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Tribute Seminar for Dr. Gamani Corea
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I want to express my sense of gratitude for the opportunity to be here today on the occasion of this tribute seminar in honor of Dr. Gamani Corea. I consider myself privileged that I had the opportunity to work with him over a period of many years.

It was in 1963, at the U.N. Headquarters in N.Y., when I first met Gamani Corea. I was introduced to him by Sidney Dell, then a senior economist at the ESA Department. I was a young economist in the same Department. Gamani was invited to join a team to help prepare Prebisch's first report to UNCTAD I "Towards a New Trade Policy for Development".

It so happened that I had completed an econometric study on the capital requirements of developing countries, in order to achieve the growth target of 5% p.a. set forth by the first U.N. Development Decade. The study was presented to a group of experts in 1962 but the Secretariat was diffident about circulating it widely, possibly because it went against the mainstream of the development theory[1]. The study demonstrated that foreign exchange earnings rather than savings were the limiting factor and that, in order to meet the development target of 5% p.a., import requirements had to increase by 6% p.a. while export availability was estimated to grow at only 3% p.a. The resulting deficit, which became known as the 20 billion dollars trade gap, had to be covered through a mix of trade and aid measures. Sidney Dell unearthed the study and brought it to the attention of Raul Prebisch and Gamani. Elements of the study were included in the UNCTAD report. That is how I met with Gamani and that is how I joined the UNCTAD Secretariat.

[1] The study was published in 1964, in "Studies in Long-Term Economic Projections for the World Economy (UN Publications, Sales No.: 64.II.C.2) esp.table 13 and pp 68-69.

I have a vivid recollection of these days. There was a sense of intense excitement in the team which – under the influence of the romantic optimism of the post colonial period – believed that all dreams can come true. Gamani was an impressive figure in the team: brilliant, articulate, polite, amiable, soft-spoken and with extraordinary ability to grasp quickly the essence of the matter in the midst of complex issues. His mild manners could hardly hide the inner Gamani, a determined man of courage, vision and dedication to the cause of cooperation, peace and development in the world.

I stress the first encounter of Gamani with UNCTAD issues for two reasons: First, because Gamani's contribution in shaping the policy framework of UNCTAD I is not well known and, as an old timer myself, I feel that I ought to place it on record and, secondly, because I believe that that experience played a catalytic role in shaping Gamani's views on the world economy and the challenge of development. The crossing of two strong intellectual currents during the period of preparations, the Prebisch Centre – Periphery dependence and the Keynesian version of Cambridge, offered a fertile ground for the genesis of UNCTAD's approach to economic development.

By the time Gamani arrived at UNCTAD, in 1974, many things had changed in the world and in UNCTAD itself. The world economy was in turmoil. The Bretton - Woods system had collapsed, balance of payments disequilibria showed structural rather than cyclical characteristics, the oil price shock and the widespread inflation created a climate that encouraged a shift of emphasis in developed countries from full employment targets to anti-inflationary policies. The first warning clouds were already visible in the sky, foretelling the advent of a new conservative era in the West.

Until then, in UNCTAD, we did not question the fundamental stability of the economy of developed countries. Following Prebisch, the challenge of development was to adopt international measures to offset market failures in some specific sectors so as to integrate developing countries in the world economy under conditions of accelerated growth. But the widespread crisis of the early 70's posed serious questions about how to best place the development issue in an unstable world economy.

While accepting the market mechanism as a necessary ingredient of the economic system, UNCTAD has always been skeptical about the efficiency of markets and has forcefully argued against market fundamentalism. The world crisis revealed that market failures were more widespread than originally thought and, more importantly, that markets are indeed interdependent. The compartmentalized approach to deal with key issues such as money, finance and trade in separate organizations may serve well under conditions of smooth functioning of the world economy but it is inappropriate when the system is derailed, exactly because markets do not get the macroeconomic prices right. In such a case, the development agenda should be considered an integral part of global management of the interdependent issues of money, finance and trade.

Some background work on interdependence was already done under the inspiring guidance of Sidney Dell with a small team of economists including Roger Lawrence, Shaheen Abrahamian and myself and was presented to the UNCTAD Conference in Santiago in 1972.

There was a broad consensus that the issues are indeed interdependent and the President of Chile, S. Allende, in his welcoming speech to the Plenary, put it succinctly. He said "… so close is the connection between monetary problems and trade relations, as the crisis of August 1971 testified, that it is the duty of UNCTAD to discuss the subjects in depth and to see that the new monetary system, studied, prepared and administered by the whole of the international community, will also serve to finance the development of the third world countries, alongside the expansion of world trade". While the Conference did not succeed in reaching agreement on a world conference to examine jointly the issues of money, trade and finance with secretariat support from UNCTAD, GATT, IMF and the World Bank, as proposed by the G-77, it did accept that the development issue should be taken with account in the deliberations for the reform of the international monetary system. This opened the door to UNCTAD's participation in the "IMF Interim Committee" on the reform of the international Monetary System and the "IBRD / IMF Development Committee".

When Gamani was appointed S.G. of UNCTAD in 1974, the conditions were ripe for UNCTAD to place the development agenda squarely within the broader issue of global management of money, finance and trade.

Gamani proved to be the right person at the right time to lead UNCTAD in its new phase. He moved quickly, with courage and foresight and managed to place UNCTAD at the centre of the ongoing dialogue on the world economy. He broadened the scope of UNCTAD's work, and he made UNCTAD's presence felt in the Interim Committee and the Development Committee where he supported the view that the monetary system should be balanced and adequately underpinned so as to meet effectively the requirements of development. He also argued forcefully for the link between allocations of SDRs and development assistance. He also provided technical support and intellectual leadership to the G-24, which was created in order to coordinate the work of the G-77 in the Bretton-Woods institutions. The delegates to those institutions, were from the Ministries of Finance or the Central Banks and, as a rule, they tended to be much more restrained than their counterparts in UNCTAD who consisted of delegates from Foreign Affairs, Trade or Development Ministries. In a sense they spoke different languages. Gamani, who spoke both languages, moved comfortably between these constituencies, he managed to bring them closer to each other so that the position of developing countries on money and finance would show a reasonable degree of consistency in all international fora.

Gamani is known – and rightly so – as the father of Common Fund and the Integrated Program for Commodities (IPC). But I think that his contribution to other areas such as debt and interdependence were of equal significance.

At the Nairobi Conference, in 1976, the Common Fund and the debt problems of developing countries were the twin key issues. In fact, some observers thought that the debt issue rather than the common fund would be the major outcome of the Conference.

In the event, common ground was found for the Common Fund, but in the case of debt, we did not succeed in reaching an agreement on the establishment of an Independent Debt Commission. The creditor nations were not ready to accept the notion that debt repayment is an integral part of the broader issue of capital flows to developing countries and insisted on treating the debt problem as an ad hoc operation of deviant nature. Furthermore, in the G-77, there was a rift, with several developing countries of Latin America wishing to avoid any involvement or guidelines by international organizations concerning their access to capital markets. As a result, the scope of the debt issue was narrowed to refer only to official bilateral loans. In this respect, some progress was made and the Conference accepted [Resolution 94 (IV)] that a ministerial TDB should consider the issue. After difficult and lengthy negotiations, in 1978, the TDB [Resolution 165 (S-IX)] endorsed, in effect, the suggestions made by the S.G. of UNCTAD that debt relief, in the form of retroactive adjustment of terms of past loans could be provided to “poorer developing countries” as a means of improving the net flows of official development assistance. This resolution was a major departure from the traditional stance of creditor nations and opened the road later on to the so-called HIPC initiative by the Bretton-Woods institutions which provided substantial debt relief to Heavily Indebted Poor Countries. It is noteworthy that Gamani’s contribution to this initiative was significant as Chairman of the relevant Committee of the non-aligned group.

But, the establishment of guidelines for debt rescheduling proved to be a very thorny issue. After protracted and difficult negotiations, and numerous meetings of intergovernmental groups of experts, the TDB, in 1980, succeeded in reaching consensus on guidelines for debt renegotiations [Resolution 222 (XXI)].

This was a major breakthrough since debt renegotiations in multilateral fora, mainly the Paris Club, were expected to move away from the traditional “short leash” approach and adopt a balanced mix of policy measures that would take into account the interests of creditor countries as well as the development requirements of the developing country seeking debt relief. The negotiating position of developing countries was further enhanced by the participation of the UNCTAD Secretariat in the Paris Club negotiations.

No doubt, there were impressive achievements but they fell short of what we considered necessary in order to deal effectively with the problem of indebtness. We did not succeed in introducing the debt problem of developing countries as an established feature of the finance system. The case-by-case approach which has been adopted considers debt rescheduling an isolated one-off mechanism designed to overcome a temporary debt servicing problem. Non withstanding the adoption of the guidelines to which I just referred, this approach tends to place undue emphasis on misguided domestic policies and to ignore the fact that a debt crisis may indeed be the upshot of malfunctioning of the international finance system. In such circumstances, debt becomes pervasive and requires a broader approach which surpasses the confines of the case-by-case treatment.

Gamani was worried that the exposure of many developing countries to capital markets, under conditions of global uncertainty, may lead to a systemic debt crisis with serious repercussions on the development process. There was not – and even today there is not - an institutional framework to deal with the debt crisis when the global finance bubble bursts, but it was thought that there should be, at least, a forum where such issues could be discussed. UNCTAD became such a forum. During Gamani's tenure in UNCTAD, the review of the debt of developing countries become a regular item of the agenda. It was considered in the context of the interdependence of issues of money, trade and finance at the global level. This approach enabled UNCTAD to highlight the chain reactions from global financed instability to widespread debt crises and, finally, to development crises. In its reviews, UNCTAD warned time and again about impending debt crises in specific countries.

The interdependence of issues – money, finance and trade – was the central theme of the annual review of the **Trade and Development Report** which I consider one of the top achievements during Gamani's tenure in UNCTAD.

Pressure was building for years inside the Secretariat and in the Group of 77 for an annual review of world developments by UNCTAD. All major publications of multilateral institutions reflected a neoclassical orientation which formed the basis of the so-called Washington consensus, and it was thought that an alternative and development oriented perspective should be offered. I remember the strong resistance we encountered but Gamani, without hesitation, gave his full support. The "Trade and Development Report" was launched in 1981 and it soon became the flagship of UNCTAD. It provided a new development paradigm, offered an effective critique of views expressed by circles of market fundamentalism and presented a realistic assessment of the inherent instability of capitalist economies and warned many a time of impending crises in the absence of timely and effective international measures.

Looking back at these years what can we say now?

Were all these efforts in vain as some argue? I do not think so. True, we did not succeed in establishing a new economic order but some important international measures which were agreed at UNCTAD at the period of Gamani's leadership survived the neo-conservative backlash. More importantly, we succeeded in placing on the table an alternative development paradigm which has left a strong imprint on global deliberations.

UNCTAD's work and policy proposals during Gamani's leadership, have been fully vindicated by later events. The intellectual heritage remains intact. For the occasion of the seminar, I had a look at some of the back issues of the Trade and Development Report and I was impressed and I realized how relevant and valid this work is for the present world economic situation. That is why UNCTAD must continue its work on the same track.

If all efforts did not come to fruition, it was not because of lack of effective argumentation. Unfortunately, in international negotiations, persuasion is not enough. Success requires negotiating power but, during Gamani's period, the negotiating vigor of developing countries was waning while in developed countries the neoconservatives had gained the upper hand. What is more, in issues relating to money, finance and debt, the participants did not constitute an all-inclusive group. The capital markets were not there. I remember what the spokesman of Group B told us in the Contact Group, in Nairobi, when he explained his objection to include private capital flows in the debt guidelines: “We cannot include them because they are not here”. How right was he! Today, we are living under the supremacy of the financial capital. It is a sad commentary on the quality of global governance when at the Summit of G-8 or G-20, the leaders, worrisome, look behind their backs to guess how the markets would react to their policies!

We should draw the right conclusions from past experience. To my mind, no significant progress could be made at the international level if we fail to engage the faceless capital markets and to hold them accountable to an intergovernmental institution for their actions which should be consistent with the international norms of development and stability. I am painfully aware that this is an extremely difficult task to undertake under present conditions but we cannot shy away from it. Under globalization, world income is distributed more unequally among nations and within nations. There are now poor people in developed countries and extremely rich people in developing countries. Opportunities now exist to form coalitions for development not only among nations but also among social groups in all nations. We should encourage the mobilization of powerful global constituencies which could tip the balance of power. I feel that that's what Gamani would have liked to see happening.