

# 11<sup>th</sup> RAÚL PREBISCH LECTURE

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## STATEMENT BY

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I want first of all to express my sense of gratitude for the opportunity to be here today on this very significant occasion, the centenary of the birth of Raúl Prebisch. I am proud to be here not only because I am one of his successors as Secretary-General of UNCTAD, but also because well before the date of my coming here to UNCTAD in that capacity, I had the opportunity to know him and to work with him over a period of many years.

I first met Dr. Prebisch here in Geneva in 1963, when he was preparing for the Conference that was due the following year. I remember well; he was accompanied by Sydney Dell and we had a little meeting of economists whom he had to put together from different parts of the world to voice their thoughts on the issues before the Conference and the kind of results that one might strive to attain. I recall Mr. Caldor, and Tommy Belloch; all of them were very eminent people at that meeting. But I also remember that Dr. Prebisch was relatively silent on that occasion. He listened rather than intervening to express his views, and I got the feeling that he was trying to get some feel for the kind of issues that were likely to gain recognition at the Conference itself. When the Conference adjourned, I had the great privilege of being asked by Dr. Prebisch, through Mr. Sydney Dell, to come to New York in 1963 and to join his team for the preparations for UNCTAD I. That is something that I did, and it gave me the tremendous opportunity of acquainting myself with the issues which Dr. Prebisch himself was enunciating at that time and which he was planning to present to the Conference itself. As you said in your introduction, Mr. Chairman, I had a background in economics and so on. But the themes that Dr. Prebisch was trying to elaborate were relatively new to me, despite my acquaintance with the teachings of classical economics, and that gave me a new sense of excitement, because I was acquiring new dimensions which I thought were very relevant to the professional work I had been doing in Sri Lanka and which of course, though I did not know it at that time, I was going to do later in an international setting.

Dr. Prebisch, to me, was in a way the creator of UNCTAD. Technically, in UN parlance of course, that may not be an accurate definition, because there were other procedures which brought him to head the UNCTAD Conference. The then Secretary-General of the United Nations, Mr. U. Thant, and the member Governments of the General Assembly were all involved in the launching of UNCTAD I. But to me, UNCTAD I and its very special contribution owe so much to Dr. Prebisch that one has to, in a way, distinguish his contribution from that of every body else.

I feel that there were four achievements of UNCTAD I which, inevitably, we owe to Dr. Prebisch and his colleagues. First of all, I think UNCTAD I enunciated and put together for the first time what I would call a platform, an agenda for the developing countries as a whole. Up to then, the developing countries were immersed in various

issues in the General Assembly, ECOSOC and so on; they were speaking about aid, they were speaking about trade, but these were not integrated into a single platform, a single agenda, a single programme around which the developing countries could rally and which they could present to the rest of the world and the developed countries.

Dr. Prebisch's first report to UNCTAD I, called "Towards a New Trade Policy for Development", came up with this theme of the trade gap. We were aware of the savings gap between the needs of investment and the savings available to finance those needs. But Dr. Prebisch introduced this other dimension in his report, the trade gap, which said that there was also a gap between the resources in foreign exchange available to developing countries, which they acquired through their exports, and their needs for foreign exchange for imports, which are so essential to the acceleration of the development process.

In that report, it was pointed out that the United Nations had adopted a target for economic growth for developing countries of 5 per cent on average, but it was also pointed out that the import requirement of developing countries to reach that 5 per cent target was 6 per cent a year and yet the export availability through the sale of commodities and other things amounted to only 3 per cent a year. So, there was this gap that needed to be bridged, and though the slogan "trade not aid" was not Dr. Prebisch's, as some people have mistakenly said, it was Dr. Prebisch's theme that this gap had to be bridged by a combination of measures in the area of trade and in the area of aid and other transfers.

In terms of the measures that need to be taken in order to support the development activities of third world countries, Dr. Prebisch put together a comprehensive but very central list of issues. His first issue was commodities, because most developing countries were exporters of primary products and raw materials, and the first chapter analysed the experience of these countries and the weaknesses they had to face up to in world markets, and it ended up with the need for united international support to strengthen and give life to commodity markets and commodity prices. He went a great deal into the history of earlier attempts at commodity price regulation and shortcomings and the needs for the future, and then he talked about the industrialization imperative and how this industrialization process also required assistance in various ways, and about the unsatisfactory external climate which prevailed, which acted as a hindrance to the rapid industrialization of third world countries. He mentioned already his concept of the "centre" and the "periphery", and he felt that if developing countries were to industrialize, it was not sufficient that they look for markets in the developed countries, which were mostly self-contained in respect of industrial requirements. It was necessary that they be able to provide their own requirements and have trade amongst themselves. So, he put a great deal of emphasis on regional cooperation towards industrialization and also, in the international setting, on the concept of preferences received by developing countries in the developed countries for exports of manufactures. And even at that time he was saying that these preferences should be "generalized preferences", given without discrimination to all developing countries, because otherwise the big powers would group individual developing countries in proximity to them as recipients of preferential treatment, ignoring the rest, and this would then divide the world. He mentioned the United States and Central and South America, Europe and Africa and I remember asking him what about South Asia, because I came from South Asia? He thought for a bit and he said: "Well, the Soviet Union can be the 'rich uncle'". That rich uncle has since committed suicide, and so South Asia would not have benefited from any arrangement for non-generalized preferences, as

had been the tradition in the past, while generalized preferences were, of course, very relevant.

In that first report, Dr. Prebisch also highlighted other issues - the emerging debt problem of developing countries, the need for compensatory financing, and the need for the creation of special reserve assets as reserves of international currency. All these things were foreseen by him in that first report. So, it was a platform, it was an agenda, and it was interrelated, and that was, I think, the first occasion on which the developing countries had before them a manifesto which more or less put together all their requirements in the international setting.

There was, I think, another achievement of UNCTAD I again associated with Dr. Prebisch, and that is the grouping together of all the developing countries into a single unit, the creation of the Group of 77. Before that, of course, each country spoke by itself, maybe together with some of its neighbours. But I remember being myself very excited at the prospect that for the first time the countries of Latin America and Central America, of Africa and of Asia were going to come together to present a common front to the UNCTAD Conference and to the developed countries at this Geneva meeting. This was not for the purpose of a confrontation between the developing and the developed countries; it was simply to give some strength, some muscle to the developing countries because the greatest source of their power was the strength of their numbers and if they did not mobilize their presence in international fora, they would be very weak. So, the creation of the Group of 77 was one of the results of UNCTAD I; it was thought of just prior to the Conference, but it came into being on that occasion.

Another achievement was the establishment and creation of UNCTAD as a permanent organization. UNCTAD still has the name "conference", because it was intended to be a creation of UNCTAD I to overlook world events periodically, but it became more than that, and it has turned out to be a permanent institution with, as its agenda, the broad canvas of development issues, particularly the interaction between those issues and trade. So, UNCTAD I became a permanent body, and that too, I think, is a result of the work of Dr. Prebisch and his colleagues and his supporters on that occasion in Geneva.

Dr. Prebisch, I was reminded, was very careful that this new body, with a developing country majority, united in the Group of 77, should not be a forum for confrontation, sterile confrontation, between the various groups of countries. He wanted it to be a forum for dialogue, and he introduced a special procedure to make sure that decisions would not just be steamrolled through by majority votes but that there would be an opportunity to think and interact and maybe achieve results. All this was part of the concept of Dr. Prebisch - creating not only a strong institution reflecting development issues but one which could interact with the world economy as a whole.

And the ultimate contribution that comes to mind was the insistence of Dr. Prebisch on what he called an intellectually independent secretariat. He did not want the UNCTAD secretariat to be a kind of partisan body reflecting interests of third world countries or reflecting interests of developed countries. He wanted the secretariat to be divorced from national and regional interests and to have this quality of intellectual independence. In the pursuit of that, he was able to bring together an admirable team of colleagues and assistants from different part of the world and by no means from developing countries alone; in fact some of the big names of UNCTAD staff at that time were from the developed countries. But they had one thing in common - they were committed to the development problem, to the problem

of bringing up the poorer countries from their status of deprivation and creating a better, more harmonious world. So, from all these points of view, one can see that UNCTAD I was a special event, and it owes its results so much to Dr. Prebisch that we have got to associate those results with the name of Raúl Prebisch.

Since that time, the UNCTAD process has had its ups and downs. Dr. Prebisch, I think, was only able to remain in UNCTAD for four years after the first conference, but he kept up his contacts with UNCTAD and he gave it every encouragement on every possible occasion. He attended the four-yearly conferences and addressed them, and whenever he came to Geneva, he took the opportunity to brief us and get briefed by us as to what was happening. I think that the period after UNCTAD I was a period of ups and downs, a period of mixed results, but it was a period in which the concepts of Dr. Prebisch were given a certain visibility on the world stage and which did get certain results. I have mentioned the acceptance of the concept of the Generalized System of Preferences. Later on, there were other results, all passed by consensus without a vote. You will be surprised to know that this included the integrated programme for commodities; this was not something that developing countries just pushed down the throats of the developed countries - they were all parties to it, but it is now a dead letter, and so we have to ask why. The Common Fund was also set up by all the members of UNCTAD. The code on restrictive business practices, the code on multimodal transport, the code on liner conferences, the charter on the rights and duties of States - all these were part of the UNCTAD results, achieved not by using the steamroller majority of third world countries, but by dialogue in order to get an agreement. If they are all ineffective today, we have to ask why. Why is it that objectives which were supported by the whole international community at one period of time have now come to be put aside and have lost their relevance? I think the answer depends a lot really on the changing world scene.

In the early 1970s, which is about the time I came to UNCTAD, we had the effects of the oil price increase and the tremors it sent round the countries of the world, including the major consuming countries, the need for some kind of solution, leading to the sixth special session of the General Assembly, and the New International Economic Order with its focus on collective self-reliance and structural adjustment. That was the period in which it was possible to launch some of these things that I have referred to. For me, it was a lucky period because that was the time that I became associated with UNCTAD, in 1974. But I do remember one thing; the year that I came to UNCTAD happened to be the tenth anniversary of UNCTAD, and I called a meeting of leading personalities to mark that event. On that occasion, Dr. Prebisch said one thing which did not register with me at the time, but which since I have thought about time and time again. He said: "The one thing that made it difficult for me to achieve the goals I set out to achieve was this strange belief in market forces." He said: "I don't know what your experience is going to be, but if I was to single out one thing which slowed down the pace of progress in my time, it would be this conviction about market forces, the sanctity of market forces and so on."

I was rather naïve at that time, because it was the time when the sixth special session had launched the NIEO, the integrated programme was being actively canvassed, the UNCTAD IV conference was coming up and I did not believe that market forces would be there to thwart what I did. But now, many years later, I can see the relevance of Dr. Prebisch's warning, because if there has been an undoing of whatever UNCTAD achieved, I would put the main responsibility for that on the revived belief in market forces amongst the leading players in the world economy and the leading countries.

The change, as you have said, came in the late 1970s and the early 1980s, after the OPEC actions; it began with the developed countries first having conservative governments taking office - in the United States, in Britain, in Germany and elsewhere - then those countries putting their own economies right by contracting economic activity in order to reduce what they called overheating of their economies, leading to a drop in growth rates and unemployment in their own societies, but with a tremendously negative impact on the developing countries as exporters of commodities and so on. At that time, individual developing countries felt that they were compelled to go to the Bretton Woods institutions for relief and to the bilateral donors rather than try to find solutions at multilateral conferences, which really don't have the capacity to deal with their needs.

That was the first thing. Then came the crumbling of the Berlin Wall, the break-up of the communist bloc, the end of the bipolar world and a situation in which development assistance was not linked to trying to dissuade countries from joining one or the other bloc. I remember the first aid meeting for Sri Lanka which I attended; I was sent to the State Department of the United States in order to be advised, and I got some very good advice from Mr. Hugin Rostof, the brother of Ron Rostof, who told me that what would impress the Americans would be being positive and not just sharing cares about falling rubber prices or coconut prices; he said "Be positive, Americans like to join a success story," and I thought this was very good advice. But then he added that, if in addition you can point to some communists on your heels, that would really be of influence. Sri Lanka did not have many communists at that time, and I remember coming back from Colombo and complaining to the General Secretary of the Communist Party that he was of no use to me, because he was not giving me the pretext I needed in order to mobilize aid or resources for Sri Lanka. But anyway, there was this feeling that support for the third world had something to do with the Cold War; there was a desire to keep third world countries away from one or other of the camps, so not only did the Western camp give aid, but the Eastern camp also gave aid to developing countries for the purpose of not letting them get aligned with the rich countries. But then came what everyone has been talking about, globalization and liberalization, introduced as a fast express train that everyone was asked to get on to in order to be carried to new heights, to a single global village.

In the first few years, there were success stories to point to, because world trade increased at an unprecedented rate, world capital flows increased at an unprecedented rate, and technology also experienced a great revolution in areas such as communications and transport and so on. And everybody said: "You see, the way the world is going, it is in everyone's interest to join this bandwagon and to march under its banner".

Since then, there has been some disappointment. The euphoria has declined. It was found that the benefits of trade and capital flows and so on were really exchanged by the developed countries among themselves, leaving out many of the developing countries. Some in Africa and sub-Saharan Africa were actually marginalized in the process, and the gap between the rich countries and the poor countries, instead of narrowing, was getting bigger and bigger. So, there was a feeling that globalization and liberalization were not producing the benefits and rewards that were needed.

Dr. Prebisch, as you said, died before the theme of globalization became prominent. But I do remember that, about two or three weeks before this death, we were together in New York for some expert group and we were walking down the street with Sydney Dell when he remarked: "I have never known a worse situation

than today". That was before things got even worse, before the situation of the current time, but even then the signs were there and Dr. Prebisch was beginning to worry and get concerned about how this was going to affect the developing countries.

Anyway, I feel that the developing countries now, and this is the last point I would like to make, have one lesson to learn from all this. I think it is that they should retain what is valid and relevant in the original agenda put forward by Dr. Raúl Prebisch. Things like resource flows, trade improvements, debt relief, stabilizing commodity prices and so on are all as relevant as they ever were. But they should also look at the changes that have come about in the world since that time, the greater integration of countries, the improvements in technology and transport, the need for some method of governance of the world economy, the need for ways in which the developing countries could participate in the decision-making process of the financial institutions, the importance of bringing in new issues such as the environmental issue and the social issue, which are now being handicapped, and interweaving all of this with the old agenda in order to make a new platform more relevant to the needs and requirements of the current time. I think that this is the challenge facing the developing countries today. It is not to go back to the period of controls and regulation and so on, but to take advantage of what is positive in the new setting, but also to add to it things that are of importance to them. I think one of the big shortcomings of the current discussion on globalization is the failure to recognize the different needs of countries at different stages of development. You cannot give the same prescriptions to all countries. When you come to conditionalities, you find it is the same set of medicines prescribed to every country; whether it is Brazil or Chad, it does not matter. I think there needs to be some differentiation. Today all talk about level playing fields should be dropped, because if you have a level playing field, the stronger team will keep winning year after year, and that is not what you want. You want to have a setting that recognizes the weaknesses of developing countries and gives them the time, the opportunity and the instruments to overcome those weaknesses and then progressively become fully subscribing members of whatever international regime is there.

So, I think that the third world countries need now to put together a new agenda, a new platform, combining on the one hand what is relevant in the old platform that came from UNCTAD I and which they are still sticking to because they have nothing else, and on the other their response to the new issues from their point of view, not necessarily rejecting protectionism, for example, just because it has been abused, but taking what is necessary in a disciplined way, for example looking at foreign investment not from the point of view of opening our doors but to see how you can make foreign investment contribute to enhancing national capabilities, or not rejecting planning altogether, but seeing how planning can bring about reinforcement and mutual interaction between the private and the public sectors. There are a whole lot of issues that developing countries should address and which will not be addressed for them by the developed countries or by the multilateral institutions. This, I think, is the big challenge they face, and it is a challenge which I hope they would take up and live up to and deliver, using bodies like UNCTAD because UNCTAD can make such a big contribution. I feel that within the third world there is no other organization or the cohesion elsewhere to take these things up. I was made the Chairman of an Ad Hoc Committee on Economics for the Non-Aligned Movement in Durban, and when we presented our report I said: "You know, you can write music, it can be good music, it can be bad music, but it will be totally unavailable if you don't have an orchestra to play." So I think that the third world countries need now to come back, get their act together, take account of the differences among them because the differences are bigger than in 1964, and put on the table some agenda which reflects the interests of every third world country and around which they can all unite. This, I

feel, is the challenge of the moment and a challenge which bodies like UNCTAD, more than any other, can encourage and help achieve.