational rather than the country. The multinationals have their own particular method of technology transfer, for the technology which the multinational can offer is mostly of a kind developed for the special requirements of its main market areas; its activities in developing countries normally account for a relatively small part of its total activities only. Multinationals will therefore usually start from the technology at their disposal which is appropriate to the production and sales interests in their main fields of activity. In relatively few instances only will such enterprises evolve a new technology designed specially to suit the needs of one single foreign country. It is for this reason that the technology of the multinationals is often inappropriate to the developing countries. This is another reason why the interests of the enterprise may easily clash with the immediate interest in development of a developing country and why they will only in isolated cases be found to be in complete or partial accord with the country's interests.

Another way, and one not to be underrated, in which multinationals can bring influence to bear on developing countries is through lobbying, i.e. by stimulating political decisions by some way or another. It would certainly be wrong to censure the multinationals generally for having interests at variance with those of their host countries insofar as they are developing countries, for it must be borne in mind that the multinational enterprise operates according to laws of its own and has to look after its own special concerns.

It has a natural interest in building up local markets abroad with sufficient purchasing power. It tries to skim off purchasing power wherever it is to be found. It is of course interested in profitable markets coming into being through the economic development of a host country. But the national development of a country in the meaning of a development concept cannot be its primary aim. It may support or impede the achievement of this aim but primarily it operates within an ambit circumscribed by its own business objectives and by the people who bear responsibility for the economic policy.

Natural Disparity of Interests

There thus seems to exist a natural disparity of interests between the multinational corporations

and a policy of self-reliance. This disparity may be mitigated by economic policy measures and, in certain circumstances, pointed in a positive direction. But this requires an even more distinct and determined articulation of the specific national interest as against the interests of the enterprise. The national interest has to be upheld much more resolutely than in commerce and probably also more resolutely and more effectively than most developing countries are in a position to do.

The question of relative bargaining strength plays a great role in the relation of the multinationals with the developing countries. There are certain connections, not to say entanglements, between the interests of influential circles in the developing countries and those of the multinational managements. Of great importance is, besides, the competence of the negotiating parties for technological and political decisions.

Although it can certainly no longer be said that the developing countries generally are at the mercy of the multinational groups, their freedom of action in relation to these groups is subject to various constraints despite their emancipation, not least because of the need or wish to effect exports with the assistance of the multinationals and thereby to earn important foreign currencies for their own purposes.

Importance of Collective Self-Reliance

The term "Self-Reliance" is commonly used with "collective" as an adjective. "Collective Self-Reliance" denotes the wish to rely "collectively" on one's own resources. This "collectivity" may have different meanings. It may, for one thing, mean exploitation of a greater joint bargaining power. This reinforcement of the negotiating position may be of decisive importance for the realization of transfer aims. In relation to the industrialized countries it means for instance better exchange and trading conditions, higher prices yielding more foreign currencies for the national development policy, and finally exertion of pressure on the industrialized countries to pursue an appropriate structural policy with positive effects on cooperation with the developing countries. Such collective action however can only play a supplementary role. It does not relieve the participating developing countries in any way of the basic conditions governing development on the basis of self-reliance which have been outlined above.

"Collectivity" may also mean mutual assistance. In this sense it is certainly an eminently useful postulate, for this collective action can and should mean that countries at the same or a similar level of development and thus with similar consumption

patterns and comparable industrial experience, open their territories to each other for the sake of the impulses, but also the challenges, set off by such contacts. Countries at a comparable level of development cooperating with each other in this way would not only be able to derive from such cooperation schemes all the advantages of dynamic impulses to competition which ensue from inter-state trade but enjoy the additional advantage of improved opportunities to acquaint themselves with a more appropriate know-how and more specifically suitable technology which has already proved its worth in similar conditions. These contacts could finally have the particular result that the peripheral countries relinquish their inopportunities lop-sided fixation on the advanced industrialized countries and enter into exchange relations which do not from the outset suffer from the stigma of inequality.

Such attention to the common interest would perform yet another function, and one which is most important from the point of view of industrial policy: it would combine the development potential on the necessary level to initiate and further promising industrialization processes on a broad enough basis of differentiation and diversification of the division of labour. This would be an important means of breaking out of the narrowness of the local markets which is often deplored by the developing countries themselves. Many developing countries are in fact suffering from narrowness of their domestic market due to the small size of their population, a handicap which makes itself felt the more acutely because it is often aggravated by low population density.

Reorientation of External Relations

In many developing countries however the postulate of "collective" self-reliance calls for an in part fundamental reorientation of their external economic relations. It is common knowledge that the trade between developing countries is of minimal proportions. As a rule it accounts for a few per cent of their total foreign trade only. This is due to the historic factor of inordinate fixation on the industrialized world and further to the requirement of a modicum of economic activity and division of labour differentials for meaningful economic cooperation. The numerous integration moves which have been initiated and pursued in Third World countries, mostly using the EC as their model, are therefore making relatively slow progress; as far complementary industrial developments, they are so far confined to a very few opening moves. Though animated by the best intentions, the developing countries often ignore the logical industrial prerequisites for complementary developments. Positive beginnings are often brought to

nought by rivalries, prestige considerations and uneconomic growth competition. Moreover, the postulate of a complementary division of labour in the industrial development of the developing countries makes demands on their planning potential which are probably far beyond the capacity of most of them. No country likes to commit itself to certain industries and run the risk of finding out in ten years' time that it has backed the wrong horse. In the interest of their own autonomy peripheral as well as industrialized countries will normally try to promote complementary developments on their own territory if these are at all justified by their capacity.

Capabilities of the Political Leadership

In our analysis we are constantly coming up against an essential premise of the policy of self-reliance: the will and ability of a country's political

leadership to define such a policy, to determine a network of priorities and sequences for the steps which must be taken. This is in principle a competence problem concerning the national government: it must have the will to act in the interest, not of a small ruling élite, but of the population at large; it must be willing to set standards by its own actions, e.g. by effective income distribution methods to alleviate incomes disparities in its own country and provide the masses with more purchasing power; it must be sufficiently independent also from foreign interests. This is likely to be very difficult, for small countries in particular. The government must finally have enough scope for action at home to enforce this policy, which can grip hard, against powerful interests in its own country. The central problem of a policy of collective self-reliance is the question whether and to what extent the developing countries are able to comply with these high demands.

Collective Self-Reliance as Development Strategy

by Peter T. Bauer, London *

In recent years collective self-reliance (CSR) has come to be much canvassed as instrument of Third World development strategy. The advocates of CSR envisaged it primarily as concerted action by Third World governments to restrict the supposedly damaging economic contacts between less developed countries (LDCs) and the West. At first hearing CSR seems attractive. The widespread attitude in LDCs that resources for economic improvement of oneself or one's family must come from somebody else, such as the state or one's superiors, is damaging to economic performance. CSR appears to go counter to this. It may also appear as a declaration of independence of external subsidies. But these attractive implications vanish on examination.

CSR is envisaged as a major instrument of the New International Economic Order (NIEO). But the NIEO proposals demand massive inter-governmental wealth transfers from the West to Third World governments. These transfers are advocated sometimes as restitution for past

wrongs; sometimes as a means for reducing international income differences; and sometimes as indispensable instruments for the economic development of the Third World. Such transfers do not accord with accepted meanings of self-reliance. The inconsistency suggests the need for a harder look at CSR.

No Meaningful Collectivity

The term CSR suggests a collectivity or community of persons and groups with similar characteristics, background or objectives. But the components of the less developed world, that is most of Asia, Africa and Latin America, do not form a community or even a collectivity in a meaningful sense. In economic and cultural achievement the peoples of the less developed world range from many millions of aborigines, pygmies and desert people to Chinese millionaires in South East Asia and rich Mexican and Brazilian industrialists, and from Stone Age people, as in Papua-New Guinea to representatives of ancient civilisations in Asia and the Middle East. They differ greatly even in levels of income and rates of progress.

* The London School of Economics and Political Science.