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2nd Raúl Prebisch Lecture

PEACE AND DEVELOPMENT

By

**Shrimati Indira Gandhi,
Prime Minister of India**

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RAUL PREBISCH LECTURE

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Prime Minister of India

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It is an honour to deliver the second Raul Prebisch lecture, as UNCTAD meets again in this city whose name is linked with freedom and friendship. Dr. Prebisch's theoretical insights into the economic realities of our world, his hope-sustaining vision and eloquence in advocating new policies, and his exertion in giving institutional shape to his pioneering ideas place us all in his debt. We welcomed him in New Delhi when he received the Jawaharlal Nehru Award for International Understanding. I am glad to express again our regard and gratitude to this world citizen.

The theme of my lecture is peace and development. What could be more basic to our lives? Even the affluent look to further development. As for us, the poor and under-developed, how can we survive without it? Development itself is entirely dependent on peace and harmony within nations, and internationally. Most of what I have to say has been said by me and by others many times over. It is a case of banging on a closed door in the hope of its opening some day some time. The only solace is that little by little a few more are joining in. But when there is pressure from some quarter, some withdraw. For instance, the decisions taken at the Non-Aligned Conference in New Delhi were unanimous. Yet some participants of the Non-Aligned Movement did not speak up for our stand at subsequent meetings.

Time was when all over the world a handful of rich coexisted with and were surrounded by the poor. This could no longer be tolerated in the industrialized countries. But it is still so in many countries. Can it really be much prolonged? Either within countries or between nations is it not better to bring about the changes with understanding and harmony? That is all we ask.

Everybody agrees that there is a global economic crisis. It originated in the industrialized countries and has been in the making for some time. When, as a result of the Bretton Woods Conference, certain international financial institutions were set up, problems were not looked at in their totality nor was the changing world political situation taken into account. These institutions were meant primarily to promote the interests of advanced countries. At that time the majority of today's developing countries were not independent, so their legitimate interests went unrepresented and the internal contradictions inherent in the system soon became apparent. This basic structural flaw distorts the functioning of these institutions. It is not surprising that they have failed at the first crucial test. What was initially supposed to be advantageous to the developed but not specially helpful to the developing has turned out to be bad for both.

The International Monetary Fund and the World Bank functioned with some predictability and helped the process of early post-war recovery, on which the prosperity of the sixties was based. But this prosperity was limited to only a few. Countries with dominant voting rights and with reserve currencies use these institutions as vehicles of their particular national objectives, specially as regards capital movements, exchange rates and liquidity.

It has been said that the economies of some important countries are recovering. Not all share this optimism. The ingredients of substantial improvement are not yet in sight, nor have major problems been solved. I am told that in 1982 the world as a whole had a negative growth rate. In industrialized countries the annual rate of growth has fallen from an average of 5 to 2 per cent or less. In five years the affluent countries have lost an extra income of more than \$ 2,000 billion. One-fifth to one-third of plant capacity is idle. Over 10 per cent of their working force is unemployed.

The poorer countries have been hit even harder. Within the international community, as in any society, the brunt of suffering falls on the weakest. To the affluent the crisis means loss of additionality; to the poor a shrinking of the little they have. Contraction in economic activity in poorer countries directly causes widespread distress, for they have no cushion of social security. Thus is the crisis of the developed transmitted to the developing, the ill wind from the North creating uncontrollable eddies in the South.

And this, just when developing countries, the step-children of the Industrial Revolution, had ventured to expect that their hard-won political independence and years of sustained effort would break the vicious circle of poverty, low investment, low production and more poverty.

The belated increase of IMF quotas and the arrangements being made with central banks and governments for debt recovery are clear admissions that basic reforms are overdue. When developed countries subsidize and protect their agriculture even when it is inefficient, reasons are found to shield them from the discipline of the General Agreement of Trade and Tariffs (GATT). But when developing countries promote exports of manufactures through subsidies and other incentives they are criticized. The age-old argument that infant industries need protection until they can compete with established and entrenched giant corporations is conveniently ignored. On the contrary, when developing countries become efficient in some labour-intensive industries, such as textiles and handlooms, special schemes are devised to prevent them from competing in the markets of developed countries. Such special schemes are outside the established principles of GATT. Yet, year after year, they are operated in its full knowledge and tacit approval. In fact, GATT's attempt at tariff reduction and trade liberalization includes mainly those goods which interest industrially developed countries. The concept of a multilateral trading system is praised, yet quietly sidetracked whenever it suits the strong. Increasingly, trade is managed. Market sharing is preferred to the lowering of barriers. It is self-evident that while immediate help is essential to overcome balance of payments difficulties, the more lasting solution is to restructure global financial and trading systems

so that the preoccupation of powerful nations with their immediate domestic issues does not damage the poor, or override their own long-term interest.

The picture of inefficiency and poverty in developing countries is so persistently projected that few take the trouble of ascertaining the considerable advances which have been made in the face of tremendous odds. In the last three decades, since their independence, the real national output of developing countries taken together has risen four and a half times. Notwithstanding population explosions, the per capita income has more than doubled, industrial output has increased seven times, capital formation 10 to 11 times, and enrolment in institutions of higher learning 15 to 16 times.

Most of this effort has come from the labour and savings of our own peoples. In India, for example, since 1951 the investment in development has been \$ 193 billion. Over 87 per cent of this has come from domestic resources, the rest from credits which we have scrupulously repaid, and a small part as grants. This help, though small, is crucial, for it represents the essential element of change. Although developed countries have not always honoured their assurance of support, by and large, developing countries have reached the targets of the first two International Development Strategies.

We expected this groundwork for eventual self-reliance to achieve a growth rate of 7 per cent per year in the Third Development Decade. But commodity prices have collapsed to levels which prevailed in the Great Depression of the 30s. Our exports are obstructed by new barriers and we are compelled to pay more for imports. Exchanges in trade remain unequal. With interest rates mounting, debt servicing charges have imposed heavy strains. The rate of growth of developing countries as a whole has dropped, although my own country and a handful of others have managed to maintain their momentum.

Development has been far from easy for us. Infrastructural inadequacies are implicit in the very nature of under-development. Those who help are tempted to interfere. International institutions want to pressurize and change policies, not appreciating the compulsions of our circumstances. Fast moving communication technology distracts our people with the dazzle of the affluent. In the last three centuries, Europe and America have dominated the world economically, politically and culturally. There, capitalism, socialism and communism developed in their many forms, influenced the thinking patterns of people elsewhere, and disturbed the traditional skein of obligations of African and Asian societies. They focused attention on getting rather than giving, on rights rather than responsibilities. In many societies the factors that made for emotional security have been rent asunder. The continuance of colonial educational systems perpetuate the psychology of self-criticism and imitation. Educated articulate persons view progress and development in terms of the level of goods and services they can command, and not the inherent self-reliant strength generated in the economy. Transnational advertising arouses new desires which distort economic

priorities, and lure people into artificial consumption patterns to the neglect of natural resources — one example is the spread of bottle-feeding in preference to breast-feeding. The natural nutritive value of grain and other edibles is removed only to be replaced by artificial additives, increasing the cost, the effort and even possible health hazards, to say nothing of sacrificing flavour. Our countries are deprived of the fruits of growth. In this, as indeed in all ventures, including the international sale of arms, the motive is profit.

Changes are inevitable. How do we ensure that they are consistent with our long-term goals, and realistic enough to carry conviction with those who implement major decisions? They cannot come about by wishful thinking. The attention of Governments must be reoriented to the problems of the underprivileged sections of the world community. Developing countries generate 20 per cent of the world's output, absorb 30 per cent of the total exports of developed countries and, in the seventies, had higher rates of investment; why should they be denied their rightful share in decision-making?

"Debt crises" are there because private international banking, alert and sensitive as it is to opportunities for profitable recycling, cannot perform the function which, by its very nature, can be undertaken only by suitably strengthened international organizations dealing with problems of money and finance for a developing world economy. Strong international organizations must be truly representative of the international community. To consider these matters we have called for a conference with universal participation. The mutuality of interests of different nations and peoples must be fully recognized. Hence the need for a New International Economic Order.

Industrialized countries have the wherewithal to rectify the damage (when it is discovered) caused by industry, whether to the landscape or to human health. The developing are caught in a vice. We must use fertilizers, pesticides etc. to feed the ever increasing number of mouths, even though we are not ignorant of the likely harmful consequences, just as in some industrialized countries, workers who deal with asbestos and pesticides, to name only two items, and are in other hazardous occupations, expose themselves to the risks because they have nowhere else to go, no alternative jobs. Constant exposure to even low concentrations of certain substances has been found to cause cancer and other diseases. Poisonous substances spewed out in the soil or in the air are no respecters of boundaries. Environmental health is a global issue.

After the Second World War, progress in technology was the key to the rapid development of the world economy. It has made weaponry and armaments more lethal and destructive and has changed methods of production in industry and agriculture, in transport and communication, greatly augmenting the productivity of men and machines. Here, as elsewhere, developing countries have lagged behind. The transfer of technology should be such as can be absorbed and adapted to their social and economic conditions, promoting self-development. When technology is transferred through

private channels, by multi-national corporations, immediate profits become the guiding force. Isolated sections of the economies of developing countries become aligned to international markets and advanced areas, while the larger part remains backward, tagged to traditional modes of production. Such technology transfer does not transform the whole economy, and loses relevance to the majority of the people. Transfer of technology through private channels or the public sector should be made more meaningful. Technical assistance from UN agencies should be more realistically attuned to the lives of the people for whom programmes are intended, relying more on the experiences and expertise of developing countries themselves.

I am among those who believe that no sustained revival of the North is possible without the development of the South. The world is too integrated to permit of segmentation. Some countries cannot continue to prosper, ignoring stagnation in others. I have read that a third of the exports of the United States goes to developing countries, and a sixth of their work force is employed on this production. A programme of immediate measures should be adopted to reactivate the world economy. The Economic Declaration of the Non-Aligned Summit has spelt this out. UNCTAD-VI can delineate the major areas of such cooperation in trade, technology and commodity prices.

The high level of military expenditure in advanced economies has contributed greatly to the economic crisis. It impinges on other elements like cost, supply, demand, rate of accumulation of the reproductive capital, claims on research capacity and human skills, and the entire scheme of national priorities. For every hundred-fold rise in productive capacity, there seems to be a thousand-fold increase in destructive capacity.

Some governments say "arm today, disarm tomorrow". But today's arms can deny us our tomorrows. More potent means of destruction on earth and in space are being produced although the already existing nuclear stockpiles are sufficient for annihilation. What is spent on armaments is the equivalent of half of the total income of all developing countries. Resources for peace and development can be increased only as military budgets are scaled down. Military research and development consumes \$ 40 billion a year and it is estimated that this effort, concentrated amongst six or seven nations, constitutes more than a fourth of the total global R & D efforts. It is possible to put military capability to alternative productive uses. How much brighter would the future of humankind be if nations collaboratively directed their R & D to global issues such as energy, nutrition and health, population control, urban redevelopment, pollution control and ecological conservation! Nuclear-weapons countries must give the lead but others, howsoever small, have to take similar decisions. As Prime Minister I know the demands made and the pressures exerted by public opinion for adequate levels of security. We are forced to spend more than we want to do because we are surrounded on all sides by countries spending a larger proportion of their GNP on defence, because the Indian Ocean is being increasingly militarized and because sophisticated weapons are being inducted selectively in several countries in pursuance of cold war policies. India has faced aggression five

times; so we must be prepared to meet unprovoked and unexpected attack. My own attitude is not one of confrontation but of cooperation. We have taken all initiatives to end animosity and even when conditions are adverse, our hand is outstretched in friendship. Because of our national objectives, and my personal commitment to development, we have succeeded in keeping the proportion of defence expenditure around the same constant level of 3.5 per cent to 3.7 per cent of GNP over the last 17 years. This is the lowest in the world.

The Soviet Union and the United States have made some moves for discussions on arms control and limitation. We should like these two great nations and their allies to be bolder in moving forward towards peace, shedding mistrust, and reaching agreement on various disarmament measures. We wish they could agree on the non-use of nuclear arms and reaffirm faith in peaceful coexistence.

On this small planet of ours, there is no room for permanent enmities and irreversible alienations. We have to live side by side. As Buckminster Fuller puts it, either war is obsolete or man is. We must recognize the interrelation of security, development and environment. Nuclear and chemical weaponry is genocidal and ecocidal. True security is not the defence of this or that country but of the world as a whole. Not merely military security but the saving of life—our lives, of humans and all species. International relations must be reorganized gradually but surely on the basis of living and evolving together, starting by finding areas of commonality and enlarging them, identifying the links and strengthening them.

I am a soul in agony. As one who feels passionately about freedom, I cannot but be alarmed at the continuing, pushing domination, the new methods and forms of colonialism. This is all the more pernicious because less obvious and recognizable. Except for a few places, the visible presence of foreign rule has gone. We are free to run our affairs and yet are we not bound by a new type, a surrogate colonialism? How else shall we describe the power of and pressures exerted through the monopoly control of capital; the withholding of superior technology; the political use of grain; the manipulation of information, so subtle and subliminal in influencing minds and attitudes? Is it not time for us to pause from our daily concerns to ponder over this new dependency? Instead of reacting, should we, the developing not think of action on our own?

Development is not merely economic or material, but something much wider, encompassing all aspects of our universe and of the human personality, no less than the environment. We cannot neglect the preservation of culture, the encouragement of the arts, in which I include the folk traditions. We must take cognizance of ancient lore, much of which was based on sound commonsense, of medicines from locally available herbs, of building materials more suited to climate and style of living. Every country must keep and enrich its special ethos. There is no conflict between this and modernity. Material wellbeing must be accompanied by the blossoming of our inner resources, sharpening our perception and enhancing our range of feeling.

With expanding knowledge of the outer world, we should be able to look deeper within ourselves.

Peace is not merely the absence of war. It is not a passive concept, but a positive one. It is a feeling of wellbeing, of goodwill. I am asked if non-violence will work in today's world. Nothing ever works ideally. But the concept of non-violence can make an enormous difference. When Mahatma Gandhi practised non-violence, he did not mean just the absence of violent acts but the avoidance of violent words and even thoughts. Non-violence is neither cowardice nor resignation. On the contrary, an unarmed crusader needs far more determination, discipline and daring. Definitions of right and wrong are coloured by ideologies. In truth the only Right is that which pre-eminently ensures the good of all living creatures. Let that message go from this hall to encircle the globe.

Here in Belgrade all nations, rich and poor, are gathered for a comprehensive review of the problems of trade and development at the Sixth Session of the UN Conference on Trade and Development. Many of the issues to which I have referred will be discussed. I give my good wishes for the deliberations of the Conference and hope that the outcome will reassure the man who built UNCTAD in its early years, and bring renewed hope to all humankind.