

The Development Consensus

The concept coined by Gamani Corea which I remember most is the Development Consensus. In 1985 he described the need for such a consensus as follows: “The motivating factors now are not only the political need to respond to the problems of newly-emerging nations or the humanitarian compulsion to alleviate poverty and reduce the widening gap between rich and poor countries. There is now also the need for a framework of international economic relations which provides for the maximum utilization of mutually reinforcing and interacting forces for growth and prosperity throughout the world economy The underlying theme for systems adaptation must be the incorporation of a ‘development consensus’ comparable to the ‘full employment consensus’ which was written into the post-war systems. This is not, by any means, a sectional interest of the developing countries. It is an imperative for the world economy and hence for the developed countries as well”. [1]

It was a new phrase, though not a new approach, anyway not for Gamani himself, since he had been appointed as member of the UN Committee of Development Planning. The mandate of this Committee, amongst others, was to design Strategies for the United Nations Development Decades. The Strategies of the First and Second Development Decades, in the 1960s and 1970s, had been guided by economic thinking based on the two gap theory: when domestic savings of poorer countries cannot match the investments needed to speed up economic growth, the gap can be bridged by foreign savings, including development assistance, or by reducing the counterpart: the trade gap between exports and imports. The latter can be achieved by reducing imports or by increasing exports. Cutting imports, however, may negatively impact growth, unless domestic production is directed towards import substitution. This had been advocated by Raul Prebisch, UNCTAD’s first Secretary General. Gamani Corea, both as member of the UN Committee for Development Planning and as Secretary General of UNCTAD, has always advocated a third approach: economic growth, not relying on import substitution or on development assistance, but on exports.

The first two approaches (relying on international aid and on import substitution) are valid, but not sufficient to ensure self-sustaining economic growth. Mobilization of resources, domestic and foreign, in order to finance investment needed to increase production for markets both at home and abroad, would provide better prospects, provided that all countries would cooperate.

Such cooperation would require a systematic change in the framework of international trade, both in commodities and manufactures. Guaranteeing developing countries stable and increasing commodity export earnings, and, temporarily, preferential market access to their industrial products was essential. This would result in higher and self-sustaining

economic growth of developing countries, and increase their import capacity. Ultimately, this would be in the interest of both developing and industrialized countries. This approach came close to the notion of an international development consensus, which Gamani Corea elaborated a decade later.

Calling for a New International Economic Order

Closing the gap between the developing countries of the South and the industrialized countries of the North would require not only structural change in trade itself, but also in the fields of money, finance, debt, insurance, transport and technology. In the terminology of the 1970s, a New International Economic Order (NIEO) was called for.

Developing countries, having become frustrated by the lack of results of previous international strategies, had demanded such a new order in the very period that Gamani had chaired the UN Committee of Development Planning, as a successor of Jan Tinbergen, and taken over the helm of UNCTAD, succeeding Manuel Perez Guerrero in 1974. Kissinger, at the time US Secretary of State, had declared “We do not need a new international economic order, because the present order, based on open trade, free movement of capital and technology and freely disposable raw materials and natural resources has served us well”. This was a rather confrontational position - after all: who are the ‘us’, claiming that they have been served well -, intellectually no less confrontational than Prebisch’ *dependencia* theory, postulating that the industrialized countries of the North were developing the underdevelopment of the South. The confrontation between the North and the South had not been overcome, despite the adoption of a Declaration and Action Program on the Establishment of a New International Economic Order by the Sixth and Seventh Special Session of the UN General Assembly in 1974 and 1975. The implementation of the action program would require ongoing negotiations on the basis of a specific agenda, which itself had to be agreed in advance.

This is what Gamani accomplished. Negotiations about money, finance and trade would be essential in order to make progress towards systematic change, but the Bretton Woods organizations and GATT kept aloof. UNCTAD was the only forum which adopted an agenda towards the implementation of a NIEO. This happened at UNCTAD IV in Nairobi, and later at UNCTAD V in Manila and UNCTAD VI in Belgrade. For a period of about ten years intense negotiations took place on all chapters, step by step. Corea saw the Integrated Programme for Commodities not only as valid per se, but as a first step in a comprehensive attack on prevailing structural inequalities and instabilities in the system, to be followed by many others.

By choosing this approach as an international civil servant Gamani showed courage. He demonstrated impartiality in his contacts with governments, but told them that he could not be neutral about underdevelopment: “underdevelopment (is) a scourge to be eradicated and there has to be a total commitment to (its) eradication” [2]. He advocated

the concept of the New International Economic Order, despite ongoing distrust and hostility shown by Northern countries. He asked these countries to “see the New International Economic Order not as a one-way street, not as involving any loss and transfer of the gains that they (had) achieved, but rather as a new set of relations without which the global economy itself can hardly survive or function smoothly in the future” [3]. To Southerners he made clear that “agreements to introduce changes in the prevailing order of things do not come about easily; they do not come about only by convening meetings and launching negotiations. They depend on the climate and attitude of the times, on the study and analysis of problems, the mobilization of opinion and the reconciliation of interests” [4]

Interdependence and mutuality of interests

This is the spirit of consensus through negotiations, on the basis of a common perception of mutual interests. It is a spirit which has consequences both for the process as well as for the outcome. Gamani Corea had presented the need for a New International Economic Order not in terms of a conflict of interests but as a common interest. From 1980 onwards he tried to address the stalemate in North-South negotiations by referring to the interdependence between nations. All countries share a common interest, as had been outlined by the Brandt Commission in its Report “North-South: A Programme for Survival” [5] Highlighting this meant a digression both in philosophical terms – away from Prebisch’s centre-periphery *dependencia* model – and politically: from polarization towards consensus. Interdependence, though against a background of international inequality, is not a one way street.

Time and again Gamani Corea has emphasized the need agree on a new international development consensus. “I believe”, he wrote, that “(the) imperatives of the world situation and the reality of interdependence demand a return to dialogue and multilateral cooperation”. [6] However, in the mid 1980 negotiations came to a complete standstill.

Why has this approach failed in the end? In my view the failure was not due to a deficient analysis of international economic structures. It was a political failure, due to shortsighted perceptions at both sides of the North-South divide. In the end the concept of interdependence was only paid lip service to by all. The slow-down in world production and trade in the eighties gave rise to inward looking approaches in the North as well as in the South: adjustment to so-called realities, instead of innovation. Deflationary policies were advocated, instead of growth. Major parties in the North had perceived the claim for a New International Economic Order as an insult. Others felt threatened. The prevailing international inequality of power led to arrogance: Northern countries tried to impose adjustment measures in Southern countries. They demanded from the South to open up their markets to foreign investments and service goods from the North, as conditions for reaching agreement on expansion of trade in commodities and manufactures. Creditor countries and IMF demanded budgetary cuts by debtor

countries, affecting their capacity to grow and their social expenditures. Developing countries experienced the nineteen-eighties as a lost decade, marked by economic stagnation, social hardship and political marginalization. Divide and rule came in the place of deliberate efforts towards a consensus.

Gamani Corea presented a political answer. He called on developing countries to stick together, to intensify economic cooperation amongst them and to attain some form of collective self-reliance. In his view this was not in conflict with the need to reach consensus. Corea did not advocate Southern collective self-reliance as a fall back answer to a lack of response from the North to the demands of development co-operation. He foresaw that growing production surpluses of the South could not be absorbed by the North alone. So, he considered economic cooperation between developing countries “an imperative for the good functioning of the future world economy and ... therefore an objective in which the developed countries themselves have an important stake”. [7]

New dangers

We are now thirty years later. The world has changed tremendously. The Cold War has ended, but a new confrontation between East and West is emerging, which will also affect the South. Globalization has entered a new phase. Within many countries domestic conflicts have escalated into violence with - due to economic and technological globalization - consequences across frontiers, endangering other countries. Environmental set-backs and climate change are threatening welfare of future generations. New tensions between states are emerging, in the Middle East, in Asia as well as in Europe. World middle class aspirations in many countries are heavily mortgaging scarce natural and raw material resources overseas. New information and communication technologies have altered the world scene, politically as well as economically. Mounting world purchasing power has not resulted in less poverty, but in more social exclusion and inequality.

Gamani Corea foresaw that an international development consensus is crucial if we want to run the system, rather than that the system is running us. “The disquieting question is whether ... efforts would be brought about by the march of events or by a timely anticipation of the dangers involved”. [8] And the dangers are real: “If ... the devastating experience of recent years is not reversed, there could be serious political and social destabilization with global repercussions”. [9] Such a warning may at the time have been perceived as a doomsday sermon rather than an intellectual analysis of trends in the world economy, but we know better now. Global accumulated market power has become footloose, beyond the control of most individual countries. This is the situation in the banking industry, the arms industry, in the sectors of energy, food, chemicals and pharmaceuticals, and also in large segments of commerce, services and entertainment.

The world has changed and the agenda should change accordingly. During the decades of the seventies and eighties of the previous century negotiating parties could perhaps

yet be excused for not following a rationale of consensus and common interests as put forward by Gamani Corea and Willy Brandt. However, presently there is no excuse whatsoever anymore. The threats to world economic and political stability have become even bigger than thirty years ago. Rational intellectual analysis of what is going on in the world compels us to conclude that there is no alternative than aiming at a consensus in the common interests of mankind. If not, the chances that 'there could be serious political and social destabilization with global repercussions' would be even greater than at the time when Gamani Corea issued his warning.

Rational economic analysis would point to the need to strive for consensus. Rational economic thought, however, can be blurred by irrational cultural or religious confrontation or by shortsighted political power interests. If the perception prevails that, rather than through international cooperation, a country's interests can better be served by preserving power inequalities and by giving precedence to national security over international welfare, there is not much chance to reach consensus through negotiation and cooperation. This is all the more difficult when negotiation forums are no longer representative for all countries and all people. Decisions seem to be taken in forums such as the G2, G7, or G20, or in regional trade negotiations, rather than in the family of the United Nations. I am sure that Gamani Corea would consider today's Investment Protection Treaties and the Transatlantic and Pacific Trade and Investment Partnerships as a deviation from a world development consensus.

The South has become economically more diversified than thirty years ago. Quite a few developing countries have joined the ranks of the newly emerging economies, leaving other countries behind. Some commentators say that there is no point whatsoever anymore in advocating a joint approach amongst developing countries. However, the weakening of the UN system and the divide and rule tactics by the countries and companies in the centre of globalization demonstrate that there is reason for the present periphery to join forces. That periphery does not only consist of poorer countries, but includes population strata which are being impoverished by processes of globalization, in richer as well as poorer countries. The divide between North and South is no longer a confrontation between countries only. About two-third of the world's population has in one way or another access to the world market, providing them real opportunities as consumers, producers, laborers or investors. They live in rich countries and emerging economies, but also in developing countries. The remaining one-third of the world's people is being marginalized. They find themselves excluded from meaningful participation in international economic relations. They are poor, underemployed, lacking access to the means necessary to increase productivity beyond mere subsistence: capital, credit, education, technology, land, natural resources, energy, water, and adequate social services. These people live around the world, in poor countries as well as in emerging and richer countries, characterized by increasing structural economic inequalities. [10] This pluralistic dualism of the world's economy - both between and within countries - calls for renewed efforts to define a Gamani Corea's

world development consensus. Corea asked for a consensus between countries, in the more or less direct interest of their people. In the twenty first century people's interests will no longer be served by governments confining their efforts to better market conditions. Socio-economic interests of classes of people in different countries diverge in a more complicated fashion than during the negotiations on a New International Economic Order. So, reaching a meaningful consensus in the interest of all countries and all people will be more difficult than thirty years ago. However, it is also more urgent in order to avoid the dangers of further "political and social destabilization with global repercussions" as foreseen by Gamani Corea.

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Sources

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[2] Gamani Corea, *Need for Change. Towards the New International Economic Order*, p. 20, Pergamon Press, Oxford, 1980.

[3] Idem, p. 23

[4] Gamani Corea, 'The Challenge of Change', in *The History of UNCTAD 1964-1984*, p. 2, United Nations, New York, 1985.

[5] *North-South: A Programme for Survival. The Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt*, London, 1980.

[6] Gamani Corea, 'The Challenge of Change', p. 4.

[7] Gamani Corea, 'UNCTAD: The Changing Scene', p. 300.

[8] Ibid, p. 298.

[9] Ibid.

[10] See also: Jan Pronk, 'UNCTAD: Sharing the Goblet of Life', in: *Development*, 1986 (1/2): 48-52