

Erkki Tuomioja

# THESES ON DEVELOPMENT



MINISTRY FOR FOREIGN AFFAIRS OF FINLAND



**Picture on the cover page:** Women on the UN Fourth World Conference on Women, Beijing 1995.

**Picture on the right:** Minister for Foreign Affairs Erkki Tuomioja in the Helsinki Process seminar, Hanasaari 2012.

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## Foreword

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The world has undergone an unprecedented transformation during this millennium. In the last 100 years, population growth has been greater than at any time in world history. Private investments in developing countries have outstripped aid flows and former power relations have changed. Thanks to the Millennium Development Goals (MDG), less people suffer from extreme poverty and more people have access to safe drinking water. A greater number of children start school and fewer die from malaria or tuberculosis.

At the same time, climate change and unsustainable use of natural resources pose growing threats to mankind. Problems linked with poverty are coupled with those arising from increasing inequality.

In this pamphlet, Minister for Foreign Affairs Erkki Tuomioja discusses the state of the world. With a long experience in international politics, Minister Tuomioja is capable of combining history with future - and moreover, of exploring solutions to current problems.

The need to reconsider global relations and the global development architecture is among the priorities of Finland's Development Policy. We need to listen to our partners - and opponents - carefully to make sure that our contribution helps in eradicating extreme poverty. Only an open-minded and equitable dialogue will bring sustainable results.

Dambisa Moyo's book *Dead Aid* has led to a hot debate on aid and development. Moyo writes: "Africa's development impasse demands a new level of consciousness, a greater degree of innovation, and generous dose of honesty about what works and what does not as far as development is concerned. And one thing is for sure, depending on aid has not worked. Make the cycle stop."

Moyo's book has been both praised and condemned. But as Minister Tuomioja notes, her real message is often oversimplified and distorted. The book was written in order to generate a healthy debate and should be read as such - as a plea and inspiration for better aid and cooperation.

At the moment, the quest for joint commitments is more topical than ever. The MDGs' expiry in 2015 is approaching fast and the international community is preparing for the post-2015 world. The work is spurred by a historic opportunity to end poverty within the lifetime of this generation. In order to meet the challenge, we must see beyond the MDGs. This involves various dimensions which chime well with Minister Tuomioja's remarks.

Firstly, tackling poverty and saving the planet must involve all. The MDGs focused on the developing countries while the rest of the world was expected to concentrate on global partnerships. Therefore development and environment were handled in different tracks and questions of production and consumption were not addressed. The MDGs fell short in integrating all economic, environmental and social aspects of sustainable development. This can no longer be the way forward.

Secondly, we must learn from the shortcomings of the MDGs, such as failure to address the devastating effects that conflict and violence have on development. Also, the importance of good governance, the rule of law and open, responsive and accountable government were not included. These questions must be taken on board now - they can even be seen as the fourth aspect of sustainable development.

New goals must build on former achievements. Now that more children start school, we must strive for a better quality of education and better possibilities to have vocational or higher education. Also, we must continue to fight for the empowerment of women, the only single factor that generates development in isolation of others.

Thirdly, future goals must be accompanied by a plausible and action-oriented financing strategy. A greater emphasis must be placed on domestic resources, private investments and innovative financing, complemented by better policy coherence and fight against illicit capital flight from developing countries. All measures should support developing countries' own efforts to create decent work and move towards self-reliance. Also taxation - a very classic way of collecting funds - can be used more innovatively to support development. We should encourage developing countries to create their own tax collecting systems and to increase transparency in taxation. And finally, all efforts will be in vain unless they are grounded on respect for universal human rights. A better world is possible only if all people know and are able to act for their rights and the authorities are aware of their obligations and capable of fulfilling them. In this way, vicious circles can be turned into virtuous ones.

**Pekka Haavisto**  
Minister for International Development  
Ministry for Foreign Affairs

# THESES ON DEVELOPMENT

## Introduction

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These notes on development are based on the material used for three speeches and lectures I gave during the winter of 2012. As my remarks aroused such interest, and maybe some controversy too, my advisers urged me to also write them out more comprehensively on the basis of the eleven concise points I had prepared for my otherwise informal remarks.

Born in 1946, I can be regarded as a typical representative of the 1968 generation. I became active in Teiniliitto, the Secondary School Students' Union in Finland, which united more than a hundred thousand students in Finnish schools with an almost 100 percent membership rate. In the beginning of the sixties the union was very apolitical and mostly engaged in arranging school dances and traditional cultural events - invoking war-time patriotic and Christian phraseology, which had very little meaning or interest to most of its members.

I was among a small coterie of students from different schools in Helsinki who came together in the autumn of 1963 to found Helsingin Teinien Yhteiskunnallinen Seura (HTYS, or The Social Society of Helsinki Secondary School Students).

Born into a family in which three of my grandparents had at different times (and for different parties) been MPs and in which my father had briefly served as Prime Minister and been a presidential candidate for both the Conservative and Liberal parties before becoming a diplomat and international civil servant, my interest in politics and international affairs came naturally to me, as it were, in my mother's milk (or perhaps as a legacy of my Estonian-born immigrant, playwright grandmother, with whom I would later travel). I also had the benefit of being able to live with my family abroad and attend school in London and Geneva, where I learnt to read the *New Statesman* and other international magazines at an early age.

Watching the TV-programme *Free Speech* on British television at the height of the Suez Crisis I found myself identifying with the anti-colonialist views of the then maverick left-wing Labourite Michael Foot. Initially my views were still rather tame, reflecting the more liberal and UN-idealistic views that my father represented.

It is hard to imagine that even this kind of mild internationalism was regarded as suspicious in conservative circles in the beginning of the six-

ties, and that the letter we sent out in the name of HTYS to all schools in Helsinki, proposing that they arrange some special events to commemorate the 25th Anniversary of the UN Universal Declaration of Human Rights, was literally regarded as subversive in the offices of some headmasters.

Of course, our internationalism became quickly radicalised. The year 1963 saw the founding of the Committee of 100 in Finland, which I, too, joined in the autumn. The first stirrings of opposition to the escalating war in Vietnam were being seen in Helsinki, but for me and many of my contemporaries our awakening awareness of apartheid in South Africa and the liberation struggle in Southern Africa were initially even more relevant as the starting points of our activism. The South Africa Committee (an Anti-Apartheid movement) was founded by a host of youth organisations and, in 1967, I became its chairman.

By that time Teiniliitto had effectively been taken over by a new generation of politically and internationally active youth leaders. I served for two years, 1967 and 1968, as the Union's Vice-President. Our activities focused on two issues: bringing "democracy" to schools by empowering student bodies and bringing other reforms to enhance students' rights; and standing in the forefront for a more just world order. This was not the slogan we used at the time, however, the liberal internationalist agenda of fighting racial discrimination and supporting development aid was within a few years greatly influenced by the more standard version of anti-imperialist rhetoric used at that time. The rhetoric was sometimes muted by the necessity to keep less politically conscious people on board, although the then dominant theory behind most of the publications and statements was easily identified.

Teiniliitto became more concretely engaged in development issues when in 1967, together with other Nordic student organisations, it joined the Taksvärkki campaign started by the Swedish Secondary Schools Students Union, SECO, to collect funds for a cooperative project in Peru. The following year Teiniliitto chose the Mozambique Institute run by the liberation movement FRELIMO in Tanzania as its beneficiary. This was a more controversial choice as it was also intended to show solidarity with the armed liberation struggle in the Portuguese colony.

For many the political implications of the campaign outweighed the concrete results, but as development projects go, it was a successful one. The printing press, financed and set up with Finnish aid and expertise in Bagamoyo for printing school books for FRELIMO-run schools, is still in good shape and use in Mozambique.

As part of the first Taksvärkki campaign my colleague Ilkka-Christian Björklund and I were given the task to write a 32-page pamphlet for

Teiniliitto on developing countries and development aid. The pamphlet *Haaste hyvinvoinnille* (a challenge to affluence), sponsored by the subsequently privatised and closed Postal Savings Bank, had a printing of 150 000 and was distributed to all the members of Teiniliitto in approximately 500 schools around the country. It was a presentation of an earnest, optimistic liberal case for development aid.

Teiniliitto was not the only forum for my engagement in development issues and, having joined the Social-Democratic Party in the beginning of 1968, I became involved in all of the international and foreign policy organs of the party. After I was elected to Parliament in 1970 I sat on the Foreign Affairs Committee and was nominated by the party to chair the Foreign Ministry's Advisory Board for Development Cooperation for two consecutive terms from 1976 to 1982. I served as vice-chair of the Development Cooperation Committee which presented its report in 1979. I also sat on the supervisory board of Finnfund from 1978 to 1999.

As Minister for Foreign Affairs from 2000 to 2007 and from 2011 on I have likewise followed development issues closely, although the direct responsibility for development has been in the portfolio of another minister in the Ministry, usually in combination with responsibility for foreign trade or the environment. The Helsinki Process on Globalisation and Democracy from 2002 to 2008 was co-chaired by the foreign ministers of Finland and Tanzania.

During my almost four-decade-long engagement in development affairs the issues have remained in many aspects the same since the very beginning. The dominating question has been quantitative, i.e. when and how Finland should achieve its commitment to use 0.7% of its GDP for international development cooperation, although this is always in association with the quality of aid. The conditionality on human rights and other criteria has always been the central question, as have been questions related to the amount of aid tied to the promotion of the donor country's economic and trade interests, the proper distribution between multilateral and bilateral aid, project vs. budget support, etc.

It was only when I started to prepare my presentations last winter that I myself realised how little the development discourse I had been brought up on, and to which I still more or less automatically resort, has changed in comparison to the changes that have actually taken place in the real world. It is not that I have completely missed what has been going on, as the numerous references in my articles and speeches show, but I have not attempted to present a truly comprehensive review of development issues today and the way the world has changed. This pamphlet is therefore an attempt to address this failure, done as primarily a self-learning process and disavowing any claims of originality.



# Colonialism is history

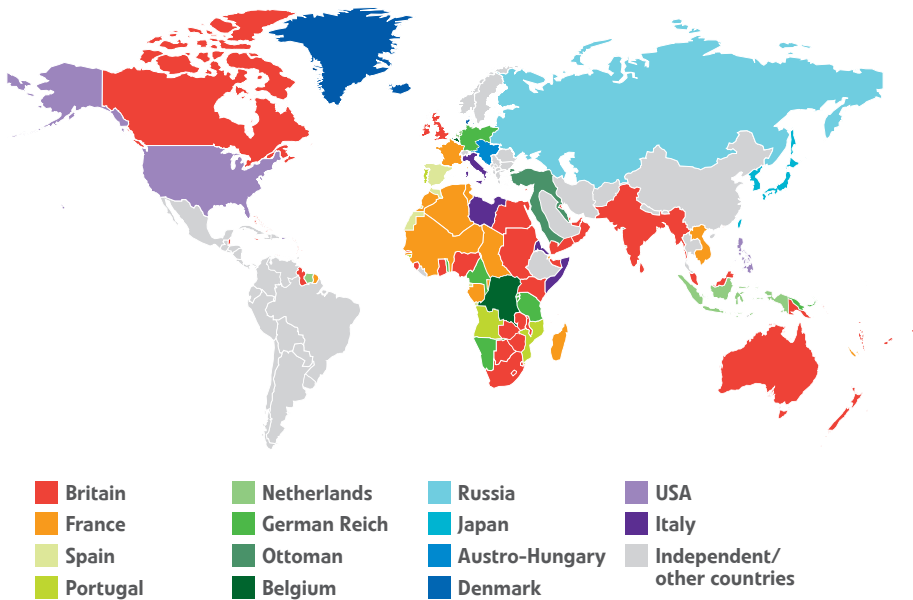
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In its heyday, the colonial carve-up of the world was almost global, as the following map of the world's colonial powers, their colonies and other dependent territories from 1914 shows. A map from a century earlier would have shown only small colonial outposts on the coast of Africa, with almost all of Latin America as still parts of the Spanish and Portuguese Empires.

Forty-two independent states became founding members of the League of Nations in 1920. At the end of the Second World War most of the land areas on the map of the world were still presented in the pink of the British Empire, the purple of the French realm and the other colours of the colonial powers. When the United Nations was founded it had 51 member states, in 1960 there were 82 members states and in 1970 already 127. Today the UN has 193 member states.

Some countries have split more or less amicably, thereby increasing the number of countries, but for the most part it is decolonisation that has changed the world. The UN still has a Special Committee on Decolonisation, but it is almost exclusively occupied with a dozen or so islands in the Caribbean and Pacific still classified as non-self-governing territories and

**MAP OF EUROPEAN COLONIES IN 1914**



Source: Wikipedia

where the populations, with the exception of Western Sahara, are not clamouring for independence.

We can thus speak of colonialism as a historical phenomenon and take a critical look at its legacy. The consensus rightly starts out from the point that, regardless of some noble intentions and motives, colonialism was not guided by enlightenment principles. It left a legacy which varied, on balance, from at best benign neglect to absolutely dreadful. The latter mostly applied to those countries which the colonial masters tried to hold on to with force, in face of national liberation movements demanding and fighting for independence.

Colonialism did not disappear once the colonies gained their independence. Its lasting legacy is most obviously evident on every world map, where many of the borders were originally drawn at the Berlin Conference in 1878 and other similar colonial events. It is also true that colonial habits and the efforts employed by the colonial powers to retain their influence after their colonies had achieved their independence certainly continued under the guise of neo-colonialism, which continued to direct the fortunes and choices of many newly independent states.

The reality of neo-colonialism should not be denied as initially decolonisation was in most cases followed by forms of indirect economic, financial and cultural hegemony, which has, however, slowly but surely been eroding.

It should also be remembered that not every colony was misruled and devastated like the so-called Congo Free State was during King Leopold's reign. The colonial legacy is undeniably varied and blanket generalisations do not help us to understand the failures and successes of development.

It is right to conclude that there is no defence for colonialism or neo-colonialism. It is also necessary to recognise that the legacy of the Colonial era is still relevant, for example, in the discourse on who bears the heaviest responsibility for centuries of unfettered greenhouse gas emissions and the consequent burden sharing in mitigating climate change. At the same time there should also be an expiry date after which colonialism and neo-colonialism should no longer be accepted as excuses for most of the failures of developing countries, fifty years after the majority of the colonies have become independent.

This conclusion is supported by the observation that it is usually the most corrupt and dictatorial leaders, in Africa and elsewhere, who have been the loudest in their condemnation of colonialism as being the cause of all of their countries' failures, while they themselves have been very adept at embracing all of the colonial examples of rapacious expropriation, stifling dissent and trampling human rights.

# There is no Third World any more

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During the sixties it became fashionable to talk about the Third World. The term was originally used during the Cold War to define countries that remained non-aligned in relation to capitalism and NATO (which along with its allies represented the First World), or communism and the Soviet Union (which along with its allies represented the Second World). This definition not only provided a way by which the nations of the earth could be broadly categorised into three groups based on Cold War criteria, it also included some social, political, and economic distinctions. Due to many of the Third World countries being extremely poor, it became such a common stereotype that people commonly referred to undeveloped countries as Third World countries.

The Third World of the sixties was rarely precisely defined and the term loosely covered all of Africa, Latin America, and Asia, with the notable exception of Japan, which was included in the First World. In everyday usage the term Third World has been used interchangeably with the Global South and Developing Countries to describe poorer countries struggling to attain steady economic development.

According to the so-called dependency theory of thinkers like Raul Prebisch, Paul Baran and Andre Gunder Frank - whose books are still to be found in my library - the Third World has also been associated with the world's economic division as peripheral countries in the global system that is dominated by the purported core countries. Due to the complex history of evolving meanings and contexts, there is no clear or universally accepted definition of the Third World.

But even if the term is now much less used than it was during the sixties, seventies or eighties, it still lives on as a simplified stereotype lumping together all the developing countries. Along the road there have been attempts to institutionalise and politicise this concept.

In the latter context the most relevant example is OSPAAAL, Organization of Solidarity with the People of Asia, Africa and Latin America (Organización de Solidaridad con los Pueblos de Asia, África y América Latina). It was preceded by several other organisations, particularly OSPAA (Organization for Solidarity for the People of Africa and Asia), which first met in Cairo in 1955.

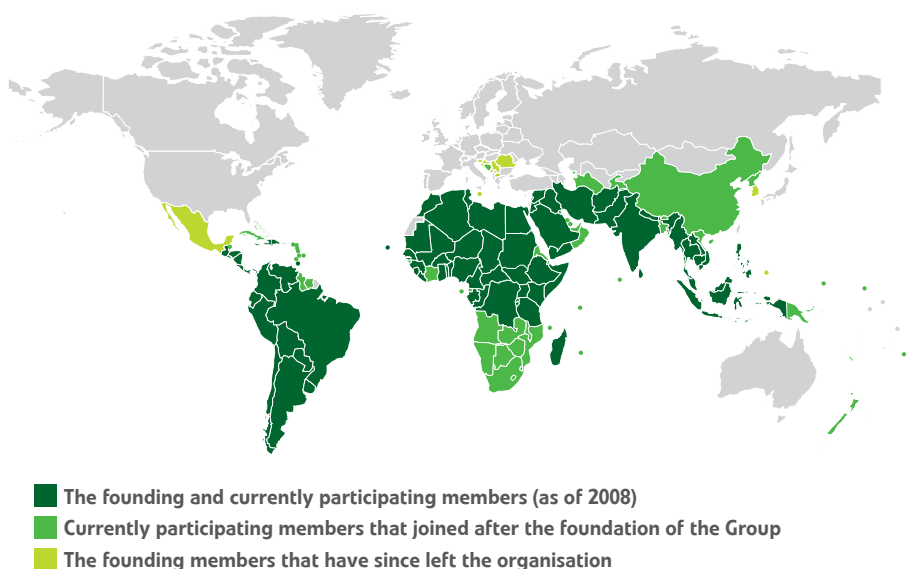
OSPAA was a kind of Third World Comintern, heavily influenced by Cuba, with the stated purpose of fighting globalisation, imperialism, neoliberalism and defending human rights. OSPAAAL was founded in Havana

after the 1966 Tricontinental Conference, a meeting of leftist delegates from Guinea, the Congo, South Africa, Angola, Vietnam, Syria, North Korea, the Palestine Liberation Organization, Cuba, Puerto Rico, Chile and the Dominican Republic. Mehdi Ben Barka, the Moroccan leader of the Tricontinental Conference, died in obscure circumstances the year before.

Of the institutionalised versions of Third World organisations the G-77 - or G-77 and China as it is fittingly now called - is the most important and prominent. It was founded by 77 developing countries in 1964 by the “Joint Declaration of the Seventy-Seven Countries” issued at the United Nations Conference on Trade and Development (UNCTAD). The first major meeting was in Algiers in 1967, where the Charter of Algiers was adopted and the basis for permanent institutional structures was set.

Since its establishment the G-77 has continued to serve as a coordinating forum for the positions of the developing countries or, as its official website says, to provide “the means for the countries of the South to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major international economic issues within the United Nations system, and promote South-South cooperation for development”.

#### GROUP OF 77 COUNTRIES AS OF 2008



Source: Wikipedia

Some countries have left the G-77 to join the “other side”. These include Mexico and South Korea, which joined the industrialised countries’ Organisation for Economic Cooperation and Development, OECD, in 1994 and 1996, respectively.

We can look back to 1974 as the Zenith of third worldism when, in the aftermath of the first oil crisis and driven by the G-77, the UN General Assembly passed the *Declaration for the Establishment of a New International Economic Order*. This could be characterised as the blueprint for a planned world economy, which was never implemented and soon forgotten, while for decades the neo-liberal Washington Consensus became all the more influential as the driving ideology of the Bretton Woods Institutions.

In the real world the G-77 has from the very start been a rather heterogeneous group, united only in its determination to confront the wealthy First World. Angling for aid and receiving trade concessions from the developed countries is the *raison d’être* of the G-77. Yet, even this bond has been diluted as, in addition to those who, so to speak, have jumped ship, more and more countries in the group have increasingly diverging interests which cut across any simple North/South division lines. Thus the G-77 today is at least as divided as any of the groups representing the developed countries and finds it increasingly difficult to unite on common positions or to stick to them once adopted.

The complexity of different sub-groups within the G-77 is particularly clearly seen on climate change issues where many groupings, such as the Least Developed Countries (LDCs), the Alliance of Small Island States (AOSIS, the small island group most vulnerable to climate change), and the BASIC group (Brazil, South Africa, India and China), have different priorities and agendas.

My generation grew up in a world where it was easy to think of the world as being divided between the rich North and the poor South. While the continued existence of abject poverty and its geographical concentration in the South is still true, it does not justify the continued adherence to a simplified North/South division.

First, we should recognise the fact that within a few decades hundreds of millions of people have been lifted out of abject poverty and from living in the shadow of recurring famines. This is particularly true in China and India and elsewhere in Asia. Huge progress has also been made in Brazil, which can point to the best results in poverty reduction the world has seen during the last decade.

Within the G-77 there is a clear stratification. In 1971 the LDCs were recognised as a specific group, today they comprise 48 countries. Some of the

original LDCs have moved up out of the group. As an indication of their development this has been a welcome phenomenon, but at the same time it has meant that they have lost some of the special treatment they benefited from in the form of trade treaties and the like.

Most G-77 countries are classified as Middle-Income Countries (MICs). These are the 86 countries that fall into the middle-income range set by the World Bank's Development Indicators and which account for just under half of the world's population. This group, too, covers a wide income range, with the highest income MIC having a per capita income 10 times that of the lowest.

Moreover, not all of the poorest people live in the LDCs. The MICs are home to one-third of the people across the globe living on less than USD 2 per day. Pockets of the kind of poverty usually associated with the Third World can also be found in the wealthiest countries. Income distribution within regions and countries, which has tended to develop in a more unequal direction and particularly in those countries most beholden to neoliberal policies, is an increasingly important indicator for assessing the success or failure of development efforts.

While association with the Global South and striving to appear as its spokesmen remains useful for the most successful of the G-77 countries, they also find their categorisation as Third World countries something they would increasingly like to put behind them.

China, with a population of 1.3 billion and a GDP of USD 7.3 trillion (soon set to overtake that of the United States), is the most obvious example. Chinese companies are increasingly global actors voraciously searching world-wide for investment opportunities, mostly, but not exclusively, in natural resources.

# As a result of population growth we live in a different world

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When I was born in 1946 the world's population was about 2.3 billion. Since then it has grown more than threefold to over 7 billion today. Population growth is the single most important factor when it comes to understanding how the world has irrevocably changed.

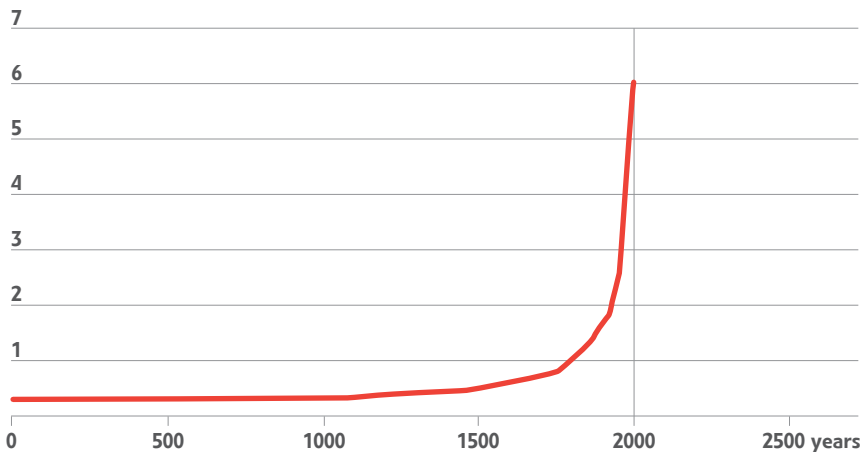
Historians, economists, politicians and diplomats can tell us how we have managed, or mismanaged as the case might be, our affairs in a world inhabited by a few hundred million or even a couple of billion people, but history cannot tell us what it means to live in a world of seven billion people.

Globally the rate of population growth peaked in 1962-1963, when it was 2.2 percent. Since then the annual rate of growth has more than halved. The world's population still continues to grow, but all forecasts now predict that growth will level out sometime between 2050 and 2100, when the world's total population will peak at somewhere between 9 and 10 billion people.

Great regional differences in population growth will persist for a long time to come. While China's population nearly doubled between 1950 and 1980, its growth has since then slowed down and is set to peak somewhere around 2030, by which time it will have been overtaken by India as the world's most

## PAST WORLD POPULATION GROWTH

Numbers (billions)



Source: Gaia Watch. Data from The world at six billion, United Nations Population Division

populous country. It is unlikely that China could have achieved this so soon without its controversial one-child policy introduced in 1979.

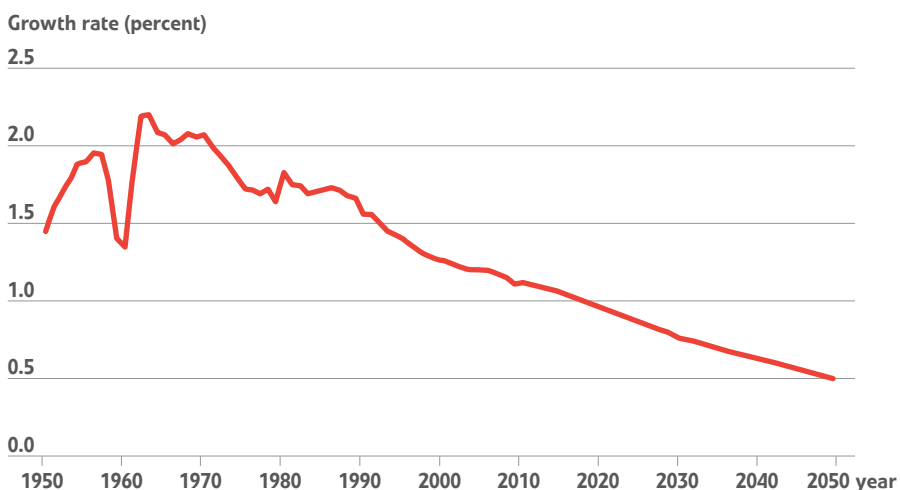
Population growth will still continue almost unchecked in many countries. Nigeria, with 124 million people, is forecast to have 402 million by 2050; Ethiopia's population will grow from 64 to 278 million and Pakistan's from 152 to 291 million. The highest relative growth is forecast for Uganda which will grow from 24 to 128 million between 2000 and 2050.

At the same time, some countries, such as Russia and many countries in Eastern Europe, have already had negative growth rates for decades. Many more, including Japan, will see their populations decrease significantly by 2050. Many other developed countries also have fertility rates (indicated by the average number of children per woman) which are below the approx 2.1 level of growth needed to sustain their population.

Official policies in almost all of these countries aim at stopping this decrease, but with increasingly ineffective results. Hopefully, more and more decision-makers will acquiesce to this fact, as any policy anywhere aimed at actively increasing the world's population is irresponsible.

This does not mean adopting the basic arguments that Thomas Robert Malthus made already in 1798 in his famous *Essay on the Principle of Population*. His predictions of famine and disease as being the inevitable

## WORLD POPULATION GROWTH RATE 1950–2050



Source: U.S. Census Bureau,  
International Data Base, June 2011 Update.



consequences of population growth and as the only means of keeping population growth in check have happily been belied. This is mostly because of the unintended and unforeseen consequences that the eradication of poverty, increasing wealth and, not least, the empowerment of women have had on population growth. Malthus wrote his essay in a world inhabited by less than one billion people, and he obviously underestimated the scientific, technological and social innovations which have made it possible to feed 7 billion people better than the one billion of his time. On the other hand, he was not aware of other limitations on growth: population and the use of natural resources as well as other environmental constraints, which have given some renewed relevance to his pessimistic views on population growth.

Trying to increase fertility rates is not the only way governments can spur population growth. Differences in natural rates of population growth will persist and even increase in the medium term between regions and countries, but the ensuing differences in population growth can and will be increasingly moderated by immigration. Even the United States, with its rapidly growing population, has a fertility rate just above the figure needed to sustain its population. The difference, however, can be explained by continued high migration, legal and illegal, into the country.

What matters for sustainable development in an increasingly interdependent world are the global aggregate figures, even if most national or regional policies have still to acknowledge this.

# Globalisation = Interdependence

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Population growth and globalisation are the driving factors for why we are living in an increasingly interdependent world, in ways both good and bad. This interdependence is a fact that no country, be it a superpower with nuclear weapons or a small island micro-state, can escape irrespective of its desires.

Interdependence in a world of 7 billion people has profoundly changed the way that states and nations have to interact with each other. For over 350 years we have lived in a Westphalian world order created by the Treaty of Westphalia in 1648, which ended the disastrous Thirty Years' War in Europe. This world order was initially based on sovereign rulers and later on sovereign states as the sole actors in world politics. Unbridled sovereignty was never the determining factor, even in peacetime, and when states clashed in war a new balance with changes in spheres of sovereignty was usually the result.

As time passed and increasingly during the 20th century the concept of unlimited sovereignty became more and more outdated. All international agreements, treaties and conventions have always restricted the sovereignty of the signatories, even though the decision to sign is, of course, formally an indication of the country's willingness to exercise its sovereign right to enter into - or reject - international commitments, including when they incorporate a mechanism to break away from the commitments.

Increasingly, these commitments and the implementation mechanisms they include have put more and more restrictions on the exercise of sovereignty, even though very few of them are supranational in character, such as the decisions taken by the UN Security Council or the European Union in matters of community competence which are legally binding even if a country has opposed them.

In parallel we have also seen how traditional power politics have become more and more unworkable, in terms of being able to deliver results. Leaving aside all moral and ethical considerations, the threat or use of military force may have been a workable instrument with which countries could further their national interest at the cost of other countries, even for relatively long periods, but this is no longer the case.

One of the most illuminating lessons of this is the example of the two WW2 losers, Germany and Japan. After their military defeats they could no longer engage in military expansion or even spend money on armaments. This unacknowledged truth contributed to the fact that twenty years after

their defeat they had become the much-envied economic miracles of the period.

Weapons of Mass Destruction (WMDs) are one reason for decline in power politics. The doctrine of Mutually Assured Destruction (MAD) has worked and limited the usefulness of WMDs. As formidable as they are as a threat, the risk of using them against adversaries possessing similar weapons and the means of delivering them has prevented their use. The worst risk associated with WMDs is the possibility of them falling into the hands of terrorists or other groups who cannot be directly threatened with the same sort of retaliation.

Another reason for this is the changing nature of war even with so-called conventional arms. Until the development of air power in the 20th century, wars tended to be fought by opposing armies or navies in short but bloody battles. While civilians suffered, they were relatively rarely directly affected by the fighting. Air strikes behind enemy lines in later wars changed the situation completely. Also the increasing guerrilla warfare, in which combatants blend into the civilian population, has contributed to the same appalling trend.

These factors have contributed to the trend in which there is a steady increase in the ratio of civilian to military casualties in armed conflicts. This decreases the credibility of using the goal of protecting the civilian population as a pretext for starting a war. In broad terms we have seen how the proportion of civilian casualties has risen from maybe 10% in WW1 to 50% in WW2 and to up to 90% in modern wars where most of the casualties are women, children and other non-uniformed civilians.

Perhaps the most important reason for the relative decline of power politics is that force and coercion are increasingly dysfunctional means of extracting gains. In the past empires could expand through the use of force, by occupying new lands, confiscating wealth and natural resources and by subjugating other peoples to serve at the disposal of those with superior force. Even though there were no Thousand Year Reichs' in history, many empires did exist for long enough periods to seem invincible. Since those times any gains through power politics have become much more untenable. Conquering mines, oil fields and such is not much use without the capital and technology to exploit them. Slave labour is totally unproductive and market access is rarely opened through military force.

While power politics may have become obsolete in terms of the gains therefrom, this does not mean that the belief in power politics has disappeared, and so consequently, we still have to be ready to deal with any attempts to resort to it.

# We have only a few decades at best to reach sustainable development

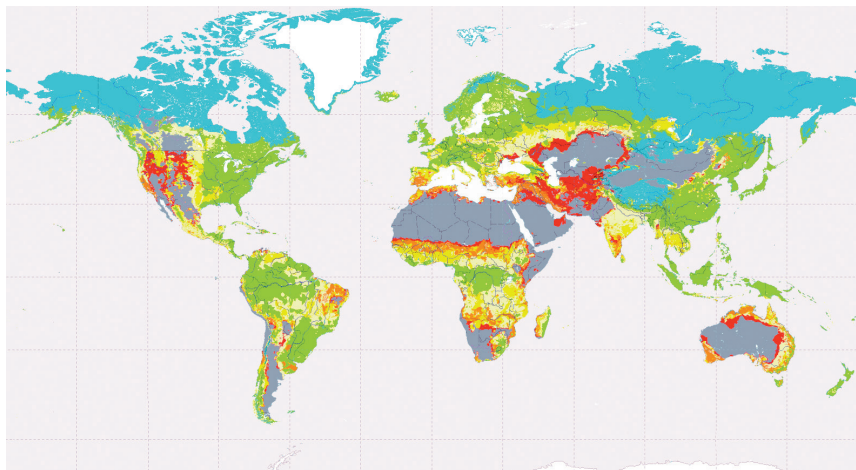
Population growth has had and will have profound consequences for mankind. Most obviously, population growth is a crucial factor regarding how we manage our coexistence with our natural environment.

In only a few hundred years, since the beginning of the industrial revolution, we have developed ever more efficient and wondrous ways of extracting natural resources and transforming them into products for our use and comfort, but in doing so we have let ever growing amounts of waste, emissions and toxins into our environment.

We have also changed our environment in other ways, such as cutting down forests, creating soil erosion, reducing natural habitats, pouring cement over greenfields and leaving behind pockmarks of abandoned mines and other sites. This has been going on for centuries at an increasing pace. Sometimes it led to abandoning sites and dwellings which had become too polluted for habitation. But in a world of only a few hundred million people, it was possible to move on to new uncharted and virgin sites. This, of course, is no longer possible.

One indicator of these changes is the advance of desertification, which has made more and more areas in the world increasingly vulnerable.

## DESERTIFICATION VULNERABILITY



**VULNERABILITY:** Low Moderate High Very high  
**OTHER REGIONS:** Dry Cold Humid/Not vulnerable Ice/Glacier

Source: United States Department of Agriculture. Natural Resources Conservation Service.

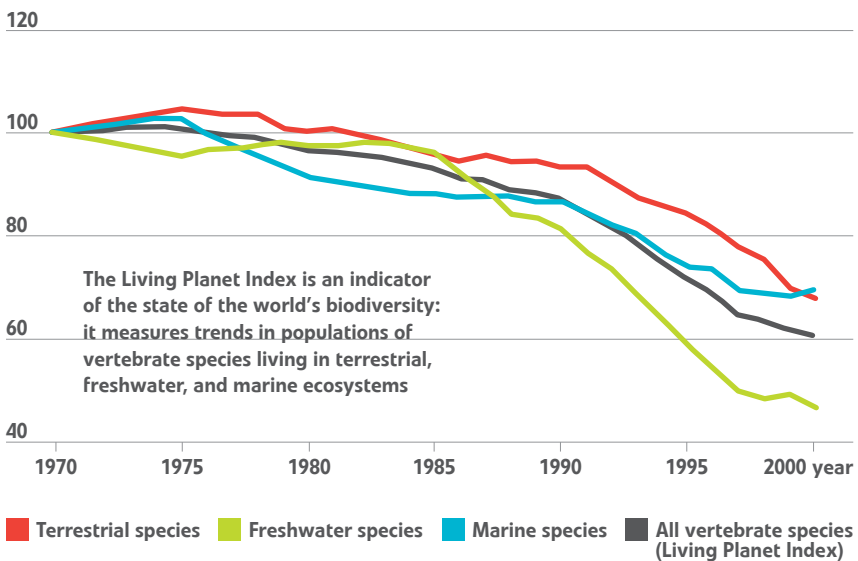
It is only relatively recently that we have become aware of the fact that the way we use and deplete natural resources is unsustainable. The undeniable advance of global warming and climate change has been the most striking wake-up call for us. We know that even the international community's stated goal of limiting global warming to 2 degrees Celsius on average will not be achieved. Every day we are confronted with new evidence of the advance and consequences of climate change as well as other examples of what our emissions into the environment can lead to after they have sufficiently accumulated.

Another alarming indicator is the accelerating loss of biodiversity. The Millennium Ecosystem Assessment shows that irreversible losses in biodiversity due to human action have been more rapid during the past 50 years than ever before in human history.

My conclusion is that with the accelerating loss of biodiversity and other ongoing changes we may, at best, have only a few decades to reach ecologically, socially and economically sustainable development.

No-one can be certain that we can do it, or even if it is possible at all. This uncertainty cannot be eliminated by high-sounding statements and resolutions from international conferences, or even by actions, which may, in any case, come too late. The Rio+20 Conference, which did not produce any concrete new commitments, accomplished nothing to alleviate this uncertainty.

### MILLENNIUM ECOSYSTEM ASSESSMENT: POPULATION INDEX



Source: Ecosystems and Human Well-Being: Bio-Diversity Synthesis. Millennium Ecosystem Assessment 2005. Data: WWF, UNEP-WCMC.

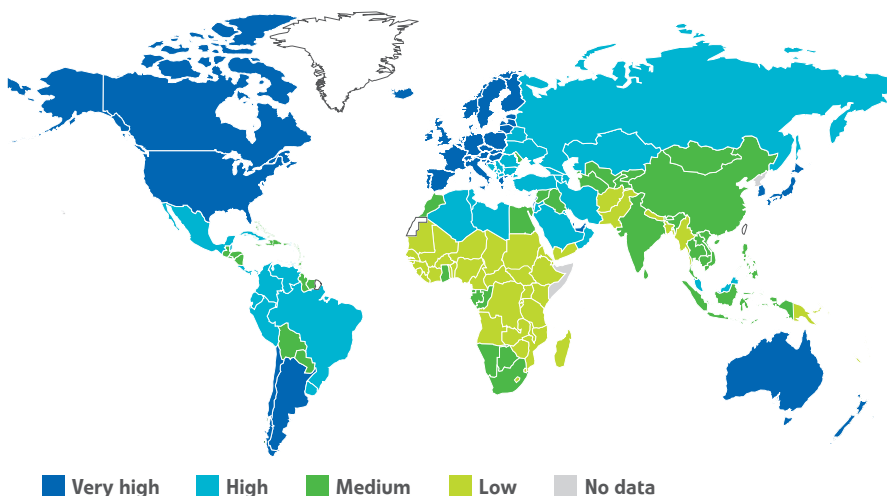
# Real development is not measured by GDP

One of Finland's priorities in preparing for the Rio+20 Conference was to propose the introduction of better indicators for measuring development than the Gross Domestic Product, which remains dominant in all measurements, evaluations and policy decisions. A reference to this was the final document, *The Future We Want*, which states: "We recognize the need for broader measures of progress to complement gross domestic product in order to better inform policy decisions, and in this regard we request the United Nations Statistical Commission, in consultation with relevant United Nations system entities and other relevant organizations, to launch a programme of work in this area building on existing initiatives."

While few people still regard the Gross Domestic Product as a sufficient measure of real development, it still retains its absolute dominance as the criterion by which development is measured. This is because most of the alternatives given for it, such as the Gross National Happiness index championed by Bhutan, have so far been difficult if not impossible to define in a quantitatively measurable manner.

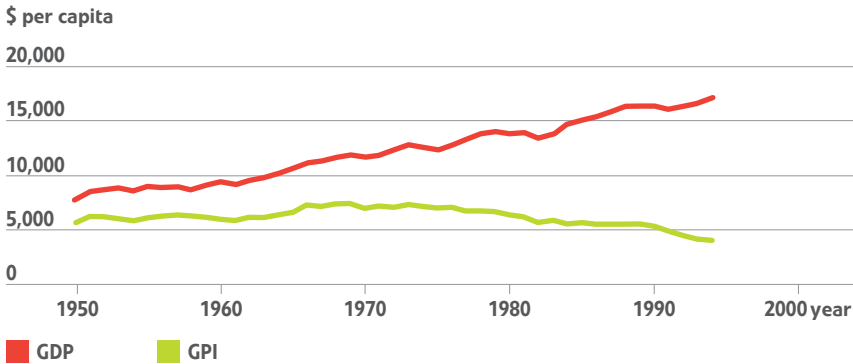
So far, the most relevant and influential alternative measure of development is the Human Development Index (HDI) of the United Nations Development Programme (UNDP), which consists of three components: life-expectancy at birth, mean years of schooling and expected years of

## HUMAN DEVELOPMENT INDEX (HDI) VALUE 2011



Source: UNDP. International Human Development Indicators.

## COMPARISON OF GDP AND GPI IN THE USA



Source: Gaia Education. Alternative National- and International-level Indicators

schooling and the standard of living measured by Gross National Income per capita using purchasing power parity as the yardstick. The HDI also includes the distribution of income as a criterion. The most notable difference is that when inequality of income is included the United States' ranking falls from fourth place to 23rd place.

Actually the results given by GDP and HDI rankings are not that different on a broad scale, but closer comparisons bring out more meaningful differences.

The most pertinent criticism of the HDI is that it does not take ecology and sustainable development into account any better than the GDP. There are many indicators which seek to identify and measure sustainable development, but none of them have so far received anything even close to universal recognition. Yet, all of them show the same main result: GDP growth and any reasonable measure of sustainability can vary enormously. As just one example, a comparison of the results for the USA shows that while the GDP has increased, sustainability as measured by the Genuine Progress Indicator has actually diminished.

While I concur with all the criticism of the GDP as a measure of development and with the need to use much more relevant measurements, I do not regard degrowth as the answer. For one thing degrowth suffers from all the same defects and shortcomings as any other measurement of growth. In conclusion, it must be remembered that economic growth as such, even as measured by the GDP, need not be bad. The question is how do we create and sustain growth, not through more raw material use or increasing labour input, but rather through smart and green energy and raw material saving technology (the Factor 4 Approach). The discourse on degrowth needs to be addressed in a much more intelligent and convincing way.

## Aid is not the key to development

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Despite decades of development aid, there is surprisingly little reliable research on what aid has actually achieved. The amount of anecdotal evidence testifying to the ineffectiveness and direct waste and mismanagement that aid efforts have produced is well-known and frequently invoked. Unfortunately, critics of aid do not lack for examples of misguided aid projects that have only resulted in white elephants as monuments of aid inefficiency. Corruption and bad governance are not the only reasons for failed aid, sometimes the most idealist and well-meaning projects have failed due to the donor's lack of understanding of the cultural, social and economic conditions of the receiving country.

Finland as a donor country has both successes and failures to show for its efforts. The closest we have to a white elephant may be the Valmet tractor plant built in Tanzania with aid money. But even this plant, which produced its first tractor in 1982, was not a total failure as it did produce agricultural machines which were actually sold and used, although the plant was never profitable and had to close down in the middle of the 90s.

Failure is not the whole or even the predominant truth about aid. For every failed project there are many others that have been of sustainable benefit. But even successful projects can have unforeseen negative consequences and be instrumental in creating unhealthy aid dependency.

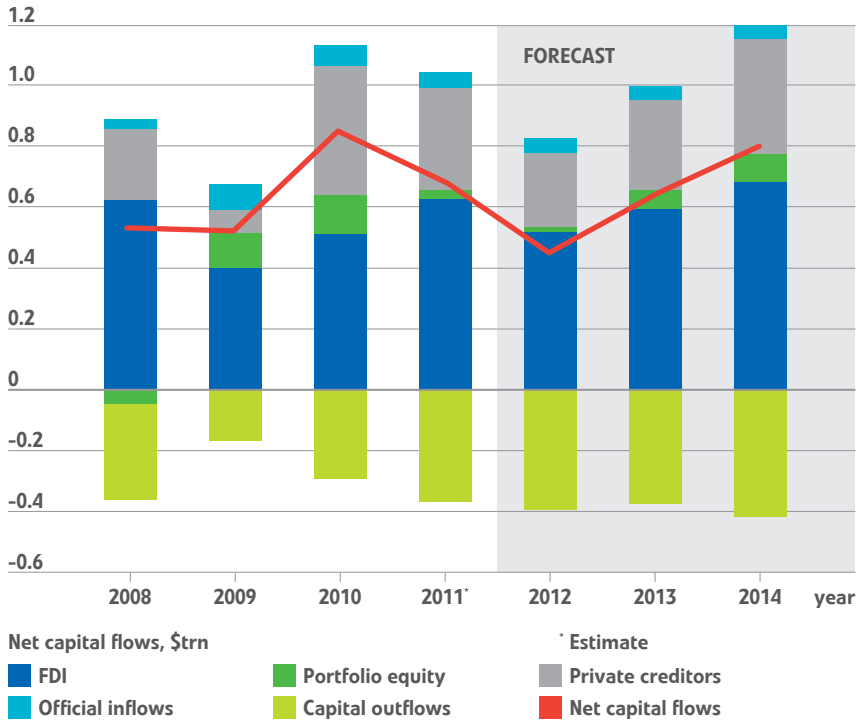
Moreover, official development assistance (ODA) is only a small part of the total financial flows to the developing countries. As relevant is also the outflow of capital from the developing countries back into the developing countries.

ODA or inflows of aid fulfilling the criteria set by the Development Assistance Committee (DAC) of the OECD amounted to almost 91 billion US Dollars in 2010. Other official flows to developing countries, such as military aid and other items which do not meet the ODA criteria, amounted to 37 billion US Dollars in 2010.

The US is by far the largest donor country, contributing 29 billion dollars, followed by France, Germany and the UK with about 12 billion each. In proportion to GDP, the US contribution is only 0.2% of its GDP, ranking it as the 19th country in the OECD league. Sweden, Norway and Luxembourg contribute over 1% of their GDP, with Denmark and the Netherlands also reaching their 0.7% UN target for ODA. Finland is number eight in the OECD league, contributing 0.53% of its GDP.



## CAPITAL FLOWS TO DEVELOPING COUNTRIES



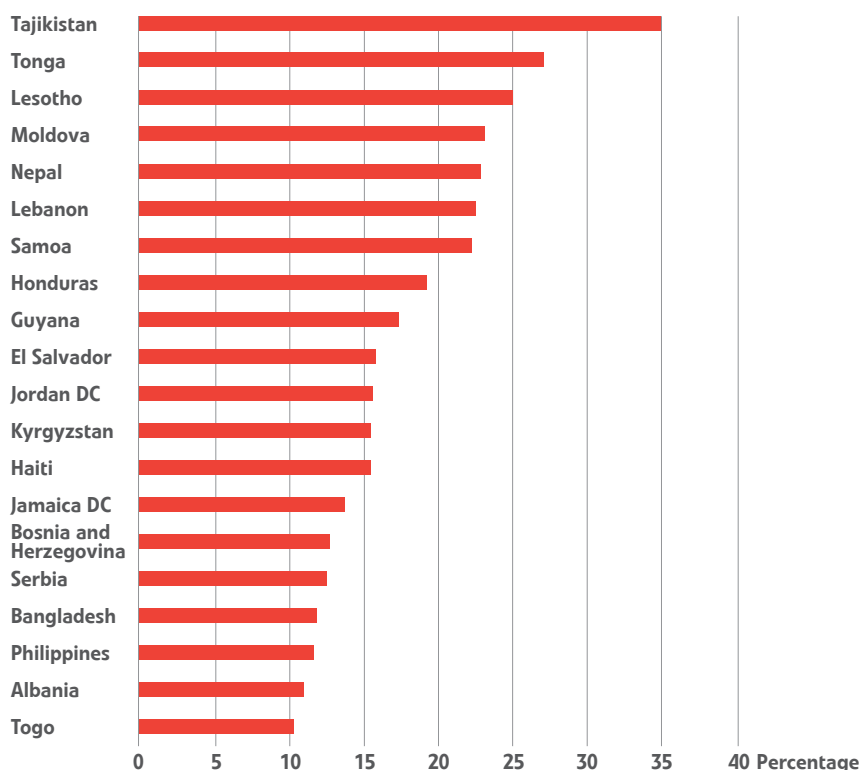
Source: The Economist. Data: World Bank.

The top ODA receiving countries in 2009 were, in order, Afghanistan (approx USD 5 billion), Iraq (approx USD 2.6 billion), Vietnam (approx USD 2.1 billion), Sudan (approx USD 1.9 billion) and Ethiopia (approx USD 1.8 billion). Calculated per capita this is on average approx USD 20, but with huge variations between countries and regions.

ODA is, however, only 13% of the monetary flows to developing countries. Global Foreign Direct Investment (FDI) inflows were an estimated USD 1,122 billion in 2010 (compared to USD 1,114 billion in the previous year). Up to the 1990s FDIs flowed mostly between the developed countries. Since then the proportion going to the developing countries has risen from about 25% to over 50%, making FDI flows to developing countries over five times bigger than ODA.

Remittances from permanent immigrants and temporary or seasonal workers in other countries to their developing countries of origin also dwarf ODA payments, reaching an estimated USD 350 billion in 2011. The importance of these remittances can be gauged from the fact that they are over 10% of the GDP in twenty developing countries.

## REMITTANCES AS A SHARE OF GDP, 2009



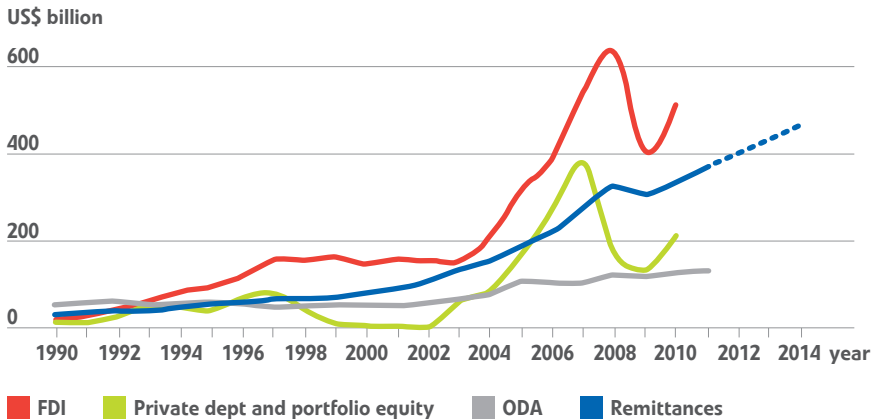
Source: Calculated using data from World Bank, Migration and Remittances Fact Book 2011

While ODA refers by definition to North-South financial flows from developed to developing countries, South-South flows are an increasing part of both FDI and remittances. In FDI the share of South-South flows of the total is still low, but is growing. In 1995 this share was 5%, it grew temporarily to 10% in the late 90s and, after falling back in the intervening years, has now reached about 15% of the total and is growing fast as Chinese, Indian and other multinational companies from the South continue to expand.

Exact figures on South-South remittances are almost impossible to come by and estimates may vary anywhere between 10% and 30% of the total. What is more well-known is the number of South-South migrants which is actually about 50% of all migration in the world.

The relatively small and the almost dramatically decreasing role that ODA has had in resource flows to developing countries after 2000 can be seen from this table.

## REMITTANCES AND OTHER RESOURCE FLOWS TO DEVELOPING COUNTRIES, 1990-2014



**Source:** Migration and Development Brief 18. Data on FDI, external private debt, and net inflows of portfolio equity are from the World Development Indicators database. ODA data is from OECD DAC. Remittances data is from Migration and Development Brief 18.

The picture of financial flows between the developed and developing countries is, moreover, incomplete without taking into account illicit financial flows from the developing countries, which have been estimated to have reached USD 850 billion, or even more, in 2010. More than half of this is a result of trade mispricing and slightly less than half due to the transfer of proceeds from bribery, theft, kickbacks, and tax evasion. The latter part has been increasing relative to trade mispricing. The figures on illicit financial flows serve to highlight how ODA is only the most visible - and disputed - part of North-South financial flows and that governance and structural reforms are much more important for the future of development finance.

In addition to flows the shares of financial capital have to be taken into account. Inflows may look good for individual countries, but only if they are used productively and do not accumulate to form an unmanageable debt burden. Debt sustainability and debt relief have also to be taken into account. While the debt situation in many developing countries has improved through the Heavily Indebted Poor Countries (HIPC) Initiative, serious problems remain for many countries.

The slogan “Trade not Aid” was popularised by the UNCTAD Conference in 1968. It was not intended as an argument for doing away with development aid, but rather for dismantling the myriad of open and hidden means of protectionism that made it difficult for the developing countries to benefit from trade. Today it is formulated more frequently as “Trade and Aid”, or even “Aid for Trade”.

The most immediate form of discrimination is tariff escalation, where any value-addition is discouraged by escalating tariffs on semi-processed goods. Doing away with rich world protectionism - which is most rampant in agriculture, where the developing countries usually have a comparative advantage and thus stand most to gain from trade liberalisation - is of immense importance to the developing countries and has the potential to bring gains far in excess of ODA.

Estimates of the potential benefits of trade liberalisation and their distribution between the developed and developing countries vary too widely to be worth quoting. It should be emphasised that this is far from a zero-sum game between North and South and that the benefits come mostly from the dynamic effects that liberalisation has had on growth. But even so there will always be relative winners and losers, even though the world economy as a whole stands to gain. Therefore, trade liberalisation should be coupled with smart aid for those people and those countries where the potential short-term losers are easily identified.

# Multinational companies should not be demonised any longer

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*When the trumpet sounded  
everything was prepared on earth,  
and Jehovah gave the world  
to Coca-Cola Inc., Anaconda,  
Ford Motors, and other corporations.  
The United Fruit Company  
reserved for itself the most juicy  
piece, the central coast of my world,  
the delicate waist of America.*

*Pablo Neruda, Canto General 1950*

Blaming the multinational corporations for almost all of the ills to be found in the (Third) World came naturally to development idealists in the sixties. To do so was certainly an exaggeration even then, although not completely unfounded. And if I now say that this demonisation needs to be discarded, this does not imply that there are no longer grounds for complaint and needs for change. But for us to be able to identify these needs correctly we must first recognise how much the world has changed in this respect during the past decades.

In the 1960s a multinational corporation was almost by definition American, or at least of British, French or other European or perhaps Japanese origin, in other words, always representing the then imperialist interests of the western world. And indeed the Fortune list of the 500 biggest companies in the world in 1962 was topped by the familiar American names of General Motors, Standard Oil (NJ), Ford, General Electric, US Steel and so forth. No companies from outside North America and Europe were on the list.

By 2011 the list continued to be topped by some familiar names, Wal-Mart, Royal Dutch Shell, Exxon Mobil, BP, but next came a trio of Chinese companies, Sinopec, China National Petroleum, State Grid.

Overall the breakdown of the list on the basis of the companies' nationality in 2011 was:

USA 132, China 73, Japan 68, France 32, Germany 32, UK 26, Switzerland 15, South Korea 13, the Netherlands 12, Canada 11, Australia 9, Italy 9, Spain 8, Brazil 8, India 8, Russia 7, Taiwan 6, Sweden 4, Belgium 4; altogether from 34 countries - including one from Finland.

The lone Finnish company is a good case of what a multinational corporation can be in today's world. The mobile giant Nokia still has its headquarters in Finland. It is listed on the stock exchanges of Helsinki and New York and 78% of its shareholders are not Finns. Its CEO is Canadian, of its 113 000 strong workforce less than 14% are in Finland, the rest are spread in seven countries. Of its sales turnover only 1% is generated in Finland. While Finland still remains dependent on Nokia to a high degree, 9-10% of exports, this has started to diminish. While the loss of jobs following the company's retrenchment has severely affected Finland it has also helped to liberate the country from an unhealthy degree of dependence on and corresponding deference to the company's interests.

A multinational corporation today does not only market or produce its products in every part of the world, but they usually run globally integrated operations, where it is not always easy to identify a given product as made in the country named as the country of origin. Their ownership and financing is also more truly global and is not necessarily tied to the country where they keep their headquarters.

Obviously, Nokia or any Finnish multinational corporation has never had the possibility of resorting to Finnish gunboat diplomacy if confronted with threats of debt default or expropriation of their assets. But nowadays corporations even from great powers have much fewer possibilities than before to seek intervention or protection from their home governments. As part of the general decline of power politics gunboat diplomacy has lost much of its former potential, at the same time, as multinationals have become more truly multinational in character they no longer automatically identify themselves with the governments of their home countries. On the contrary, they have a strong interest in real multilateralism which helps to deepen and strengthen a generally agreed on and respected rules-based world order independent of the caprices of any single government, including that of their home country.

This trend is matched by governments' increasing inability and sometimes reluctance to intervene in favour of their corporate citizens, particularly as these are also increasingly using all of the many legal (and sometimes illegal) means to avoid paying taxes to their home governments, or indeed any other government.

During the heyday of imperialism and colonialism multinationals were often accused of fomenting conflicts and wars to further their interests. Today's multinationals have no interest in this, maybe with the exception of the arms industry and the booming private security industry. Multinationals are dependent on a stable, peaceful and predictable business environment and have no interest in fomenting instability or war.

The advent and proliferation of corporate brands have actually enhanced this trend, as multinationals are loath to have their long-term investment in brand-building endangered by allowing them be associated with conflicts, human rights abuses or environmental damage.

This of course applies only to the multinationals dealing with the real economy, not the financial sector, where the banking multinationals whose innovativeness created all of the derivatives, swaps, options, futures, warranties and other instruments which have proven to be real the WMDs on the financial markets.

## ...but they need to be well regulated and supervised

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While there may no longer be a need to demonise the multinationals of the real economy as the source of all evil in globalisation, this does not mean that they have suddenly turned into angels, either. They cannot and need not be eliminated, but like other actors in the global economy, they need to be regulated by properly functioning and balanced rules of global governance.

Multinationals in the Colonial and Imperial era were not always interested in a level playing field, but were happy to manipulate it in their favour whenever possible. Today when gaining privileges is progressively more difficult, the interests of global multinationals have changed. Now they are much more interested in stable, predictable and uniform conditions and rules for investment, trade and other business. What these conditions and rules should be and how they should be drafted and implemented is still, of course, an issue where views differ.

It is obviously welcome that many multinationals have taken the initiative to formulate statements and principles identifying themselves as responsible corporate citizens committed to observing self-imposed codes of conduct. Of the many collective fora for signing on to corporate citizenship principles the largest and most well-known and influential is the United Nations Global Compact, first announced by UN Secretary-General Kofi Annan in an address to The World Economic Forum in 1999 and officially launched in July 2000.

The Global Compact seeks to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. Under the Global Compact, companies are brought together with UN agencies, labour groups and civil society.

Sometimes these business-run certifiers of proper behaviour are merely window-dressing. Social Accountability International, run by business groups, gave a Karachi garment factory the top clearance certificate for safety and health only a few weeks before a disastrous fire in the factory killed almost 300 workers in September 2012.

As welcome as the more responsible and better-run initiatives for self-regulation are, they are not a substitute for better and binding global legislation through treaties and the like, which should include closing down tax havens



and creating clearer rules for transfer pricing and other instruments used for tax avoidance. As FDI continues to be an ever more determining factor in North-South relations the question of rules for investment remains open.

It is now almost twenty years since the Organisation for Economic Cooperation and Development (OECD) initiated negotiations on the Multilateral Agreement on Investment (MAI) with the stated purpose of developing multilateral rules that would ensure international investment was governed in a more systematic and uniform way between states. When the finalised draft treaty was first leaked to the public in 1997, it was met with a strong reaction from NGOs who saw the draft MAI as the rich countries' attempt to impose their neoliberal programme of investment liberalisation on the Third World, which would be unable to resist this dependence as it was based on FDI.

The global campaign against the MAI was successful and by the end of 1998 the OECD was forced to conclude that the negotiations for the MAI were over and the project was discarded. I, too, welcomed this result as I had come to the conclusion that the draft MAI would have radically changed the balance of rights and obligations between governments and multinational investors in favour of the latter.

As such, the idea of multilaterally-agreed global rules for investment is welcome. Parts of the MAI agenda have, since the project was scuttled, been transferred onto the agenda of the WTO trade talks, where most of the developing countries are sitting, at least, as formal equals with the OECD-countries. Nevertheless, as the Doha round is not making any progress this has not solved the issues. Meanwhile, the existing network of bilateral investment agreements has multiplied and it is estimated that there are well over two thousand different bilateral investment agreements in force. They, of course, vary a lot, but the general presumption is that such bilateral treaties tend to favour the stronger party.

Even when this is not the case there is a strong argument for having clear, balanced and genuinely multilateral rules for investment, so that the multinationals no longer have the opportunity to forum-shop, i.e. to choose to locate their investment in countries offering the least regulated and taxed climate for their activities.

Governments need to take a much more proactive role in doing away with tax havens, tax avoidance (using legal means to minimise taxes paid) and tax evasion (using illegal means to evade taxes). The list of various methods used to both avoid and evade taxes is long and does not so far seem to be noticeably shortened as every tax loophole closed is replaced by a new innovative method to achieve the same result. The total cost of tax evasion in lost revenues is estimated by the Tax Justice Network to be at least 3.1

trillion US Dollars globally, of which the cost for European countries is over 1.5 trillion US Dollars.

Although governments complain that in a globalised world economy there is not much that they can do on a national level to tackle tax avoidance and evasion, this is too frequently used as an excuse. There is all the more reason to be suspicious of this when governments themselves are not only reacting to global market pressures but actively engage in tax competition to entice investment and businesses from other countries, which can only end in a race to the bottom. Even in dealing with illegal tax evasion some governments are notably lax about implementing their own legislation and bringing evaders to justice. The Euro-crisis bailouts have highlighted some of the most appalling shortcomings in Greece and elsewhere.

International and global agreements and rules are needed to deal with tax havens, tax avoidance and tax evasion. Here the role of the European Union is important, though it is still hampered by the need for unanimous decisions on most items that refer to taxation. But even if some countries (for example the UK and Sweden) use their veto power, there is the possibility of moving forward using re-enforced cooperation where a group of countries with at least nine member states can agree to move forward, which for the first time has been invoked on the initiative of France and Germany to introduce a Financial Transfer Tax.

## We need aid but it has to be different

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Dambisa Moyo's much-publicised book *Dead Aid* was welcomed most heartily by those who have always opposed aid transfers to developing countries. Her book was a deliberate provocation and should be understood as a plea for better aid and a call to recognise that if the "aid" given to countries like the Democratic Republic of the Congo (Zaire) under Mobutu had not been granted the countries would have been better off. The book's real message was more balanced and analytical than the oversimplified and distorted description of it, which states that all aid is bad and should, therefore, be discontinued.

The message of her book was not that Africa doesn't need financial flows from the rich countries, but that the way they have been administered between governments has not really helped Africa. In fact, Western aid has sustained and abetted dependence, inefficiency and corruption. Rather than relying on aid Africa should seek the money and investment it needs from the markets, so that market discipline will see to it that the flows are cut off if there are no results or the money disappears because of abuse.

This argument rests on the view that financial markets are less tolerant of corruption and abuse than many governments and they would teach the African countries to understand and implement the means for retaining the confidence of market forces through good governance. Although this is the case, unfortunately it is so only up to a point, as the past years of turmoil in financial markets have shown.

Whatever her actual intentions, Dambisa Moyo did not present a credible case for stopping all aid, but rather a very compelling one for reforming aid and liberating it from the political and predatory motives that continue to infect the development policies of many donors.

Humanitarian aid in natural and man-made catastrophes is always something that the international community has to deliver to the people affected without regard to the quality of their government, as long as it is possible to reach those in need.

The fourth High-level Forum on Aid Effectiveness meeting in the South Korean city of Busan in November 2011 adopted a document known as the Busan Partnership for Effective Development Cooperation, which incorporates the mainstream of today's enlightened thinking on development aid.

It states, among other things, that "[a]s we reaffirm our development commitments, we realise that the world has changed profoundly since devel-

opment co-operation began over 60 years ago. Economic, political, social and technological developments have revolutionised the world in which we live. Yet poverty, inequality and hunger persist. Eradicating poverty and tackling the global and regional challenges that have adverse effects on the citizens of developing countries are central to ensuring the achievement of the Millennium Development Goals and a more robust and resilient global economy for all. Our success depends on the results and impact of our joint efforts and investments as we address challenges such as health pandemics, climate change, economic downturns, food and fuel price crises, conflict, fragility and vulnerability to shocks and natural disasters.”

Finnish development policy principles, as confirmed in our 2012 *Development Policy Programme*, not only reflect the established priorities of poverty eradication, but also see poverty as a human rights issue and put a human rights based approach to development at the centre of our policies.

The Programme also recognises that “[d]evelopment today relies increasingly on rapidly growing private investments - both on developing countries’ own investments and foreign investments - and migrants’ remittances to their countries of origin. The domestic resource base of developing countries has grown as well. Despite this, in the poorest developing countries official development assistance (ODA) remains crucial and can even have countercyclical effects. Development policy and development cooperation support developing countries’ own development efforts and the emergence of an enabling environment for responsible business. Furthermore, support is allocated to strengthen innovation and skills development as well as creation of decent work. Countries can move towards self-reliance and rise from poverty by taking advantage of international trade and economy and by making better use of their own resources. At the same time, it is important to curb the illicit capital flight from developing countries and to act for the closure of tax havens. This will support the poorest countries in getting their share of the increased prosperity of the world”.

# A holistic theory of development with women at the centre

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The concept of sustainable development is based on the understanding that all three pillars of sustainability - ecological, social and economic - have to be reached at the same time, for without all three no sustainable development can be achieved.

This is true, but not the whole truth. Can we achieve any kind of sustainability and development without peace and stability, democracy and the rule of law or respect for human rights? Whenever one of these is endangered or dysfunctional it will inevitably affect the others as well. Just as human rights violations targeted on any group or minority will threaten democracy and the rule of law as a whole, leading to conflicts and instability, so will hampering development efforts; for example, unsustainable farming can lead to poverty-driven internal migration, again creating conflicts and instability; or the lack of development or the unequal distribution of its benefits can cause instability, and so on.

There are many ways such vicious circles can start, ending with the emergence of a totally failed state as the ultimate result. Fortunately, vicious circles can also be turned around into virtuous circles, where bringing stability can lead to economic growth, where ending human rights violations can end conflicts, where investment in sustainable growth can strengthen democratic institutions, and so on.

It is increasingly clear that there is no single variable that can be regarded in isolation as the key to development, except with one exception: full gender equality. This means ensuring the full empowerment of women in all spheres of societal activities, beginning with education for girls, full equality before the law, including family law, removing all barriers for women's advancement, ensuring their meaningful participation in all parliamentary assemblies, governments and international conferences, and so forth.

This truth is increasingly being recognised at all meetings and conferences, where the adopted statements refer to gender equality and the empowerment of women as a matter of course. The reality behind this formal consensus is not quite as reassuring. There are signs of a certain retrogression regarding gender issues, not unrelated to the influence of vocal fundamentalism found in all major religions. It is uncertain, for example, that if there were to be a Beijing+20 Conference would it be able to agree on reiterating the seminal achievements of the first conference, let alone agree on new goals and commitments. In North Africa women

played a crucial role in the movements of the Arab Spring, but now they seem to have been relegated once again to the backbenches.

Here Finland, together with the other Nordic countries, can speak and work in a credible manner on all gender issues based on our own example and experience. While there is still a lot of work to be done in the Nordic countries to ensure full gender equality, we can, nevertheless, point to our achievements.

When we look at how all five Nordic countries are usually found among the top ten, or close to it, in almost all international “beauty” contests where countries are arranged on the basis of their educational achievements, health and social criteria, lack of corruption, administrative efficiency, use of ICT, competitiveness, environmental care or freedom of speech. My absolute favourite is the Index of Failed States, according to which Finland is the least failed state in the world, which recognises the possibility that we too can have our failures and can certainly always do better. Of course, these comparisons never convey only objective truth and can in many ways be likened to beauty contests. When the Finns were rated as the happiest people in the world, the typical Finnish response was: “we didn’t know that things were so bad in other countries”.

But all caveats notwithstanding, these ratings do point to a consistent pattern which leads us to think that there are features in the so-called Nordic Model of a Welfare State from which others can learn and benefit. While there are many reasons for whatever relative success the Nordic countries can point to, I believe that none of them would have produced the same results without gender equality, which is so central to the Nordic Model.



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