



**Discurso do Prof. Sir Hans W.
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*(Transcrito pelo Dr. Peter
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Thank you *Senhor Reitor*, esteemed colleagues, ladies and gentlemen. Well, let me first say that I feel deeply honoured and especially so because, for a development economist, an honour from Portugal must weigh heavily. By reason of history and geography, Portugal was a link between the developed world (which was, at that time Europe), and what we now call the Third World of Latin America, Africa and also Asia and India. So I feel particularly honoured today.

Well, I'm an old international organization man - much of my life was spent in international organizations as a full-time staff member, as an adviser, as a consultant in setting up new institutions, so perhaps you will permit me to talk about the present situation in our system of international organizations - and thinking of the future, speaking of reform, of changes which the future will require in our system of international organizations.

Let me first of all go back fifty years this year to Bretton Woods, and fifty years next year to the San Francisco Conference, when the United Nations was set up. At that time, still during the war - the World War - the overreacting principle, the main aim that we were all seeking to achieve was "*Never Again!*". Never again must we permit the conditions of the 1930s, with their mass unemployment, mass misery, collapse of commodity prices, competitive devaluation of currency, protectionism, trade wars, leading to social unrest, and ultimately being one of the main causes of the rise of Hitlerism in Germany, Fascism elsewhere - and therefore one of the main causes of the World War. So we all thought, that whatever we did in the 1930s we must do the opposite this time. We must not permit these conditions to happen again.

Have we been successful? If we look back today, with the benefit of hindsight, we have not been entirely successful. Unemployment is still a big problem, both for the Industrial Countries and for the Developing Countries. It is not as bad as it was in the 1930s, but we cannot say that we have conquered unemployment. We have not prevented collapsing commodity prices - which unfortunately the Prebisch-Singer theory has turned out to be more or less on the mark - more or less right. Above all we have not managed (as was also the vision of the founders of the present International System, fifty years ago) to extend the principles of the Welfare State which we created in our own western countries, with varying degrees of completeness and success. We wanted to apply the principles of the Welfare State to the international field also, with income transfers to the poorer countries to provide a minimum of human security for everybody. Well, in that we have clearly not succeeded. The inequality in the distribution of world income today is worse than it was fifty years ago. Today the top ten per cent of human beings enjoys incomes which are, as far as we can tell from the data, sixty times the incomes of the poorest thirty per cent of mankind. The inequality of income distribution between countries is much sharper than the inequality of income distribution within countries, even though the latter, in some countries - for instance in Latin America countries like Brazil - internally is also very unequal. The real problem of unequal income distribution is not within countries, but between countries.



were surpluses, these would pass into the International Buffer Stock, which also help to stabilize food prices. These Buffer Stocks would be released in cases of bad harvest, when food prices

So, let me now go back fifty years ago. What we tried to do then was to create a system which was supposed to rest on five pillars. We wanted to erect a building, a monument, if you like, a structure that would rest on five pillars. The first pillar was in fact part in place a year before Bretton Woods. In 1943, at Dumbarton Oaks in the United States, a conference took place at which the FAO, and subsequently in 1963 the World Food Programme was started. The idea of the visionaries at that time was to create a World Food Board in which the food surpluses of the surplus countries would be shifted to food deficit countries: the world should be encouraged to produce enough food for minimum human needs anywhere. Then this food starvation and, for this purpose also, a system of international so-called *buffer stocks* of food should be created. So, when there

would be high. It was also assumed the administrators of this International Buffer Stock in food, which then became the FAO - the Food and Agricultural Organization - would in fact make a profit on the transactions, from which international organizations could be financed. Because if you buy up food at low prices in years of surplus production, and you release the food when food prices are higher, you make a profit. Therefore this was not thought to require any additional resources. Well, this turned out to be a utopian concept. We have never achieved it and, in fact, we have good reasons to worry about food security today. It is still true today that the world is producing enough food, enough nutrition for every human being on earth, if the food produced in the world were equally distributed, or properly distributed and if not too much were wasted on animal feed or other non-nutritionally priority uses, there would be enough food produced today for everybody in the world.

But, in fact, food security is - if you take a longer view now - seriously threatened. In short-term it is threatened by the result of the Uruguay Round Gatt Agreement. As you know, under this Agreement, the agricultural subsidies in the European Union, in the US, also in Japan and other countries, have led to the surplus production and the accumulation of surplus stocks, which have then been released as subsidized exports and as food aid. This is now supposed to be gradually phased out. This means that the international prices of food, which have been very low under the pressure of the overhanging surplus stocks when much of the so-called commercial food trade, in fact was also concealed food aid - subsidized exports - are expected to increase in future.

The projection of the OECD and other projection models, would be that international food prices will increase by about 10 to 15 % over the coming 10-20 years as a result of the phasing out of subsidies to farmers in the industrial countries, especially in Europe and the US and Canada, Australia, and also because of the prohibition on subsidized exports. Now this is very good news for the food exporting countries - the countries that rely for their foreign exchange on the export of food - countries like Argentina, let's say, with its surpluses of wheat and maize or countries like Thailand, which is a surplus producer of rice. These countries will benefit. But the food-importing countries will of course suffer from the increase in food prices, and the fact is that the poorer African countries, the Sub-Saharan African Continent, which, thirty years ago, was still a net exporter of food, is now a net importer of food. Therefore the poorest African countries will be the ones that are specially hard-hit by the rise of international food prices.

Furthermore food aid, which has been an important element in maintaining nutrition among the poorest food-importing countries, without the foreign exchange to import food commercially, would be adversely affected. With higher international prices for food, food aid will become more expensive for the donor countries. Until now we were very happy - in the European Union - to give our aid in the form of food aid. We had the surpluses, it cost us nothing, except in the budgetary sense. In the real sense it cost us nothing, and it was politically acceptable because it benefitted our farmers. If you advocate food aid you are the farmer's friend and you are very popular. If you advocate financial aid, you are the taxpayer's enemy and you are very unpopular. Therefore food aid was popular, and readily given and it did some very good things. For instance food aid helped us in Western Europe to reconstruct after the devastation of

the World War so remarkably quickly. Very few people realize that of the Marshall Plan, which was such an important instrument for putting at least Western Europe back on its feet, a very generous American measure, forty percent consisted of food aid. Without that food aid there would have been famine in Western Europe, in the post-war years.

So food aid benefitted us. Food aid was also the main instrument by which the Green Revolution in India was financed. Now the Green Revolution in India is one of the most hopeful things in international food security. Unfortunately it has been limited to India - India and Pakistan, to the Punjab area. Thirty or so years ago, Sub-Saharan Africa and India - when I say India I now mean the whole Indian sub-continent - India, Pakistan, Bangladesh and Sri Lanka - each produced about 65-70 million of cereals each year - wheat, maize, rice and so forth. Today, in a normal year India produces 225-230 million tons - in a good year more, in a bad year less. Africa still produces today, for a much larger population, something like 70-75 million tons. There you have a huge contrast. A Green Revolution has happened in India, in one part of the Third World, and, as a result, rather remarkably, India, the traditional area of catastrophic famines, has had no catastrophic famine since then. Now, the Green Revolution was very expensive. Irrigation works had to be constructed, because the new seeds depended on irrigation. Roads had to be built, transport had to be laid on to carry the food surpluses into the towns. Fertilizer factories had to be developed, and factories for insecticides, because the new crops depended on much larger supplies of fertilizer, and so forth. This was very expensive and this whole expense was financed by a tremendous flow of American food aid to India in the late 1950s and early 1960s. Under Public Law 480, the Indian government got tremendous volumes of food aid - much larger than the tonnage of food aid than is being given today. The Indian government sold this extra food in the so-called fair price shops to the urban population, at a preferential price, with preference being given to poorer groups, and they budgeted the revenue that resulted. This gave a great budget support to the Indian government, which was used to finance the irrigation projects, transport projects, etc., which financed the Green Revolution.

Unfortunately we have seen nothing like this in Africa. There are a number of reasons for this. It will not be easy to reproduce in Africa the same conditions that have led to the Green Revolutions in India. African soils are different, irrigation will be much more difficult in Africa, land tenure conditions are different, there is not the same supply of traditional skilled farm management, the degree of literacy is less - lots of reasons why it cannot be done. But the task of creating a Green Revolution in Africa, which would reduce much of the extreme starvation that happens in the world has not yet started - that is still a task for the future. So, it is rather worrying that, at the same time as the willingness of donors to give food aid, to share food surpluses will be sharply reduced because food aid will become more expensive for donors, and the surpluses that have fed the food aid will be diminished or disappear. Yet, at the same time, the need for food aid will be sharply increased, because international food prices will rise and particularly the poorer African countries, which have no foreign exchange to import food commercially, will have to reduce their food imports, if nothing is being done.

So here is a task for the international community. The people who drew up the Uruguay agreement and the Gatt and created the World Trade Organization, which is to look after these matters now, after Gatt - they were aware of this - it had been represented to them. Therefore

the Charter of the World Trade Organization, which is now up for ratification before all the countries - the European Union is just on the point of ratifying - says that genuine food aid must be maintained. While the willingness to give food aid has diminished, yet it is laid down that genuine food aid must be maintained. It will be an important task of seeing that this part of the charter of the WTO is implemented. The question arises as to who is to monitor it, who is to look after the implementation. We don't know yet. Is it supposed to be the UN, the FAO, the World Food Programme, the Food Aid Convention, the OECD? No real arrangements have yet been made to look after a matter of such crucial importance for the food security of many people in this world. I mention this as an example of the many unfinished tasks that are still before us - an international effort to create a Green Revolution in Africa would be one of those international tasks.

Now, let me get away from food aid - you realize that I tend to talk a lot about food aid because that's one of our food security problems, that's one of my special interests. But let us return to the international organization system in general. I said it was supposed to rest on five pillars. The World Food Board, as it was then called, which became the FAO and the World Food Programme was one pillar.

The second pillar was the IMF, the International Monetary Fund. Now let me emphasize the International Monetary Fund as it was envisaged at Bretton Woods by Keynes and other authors of the system - but Keynes was clearly the intellectually dominant figure at Bretton Woods - was supposed to be a very different creature from what it has turned out to be - completely different. To begin with, the IMF was supposed to be a world central bank, or international clearing union. The first memorandum, which led to the ultimate creation of the IMF (written by Keynes, at the Treasury in London in 1942) was intitled "Proposal for an International Clearing Union". Keynes quite logically said that the real enemy of the world system is not the deficit country but the surplus country. The surplus countries are the enemies of the world economy, because, with full employment as the main objective, as it was at that time, the surplus country is harmful to full employment in other countries because, by not importing enough in relation to its exports, by having a surplus, they destroy employment elsewhere. They refuse to create enough employment elsewhere through importing. Whereas a deficit country is a friend of the world economy because it creates more employment by their imports than they destroy by their exports. In other words, the idea then was that we must help and encourage the deficit countries. It is the surplus countries that must be penalized. Therefore Keynes proposed, quite logically, an international tax on surplus countries, on balance of trade and balance of payments surpluses. He proposed a tax rate of 1% a month. Now I need not remind you how different this is from the present situation. Today, we see a surplus country is a country that has managed its affairs well - that it is a good country. It is the deficit countries which we say have mismanaged their affairs, and therefore they must be penalized for having a deficit. They must be subject to strict conditionality, they must be told to "stabilise", to retrench, etc.

I just quote this as one example of how developments of the international institutions have turned out to be very different - in some ways the opposite - of the original intention circle again, because everyone now is saying the United Nations, which has a chronic cash shortage,

when the contributions are not coming in, and the UN is constantly asked to undertake new tasks of peace-keeping, peace-making, sending UN troops to Bosnia, to Somalia, to Haiti - goodness knows where - everywhere... without giving the proper resources to do it.

To-day the idea of international taxation is once again discussed, although in a different context, this is to provide the UN with badly needed resources for peacekeeping and development activities, so that the UN can be financed like any other government from international taxation, and does not have to rely on contributions from member countries, which may or may not be paid. Many ideas have been proposed. For instance one international tax - which has been proposed by James Tobin, the Nobel Prize winner, which is now under discussion - is an international tax on foreign exchange transactions. The foreign exchange speculation, which now amounts to trillions of dollars each day almost completely swamps the monetary policies of governments. Monetary policy is no longer made by governments, by central banks or ministries of finance, or federal reserve banks of governments. Monetary policy today is made by the currency traders, by the currency speculators made possible by the new information technology. A very small tax on these enormous amounts of foreign currency transactions that take place would be sufficient to finance the UN, and all its peace-keeping, peace-making, humanitarian relief operations. A tax of pollution has also been proposed. An international income tax is a possibility, as in an international tax on the use of common resources, like the common resources of the sea, for instance. One tax that has now been proposed as a great novelty is the tax on the balance of payment surpluses, for instance the Japanese surpluses today or the OPEC oil surpluses in the 1970s, and so forth. That is put forward a new idea, and yet very few people realize that Keynes had proposed this fifty years ago.

Now there is no time to go on in that degree of detail. I will just complete the picture by saying that the third pillar was the World Bank, which was originally proposed as a fund. The International Fund was originally proposed as a bank, while the International Bank was proposed as a fund. It can be confusing. The World Bank was supposed to be limited to project-lending. Well, today, for a number of reasons, the World Bank has moved away from project-lending into programme-lending and structural adjustment lending, under policy conditionality. This was not envisaged at the time of Bretton Woods. The World Bank was supposed to become good at identifying and financing projects. So, the World Bank, for good reasons or bad reasons - I've no time to discuss this - like the Fund has also developed into something else.