



5th Raúl Prebisch Lecture

**ECONOMIC DEVELOPMENT:
TOWARDS A NEW PARTNERSHIP**

By

**Bernardo T.G. Chidzero,
Enrique Iglesias,
and Michel Rocard**

February 1992

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**BERNARD T.G. CHIDZERO
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ON 9 FEBRUARY 1992
AT CARTAGENA DE INDIAS CONFERENCE CENTRE
COLOMBIA
ON THE OCCASION OF THE EIGHTH SESSION OF UNCTAD

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The Raúl Prebisch Lectures were instituted in 1982 by Gamani Corea, the then Secretary-General of UNCTAD, to honour Raúl Prebisch, UNCTAD's first Secretary-General. The first lecture was given by the late Dr. Prebisch himself. The second one was by the late Shrimati Indira Gandhi, Prime Minister of India, on the occasion of UNCTAD VI (Belgrade, 1983), the third by Dr. Saburo Okita (Japan) on the occasion of UNCTAD VII (Geneva, July 1987), and the fourth by Academician Abel G. Aganbegyan, one of the principal economic advisers of the Government of the United Soviet Socialist Republics (USSR), on the occasion of the twenty-fifth anniversary of UNCTAD (Geneva, 1989).

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Welcoming address by Mr. K.K.S. Dadzie
Secretary General of UNCTAD

Your Excellency, Dr. Hommes,
Excellencies, Distinguished Delegates, fellow staff members, Ladies and
Gentlemen.

We are gathered here today on the occasion of the fifth in the series of lectures dedicated to Dr. Raúl Prebisch, that distinguished son of Latin America whose work provided the foundations upon which UNCTAD was to be built.

We had very much hoped that Madame Eliana Prebisch, the wife of the late Don Raúl, could be with us today. Alas she has not been able to do so. And I shall convey a message to her saying how very greatly she will be missed.

* * *

At a time of rapid change as well as general concern - entirely legitimate and indeed necessary - to breathe new life into UNCTAD, sight must not be lost of the immense contribution of Don Raúl to international economic cooperation and development. On an occasion such as this, one can only refer briefly to some of the high points of his contribution.

Don Raúl's place among the great names in economics has long been assured. As an economic theorist of the highest importance, he had the unique qualities that have always distinguished great innovators in every field of intellectual endeavour, namely the qualities of simplicity and of unorthodoxy. He did not hesitate to challenge the deepest foundations of conventional economic theory, including the fundamental concept of equilibrium itself. He confronted head on the conventional wisdom that spontaneous forces in the economic system could be relied upon in the long run to produce not only universal development but the progressive equalization of incomes worldwide.

He sought to show that the forces tending towards the continuous polarization of economies both internally and externally were far stronger than those tending towards equilibrium. If these cumulative forces were not countered by deliberate action at the national and international level, then, in Don Raúl's view, the economic distance between rich and poor would grow wider.

Among the more important theorems that he advanced in support of his main thesis was that of the declining terms of trade between developed and developing countries. He pointed to the long run factors that were tending to lower the prices of primary commodities, which are typically exported by developing countries, in relation to those of manufactures exported by the industrialized countries. These tendencies could, in his judgement, be counterbalanced by other factors, particularly by deliberate international action aimed at improving the functioning of commodity markets and at promoting the diversification of the exports of developing countries so as to include a comprehensively growing proportion of manufactured exports.

It was in this field that he gained one of his most important successes at the operational level. In an extraordinary effort against the most daunting obstacles he succeeded in laying the foundations of the generalized system of preferences whereby developed countries granted preferential access to their markets for exports of manufactures from developing countries. This breakthrough has been of enduring value.

Of the greatest importance also were Don Raúl's contributions to the theory of economic development and of regional economic integration. He showed that the development process would require the introduction of advanced technology into agriculture. Agricultural development had to be placed in the context of the development of the economy as a whole and in that context much greater efforts of saving and investment would be needed to step up the rate of growth. On regional integration, he introduced new ideas of great power. He saw the integration process as a means of opening up larger regional markets within which developing countries could obtain the benefits of specialization and exchange at rising levels of technology.

As Executive Secretary of CEPAL, he gathered around him a remarkable group of highly dedicated economists and we have one of them here - Don Enrique Iglesias - and built an effective institutional mechanism for concerting the views and aspirations of Latin American countries, evolving in this process what has become widely known in the development literature as the "ECLA doctrine". As Secretary-General of UNCTAD, he evolved a mechanism of great vitality for the negotiation of problems of trade and development. He published a seminal document entitled "Towards a global strategy of development" 1/ in which he anticipated the later work of the United Nations in seeking an internationally agreed development strategy. In this document Don Raúl envisioned a world of more rapid growth and more equitable distribution reconciling self-reliance and interdependence within a comprehensive development perspective.

In his later years, he became increasingly concerned at the failure of many developing countries to develop the momentum and dynamism that he considered indispensable, as well as at the social and political conflicts that had arisen as a result. He addressed himself to what he called "The crisis of peripheral capitalism" 2/ particularly in the context of Latin America. He considered this crisis as due to the frittering away of the economic substance and surplus of these countries on extravagant consumption by the privileged classes, and he accordingly underlined the need for more dynamic and more equitable policies designed to promote investment in higher rates of development and a fairer distribution of the benefits of growth throughout society.

In conclusion Don Raúl was a heroic figure. He was a rare combination of intellectual brilliance and capacity for action. A man of ideals and ideas, he placed himself at the service of the struggle for progress, equity and social justice both nationally and internationally. As he himself was the first to recognize, constant change is the major characteristic of the world economy. Nevertheless, one can still say today and quite objectively that the essence of his thought remains relevant.

Excellencies, Ladies and Gentlemen,

This is a Prebisch lecture with a difference. When we in the secretariat first considered modifying the format for the event by inviting three eminent persons to discuss a subject of topical importance, the major obstacle we anticipated was the logistical one: how to bring three very important and extremely busy personalities together in the same place and on the same day. I am glad to say that with the cooperation of our three speakers, this obstacle proved to be surmountable. I am accordingly honoured to welcome Their Excellencies:

Dr. Bernard Chidzero, Senior Minister of Finance, Economic Planning and Development of Zimbabwe and former Deputy-Secretary-General of UNCTAD as well as President of UNCTAD VII;

Mr. Enrique Iglesias, President of the Inter-american Development Bank; and **Mr. Michel Rocard**, former Prime Minister of France.

For the purpose of moderating the debate, we have been extremely fortunate and privileged to persuade His Excellency Dr. Rudolf Hommes, Minister for the Treasury and Public Finance of Colombia to take on the task.

Excellencies, Distinguished Delegates, Ladies and Gentlemen, I am very pleased to welcome all of you here and I invite Dr. Hommes to launch the proceedings.

* * *

Dr. Rudolf Hommes

Minister for the Treasury and Public Finance of Colombia

Many thanks, Mr. Dadzie, Secretary-General of UNCTAD. First of all I would like to convey thanks for the invitation extended to the Government of Colombia, as represented by me, to moderate this important debate. Secondly I believe that, in making his statement, the Secretary-General of UNCTAD has saved me a summary of Dr. Prebisch's thinking, a summary which he made much more ably than I could have done. I think Dr. Prebisch would have been delighted to attend this debate here in Cartagena today. His ideas, I believe, are still very current and are at the centre of the debate we are now holding on this continent. We are opening up all our economies at the same time as the industrialized world is closing its doors to the manufactures which, we are instructed, we should be exporting and which we are in fact exporting. All over the continent we are adopting more liberal, more modern policies, and Governments are being subjected to the very quintessence of criticism. In the Bogota press today, for example, there are six articles against the opening up of trade and liberalization of the economy. I think this is happening in many others of our countries, at least the neighbouring ones. I believe that, with the movement we have in the Andean Group towards a Customs Union, what is happening in the south, and the union between Colombia and Venezuela for trade purposes that is very probable in the near future. Don Raúl Prebisch's thinking is alive among us. I think, therefore, that the Prebisch lecture which we are about to hear is not merely of academic but of full political currency and of great distinction, and that it will be very

useful for us, as Governments and as academics, to hear what our guests have to say. As it had been put to me, we are first to hear Mr. Bernard Chidzero, then Mr. Michel Rocard and then Mr. Enrique Iglesias. There will then be a period of debate invited by the Moderator, and lastly we shall have some time to throw questioning open to the public. We do ask that members of the Conference should keep their remarks very brief, and speak for not more than three minutes at a time. I now invite Mr. Bernard Chidzero to begin the proceedings. Thank you very much.

* * *

Dr. Bernard Chidzero

Senior Minister of Finance, Economic Planning and Development of Zimbabwe

Your Excellencies, Distinguished Delegates, Ladies and Gentlemen

I feel greatly honoured to be able to participate in this year's Raúl Prebisch Lecture on Economic Development Towards a New Partnership. I begin with a proposition that implicit in this year's lecture theme is the fundamental issue that development, being a sine qua non for global peace and security, is also a global responsibility, involving the rich and the poor, the North and the South, and the regional and multinational institutions which man has designed or may yet design. Admittedly, however, development is the primary responsibility of each individual country or group of countries. Yet no less cogent is the fact that the external environment or the functioning and performance of the world economy impacts immediately in varying degrees of intensity or severity, on developing countries more than perhaps on developed countries because of the latter's stage of development and degree of diversification and sophistication as well as their ability to take protective or cushioning measures.

The new partnership that is required must aim in a context of a current session of UNCTAD to propel healthy, sustainable and equitable growth among all countries, between the North and the South, between the East and the West, and facilitate effective mobilization of resources and their management at the national level as well as at the international level. That partnership must be directed not only at achieving sustainable rates of economic growth but also at the eradication of poverty and the improvement of the general living conditions of all people. This calls for imaginative programmes on the flow of resources, the management of debt and sustained efforts to combat the common problems of environmental degradation and the marginalization of the many by the few, politically as well as economically. In that context, human rights and democracy are inseparable from the people's active participation in socio-economic development.

Change underlies current events and indeed the history of mankind. Dramatic and fundamental changes, as we know, have taken place - and we have heard it repeatedly yesterday - which open new opportunities as well as provide new challenges. We have heard about the end of the cold war and now it provides a real and distinct era for comprehensive disarmament and a greatly enhanced peace dividend. But we also have been told that it provides the opportunity for freer association of peoples and mobility of factors of production as well as technological transfers between the East and the West

and, as should be the case, between the North and the South. Similarly, the dramatic shift from centrally planned or command economies operating behind authoritarian regimes to open or market-oriented economies and democratic regimes opens up vast vistas for new partnership especially in movements of investment resources, patterns of trade, human resources and development and, of course, technology dissemination.

Along with these larger developments there are also the related radical economic policy reforms and adjustment programmes in developing countries involving macro-economic reforms, trade liberalization - strangely at a time when the developed world seems to be looking inwards - anyhow trade liberalization, and the creation in general of enabling environments to facilitate investment, both foreign direct and local, and confidence in the economies of the reforming countries which is an absolute necessity if we are to stem the flight of capital and indeed to prevent direct investment shining away from entering economies as Third World countries. Yet the possibility cannot be discounted altogether that the end of the cold war and the radical changes in Central and Eastern Europe could also usher in an era of greater polarization of issues between the North and the South and perhaps greater marginalization of the South as the North becomes more inward-looking and self-reliant, or as economies and trade regimes seek greater autarky and investment flows and human resources move on an East-West axis, so that the North becomes an even more self-sufficient centre and the South even more marginalized periphery. It has been observed, for instance, that flows of direct investment which expanded phenomenally in the later 1980s and early 1990s, growing faster than world trade, took place more in the markets of competing developed countries than in developing countries, excepting South-East Asia and some South American countries. The problems which preoccupied Raúl Prebisch in the context of the centre and the periphery - problems of the marginalization of the latter and of an almost inexorable tendency for the terms of trade to decline - remain as real today as in his time. Yet even in this regard some rethinking is necessary.

The rethinking must be at least in two respects. First, the reality of market-oriented and more competitive economies has deepened and widened in scope and certainly geographically. This suggests the need for more liberal economic policies and therefore modification, if not radical change, in interventionist or statist or dirigist policies in respect of central government economic decisions and price controls. This has implications, not only for individual governments in the formulation of their policies and management of their economies but also for the work of UNCTAD in respect of the type of international agreements which should be worked out with regard to such matters as commodity prices and agreements and the management of the world economy generally. It suggests more emphasis on rules and regulations which do not go against market forces or normal market prices, but rather seek to moderate these forces in order to avoid their excesses or exploitation of the weak by the strong. At the same time and I quote from Willy Brandt in his famous Report of the Independent Commission 3/ "In the world as in nature, economic forces left entirely to themselves tend to produce growing inequality". The challenge, therefore, is how to reconcile the operation of market forces with the need to moderate their excesses and indeed to protect the weak and to acquire a certain degree of equity. We must accept the reality of market forces but we must also recognize that market forces can

easily become market power. It is all the difference between market forces in an optimally competitive economy and market forces in a society of unequals where market forces are market power.

It is a matter of adjusting to changing circumstances. I believe that Prebisch himself moved from believing in liberal economies to believing in planned economies and in international intervention, as is apparent from his study "The Economic Development of Latin America and its Principal Problems" 4/ and, of course, from the whole history of UNCTAD itself. I observe in this regard that Gottfried Haberler, the famous international economist in trade matters, in his paper on "Liberal and Illiberal Development Policy" 5/ states: "When the problems of development were thrust upon economists by the breakup of colonial empires in Asia and Africa during the Second World War and shortly thereafter, faith in liberalism, in free markets and in free enterprise was probably at its lowest point since the early nineteenth century. No wonder that the stance of much of development economies, too, was far from liberal during the period. This is strikingly illustrated by an interesting essay by Raúl Prebisch, one of the most influential development practitioners through his work in the United Nations, in the (United Nations) Economic Commission for Latin America and the United Nations Conference on Trade and Development. Prebisch relates that in the 1920s he was a firm believer in neoclassical theories but the first great crisis of capitalism, the world Depression of the 1930s, had changed his mind. Thus, Prebisch follows Keynes who during the Depression abandoned his early liberal beliefs, but he - that is Prebisch - goes way beyond Keynes when he says: "The second great crisis of capitalism, which we are all suffering now, has strengthened my attitude". 6/ What Prebisch here refers to is the world recession of the early 1980s that was caused by the fact that the United States and other industrial countries had to step on the monetary brake to curb inflation. In other words economic realities and circumstances changed and influenced the thinking of Prebisch. I do not know what his last words, views and thoughts were or what his stance would have been in this era of rapid shift to market economies and price decontrol and, of course, democratic regimes. But, I think, consistently ready to adapt himself, he would remain still the man of the middle seeking change and yet at the same time seeking to conserve what is essential.

The second area of adjustment is within UNCTAD itself, not only in respect of what I have said about the Prebisch approach but also in respect of a new development partnership and the need for common perceptions and consensus decisions. This is the more important, given the globalization of issues such as environment, drugs and drug traffic, aids, poverty, what have you. This must have implications for the group system in UNCTAD or for at least the practice and attitudes of groups. It must also have implications for majority decisions by vote, let alone confrontation. These are matters which are naturally issues which require great analysis in the political dimension as well as in the operational modes. However, the whole process of trying to deal with the debt problem, for instance, to open up markets and expand trade, to generate investment and aid flows and transfer technology, to deal with poverty eradication and environmental issues, spirited and analytically informed debate is necessary leading to common perceptions, common approaches and agreed measures. And that becomes an essential element. Yet, in the strategy, even in our new era, governments cannot be completely

passive. Indeed they cannot afford to be passive agents. The underlying currents of history and evolving political and economic forces do need to be influenced by conscious human action towards a new world order. That I believe is the challenge. That also is the crucible in which the new partnership will be moulded.

Above all there is the inevitability of change and the necessity for continuous adjustment. And that I would leave as my last concluding proposition rising from the global responsibility in development to the need for adapting our methods of work - and I refer in particular to the group system and to the need for consensus decisions as far as possible and not necessarily majority decisions if they are unimplementable. Except if it is to record moral persuasions and to record a process which will continue to be debated. It requires a change in attitudes on the part of individual countries and within groups but change there must be. And adaptation there must be. And that also is true of UNCTAD as an institution. Thank you.

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Mr. Michel Rocard
Former Prime Minister of France

Mr. President, Mr. Secretary-General, Ministers, Ladies and gentlemen,

It is a very great honour for me to take part in this fifth Raúl Prebisch lecture, which has in the past enabled eminent personalities to express themselves at the sessions of the United Nations Conference on Trade and Development. As well as being proud, I have the great pleasure of discussion and debate with two respected figures in international life whom I know well and who are friends of mine.

As a man of the field and as a politician, I have some experience behind me. In diplomatic matters I have expressed views, sometimes iconoclastic views, which I have had occasion to defend and apply as a Minister and then as Prime Minister of my country. I have not, of course, been able to put them all into practice, but I have not given up any of them. For I am certain that deep convictions deserve tenacity and patience. This applies to the struggle for development, well-being and dignity for all. As I see it, there is nothing fairer or more urgent. I am, of course, stating today only my personal convictions - as a free man in a world I would like to see free for everyone.

The report submitted to UNCTAD by its Secretary-General seems to me remarkable in many ways. In particular I find in it, through the analyses it contains, a clarity and - let me say it - a courage that have often been lacking in the past. For, while the world has changed and is changing at an ever-increasing rate, we must all - experts from the North, experts from the South, Governments and international agencies - recognize that in matters of development we have committed serious errors which have left us ill-prepared for what is happening now. Having acknowledged this, let us draw clear and specific lessons from it for future action. And the time is right, for freedom is at last on the agenda - Mr. Chidzero has just pointed this out - and that freedom gives us new weapons in the struggle against underdevelopment

and its train of miseries and tragedies. The transition to democracy is beginning in many countries. It is for us, the United Nations, to know together how to orient it in the direction of progress, a progress fairly shared.

1. The state of the world: what partners for development?

In the last few years the world has witnessed great upheavals: the collapse of dictatorships, the affirmation of national minorities and the triumph of the market economy. Everywhere, or almost everywhere, democratic values are taking hold. Yet the daily lot of many Third World populations remains the uncertain search for a living and a minimum of security.

There is thus a major challenge to us all. And I see in the first tangible - modest, but already tangible - achievements of a different world order a sign that the hope of reaching such an order is perhaps, for the first time, well-founded.

(a) The era of freedom

For a long time the peoples of Central and Eastern Europe lived muzzled, stifled in their most elementary and most fundamental rights by a doctrinal straitjacket that served only to justify the undivided rule of bureaucrats lacking in both imagination and legitimacy. Far from preparing the glorious future that they proclaimed for mankind, odious regimes perpetuated the most rigid political authoritarianism and the most blinkered economic dirigism.

The fall of the Berlin wall and the fiasco of the pitiful coup in Moscow tolled the death-knell of communism and its anti-imperialist avatars.

Meanwhile the economic and ecological disaster now confronting those countries demonstrates what havoc is wrought by ignorance of a few basic realities in the functioning of any human society.

Outside Europe the process has been similar: as brutal in its effects, if not in its development. The Third World, too quickly regarded as the close preserve of East-West rivalry, had become a mere stake in the power game, for which scales of values were compliantly denatured both by the so-called free world and by the communist bloc.

It is true, however, that certain leaders of the South, whose sincerity is not in question, also bear a heavy responsibility for having long tolerated or even encouraged such compromises here and there.

Today democracy is advancing everywhere, while the market economy is taking hold as an unquestionable yardstick for the process of building on the ruins of the collectivist societies. I would point out one obvious fact: democracy is a benefit in itself; it is a fact that too many citizens of Northern countries unfortunately forget. When you have just achieved elections, you vote a great deal. When they become a habit, you get bored, and are not too sure what is being forgotten. But there is another obvious

fact to be pointed out: only democracy - through a State based on law - can give the market economy full effect, for a prosperous economy strengthens democracy.

The lesson of history is now clear to me, and I shall say it tersely: pluralist and decentralized democracy is the only institutional model that truly favours development. This, it seems to me, is the lesson of history.

For any authoritarianism implies withdrawal into one's shell, whereas in increasingly complex societies wealth - material, social and cultural - is formed by movement, dialogue and exchange, that is to say by freedom. But while freedom and democracy are necessary, they cannot be - are far from being - sufficient in themselves to redress the inequalities of the world and deal with all the challenges of the future. We must therefore think about constraints on freedom.

(b) Constraints on freedom

Regaining freedom means, for hundreds of millions of men and women in Europe, Africa, Asia and Latin America, regaining the ability to speak, to comment and to act. But they still need to have the means of expressing themselves and of taking action.

In many countries the very structure of a modern State, the guarantor of the free initiative and fundamental rights of its citizens, is lacking today. In other countries the more or less abrupt collapse of authoritarian regimes with prefabricated economic structures disorganizes the entire economy and, of course, causes social disruptions that are reflected, at any rate for an initial period, in negative growth rates and generalized falls in the level of living. There are many cases in the world today.

For the most heavily indebted, the policies of structural adjustment that pave the way for restored health and resumed growth almost always cause a fall in employment and a shrinkage in public expenditure. The social cost of such policies is particularly heavy in countries where the State sector used to distribute a large share of the national income. That should lead us to new reflection - and UNCTAD is the very place for this - on structural adjustment policies, and to a much more imaginative and ambitious treatment of debt.

With a population growth and a flight from the countryside that are not going into reverse but are even speeding up in some countries, the populations in process of exclusion are multiplying dangerously, especially in the towns. And the consequences are frightful, particularly for the young people. Ladies and gentlemen: in the closing years of this century, more than a billion and a half human beings are in dire poverty!

The effort of growth for development should therefore be reconciled with social imperatives that must be respected if freedom is not to remain a dead letter. After years of adjusting and modernizing their economies, even the industrialized countries are learning this to their cost.

Lastly, economic liberalism taken to extremes leads to disastrous exploitation of the planet's natural wealth, in such proportions that our world is henceforth in jeopardy. And I need hardly mention the risks to which the use of technology of varying degrees of safety exposes the fauna, the flora and the humans themselves.

For all these reasons it is imperative that Governments should restore some measure of order in the functioning of the societies in their charge. And while every State must remain free to define the domestic mechanisms of regulation best suited to its history and its political, economic, social and cultural structures, no one can now ignore that there are common rules and mandatory points through which any socially fair economic adjustment must pass.

In this period of change, everyone must steer between two equally dangerous reefs: the excesses of unbridled liberalism and the temptation to withdraw into one's shell in the name of a self-styled protective and too often authoritarian nationalism. But we must act quickly; if we are not careful, patience and hope may give way to disappointment and the rejection - I repeat, the rejection - of democratic values. Recent migratory movements are there to remind any Governments that might be tempted by laissez-faire that their countries may be depopulated and drained of vitality by the departure of their most dynamic and enterprising people, and this movement affects the countries of the East as well as the countries of the South. Conversely no police fortress erected in the North - indeed, none such could be justified by any of the common values we defend - could stem the flow of human beings.

Hence there is no substitute for international cooperation in development: cooperation that is alone capable of settling people in their lands of origin through effective development.

(c) International society is organizing

Along with others, however, I am anxious about current trends in international economic relations. As the report by the Secretary-General of UNCTAD shows, growth stagnated at an average of 1 per cent in the 1980s except in China, India and South East Asia, and - still as a world average - per capita income fell more than 10 per cent in half the developing countries. Yet the level of public aid from the wealthiest countries has remained unchanged in real value for 10 years.

At the same time the North-South dialogue and multilateral cooperation are suffering a serious crisis of confidence. Indeed, this is what is at stake at UNCTAD VIII. Here again, I believe we must be collectively challenged in our modes of thought and our ways of action.

If we remember the long negotiations for a "new international economic order", we must recognize that they harboured the germ of their own failure. They were based, if you remember, on a few founding myths which had become veritable dogmas: there was one South, with one set of interests; there was a right to compensation for the sequels of colonization; the duty of

non-interference was absolute; negotiations could be held only between bloc and bloc; and what was due was unilateral concessions by the Northern countries.

The 10 years that have just elapsed have shown the limitations, sometimes the absurdity, and often the counter-productive nature of all this. I say this modestly because I too believed in some of these struggles, in which the arrogance and power of the wealthy countries - I know, I come from there - sometimes made the Third World's anger deeply comprehensible and even inevitable.

But the period now beginning should encourage us to optimism. I see hopeful signs in the way international relations are evolving.

First of all, most countries no longer accept spokesmen they have not chosen for themselves. Specific, often geographical, solidarities are thus taking precedence over ideological or political - and sometimes paradoxical - coalitions.

International agencies, having been freed from the sterile and paralysing clashes of the cold war, are thereby regaining a vigour and room for manoeuvre more in keeping with their true purpose. This applies to the entire United Nations system, whose renewal has been exemplary in recent years thanks to the strenuous efforts of an exceptional Secretary-General.

Next, I welcome the greater maturity beginning to be shown by Governments which seem at last to have understood that proper exercise of their responsibilities is one of the foundations of their legitimacy. The environment sector affords us an example of this. By taking significant steps to preserve the ozone layer, to prohibit all mining in the Antarctic and to check the warming trend, States have unanimously adopted a genuinely new approach. In the face of common dangers - for they threaten the planet - everyone has accepted specific and tangible commitments whose fulfilment will be strictly monitored: everyone to the extent of his means and in proportion to his responsibilities, and with the support of the international agencies.

Under the heading of progress I would also like to mention the proliferation, on all continents, of free trade areas and economic integration areas whose outlines are based on genuine solidarity woven by history and geography rather than on political petitiones principii, which are rarely free from ulterior motives of domination.

Scrupulous respect for human rights comes, as a collective requirement, to back all this progress with verification of democracy. Even in this sector we have seen the international community make great progress by recognizing the right of humanitarian interference; this is a sizeable step forward. I know the hesitation felt by many States. So do you. Yet what democrat, what legitimate power, could fear a breach at last being made in the law of silence that so long allowed the noble principle of "self-determination of peoples" to be twisted into an odious "right of dictators to martyr their own people"?

We must, of course, take care that the duty of humanitarian assistance thus created does not pave the way for any new imperialism and is performed truly collectively, in the name of "the peoples of the United Nations", in the opening words of the Charter that unites us.

For man - the citizen of the world, the inhabitant of a planet to be preserved - is again becoming aware of the specific solidarities and the solidarities of proximity that history has given him; the field of progress, especially economic progress, is becoming clear.

* * *

2. The stakes: what development can we head for?

(a) Man, the central actor in the process

First of all I would point out that, in any development, man is the central actor in the process. Development is not merely a matter of money and technology; nor is it the business of States alone. It is first and foremost the business of human beings themselves, who are both the beneficiaries and the masters through their ability to produce, to associate and to participate in discussion and in collective choices.

New departures based on forms of genuine solidarity are proliferating everywhere. Groups of village cooperatives are increasing agricultural output, organizing its distribution and creating mutual credit structures. Governments must not shackle this activity; it is what is at stake in decentralized democracy. Local communities are taking themselves in hand and producing more successfully the services which States, all too often bankrupt, are incapable of providing: education and primary health care. Non-governmental organizations, to north and south, are finding forms of activity closer to the ground, closer to every day. We should be more attentive to the vigour of these many small-scale projects, which are as essential to the structuring of the rural environment as to the balance of the towns.

Let us not forget the effectiveness of what has come to be known - too often pejoratively - as the "informal economy". It has its virtues. It proves the capacity of men and women to take their fate in their own hands rather than hand it over to States that are sometimes powerless to organize and regulate genuine open markets.

I want to emphasize that, beyond the informal economy, agriculture remains top priority for most Third World countries. This is obvious for Africa; but it is not true of Africa alone. A return to self-sufficiency in food is the precondition for a cut in imports. The stress should be put back on food crops, autonomy for the producers, and price, credit and tax policies that cease to favour the town over the country. How many States are paying the price for having done that for too long?

As soon as freedom of enterprise is recognized and allowed, there is hope that the free breathing and growth of economies often squeezed within unduly narrow frontiers will usher in a new role for the State. The State should guarantee the stability and openness of the rules - rules of competition, rules of trade - and the protection of the most vulnerable populations.

The State based on law is also a civil service for the citizens, a service in which openness and fairness are alone capable of keeping corruption at bay. Hence the conditions of access to the civil service and the pay scales, rights and obligations of State officials should be under the democratic control of the citizens. The State is also responsible for the training and education without which any hope of development is doomed to disappointment. That responsibility is a crushing burden for countries where more than half the population are under 15 years of age.

It is for the State to guarantee the quality of education and the validity of training schemes suited to the country's needs, and to eschew the laxity and demagoguery that often lead to a situation where masses of fellowship-holders are maintained indefinitely but gain no degree or useful qualification or never return to the country.

But mark this: nothing can more surely destroy development than an overgrown State that lays too heavy a load on the local economy. It is necessary, sometimes even in a developed country and a fortiori in a Southern country, to know how to cut military, diplomatic and general administrative expenditure drastically and to check any tendency to overregulation. This is a difficult achievement which requires the State to master the tools of management of its resources in order to answer to the citizens. It also calls for a competent and independent judicial system. A setting of law and freedom that every people shapes by its own genius, traditions and culture is essential to the vitality of the economy.

It should provide access for everyone to private ownership of property, freedom for everyone to possess and freely utilize his own means of production and to derive profits from them. Development is first of all the art of letting people work and produce. I wish to restate my conviction that one of the preconditions of growth is that the State should allow it, should not paralyse it by seeking to guide it too closely, but should ensure that it is moral.

I shall be quicker in dealing with the next point, which is concerned with the creation of:

(b) Coherent economic zones

We are keenly aware of this in Europe, where we are finding our old nations too small to adapt to the modern world, to the capacity that is needed in research, large-scale trade negotiations and security policy. The same applies, I think, to all the continents. Latin America, whether in the Southern Cone, the Andean Pact or the Caribbean area, and Africa, with the Economic Community of West African States and other arrangements, are seeking to build such regional economic zones. They can exist as genuine poles of

development only in virtue of a strong political will on the part of the States concerned and in full respect for the multilateral system that has proved its worth since the Second World War.

In these economic zones, negotiation brings out mutual interests by a pragmatic rather than normative approach. Such an approach has been undertaken, for example, by 17 Ministers of Agriculture of West Africa who met at Dakar in May 1991 in an endeavour to identify, for every product line, the obstacles to goods traffic in order to eliminate them by agreement. The countries of North America and South East Asia had taken the same course before them.

In these groupings, States retain an essential responsibility for creating and maintaining conditions favourable to investment and to currency stability while confining themselves to strict budgetary policies and judiciously promoting productive savings.

For the responsibility of the economic actors to find expression in such essential markets as those for raw materials and primary commodities, a strong political will is needed, and States must guarantee freedom of expression and negotiation for producers, purchasers and consumers. These last must be put in a position to fix remunerative and fair prices contractually and openly.

Monitory policies, for their part, are the responsibility of States - or unions of States - that must answer for them to the international community. In this area let us be careful not to confuse solidarity with subjection, orthodoxy with dogmatism.

Lastly, public investment policies, whether implemented by States themselves or with the support of financial backers, constitute a decisive factor in the improvement of trade and hence in growth. Whether it is a matter of transport infrastructure, power generation or public services, it is essential that the regional dimension of the economy should be taken into account. From this standpoint, genuine policies of town and country planning need to be reinvented, taking also into consideration, in a medium-term approach based on the forces in operation at the grassroots, the constraints and productive potentialities of a particular zone. To make the zone profitable and facilitate movements of population while ensuring optimum and rational management of natural resources: such should be the objective of town and country planning in the service of sustainable development.

Today international cooperation should apply itself to supporting such policies as formulated by those directly concerned.

(c) Mutual responsibility for cooperation

Cooperation entails continuous dialogue; it is not a form of assistance but a contract between partners in which each one's responsibility is engaged. I know - I am well placed to know - that many wealthy countries, many developed countries, are not yet convinced of this. It is nevertheless obvious, and I believe that one of the tasks of such a forum as UNCTAD should be to re-start reflection on this subject.

In the course of the 1980s, which were marked by the decline of private flows, official development assistance (ODA) became the essential instrument for maintaining flows to the developing countries, especially the least developed. The present situation in the developing world clearly calls for a substantial increase in ODA, as all the official statements of bilateral and multilateral providers of funds affirm. In practice, however, the efforts of the OECD countries continue to diminish.

The debt of the developing countries, as we know, is a long-term damper on any hope of growth in those countries unless suitable solutions are applied by the international community. For many countries, the financial flows are in the wrong direction, which means that what are already the most prosperous countries grow yet richer while increasing the poverty of the poorest. Contributions from outside are less than the amounts the countries must repay, and this in a context in which their productive capacities are severely limited by the worsening of the terms of trade, the decline of their export earnings, and their population growth.

A significant effort to cancel the public debt of the poorest countries has been made by several bilateral providers of funds; for other developing countries, the rescheduling of public and commercial debt is increasingly common. These measures, however, are still far from enough to remove one of the biggest obstacles to the revival of the international economy, which is the pledge of a return to growth in many countries of the South. The time has come for a serious examination, with all the parties concerned, of a means of easing the repayments due from the Third World to multilateral agencies.

For the middle-income countries that are suffering the most from private disinvestment, such measures, negotiated case by case, would enable them to create or restore their productive capacity. Obviously such an approach should forge a clear contractual link between financial flows and selected productive investments. The constraints essential to adjustment would then be integrated in the development process.

For my part, I would add that I have often wondered whether we have made the best possible use of financial transfers. In the case of Africa in particular - I say this in view of the predominance of Africa in my country's financial commitments; it does not exclude either Latin America or Asia - I am certain that we have oversold forms of development that carry the baggage of an urban culture, a requirement of State prestige and of public administration that is too expensive in relation to the burdens those countries can bear. At one stroke we have encouraged the flight from the countryside - admittedly unintentionally, but through a perverse effect - and we were not able to realize in time what the commitment of certain agricultures to export crops was going to cost in a world where the terms of trade cannot remain stable to the advantage of raw materials over machine-made products. This movement has occurred at the expense of food crops, which today are lacking, and we find that half the Third World countries are seeing their rate of food self-sufficiency fall and their essential imports increase. Here we feel the need for a very difficult and unflinching self-criticism and self-examination. Let me tell you a secret. In a conversation with a Head of State - he is a friend of mine but I do not want to mention his name - when I was making this point, he told me: "I think you are profoundly right, but the forces that

support me in my country are implanted in the town and not in the countryside, and I cannot begin discouraging them so quickly." Problems of political stability also arise. We thus have problems of international reflection that are of the utmost gravity, and we must learn to deal with them together.

3. The role of UNCTAD

I am greatly struck by the fact that, through the treatment of debt, the rules of trade, the volumes of official development assistance and the multilateral forms of a number of components of the United Nations, we should be dealing separately with the right of the countries of the South to growth, dividing up the problems as though they were independent of one another. I believe that the world is sorely in need of an expert place in which to discuss reimbursements of debt in terms of one another, in direct relation to the evolution of raw material prices and our capacity to stabilize them; forms of official development assistance in terms of what has a chance to be developed quickly in this or that country or area; and the rules of trade, not merely Customs rules but also health rules, quotas, prohibitions which, as you know, are not within the competence of GATT and are not spoken of anywhere.

The right to growth comprises detailed components. It is one right and should be dealt with in one way. I know of no world forum other than UNCTAD in which to do this, and I think it is highly important that this affirmation should be emphasized at the eighth session of your Conference.

History teaches us, ladies and gentlemen, that all the groupings which today are developed or becoming so - Europe, Japan, the United States and South East Asia - experienced for many years, 30-40 years in a row, sustained growth rates of 8 to 10 per cent that made it possible to counterbalance population growth, pay for existing employment and create new jobs.

That is the level of ambition at which we must set our hopes, and a few countries of Asia show us without mystification that there is nothing impossible about that. There is no Malaysian, Taiwanese, Singaporean or Hong Kong miracle. There are political curses not dealt with in countries unacquainted with these growth rates. I do not see this as a dream. What I see, on the contrary, is the honour to human beings in our world today of being able to spread more widely the conditions of a growth that we know to be within our reach and know to be possible, even if today what those conditions require most is a limitless economic imagination and very great political courage among the wealthy as among the less wealthy. Thank you.

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Mr. Enrique Iglesias

President of the Inter-American Development Bank

Many thanks, Mr. Moderator. It is a pleasure for me to be in this beautiful city of Cartagena de Indias once more. After the significant thoughts which my distinguished friends Minister Chidzero and Prime Minister Rocard have imparted to us, there is not much left to add, and a speaker runs the risk evoked in the famous story of the moderator who

described the last speech in a panel in these words: "The last speaker said some new things and some interesting things, only the new things were not interesting and the interesting things were not new."

Even at the risk of this, there are a few thoughts I would like to express. First of all, however, allow me to say that I feel greatly honoured to be at this lecture, which commemorates my dear friend Don Raúl Prebisch. I think UNCTAD does well to remember him at such times. As the Secretary-General of UNCTAD said, there is something heroic in the figure of Prebisch, with his enormous intellectual vigour, his sense of mission and above all his vocation to defend the great ethical message of the United Nations concerning its commitment to the developing countries and international solidarity. These were the two great commitments that Prebisch had throughout his life. Don Raúl was the inspirer of almost all the Organization's great initiatives in the 1950s and 1960s as he was certainly the intellectual inspirer in Latin America, with a line of thought disputed yesterday and today but of enormous ethical transcendence.

The question was asked here: what would Don Raúl have said at this time? I too have often wondered that. Having accompanied him very closely for nearly a quarter of a century, I believe he would have revived two ideas which he expressed in his report to the Inter-American Bank in 1971 and then took up again in his last writings. They were the idea of development discipline and the idea of growth with fairness. All that remains, however, for reflection by those of us who greatly appreciate him.

The text which the UNCTAD secretariat proposes for this panel is "Economic development: towards a new partnership" (we have no good translation for this word in Spanish); I think it is highly pertinent at the time we have to live in. The truth is that the world of the first UNCTAD in 1964 is no longer the world of today. The ideas with which this organization lived and worked had, in the first place, a certain political setting which is not that of today, and entertained a certain conception of economic development, a certain paradigm, which again is not that of today. The scheme of cooperation that UNCTAD proposed could not be that of today, because the two central features on which this agency built its proposal - the first proposal for a system of solidarity or international cooperation - have changed.

The world of 1964 was a world of large blocs: the Western bloc, with the United States and Europe renovated and recovered; the socialist bloc, with its centre in the Soviet Union; and the Third World which had arisen out of the impressive decolonization presided over by the United Nations, which acquired a group consciousness and established itself in this house with the formal title of "Group of 77". It was the world of the cold war, of zones of influence, and it had a model or paradigm of development. The pioneers of development, such as Prebisch and others, had worked on that paradigm. That thinking predominated in the United Nations system, from which it had flowered and in which its central propositions had been worked out; a paradigm influenced by Keynesian thinking and the experiences of the centrally planned economies.

For that thinking and that model there were some premisses which were mentioned by Mr. Chidzero and the Secretary-General. It was a model that brought out the influence of the lopsided relationships predominating in the world as a result of the historical worsening of the terms of trade and the penalization of raw material prices, the lack of headway made by modern technology in the developing countries, and the shortage of capital revealed by the persistence of "two gaps". That model stipulated great wilfulness on the part of the State. A State was the allocator of resources and the stimulator of the development process. It proposed a form of substitutive industrialization as a mechanism for acceding to technology and for promoting the transformation and growth of production and the employment of the younger generations entering the labour market. Thus the system of relative prices was ultimately more the product of these wilful interventions than a reflection of free market forces.

In that political world, according to that model of development, the UNCTAD of 1964 proposed the foundations for an incipient international order which presupposed a highly concessional support resting on three traditional pillars that are familiar to you: (i) the defence of prices for the raw materials on which the developing countries were heavily dependent; (ii) access to the markets of the developed countries with the system of preferences, to give the nascent industry of the Third World the chance of an outlet; and (iii) a commitment by the international community to achieve a certain percentage of transfer of product as a means of alleviating the developing countries' lack of capital.

The results have already been mentioned. I believe there were advances throughout the world. The world of today is not the world of yesterday. What is certain, however, is that the gap within countries and between countries has deepened. Some countries in East Asia changed direction in the context of the cold war, adopting policies more akin to the market economy, the alliance between the State and the private sector, and the external projection of economies. Other countries were overwhelmed by the debt crisis, as happened in Latin America. But we can say that that scheme of cooperation did not attain the objectives it had set itself; it amounted to a rhetorical and confrontational battle that was very often sterile, although we must also recognize, as was stated at the inaugural meeting yesterday, that in this house some very important ideas came into being, such as that of the link between special drawing rights and the needs of the developing countries, together with other propositions which are still fundamental pillars of any cooperation order.

What is the world like today? What does that world suggest to us for the purpose of redefining a system of cooperation that will correspond to those realities? My friends Rocard and Chidzero stated the new political reality. We are experiencing the end of the cold war, the disappearance of the bipolar world and the strengthening of principles that are beginning to take hold in the world concerning democracy, freedom and human rights. This is a new international reality. Besides this we have the trend towards a unipolar world as against a bipolar world, and we also have forces at work in the world such as those mentioned by Michel Rocard. We are working with integrating forces: all those European or Third World schemes that tend towards the integration of development efforts. But at the same time we are witnessing

the appearance of dangerous disintegrating forces, based on ancestral nationalism, religious fundamentalism or phenomena difficult to administer, such as international migrations. And we have not much practice in administering this world of unipolar tendencies because we have accustomed the international community to function under bipolarism. Hence this is a critical time at which to strike new balances. And those new balances must be based on the United Nations, on a genuine multilateralism, free from hegemonies, that will confront the United Nations with a challenge and an opportunity. The challenge is a new order based on principles of genuine liberalism. The opportunity is the ending of the cold war and of ideological and military confrontation, which may perhaps give the great dream of the San Francisco Charter of 1945 an opportunity such as it has never had. That is the great challenge, the splendid challenge on the political plane. And we also have a new economic paradigm: for the first time, perhaps since the late nineteenth century, a more or less unanimous view on how to achieve economic growth appears to be taking hold.

There would be a great deal to explain or say about this, about the reason for the crisis of the paradigms for the 1950s and 1960s. Certainly there is still life in the old controversy between orthodoxy and heterodoxy. But it must be acknowledged that those paradigms ultimately met with the reality of a world that we did not know in the 1960s; that we have good experiences such as those of the Asian countries that have achieved vigorous growth, and bad experiences such as those of the centrally planned economies. It is also certain, however, that many things that happened at that time were not in the paradigm. The paradigm of that time did not mention big deficits, or monetary disorder, or over-protectionism. All this, as I said, should be the subject of thought at another time. What is certain is that a return to neo-liberal ideas seems imperative in the international community today in support of growth and competitiveness, as President Gaviria rightly told us yesterday.

There are common points in this new scheme. There is restoration of the role of the market as allocator of resources and of the price system as a fundamental instrument. There is a trend towards curbing the will of the State, reducing the sale of its application and calling for greater efficiency. There is an opening to the world: the developing world opts to integrate with the rest of the world in order to gain vigour along with it and become part of the international thrust. There is a new actor in the hierarchy, namely the private sector and civil society. And we have a social policy that is drawing away from simple redistributive trends to aim at more tangible objectives. All this is taking place in a context of revaluation of the stability without which objectives of growth and fairness are very difficult to attain.

I think it would be dangerous to conclude that we have found the philosopher's stone, as though economic development had found in this model its final version. There are many nuances in the models. In a recent book, Capitalismo contra capitalismo, 7/ Michel Albert describes in specific terms the varieties and nuances that exist in this model with regard to relations between the State and private enterprise, the State's responsibilities, etc. But there is no doubt that there is a return to growth based on policies that respect the rules of operation of the market. What we are wondering is, how

do we ensure - once we have recognized that there are certain codes of growth that necessarily entail a greater allotment of resources for stability and for the market - how do we ensure, I repeat, that this model is sustainable over time, at home and abroad? Sustainability at home calls for some thought. The growth codes are clear but, once again, growth is not the only consideration. Growth is important as quantity, but it is also important as quality. Here we find ourselves on the social front, which Michel Rocard also mentioned.

The reality in which we live in the Third World is one of striking poverty. Here there are great inequalities which in one way or another, in an open society, may be a breeding-ground of violence and intolerance that would be counterproductive in attaining the very objective of growth. Hence no model of growth in conformity with the new paradigm can be sustained over time unless frontal attacks are made on social problems in the short term, which is certainly going to imply an improvement in the quality of social expenditure whatever its level, maintaining the macroeconomic balances in order to avoid falling into inflationary excesses. And this, of course, implies that in the long term the social topic should be an explicit policy of Governments in such important areas as health, social security and education among others. Only this social front makes it possible to attain political sustainability in the models.

This new opportunity for freedom and democracy which Michel Rocard mentioned will only exist if the model is capable of justifying itself socially, bringing growth and fairness, seeing to it that economic efficiency is a complementary and not contrary objective. This involves not only the objective of growth as such. It also involves the great task of reshaping the State, which is the great challenge for us in the Third World and, I venture to say, in the industrial world as well: a State which must secure the rules of the game, the macroeconomic balances, but which must lay the emphasis on the social balances. The quality of expenditure - and Michel Rocard's reference to military expenditure seems to me very apt - is relevant to all this. Just as, along with the redimensioning of the State, the decentralization of its management is relevant; such decentralization, I may mention in passing, has high priority among Government activities here in Colombia. And it is very important to think that we shall not have to reform the State but a civil service of high professional and ethical quality. The professional message and the moral message of the civil service form part of the political legitimacy of the system as such. I would say that there is a variable of political modernization which gives life to democracy in its new stages, and again the case of Colombia is becoming one of the most vigorous models of political modernization that comes aptly to hand as a yardstick.

I would say that there is also an environmental front which we must not forget. It is not a matter of development at any cost or of "environmentalism" at any cost. The reconciliation of these two objectives is one of the tasks we have to perform. These are the components that make for the long-term sustainability of the model, that give it social and political viability. The other front is the external front; and that is the subject set for us by the UNCTAD lecture on this occasion: what is the right system of cooperation for this world that is seeking great political balances within the United Nations, and for this model that wishes to gain legitimacy in growth and fairness?

I would say that this new policy of cooperation needs to be installed on four or five fronts, which I would like to describe briefly. The first is the principle that the international system should support efforts at economic growth and fairness. That means that it should be symmetrical with growth efforts. The trade order is fundamental, as it was in 1964. As the President of Colombia said yesterday, at times when the developing world is discovering the importance of opening up to the outside world and of reducing protectionism, managed trade is growing. And there we have the Uruguay Round, which would be the most palpable demonstration of the will of the world as one whole to generate an open system of trade in which the developing countries could compete with other producers but not with the treasuries of the industrial countries, against which they will always be at a disadvantage. It is an order that should continue to concern itself with raw materials, a subject on which UNCTAD has done so much work. It is necessary to approach the topic with market criteria in mind, but the problem of raw materials should be kept on the international agenda.

It is necessary to work for better access to financial markets at times when we have an opening on to the world. It is important that universal savings should be a source of capital for the industrial countries, but also for countries like ours, through foreign investment and transfer of resources. It is important that it should be favourable to technology transfer. Above all, it is important that that world should be present in order to assist in cooperating with the economic transformations of the developing world, where multilateral financial agencies, such as the one I work for, have a specific role and importance. The first thing, then, to ask of that economic order is that, far from being hostile, it should be favourable to the development effort.

The second thing is that that economic order should adopt an expanded agenda. More than economics is at stake. Also at stake will be the environment, migration, the drug traffic and illness. On this expanded agenda a balance of political power must be sought, because we all have commitments and something to say. And expanding the agenda is an important factor in democratizing the economic system of the United Nations.

In the third place, I believe we must base ourselves on mutual interests; Mr. Chidzero said this. I believe it is important to appeal not only to critical awareness but also to the mutual interest in having a world in vigorous development. When Latin America grows 3 per cent in 1991 and leads the world's growth, it is helping to generate 50 per cent of the additional exports of the United States. Therefore we are not a burden but an opportunity. Of course it is important to defend international cooperation - President Gaviria said so yesterday - where we have really been very bad about practising it. And I support what Mr. Chidzero said with regard to the form of negotiation. The machinery of negotiation between blocs, areas of influence and confrontation, is depressed in today's world. The idea is to find consensus, points in common based on common interests. And that certainly is a message to which I subscribe with full conviction.

Has the United Nations any role in all this? On the economic agenda I believe it has. It would be a serious mistake to deprive the international Organization of its due role in the discussion of economic subjects. The new

agenda can only be discussed in these forums. The inclusion of new interests, such as private sectors or civil society, can only be put into practice in universal forums.

I would reclaim for those forums the areas which are properly theirs. There is a sector of negotiation which, there is no doubt, is going to pass to the Bretton Woods bodies and GATT. But there is one sector that is reserved to the Organization, that relates fundamentally to the global view of the problems which form part of the world's critical awareness, and that is political discussion. We are in a world of political interests, and therefore this debate must take that fact as a point of departure; it must be based on the reality of the constituted powers without excluding the political vision that makes coexistence between nations viable. I think that the role of UNCTAD should be revised in the light of a global view of the function of the United Nations. This is the context in which a role for UNCTAD should be defined. And I would say, so that it is not left out of the text, that that role is South-South cooperation, of which I believe the region, our region, has of late been giving vibrant and vigorous signs.

In conclusion, Mr. President, Mr. Moderator, we are in the presence of a new international reality, subsequent to the cold war and the ideological struggle, with new values to incorporate in the international debate. This offers great opportunities, but also great risks, such as the risk of increased marginalization of the South if there is not a dynamic design in which the United Nations plays a fundamental role. The new balances have to be struck within this Organization. The new economic paradigm must find its justification in growth, but also in social and political considerations. In this sense, protection from the excesses of the market - of which history tells us - is a very pertinent topic at the present time. After so many years of struggling for development, I believe we have all learnt that the domestic effort is fundamental. But we also have to learn that to that domestic effort must be added an inspired view of the interests of a human race that wishes to find itself once again at peace, in peaceful coexistence; a coexistence that we also wish to rediscover in a world in progress, in which we all have something to give and may all aspire to receive something. Many thanks.

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QUESTIONS AND ANSWERS

Dr. Rudolf Hommes

I thank the lecturers. I believe we had scheduled a period of discussion between them. It seems to me, it is at any rate my opinion, that the presentations, far from conflicting, complemented one another. Hence I think that, since our timetable is somewhat tight, what we could do is throw the meeting open to questions from the public.

Question

Mr. Moderator, I would like to stimulate the thinking of the distinguished members of the panel a little more with regard to the new partnership for development which is both the theme of this Raúl Prebisch lecture and a central preoccupation of UNCTAD VIII. As a possible point of departure for that thinking I would like to submit the following.

The South has in a way expanded significantly in the past two years. An additional group of countries, the former centrally planned economies, are now net demanders of assistance, external capital and technological resources, are sources of manpower in some cases, and are beginning to play a role that associates them increasingly in practice with the manner in which the developing countries normally interacted in the international economy. In these circumstances, what relative function, what role would the new actors have in this new partnership for development which we aspire to establish?

Reply by Mr. Rocard

I am inclined to wonder whether it is not a little too early to ask that question. It is undoubtedly true that an indefinite number of nations in Eastern Europe - it depends how the former Soviet Union is divided up, into 6 to 15 or 20 - have become such net demanders of capital, technical assistance, investment and privileged access to trade.

Let us not, on that account, be so quick to classify them as countries of the South. Their economic habits are not the same, the levels of education and cultures historically inherited by those populations are not the same either. In the last analysis we would be making a great mistake to mix up the problems too hastily. I would add that, in most of the countries now called relatively precise, known conception of all the actors - consumers, traders, small-scale entrepreneurs, heads of factory workshops, wage-earners - and knowledge of what the market economy is: personal reactions of day-to-day adjustment which the operation of the market economy requires of millions of individuals. Culturally this condition is not met in the East, and that makes an enormous difference. In relation to the East, we are in an utterly absurd situation. For the moment, the problem is far less the mass of capital available to give them a hand and help them start off again than the existence of projects and, behind the projects, men and women capable of executing them.

That is where we are in the East. And I must say that I have had to question cases of naively excessive generosity; for it would be criminal - I stress that word, clumsy as it assuredly is - criminal, in my view, that either Western Europe or North America should let it be thought that, through the treatment it gave the countries of the East, it was forgetting or diminishing, or thrusting aside, all the countries of the South. Any such thought would be an error. The prospect of continued worsening of the disparities in development between North and South remains for me the most serious threat confronting this planet, and it is a military threat: it is a threat to peace or of eventual war.

We have no right to play that game. But it is true that, in any case for the inhabitants of Europe and probably also for those of the United States - I am not an American, but you can't help seeing the composition of the American people - there is a local sensibility, hence an electoral sensibility, not to let down friends, brothers in culture: Prague, Budapest, St. Petersburg and Moscow are in Europe after all. Immense works of literature and music have been written and composed there which are the heritage of all of us. And we are rediscovering our half-amputated continent. That is very exciting.

The most intelligent effort we can make can only be to aim at training human beings and perhaps to cooperate and assist in guiding them towards the market economy. There are things they need to know how to do. Among the things they need to know how to do, there are some which it is better not to do in one go and right away, and there must be stages in the market economy.

I therefore sense a world of intellectual difference - theoretical, but also political - in treatment between East and South. To sum up, then: for the countries of the East, what I am saying clearly applies to Poland, Hungary, Czechoslovakia, Western Russia, Ukraine and Belarus. Matters are a little more complicated for Romania; for reasons of image, the work being done there at the present time - in the economic field, I mean - is much underestimated. And then, of course, as to Albania and Yugoslavia - I do not want to be too hard on Bulgaria - we do not know much about what we shall find there.

In those cases we have to contrive a symbolic image of non-refusal of support. It is a matter of money in the form of subsidies or loans on preferential terms. We may have to cope with local famines and provide emergency food aid. Fundamentally, however, we have to help train human beings to behave as traders. That is the heart of redevelopment. And then we have to deal delicately with some serious problems. I shall mention only two in order to make myself understood; I apologize for going on at some length, but this is a formidable subject.

First problem

The three countries of North Central Europe - Poland, Hungary and Czechoslovakia - had a good speciality in the manufacture of steel tubes: large steel tubes to carry water, waste water, oil or gas. And Russia (the Soviet Union), equipping Siberia, bought between 1.7 and 2 million tonnes a year, or four-fifths of the output of those Central European mills. Western Europe also makes those products - oddly enough in the same overall

quantity, not far off 2 million tonnes a year - for our own use, with sophisticated steels and better-wearing products, and consequently at prices appropriate to developed economies. And then all of a sudden, without warning, Russia stops buying. A million and a half tonnes of tubes immediately become available on the market at cut prices. Their quality is less good, but they cost a quarter as much as those produced in the West, and bankruptcy looms for our countries' large-scale steel tube manufacturers. It would, of course, be better to prevent this, but Brussels will tell us that that would be a breach of the rules of competition. Which means pointing out in passing that we are all threatened by some theoretical stupidity in over-interpreting liberalism. We shall probably die cured by great liberalism, but we shall die of it, things may go rather far. It is clear that, if we allow that to happen, we are condemning great means of production to bankruptcy.

Second problem

We have the same thing in the cranes and excavators for public works, where the equivalent of an extra half of the production capacity of the Western European market is arriving at half-price under such conditions that we do not know how we shall come out of them. Political conditions obviously mean that any announcement of a precaution, a quota or a request for delay becomes refusal to assist a person in danger, a scandal and a classical demonstration of the eternal selfishness of the rich. It is also obvious that, every time we allow sections of our productive economies to collapse, we are allowing that same wealth to disappear through which, taxation, enables us to provide technical assistance, soft loans and food aid. It is going to be a difficult exercise in hypocritical management, in which I ask that there should be no naivety. That is how the problem of the East arises for us. It has nothing to do with the problem of the South.

Another question is that of following up what has already begun, but bearing in mind that in the South the obstacles are over-regulation and often overmuch State machinery, and that we must help to ensure that States do their sole job properly - making the market honest, rendering public service - and not do too much to rediscover a trade in which the South already has its place. And then we shall negotiate our Customs affairs from interest to interest. I would point out that the European Economic Community is by far the world's leading importer of products arriving duty-free from the Third World and that, contrary to the assertions of a tireless campaign of slander, we are not protectionists, or at any rate far less so than the United States or Japan. All the figures are at your disposal. A clear knowledge of these facts is a need in order to eliminate misunderstandings in our trade discussions. I am at your disposal.

Question

UNCTAD, doubtlessly, during many years has had very good intentions, but it has lacked administrative instruments for overcoming the barriers to freer commerce. What do the panellists think of the possibility that this conference, instead of limiting itself to proposing general platitudes, would create concrete instruments to promote commerce and development? In the first place an international bank of refinance and development under UNCTAD which

would have the immediate function of buying the external debts of the Third World countries in order to refinance the payment of these debts and create fresh credits for the economic development of the Third World.

Reply by Dr. Chidzero

Gracias, thank you very much. Thank you Mr. Chairman. This question of establishing an international financing institution to take over the debt of developing countries in order to create new money and relieve the developing countries of a crippling burden is of course a very important issue. The debt crisis is very real, it is running in the order of the magnitude of US\$ 1 billion 350 million which is about the same as it was in 1990, despite the reduction of about \$20 billion for the five or six countries which have gone under the Braedy initiative. So it is a real crisis. And for so many countries the debt is much larger than their GDP, several times indeed for the African countries. So the intention, the desire to create an operational and practical institution is real. But I think we have to take into account at least two factors: one, this issue had been discussed in other institutions without success. I believe in the World Bank and the IMF, and certainly when I was Chairman of the Developing Committee of the World Bank and then the IMF, this issue was discussed in the context of the Baker Plan and the Braedy initiative and now of course other initiatives such as the British one, known as the Trinidad and Tobago initiative. But you can't move. The most that has been done is, of course, debt equity swaps and the issuing of bonds within a restructuring programme which is being done in the case of Mexico, Venezuela and so on. That is being done but there is no worldwide institution yet which has been established. It is a fact of history which we have to take, but there is resistance to doing it.

The second point would be an institutional issue which will arise here. I need to be realistic. UNCTAD deals with interrelated issues of trade, money and of course of development generally. It is a forum to evolve consensus. If we can reach that consensus here and put it down in convincing terms the negotiations will be taken out from this forum, I have no doubt about that because of the question of far-reaching responsibility of different institutions. To create it in UNCTAD would be a revolutionary idea. But I am a realistic revolutionary. Thank you.

Question

Is it believed in UNCTAD that the philosophy on which it was founded - that of ensuring that the developing countries participate in the economy on fair terms and derive adequate benefits from that participation - can produce tangible results that are felt among the peoples?

Reply by Mr. Iglesias

I believe that every country's own effort is in the last analysis the basis of the answer to your question. Forums like this cannot be asked for an answer to many of the components of your question. They may indeed be asked to constitute a system of international cooperation in support of the good administration, growth and fairness of our countries. I believe there is a new opportunity; I said so in my remarks. I believe it to the extent that it

is borne in mind that this partnership cannot be solely political but that, as the Charter provides, there must be equality of opportunity. To the extent that that is embodied in pragmatic form in these discussions, I believe that the answer is yes, UNCTAD can collaborate; but I stress that the fundamental task always rests with the countries.

Conclusion by Dr. Hommes

I shall very briefly sum up as Moderator.

I am left with one pleasant conclusion from this forum and another of, shall we say, disappointment or concern. The pleasant conclusion is that I believe the three participants have reached the conclusion that there is a symbiosis between political freedom and economic freedom, and that in one or another way there is a fairly general world consensus on the need for us to move towards an economic freedom that goes hand in hand with democracy. We have also been told that economic freedom in itself does not guarantee that there will be fairness, that there will be justice, and that therefore it is necessary for Governments to intervene, to intervene in areas where the market fails, whether in order to incur social expenditure or to reach human beings, preferably through decentralization. However, I am left with two very keen concerns. One, that of Mr. Chidzero, is with polarization between North and South. I believe it is a real possibility. I believe that in the discussion here we have reached that conclusion. The comment made by Mr. Rocard about the capitals of Eastern Europe, that they are in reality part of Europe, that music came from there - literature too - is true, and I believe that is a matter of concern to us. We should be generous and understand that they need capital resources and help from Western Europe. But we need them too.

The other matter of concern to me, and of greater concern, is how to preserve this era of freedom we have in the world. And how to preserve it in Latin America. Here we have seen how, one after another, the military dictatorships were falling as, one after another, the markets were opening. But I have been concerned about what happened in Venezuela this week. How people I have always regarded as liberals in their outlook on the world and as democrats have rejoiced there, here and, I am sure, in other countries that this ridiculous attempted coup, as Mr. Rocard would call it, should have happened; and they attribute that to economic freedom. I think that should make us reflect; I believe it should be one of the main points in this discussion: how to preserve the freedom which we have gained, and which is so precarious.

The other somewhat disappointing conclusion I am left with in this forum is that concerning international organization. Mr. Chidzero, Enrique Iglesias and Mr. Rocard have all told us about the need to create a new association, a "partnership" (as Enrique Iglesias rightly noted, "asociación" is a poor translation for this term). However, in practice I do not see how to arrive at that, how to arrive at a forum in which decisions are taken about development, so that development may be the responsibility of everyone, and in which solutions are reached by consensus, solutions negotiated in an associative and not confrontational manner. I believe that we still have to develop that. Many thanks.

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Notes

1/ E.68.II.D.6 (TD/3/Rev.1).

2/ CEPAL Review (26), August 1985, pp. 68-88.

3/ Common Crisis North-South: cooperation for world recovery, the Brandt Commission, Willy Brandt et al, Cambridge, Mass., MIT Press, 1983.

4/ Pioneers in Development: Second Series, Gerald M. Meier, Ed.

5/ Reprint Series, No. 1, San Francisco: International Center for Economic Growth affiliated with the Institute for Contemporary Studies, 1988.

6/ op. cit.

7/ Michel Albert, Capitalismo contra capitalismo, Paris: Editions du Seuil, 1991.



