

UNCTAD in the current world scenario

Commemorating UNCTAD's 45th anniversary

Aldo Ferrer

Since its founding days, under the leadership of Raúl Prebisch, UNCTAD has made significant contributions to the understanding of issues relating to globalization and development, the relationship between countries' domestic affairs and the world system, and the means to build a new world order compatible with development, equity, and international peace and security. In other words, a world order indispensable for the welfare of developed and developing countries alike.

This world order, in which power is concentrated and the rules of the game are tailored to the interests of the most developed and powerful economies, only worsens the obstacles that are inherent to development, and faces the international community with dire threats. The concomitance of erroneous domestic policies and an unfair and asymmetric world order weakens economic growth and exacerbates the tragedies of terrorism, drug and arms dealing, environmental deterioration, and population displacement for reasons of poverty, among others.

The current world crisis has worsened these problems and has proved that: Firstly, a deregulated world financial system based on speculation is non-viable. Secondly, it is impossible to continue closing the savings-investment gap in the world economy by means of the United States balance of payments deficit. Thirdly, large Asian nations have emerged as new and key players of the current world order.

Therefore, significant changes in the dynamics of world economic development are to be expected. The United States as well as other developed countries with deficit balances will have to make a more rational use of their resources and limit superfluous consumption so as to increase their savings. At the same time, the dollar should cease being the main source of liquidity. This is an age-old problem which the issuing of IMF special drawing rights sought to solve in the past.

The response to the new scenario that an adjustment in the US economy would create should be based on widening domestic markets, thus increasing surplus countries' absorption capacity. This requires a progressive re-distribution of income in said countries. China and other densely populated emerging nations with large domestic markets will seek to increase their savings absorption capacity by expanding domestic demand for consumption and investment. However, the dilemma of excess savings at the global level, which reveals marked asymmetries in the international system, will persist.

This crisis makes the founding ideas Prebisch instilled in UNCTAD regain vigour. Because the equitable development of the world economy and the solution of environmental problems such as climate change, with the resulting productive transformation and new sources of renewable energy, all demand massive investments which would close the savings-investment gap in the world economy.

But on the other hand, these investments would entail redefining the dynamics of development and international relations. Transnational public investments should be raised and there should be rules of the game that attract private investments so as to expand social capital and foster environmental-friendly programmes. That is, international capital flows should reflect a virtuous balance between private and social returns. This would require a global approach to problems and a lot of solidarity which the present world seems to be lacking. Enlarging the core of decision-making countries from the G-7 to the G-20 is not enough, since, in the end, both groups represent the most concentrated economic power, leaving aside a significant proportion of humanity and of the United Nations' system. UNCTAD must therefore recover its role as the natural space to debate and solve these crucial issues. This wide-ranging and inclusive view of

global problems have been expressed by Prebisch and other prominent leaders, such as former President of Tanzania Mwalimu Julius Nyerere, especially through the South Commission, which was created under his leadership and whose Secretary General was the current Prime Minister of India, Manmohan Singh. I have had the honour of being a member of this Commission and can testify that it has always made extremely relevant contributions to address current problems.

The world economy savings-investment gap can be closed by using the excess resources of surplus countries to finance development programmes in the most deprived countries and regions as well as environmental programmes. Nevertheless, major countries are rather unlikely to draw conclusions from this situation and realize that the implementation of international cooperation programmes would require much less efforts from them than those they have made to rescue the system from its own problems. These programmes would be crucial to put an end to the tragedies afflicting hundreds of millions of people, to do it promptly—in historical terms—and to thus contribute to eradicate violence, drug-dealing and other contemporary scourges. They would also make it possible to apply the current Keynesian function of the US international payments deficit to cooperation programmes for economic and human development at a global scale.

Neither the global problems existing before the onset of the current crisis, nor those provoked by the crisis on the world economy and international finance have been debated or faced from this perspective so far. Major countries are still absorbed in the solution of their own problems. They are focused on the dilemma of rescuing banks at risk or their shareholders, on rescue measures, on expanding IMF's and other multilateral institutions' funds, and on public works programmes to boost aggregate demand within the most developed economies. President Obama's programme seeks the laudable goal of reactivating the US economy, including actions relating to healthcare, renewable energy and climate change.

In turn, the emergence of the Asia-Pacific region as a new dynamic centre of development within the world economy is changing the world order in terms of three core questions that are particularly relevant to developing countries: In the first place, the valuation of natural resources and the consequent increase in prices of food and raw materials. Secondly, the emergence of a new financial centre made up by large international payments surpluses in major Asian economies. Thirdly, the incorporation of Asian transnational corporations into international investments and the formation of global value chains. Developing countries, whose main exports are primary products, should solve the following dilemma: whether this new boost coming once again from the outside, given by the valuation of natural resources, will be—like in the past—limited to primary production, semi-industrialization and the stagnation of socially fragmented societies; or whether, on the contrary, it will constitute a basis for integral development that will give rise to advanced industrial economies. To this end, as proposed by Prebisch, developing countries should form their own ideas of their domestic reality and of the world instead of subscribing to the hegemonic thoughts of major countries, which, of course, reflect their own reality and interests, usually contrary to what is better for the periphery. This same proposal was another substantive contribution of the South Commission.

The crisis brings back old lessons for developing countries. On the one hand, that it is necessary to set your house in order if you are to keep foreign turbulences away; in other words, maintain sound macroeconomic balances in terms of public finances and international payments. On the other, that economic development still is what it has always been; that is, the construction by each society of the necessary synergies to exploit its resources within its national space, generating and assimilating the available knowledge. It is worth mentioning that the current events once more prove the importance of countries' national density in order to live on their own resources, open to the world, building their own destiny. This is why Keynes is back in the North, while Raúl Prebisch, Celso Furtado and other founders of local structuralism are back in South America as essential referents to successfully face the challenges posed by the new world order following the solution to this extraordinary crisis that started at the end of the first decade of the 21st century.

We, Latin Americans, should insist on proposals for a more equitable world order. UNCTAD is a natural space to debate these issues and project the views of Latin America to the world. At the same time, we have to focus on finding solutions to our own problems. We do not have enough influence to change the world but do have power enough to be in this world in the command of our own destiny.