

**Future Positive  
International Co-operation in the  
21st Century**

*by*

*Michael Edwards*

**EARTHSCAN**

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For my parents, David and Millicent Edwards,  
who did so much to help me escape

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## Chapter 2

# 1945 And All That: A Brief History of International Co-operation

*'The Hindu, like the eunuch, exceeds in the qualities of the slave'*

John Stuart Mill the Elder, 1817<sup>1</sup>

*'Their food is inadequate, they are victims of disease, their economic life is primitive and stagnant'*

Harry Truman, 1949<sup>2</sup>

*'What can someone living alongside a dirt road in Namibia or South Africa do except hope that someone will lift a helping hand to assist them?'*

Joan Burton, Minister of State,  
Irish Department of Foreign Affairs, 1997<sup>3</sup>

Countries, like people, have always interfered in each other's affairs. For the first 2000 years of history, war and conquest were the driving force. Then came trade, commerce, and control over the raw materials and sea routes that were essential to economic supremacy. The idea that countries might benefit by co-operating surfaced periodically in the 19th century, but had little influence over politics and economics. It took two devastating world wars and the great depression of the 1930s to convince people that there had to be a better way. When it arrived in 1945, the system established by a nascent 'international community' did mark a revolutionary break with the past, but its vision was soon submerged under cold war politics. Only now, with the cold war out of our system and global threats mounting, have we begun to pick up the threads of the post-war agenda in a more concerted fashion. Old habits, however, die hard. The legacies

of the past cannot be written out of the present, and to make co-operation work we shall have to confront attitudes and prejudices whose roots lie buried deep in history. What are these attitudes, and from where did they come?

## 'PROGRESS' AND THE COLONIAL EXPERIENCE

Writers on international development often cite President Harry Truman's inauguration address in 1949 as the beginning of a new era in world affairs. Truman called for the '*vigorous application of modern scientific and technical knowledge*' to improve what he called '*the underdeveloped areas*' of the world. This was not the first time large parts of humanity had been labelled in this way. Karl Marx used the same phrase in *Das Kapital*,<sup>4</sup> and the idea of development as a natural progression to the same end-state goes back to the Christian belief in providence, the continual upward movement toward universal perfection that is God's gift to the world.<sup>5</sup> In the 18th century the philosophers of the European Enlightenment translated providence into its secular equivalent of 'progress', and the hundred years that followed saw progress become 'modernity' – a combination of capitalism, industrialism, science-based culture and the nation state that became for its followers the rational end-point of human evolution.<sup>6</sup> By the beginning of the 20th century, the intellectual framework was already in place for 'development' as a standard set of means to achieve modernity for all.

Central to the Enlightenment (and to thinkers like Bacon, Hobbes and Newton who preceded it) was a core of ideas that were later to prove decisive in shaping approaches to international co-operation.<sup>7</sup> They included the belief that nature placed no limits on human achievement; an abiding faith in scientific knowledge free of moral and ethical constraints; the notion that human evolution, society and economics were all a competitive struggle between self-seeking individuals; a search to impose order on the world through the application of reason; and a consequent denigration of feeling and emotion as criteria for decision making. To the philosophers of the Enlightenment, the world – like the new inventions that proliferated at the time – was a wonderful machine whose actions could be predicted and controlled. Speed, growth and physical expansion were elevated as standards of success. Standardisation and measurement by numbers were characteristic of a culture that became '*precise, punctual, calculable, bureaucratic, rigid, invariant and routine*'.<sup>8</sup> The

culture of the Enlightenment laid the foundations for modern government administration and business practice, as well as development planning.

The legacy of the Enlightenment was decidedly mixed: patriarchal, control oriented and aggressively universalist on the one hand; a tradition (though rarely a reality) of individual freedom, justice and equality on the other, plus the scientific advancements and rational thinking that were to prove essential to economic growth everywhere. However, the imperial face of the Enlightenment inheritance was unremittingly destructive. Religion (the mission to 'civilise') and science (racial superiority and the survival of the fittest) provided the perfect rationale for colonisation.<sup>9</sup> There were exceptions, of course, like the Jesuits' attempts to promote self-reliant communities of Indians in 18th century Paraguay, but their failure throws the rest of the colonial experience into sharper relief.<sup>10</sup> Despite a rich history of local resistance and no little collusion by the indigenous elites who benefited, colonialism had a devastating impact on economies and societies. By denying people the opportunity for self-determination and imposing meaningless borders across ethnic divisions (especially in Africa), it also made longer-term political stability much more difficult to secure. Colonialism everywhere was characterised by the exploitation of resources to benefit the metropolitan economies – not just raw materials but human beings too, like the estimated ten million slaves who were forcibly deported from Africa to work on plantations in the New World, the thirty million indentured labourers enticed away from India, and the Indian army which provided a mobile source of support for Britain's imperial adventures.<sup>11</sup> Local industry and commerce were deliberately weakened, peasant initiative stifled, and revenue sucked out of the economy and into colonial exchequers.<sup>12</sup> Infrastructure and industry were oriented to primary exports instead of export-led industrialisation, and the colonies provided markets for goods manufactured in the West (though they proved something of a disappointment in that respect).<sup>13</sup> Cecil Rhodes knew what was wanted: '*we must find new lands from which we can obtain raw materials and exploit the slave labour that is available. The colonies also provide a dumping ground for the surplus goods produced in our factories*'.<sup>14</sup> But the colonial enterprise did not stop at economics. Edmund Spenser wanted the Irish exterminated since they were 'only barbarians'.<sup>15</sup> Smallpox brought over by the Spanish conquistadores wiped out the entire population of Hispaniola and 80 per cent of MesoAmerica and the Andean region.<sup>16</sup> General Von Trotha's 'extermination order' issued in Namibia in 1904 left three-quarters of

the Herero tribe dead.<sup>17</sup> If cultural superiority and economics were insufficient, brute force was used to complete the job.

It was the attitudes underlying such actions that made colonisation such a wounding experience, for both host and invader. The rich reality of China, India and the Islamic world which earlier generations of westerners had admired and learned from had to be rejected by the colonisers, because its acceptance would have removed the rationale for their actions – the inferiority of the ‘natives’ who had to be ‘civilised’.<sup>18</sup> That was why the British made the destruction of indigenous education systems in India a priority, and more broadly why local ideas and alternatives had to be subjugated or ignored.<sup>19</sup> ‘*The totality of Indian knowledge and scholarship did not even equal the contents of a single shelf of a good European library*’ was T B MaCauley’s verdict.<sup>20</sup> Mill the Elder’s three-volume *History of India* suggests that India was entirely populated by lazy natives, liars and cowards.<sup>21</sup> ‘*It’s just wot yer might expect from such a parcel o’ dirty black hignorant scoundrels*’ seethed a contemporary cartoon after the Indian mutiny of 1857 – how dare they oppose the march of progress?<sup>22</sup> In the colonial world view, difference spelled danger, backwardness and exotica, and often all three together. As late as 1904, the city of Hamburg exhibited Samoan women in the local zoo.<sup>23</sup> By 1917 the USA was the virtual ruler of Haiti, and its Secretary of State William Jennings Bryan was amused at the thought of ‘*niggers speaking French*’. At least he wasn’t forced to ‘*bow and scrape to the coons*’, as his emissary Colonel Waller put it. It never occurred to him that Haitian farmers at the time were growing cotton more successfully than plantations in his own country, using traditional methods.<sup>24</sup> The Palestinian scholar Edward Said has documented in meticulous detail how writers and others in the West created an image of an incapable ‘other’ in order to justify their actions and underpin the construction of their own superiority.<sup>25</sup> It was this need to strip people of the right to determine their future that was to prove so destructive to the possibilities of authentic development later in the 20th century.<sup>26</sup>

The horrors of slavery and the destruction wrought by colonisation were not uniquely Western, but in its depth, scale and continuity Western colonialism was uniquely damaging to the potential for co-operation in the post-colonial era.<sup>27</sup> The actions of men like Rhodes strike us now as shameful, even grotesque. But colonialism is long gone. These things are irrelevant to international co-operation today, or are they? Some claim that the conditions imposed on borrowing countries by the International Monetary Fund and the World Bank, or

the incursions of Western powers into collapsing states like Somalia, represent ‘neo-colonialism’ of the most obvious kind.<sup>28</sup> We will hear more about this in later chapters, but my concern is a more subtle legacy – the inequalities of power that still exist between donors and recipients, the insistence on policies and strategies of which ‘we’ approve, and the continual presentation of the Third World (originally a descriptive term, but now pejorative) as the home of the passive and dependent. Stereotyping other people like this justifies outside intervention, just as the ‘backwardness of the natives’ provided colonisers with a rationale for their excesses. Behind the mask of raw power, such polarities ward off anxieties about our own competence, assuage our hidden fears, and counsel lingering insecurities.<sup>29</sup> If there is no ‘them’ to put right, we are forced to confront our own problems, and that is a great deal more painful.

It would be wrong to see the period leading up to 1945 only in terms of colonialism. The first co-operative agreements (such as the International Postal Union and the first Geneva Convention) were already in place by the end of the 19th century, and a growing body of international law exerted at least some influence over politics. The inter-war years were dominated by an unequal struggle between ‘Wilsonian internationalism’ (expressed in the League of Nations), and the rise of fascist nationalist movements buoyed up by the catastrophic collapse of the world capitalist economy during the 1930s. Woodrow Wilson’s fourteen-point ‘Program for the Peace of the World’ launched in 1918 argued for ‘*open covenants of peace, openly arrived at*’, but there was little support for his vision even in his own country. Wilson had planned to give 30 speeches in 20 days to rally public support for the League of Nations in 1919, but collapsed early on and later suffered a massive stroke. One year later the League of Nations covenant was signed in Geneva to provide for the peaceful resolution of disputes, and the use of collective force against aggressors. But of the great powers, only France took a leading role; the USA never joined, and Japan, Italy and Germany all left after being censured for ‘aggression’.<sup>30</sup> Those who needed to hear its message most ignored the League’s disarmament conference in 1932. Deprived of the authority and resources to fulfil its mandate, it was ‘*completely out of its depth when the major powers of Europe began to unsheath their claws in the late 1930s*’.<sup>31</sup> The result was the Second World War.

Well before the end of the war, voices had been raised about the need to manage the world economy more effectively in order to avoid a repetition of the great depression. The Atlantic Charter signed by

Churchill and Roosevelt in 1941 promised the assurance that '*all the men in all the lands might live out their lives in freedom from fear and want*'.<sup>32</sup> Presumably this applied to all the women too, and it certainly gave added impetus to the movement for international co-operation that took shape a few years later. The Food and Agriculture Organisation (FAO) of the future United Nations had already been formed in 1943. At about the same time, economists in the USA and a group of emigrés from Eastern Europe who had settled in Britain developed the first theories about 'underdeveloped' economies.<sup>33</sup> They were influenced by the practice of wartime planning and the tradition of government interventionism championed by John Maynard Keynes and the Fabian Society which was especially strong at the time. So the new theories were not shy about the potential for planned change. Staley even recommended an '*international investment bank*' to finance global public utilities and the transfer of knowledge and industry across national borders.<sup>34</sup> These currents came together at the end of the war in a momentous series of world gatherings, most famously in the New Hampshire town of Bretton Woods (in 1944), Washington DC (Dumbarton Oaks) and San Francisco (one year later). Although the League of Nations had not prevented the carnage of the 1940s, the trauma of war and economic devastation did create the conditions in which the spirit of Wilsonian internationalism could find the political support it required. The stage was set for the birth of international co-operation.

## THE REVOLUTION OF 1945

*'We the peoples of the United Nations, determined to save succeeding generations from the scourge of war...reaffirm our faith in fundamental human rights...and for these ends agree to employ international machinery for the promotion of the economic and social advancement of all peoples'*.<sup>35</sup>

The opening words of the UN Charter signed on 26 June 1945 in San Francisco still have the power to move us. They seem to herald a radically new spirit in international affairs. Such a high level of agreement would not have been possible had it not been for the solidarity engendered by the common sacrifices and huge costs of the war. That, plus the memories of the great depression, made the rationale for international co-operation obvious to all.<sup>36</sup> In retrospect it is tempting

to imagine the immediate post-war period as a golden age of ethics and unselfishness, but the motives of the leading players were always mixed. Foreign policy in the USA, as in Britain in an earlier age, wavered between self-centred idealism (a mission to lead the world to a better, American, future) and hard-nosed realism (defending national interests).<sup>37</sup> The UN Charter and subsequent Declaration of Human Rights were never as 'universal' as they claimed to be, a problem which has not gone away in the intervening years. And the institutions born in 1944–45 were shaped to suit the interests of the industrialised economies, especially the one that emerged in the best shape from the war – the USA. Only two of the four 'pillars' envisaged at Bretton Woods actually survived as conceived. The International Monetary Fund (IMF) was intended to oversee currency matters, replacing a counter proposal from Keynes for an 'international clearing union' to regulate global capital movements (something which might have prevented the excess borrowings of the 1970s and the subsequent debt crisis of the 1980s).<sup>38</sup> The World Bank – the second pillar – was given the job of providing funding and technical assistance for reconstruction and development, initially in Europe, and then further afield. The third pillar was the UN, which when formally established a year later was stripped of the authority to supervise the IMF and the World Bank. That meant it could never be the focus for global economic management its architects had envisaged. The decision to give the permanent members of the UN Security Council a power of veto also shifted the focus of decision making away from the General Assembly toward the great powers. The fourth pillar was the International Trade Organisation, but that was replaced by the General Agreement on Tariffs and Trade (GATT), which encouraged, not the structural transformations required for productivity growth in Third World countries, but their integration into global markets using their existing 'comparative advantage' in primary exports (a critical issue which is taken up in Chapter 3).<sup>39</sup> The governance of these institutions reflected the realities of power at the time and put the USA firmly in the driving seat; anyone who wanted to borrow from the new system had to agree to open competition and currency convertibility, favouring the USA as the most competitive nation in the world at the time.<sup>40</sup>

The fundamental objectives of the Bretton Woods system were to promote high levels of employment, enhance world trade (by reducing protectionism and ensuring the convertibility of currencies), and smooth out the fluctuations in markets that had caused such havoc in the 1920s and 1930s.<sup>41</sup> In all of this, the influence of Keynes

and Harry White (his American counterpart) was decisive. Faith in the power of wise intervention to redress the imperfections of markets, and the ability of planning to engineer positive social and economic change, was widespread. There was no better illustration than the Marshall Plan, an act of enlightened self-interest on the part of the USA that, in its scale and form, is unique in history. When planners in the USA met in 1947 to discuss the future of the world economy, they forecast that other countries would not be able to buy goods from the USA in sufficient volume to prevent a domestic recession for at least two years.<sup>42</sup> The future wealth of the USA depended in part on its willingness to share what it already had with others. *'The needs and interests of the people of the United States need markets, big markets, in which to buy and sell,'* said Will Clayton, the businessman credited with the original idea for the Plan.<sup>43</sup> Marshall aid was therefore designed to pump-prime rapid economic recovery in Western Europe and so neutralise Soviet influence at a time when Communism was a real political force. The first shipment of aid (900 tonnes of wheat) was shipped from Texas in the spring of 1948.<sup>44</sup> Over the next five years, aid to the value of US\$15 billion followed, about US\$3 for every person in the USA at the time. Britain, France and Germany took the lion's share. Within three years gross national product (GNP) of all recipients rose by a quarter, industrial production by two-thirds and farm output by 24 per cent.<sup>45</sup> French productivity increased by eight per cent a year between 1955 and 1958, and whole sectors of industry were retooled using state of the art technology. Aid eased import constraints, supplied the capital goods essential to productivity growth, and gave hard-pressed economies and governments the extra breathing space they needed to recover. Japan also received huge amounts of aid from the USA under a separate programme, using 'Special Procurement Dollars' to re-equip Japanese industry at a time when exports were still small in volume.<sup>46</sup>

Critics of foreign aid like to point out that the success of the Marshall Plan cannot be used to justify aid to the developing world.<sup>47</sup> Recovery was already underway before it began; aid would have achieved little without local initiative; and conditions in European economies at the time were very different to those in Africa or Asia at independence.<sup>48</sup> Western Europe provided the ideal setting for the Plan because its economic problems *could* be solved in the short term using external assistance. The governments, infrastructure, skilled labour force, market institutions, entrepreneurial tradition, business acumen, high levels of education and technical competence

that were needed to use aid effectively were all present.<sup>49</sup> In other respects however, the Plan does provide some useful lessons which – had they been heeded – might have improved the later record of foreign aid. Although the USA insisted on broad control of the programme (*'we must run this show'* was Clayton's advice), the funds generated by selling Marshall Plan commodities could be spent by recipients more or less as they pleased.<sup>50</sup> Aid was allocated in close consultation with European governments through the Organisation for Economic Co-operation in Europe (later the Organisation for Economic Co-operation and Development – OECD), in which the USA had voting rights equal to those of the recipients. By all accounts there was a genuine sense of partnership, and considerable flexibility in the shape and timing of domestic policies (so long as they were broadly favourable to expanded production and trade).<sup>51</sup> Since aid came in the form of grants, countries were able to cover temporary shortfalls in their balance of payments without incurring more debt.<sup>52</sup> Machinery sent to Europe was at the cutting edge, not the second-hand cast-offs so often provided to Africa in more recent aid programmes. In fact foreign aid to Africa shares almost none of the features of the Marshall Plan that *could* have been replicated despite the different conditions. Why not? Because they were only Africans?

The arrival of 'development planning' as an accepted discipline in the late 1940s built on a combination of Keynesian economic policy, Soviet dirigisme, and the 'scientific management' movement in the USA.<sup>53</sup> Its spirit is captured in the report of the first ever World Bank mission – to Colombia in 1949 – which concluded that *'a great deal can be done to improve the economic environment by shaping economic policies to meet scientifically ascertained social requirements'*.<sup>54</sup> Development planning, and its theoretical underpinnings in development economics, were almost entirely a creation of thinkers in the West (though from the 1950s to the 1970s a healthy, if eventually unsuccessful, alternative tradition grew up, especially in Latin America).<sup>55</sup> The assumption was that growth would accelerate without the long periods of institution building and the 'balanced evolution of private markets and public power' that had been central to the development of the industrialised world.<sup>56</sup> Theorists like Walt Rostow insisted that all countries would have to pass through the same fixed set of stages to reach prosperity. Western experience also permeated the field of social policy, with formalised social work and the welfare state exported wholesale to radically different cultures

where traditional social obligations were still in place. Though driven by a different and less destructive philosophy than colonialism, the urge to engineer progress defined in universal terms was just as strong.

## SUSPENDED ANIMATION: FROM THE COLD WAR TO SUPPLY-SIDE ECONOMICS

Despite its imperfections, the system established in 1945 did hold out the promise of more co-operative relationships at the international level. The period between 1950 and 1970 was, for those who enjoyed it, the greatest economic boom in history, with world trade increasing fourfold and real incomes up by 300 per cent.<sup>57</sup> In that respect, the post-war recovery stoked up by American aid, and the economic institutions put in place at Bretton Woods, worked better than anyone had hoped. For countries like South Korea and Taiwan that were strategically located in cold war terms and whose governments were able to use aid effectively, these were also times of rapid growth. But while peace and prosperity reigned in the West, the cold war condemned much of Africa, Central America and Asia to continued conflict and instability, with twenty million people killed there between 1945 and 1983.<sup>58</sup> In these circumstances it is not surprising that growth and development were set back significantly. Both the Soviet Union and the USA used aid and other forms of intervention to secure their political objectives and their economic interests.

Cold war motives and developmental objectives were often conflated, with predictable results – witness Arthur Schlesinger's comment in 1954 that US policy toward Vietnam was '*part of our general program of international goodwill*'.<sup>59</sup> Others were more straightforward. With unusual honesty, President Nixon reminded his colleagues '*that the main purpose of American aid is not to help other nations but to help ourselves*'.<sup>60</sup> Domestic interests – and old alliances – overrode any supposed commitment to democracy and human rights. When asked why he refused to authorise military action against the Rhodesian rebellion in 1965, British Prime Minister Harold Wilson replied, '*because we don't do that sort of thing against white ex-colonials*'.<sup>61</sup> Neither West nor East did anything to prevent the killing of half a million people in Indonesia and East Timor by the Suharto regime.<sup>62</sup> Attempts at democratisation were blocked wholesale by the Soviets in the Eastern Bloc, but the USA and Britain were also involved in the overthrow of democratically elected governments, as for example in Iran (where a grateful Shah immediately granted

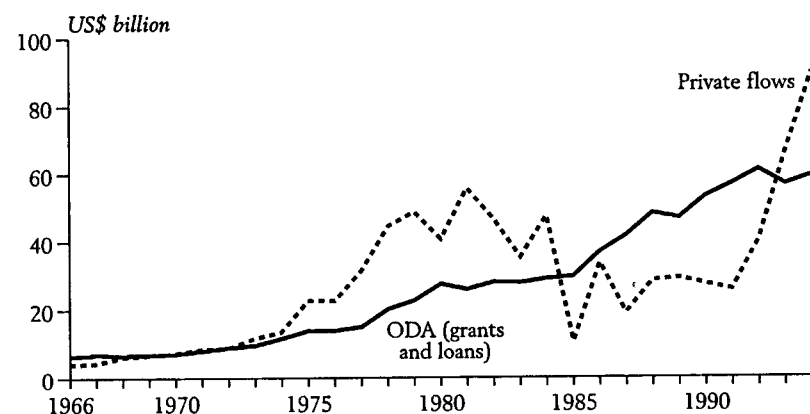
huge concessions to US oil companies) and Guatemala (where Jacobo Arbenz Guzman dared to advocate land reform in a country dominated by the United Fruit Company).<sup>63</sup> Even where successful in narrow cold war terms, intervention often had unintended consequences: the murder of Aung San in 1947 (in which the British were implicated) plunged Burma into a period of instability from which it has yet to recover;<sup>64</sup> US complicity in Guatemala prolonged a civil war that claimed over 200,000 lives between 1960 and 1990,<sup>65</sup> and the British-sponsored Sudanese independence agreement of 1953 institutionalised a conflict between North and South that has led to 40 years of war and famine.

Superpower manoeuvres destroyed one of the founding principles of the UN – that it would act as an impartial judge of its members' misdemeanours. Instead, it became the arena in which these conflicts were played out, with 279 vetoes of Security Council resolutions cast during the cold war by one side or the other.<sup>66</sup> The cold war also diverted resources on a huge scale into military research and expenditure – US\$50 billion per annum in the USA alone and \$10 trillion for the West as a whole.<sup>67</sup> Imagine what might have been achieved had it been spent on long-term development. Since aid was provided regardless of development performance, there was no incentive for corrupt and incompetent states to reform themselves, and if 'universal' human rights were negotiable according to political criteria, why bother to uphold them? This made a mockery of the principles of the UN Charter, and did enormous damage, not just to the effectiveness and reputation of foreign aid, but to the wider cause of international co-operation. The cold war's perverted interpretation of what co-operation meant made it more difficult for the real thing to gain support later on. Long before the fall of the Berlin Wall, intervention had once again displaced co-operation as the driving force in international affairs.

However, not everyone was obsessed with containing the 'other side'. Behind the scenes of the cold war, the 1950s saw the formation of the Special Fund for Economic Development (later renamed as the United Nations Development Programme – UNDP), the International Development Association (IDA – the soft loan arm of the World Bank), and the Development Assistance Committee (DAC) of rich-country donors. The addition of the International Covenant on Economic, Social and Cultural Rights to the original Universal Declaration (in 1966) was a significant event because it spoke much more to the priorities of newly-independent ex-colonies.<sup>68</sup> They had started to form themselves into organisations



like the Group of 77 and the Non-Aligned Movement in order to represent their interests more forcefully in international debates. The Bandung Conference in 1955 was the first ever international gathering which deliberately excluded the Soviet Union, Western Europe and the USA.<sup>69</sup> Co-operation between the members of these organisations increased rapidly and reached its peak during the 1970s, when, for a short time at least, there were serious discussions about the possibility of a new international economic order more favourable to the developing world in which North-South economic relations were to be reformulated on the basis of 'equality and co-operation'.<sup>70</sup> This was a time of fresh thinking about development, much of it generated by scholars and activists in Latin America and Asia. They emphasised the human aspects of development as well as economic growth, and pointed to the structural disadvantages of developing world economies in the international division of labour.<sup>71</sup> 'Popular participation' became a rallying cry for increasing numbers of critics, especially in Latin America where it was popularised by the Brazilian educator Paulo Friere.<sup>72</sup> There was widespread support for international commodity agreements that aimed (not very successfully) to stabilise the prices of primary exports.<sup>73</sup> In stark contrast to later attitudes among donor agencies, there was substantial respect for the independence and sovereignty of recipients. W Arthur Lewis, one of the greatest of the early development economists, said simply, 'give us the money and shut up'.<sup>74</sup> In 1969, the OECD still had the humility to admit that 'we have only a vague idea of what we are doing'.<sup>75</sup>



Source: OECD/DAC Annual Reports 1979-92

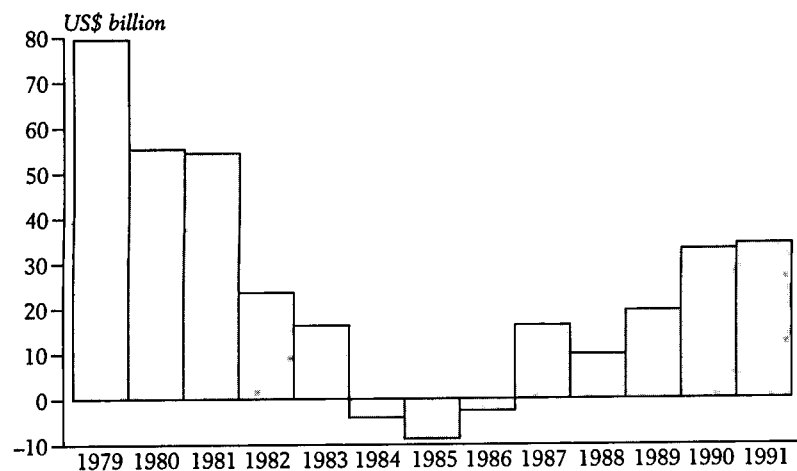
Figure 2.1 The Flow of Financial Resources from OECD Countries, 1966-94 (US\$ billion)

The volume of foreign aid rose consistently in real terms during this period (Figure 2.1), though the proportion spent on basic needs fell from 38.4 per cent in 1971 to 21.9 per cent ten years later.<sup>76</sup> The increase was partly due to the ready availability of funds from the oil-producing countries after the oil price rises of 1973. In the following decade, the Organisation of Petroleum Exporting Countries (OPEC) provided 22 per cent of total official aid, or US\$74 billion, as well as much more in the form of 'petrodollars' recycled to developing world borrowers through a willing global financial system.<sup>77</sup> Many in the West blamed OPEC for the collapse of the post-war economic boom and the dismantling of the framework inspired by Keynes 30 years before. But the world economy had been overheating for some time before 1973 and it was actually President Nixon who pulled the final plug by abolishing dollar convertibility at fixed exchange rates.<sup>78</sup> Rising inflation proved the undoing of the Keynesian consensus, and that in turn prepared the way for the neo-liberal resurgence of the 1980s. It was to be a shift with profound implications for the world's poor.

The free market obsessions of the 1980s affected international co-operation in two ways. First, neo-liberalism deemed economic intervention, management, or even co-operation (in most areas) unnecessary and unhelpful. Markets were assumed to be better at making decisions than states or international institutions, and private initiative was much more important to success than collective action. Domestic policies were the key to results; international structures were irrelevant. Since development was seen as a linear progression to a market economy, getting there meant liberalisation, privatisation, and 'getting the prices right' – a standard set of prescriptions summarised in what came to be known as the 'Washington Consensus'. John Williamson, the originator of this phrase, called it a 'myth driven by a powerful elite', but it was a very influential one.<sup>79</sup> Decision makers became obsessed with control over inflation, abandoning the focus on incomes, employment and welfare agreed at Bretton Woods. Interestingly, the Articles of Agreement laid down there for the IMF made no mention of controlling inflation and specified that economic imbalances should be corrected 'without resorting to measures destructive of national or international prosperity'.<sup>80</sup> Nevertheless, donor agencies focused increasingly on growth rather than distribution, along with social safety nets for those who could not, or would not, be reached by markets. Foreign aid was used to promote the 'right' macro-economic policies. Support to aid-financed projects declined, while programme aid – given on condition that recipients reformed themselves – increased. The proportion of total

aid spent on human development priorities fell still further, down to a meagre 19 per cent by 1991.<sup>81</sup>

Second, the deflationary macro-economic policies pursued by the industrialised world during the 1980s triggered a recession of global proportions, accompanied by collapsing commodity prices and rising Third World debt. The absence of Keynesian-style international economic management made decisions taken in rich countries much more damaging in their effects on people in poor countries.<sup>82</sup> A failure to get to grips with the rising budget deficit in the USA stoked the fires of the debt crisis by placing a constant upward pressure on interest rates. With a real risk of large-scale default on the loans that had flown so freely a decade earlier, this was a period of immense risk to the world economy.<sup>83</sup> The result was to reverse the positive net flow of resources to the developing world that had characterised the preceding 25 years. Foreign direct investment declined and aid flows began to stagnate, with the proportion of total aid going to the 'least developed countries' falling to less than a quarter by 1993.<sup>84</sup> These trends made the 1980s a 'lost decade' for many countries, especially in Latin America and sub-Saharan Africa (Figure 2.2). In 1985 poorer countries transferred about US\$15 billion more to rich-country donors, banks and corporations than they received in the form of aid, loans and investment – so much for the benefits of international co-operation.



Source: OECD/DAC Annual Reports 1979–92

**Figure 2.2** *Net Financial Transfers to all Developing Countries 1979–91 (US\$ billion)*

## THE POST-COLD WAR WORLD

The end of the cold war has not resurrected international co-operation in the way some had anticipated. Nevertheless, there is a new spirit at large, confused and hesitant in its details and still subject to conflicting interests and agendas. This new spirit centres on a fuller vision of development as more than economic growth, and on the right of all people to be included in the 'fruits of global progress.'<sup>85</sup> What reawakened it was the recognition that there were no solutions to the problems generated by free market economics – rising inequality, insecurity and environmental degradation – that did not involve co-operation both within nations and between them. International action is back on the agenda, signified by the joint management of problems such as global warming and deforestation; a succession of global conferences on the environment, population, women, social development, food security and habitat; and the halting acceptance of human rights standards as the bottom line in international affairs.<sup>86</sup> Global jamborees in Rio de Janeiro, Beijing and Copenhagen produced little by way of action, but they did help to raise the profile of global issues in a way which is necessary if politicians are to listen. Huge question marks remain about the shape of international regimes, but the principle of global governance is no longer controversial.

The reactions of the 1990s against crude neo-liberalism have begun to feed through into official practice, but in ways which are incomplete and contradictory. Foreign aid continues to decline (down a further 13 per cent in real terms between 1995 and 1997), but it is now targeted on a smaller selection of countries and a narrower range of priorities.<sup>86</sup> Some donors want to focus the aid that remains on the world's poorest countries in South Asia and sub-Saharan Africa, and others on 'big emerging markets' or 'pivotal states' where short-term returns will be highest.<sup>87</sup> Some still see aid as a global welfare state; others as an investment for the future. All want to allocate aid more selectively according to the performance of the recipient, which may be a good thing if it is applied consistently and in ways which build capacity for the future.<sup>88</sup> Although couched in different language, old definitions of national interests remain – achieving prosperity and security by promoting democratic capitalism and a stable balance of military power – but offset by greater interest in eradicating absolute poverty and managing global problems such as environmental degradation and financial instability.<sup>89</sup> There is a 'new Washington Consensus' that illustrates this shift well – fiscal discipline remains, balanced by more attention to social expenditure and education, insti-

tution-building, global regulation and debt relief.<sup>90</sup> Everyone now speaks the language of participation, gender equity, sustainability and poverty focus, even if they don't practise it. The proportion of total aid spent on human development has started to rise for the first time since the 1960s, up from 19.2 per cent in 1991 to 25.1 per cent two years later.<sup>91</sup> Ninety per cent now goes to countries with per capita incomes below US\$3000 per annum, though the proportion going to the poorest parts of the world continues to fall.<sup>92</sup> Less is being spent on aid for infrastructure and technical assistance (after a series of damning reports), and fewer aid contracts are 'tied' to business at home (notwithstanding the occasional spectacular lapse like the British-funded Pergau Dam in Malaysia or the helicopters provided to India that were only fit for scrap).<sup>93</sup> More and more aid is being delivered through private channels, especially NGOs and consultancy companies.<sup>94</sup> Soviet aid has all but disappeared, but there are new donors on the horizon such as South Korea and Taiwan who (like China before them) have learned one thing at least from the West – the value of money in persuading other countries to support your political objectives. After the recession of the 1980s, private capital has started to flow in much greater quantities, except to Africa. By 1995 private flows accounted for over two-thirds of total resource flows to developing countries (see Figure 2.1).<sup>95</sup>

Western governments are confused about how aid relates to private capital flows, and what to do now that the ideological certainties of previous years have disappeared. 'Post Cold-War, there no longer seems any clear compass to guide the international community' is Joan Burton's judgement.<sup>96</sup> However, the OECD's new 'vision' for the 21st century promises to provide at least some direction for the lost souls of the development world and is rapidly becoming a benchmark for all aid ministries and international organisations.<sup>97</sup> It sets measurable goals like reducing absolute poverty by half and achieving universal primary education by the year 2015. More importantly, it 'sets out an agenda for a model of co-operation that puts developing countries in the driver's seat in planning for co-ordinated support from external partners that enhances local capacity and self-reliance' – or more crudely, 'more ownership and less donor-ship'.<sup>98</sup> The OECD is honest enough to subtitle the next section 'Vision or Mirage?' It continues like this: 'the principal task now is to define the vision more concretely and translate it into reality...in a way which respects the ideas and opinions of developing countries'. Unfortunately, the vision suffers from the same schizophrenia that has always afflicted foreign aid – a simultaneous desire for countries to control their development

and a reluctance to allow them to do so. Policies 'must be locally-owned', the OECD says, followed one page later by 'they must adhere to appropriate macro-economic policies, accountable government, gender equity' and a long list of other things, all defined by the OECD. They can have their own development, but only if it is the kind we approve of seems to be the message. Even where the conditions appear progressive, such a formulaic approach doesn't fit the reality of countries that have eradicated absolute poverty in the past. Despite its good intentions, the new vision is permeated by lingering attitudes of control, inequality and standardisation. 'In the past we were wrong, but now we are right.' Until, that is, we are proved wrong again.

## CONCLUSION – UNWELCOME GUESTS

Old attitudes are like unwelcome guests – they keep coming back however much you try to get rid of them. One hundred and eighty years separate the quotations at the head of this chapter, but all three embody the same stereotype of the dependent 'other' that requires our help. Nowadays the guests tread more softly and disguise themselves in other people's clothes: the racism of British reactions to India has softened into the paternalism of present-day foreign aid ministries and child sponsorship. 'What can people do except wait for a helping hand to assist them?' asks Joan Burton. A great deal, as they always have done. As we shall see throughout this book, these attitudes have corrupted the post-war vision at every level, making genuine co-operation impossible by reinforcing unequal notions of power and responsibility. The good news is that, like the unwelcome guests they are, they can be told to go away.

The legacy of the Enlightenment was not entirely negative, but as a historically unprecedented will to control and dominate, a 'world ruled by calculation and wilfulness that is destructively purposeless', it has done enormous damage.<sup>99</sup> The subjugation of nature for human gain, and the hubris brought on by the West's temporary supremacy in a wider historical perspective, has silenced other voices and alternatives. Standardisation, and an obsession with quick measurable results and size as measures of success, crowds out action on deeper problems. Technocratic approaches to development are still widespread, reducing politics, culture and social realities to bite-sized chunks that 'the experts' can solve. Schooled and trained in zero-sum thinking, we are ill-prepared to deal with complexity and uncer-

tainty.<sup>100</sup> Especially in times of rapid change, we constantly look for things that offer easy answers, and if one easy answer loses its grip, another will be waiting around the corner.

From colonialism, we have inherited a basic inequality in power relations that drives the imposition of standard models across the world. Where power is unequal, double standards abound: Ugandans coerced into AIDS research when they cannot afford to buy the drugs that will be developed; or new measles vaccines tested on Haitian children by the United States Centre for Disease Control which may have *increased* local child mortality levels.<sup>101</sup> Although rarely taken as literally as this, rich-country interests have often used other societies as a testing ground for economic and political experiments they are unable or unwilling to conduct at home. Developing countries have been the instruments of a power play on a much bigger stage. The stereotyping and victimising of the 'other' continues, though this is not a preserve of the West. Malaysian Prime Minister Mahatir Mohammed's blanket description of Western societies as '*riddled with incest and unrestrained avarice*' is a neat mirror image of the gross generalisations practised by the colonisers.<sup>102</sup> This is the age-old mentality of displacing problems elsewhere, making good our damaged selves by externalising doubts and worries. If only we can make 'them' more like 'us', everything will be normal, and all will be well. But treating people as incapable reduces their ability to learn from mistakes, eroding the prospects of change that is sustainable by being rooted in local struggles and realities. Where outsiders perceive crisis and anarchy – an undifferentiated mass of suffering – the reality may simply be a continued struggle to cope and, where possible, advance. This realisation came to me on an early morning walk in a village in Northern Zambia in the autumn of 1984, past mothers engrossed in the daily routine of washing their children, chewing over the news of the day before, and getting ready for the rest of their 14-hour day. A hard life, tough and unfair, but full of its own love and light, and the determination to change it for the better. The moment we realise that others are not waiting for our help, still less relying on it, is the moment we can begin to help them properly.

From the cold war we have inherited a tradition of selective intervention to suit political objectives, mixing humanitarian and other goals in a cocktail that invariably produces poor results. It may be failure through muddle rather than self interest, but the result is the same. Foreign aid has replaced co-operation in the much more important areas of trade and investment, just as humanitarian assistance has replaced international action on the political dimensions of conflict.

In the words of the General Confession, '*We have done what we ought not to have done, and left undone those things which we ought to have done*'. The battle for universal ideologies which must be won or lost; the shifts in fashion from one decade to the next; and the focus on 'the right' policies and models regardless of context – all these things take away from the continuity and learning required for long-term change.

In short, we face a huge inheritance which must be confronted if international co-operation is to work. The future of the world depends on wise collective choices, but such choices can never be made on the back of imposed ideas. That implies a willingness to undertake the search together with those who may disagree with us. Nothing else will secure the collective legitimacy for solutions to hold. Despite our efforts, we have not really tried to help in this deeper sense. Now, with the colonial era at an end, the cold war out of our system, and mounting scepticism about any attempt to engineer universal solutions, the stage is set for a more concerted effort to make the vision of 1945 a reality, informed by the lessons of the last 50 years. That requires new attitudes, approaches and incentives; a switch from converting others to engaging with them; and a deeply-rooted reversal from 'them' to 'us'. '*The future depends on ourselves, and we do not depend on any historical necessity*' was Karl Popper's judgement about the 'Open Society and its Enemies'.<sup>103</sup> That means all of us, and it means together.