

Raúl Prebisch on ECLAC's achievements and deficiencies: an unpublished interview

David Pollock, Daniel Kerner
and Joseph L. Love*

Introduction

This issue of *CEPAL Review* attests to the lasting influence of Raúl Prebisch's ideas and policies on development in Latin America and the Third World in general. Prebisch's thesis of unequal exchange and his conception of the world economy as organized in a Centre-Periphery relationship, however controversial, has earned him a recognized place in the history of development thought. Through ECLAC and later UNCTAD, Prebisch's ideas affected governments and institutions throughout Latin America and around the world. The theoretical origins and evolution of Prebisch's thought have received extensive treatment by economists and historians.¹ Yet how Prebisch built his team at ECLAC and how he conveyed his theses at the regional and international levels have not been widely treated. The following interview given by Prebisch to his longtime assistant and friend, David

Pollock, goes a long way toward filling that gap. In this conversation, conducted in 1985—a year before his death—Prebisch reviews some of the key moments in his life and that of ECLAC. The material covers the period from 1948 to 1963, from Prebisch's incorporation into the organization up to the early sixties, when he left ECLAC to become the first director of the United Nations Conference on Trade and Development (UNCTAD).

In this interview, Prebisch discusses the politics as well as personal aspects of his entry into ECLAC, as well as providing an account of how he wrote the agency's manifesto, *The Economic Development of Latin America and its Principal Problems* (first published in Spanish, in 1949). Prebisch's international role is also treated in the interview. For instance, he explains the part he played in the creation of the Alliance for Progress in 1961, making it clear that although he was involved, he was not the originator of the programme. His relations with the United States government, the Organization of American States, and the Bretton Woods agencies (the IMF and the World Bank) also receive attention. Prebisch's passion for advancing the economic integration of Latin America, and his candid estimate of the success of that endeavour, are both presented here.

Readers may be surprised by the frankness of the views expressed by Prebisch, famous for his discretion and diplomatic skills. In addition, Prebisch treats the personalities of the early ECLAC team, as well as those

* **D. Pollock:** Former staff member of ECLAC and UNCTAD (dpollock@ccs.carleton.ca). **D. Kerner:** Graduate History Programme, History Department, University of Illinois at Urbana-Champaign (kerner@uiuc.edu). **J.L. Love:** Professor of History, History Department, University of Illinois at Urbana-Champaign (j-love@uiuc.edu).

¹ See for example the bibliographical essay in Love, "Economic Ideas and Ideologies in Latin America since 1930" in Leslie Bethell, ed., *The Cambridge History of Latin America*, Cambridge, U.K., Cambridge University Press, 1994, vol. 6, part 1, pp. 595-601.

of actors in U.S. and international agencies. One gets a clear view of Prebisch's style of leadership, and the political possibilities and constraints ECLAC faced in a region subject to the enormous influence of the United States.

The following interview was conducted by David Pollock in Washington, D.C., in May 1985, a year before Prebisch's death. Pollock, a Canadian, was Prebisch's assistant and close collaborator in both ECLAC and UNCTAD, and knew intimately his interviewee, the issues Prebisch faced, and the milieus in which he moved. Pollock held important posts in ECLAC between 1950 and 1963 (in Santiago, Mexico City, and Washington), and moved with Prebisch to UNCTAD in the latter year, remaining in that organization until 1967. Later, Pollock was head of the Washington Office of ECLAC. He had long intended to record Prebisch's reminiscences on tape, but the opportunity to do so only arose when Prebisch underwent eye surgery in Washington and was temporarily unable to work. At that moment, he invited Pollock to interview him at length. Pollock recorded twelve hours of conversation, of which this material is an excerpt.

In the following text, the words are those used by Raúl Prebisch and his interlocutor, David Pollock, except for a few connecting words and phrases, indicated by square brackets. The conversations were edited by Joseph L. Love and Daniel Kerner to eliminate digressions and repetitions, and the ellipses (...) were removed in order to facilitate the flow of the text. Footnotes have been supplied to identify persons and institutions mentioned in the conversations.

The interview

David Pollock (D.P.) What brought you into ECLA in 1948?

Raúl Prebisch (R.P.) I read in a newspaper that there was a meeting in the United Nations whereby they had created an Economic Commission for Latin America. I read that with indifference. However, a few days later, members of the French delegation to the United Nations approached me in Buenos Aires, telling me that the French government would wish me to present my name as a candidate [for the post of Executive Secretary] in the United Nations. After I'd been the head of the Central Bank of Argentina, it appeared to me as a demotion². They would not explain to me the meaning

² Prebisch was Director-General of the Central Bank of Argentina between 1935 and 1943.

of the words "Executive Secretary." In my view it was just to make reports of meetings and so forth. So I wasn't interested. I was rather attracted by what the President of the Academy of Economic Science in Buenos Aires had then offered me, to start a Review. Then, sometime afterwards, a few weeks after, I had a call from Benjamín Cohen. [He was] a distinguished Chilean, whom I had met at student meetings in Buenos Aires. He was Under-Secretary for Public Information and he said to me, "I am sent by Trygve Lie³ to formally offer you the post of Executive Secretary of ECLA."

At that time, I still had the illusion to continue being a Professor at the University of Buenos Aires. The salary was rather small, but I had reduced my standard of living to fit it. I had sold my Cadillac and rented my house on the Barranca de San Isidro. Adelita⁴ was willing to accompany me on this type of life. I had decided to devote some years to research, so I said to Benjamín, "I am not tempted." On the other hand, I had seen the League of Nations as a young consultant for the World Economic Conference of 1933 and I saw that we –members of developing countries– had nothing to do in that atmosphere. We were at the margin. So I said, on the phone, "I'm not interested. I'm very thankful, but not interested. On the other hand, I am leaving tomorrow morning to Venezuela because the Minister of Finance there, whom I do not know, has invited me to write a report on two projects of law: reforming the Central Bank and the Banking Laws." "Well," he said, "I'm a very close friend of Pérez Guerrero, the Minister. So I will go there and try to persuade you to accept." I said, "Benjamín, you will lose your time. My determination is very firm." Well, I went to Venezuela and I did what I had to do. Anyhow, when [Gustavo] Martínez Cabañas was appointed [as ECLA's first Executive Secretary], he and [Eugenio] Castillo, a Cuban who was at that time the third man in ECLA, went to Buenos Aires to ask me to spend a few months in Santiago, to write the introduction to the first *Economic Survey of Latin America*. I accepted for two reasons. First, because I said, "Well, let us try." Second, it coincided with a resolution of the University of Buenos Aires to dismiss me as a Professor. I was not a man looked at with sympathy by some highly nationalist groups who were trying to get room for themselves.

³ Trygve Halvdan Lie (1896-1968), a Norwegian who was the first Secretary-General of the United Nations (1946 to 1952).

⁴ Prebisch's first wife, née Adela Moll.

D.P. So the consultancy came at just the right moment.

R.P. And I went to Santiago. I never had lived in Santiago. I had spent a night there en route to Mexico. I was impressed by this nice city, with the beautiful view of the mountains, the friendship of the people, the running water in the street, the nice atmosphere.

D.P. And good wine.

R.P. Good wine. And last but not least, Louis Swenson. Louis, as you well know, was a man who inspired sympathy.

D.P. Yes.

R.P. And we used to talk and walk, and I started thinking about the nature of this Introduction. As usually happens, I sat down for days without taking any notes. This helps me to speak without notes, because of the sequence of the ideas, and during the month I did not write a word (*laughs*). Castillo would visit me saying, "Raúl, how is your writing going?" "Nothing yet. Nothing yet" I would say. And Louis, "Raúl, you know you have two girls who are excellent typists and who can take dictation." I don't dictate these important things, you know. And I saw their great concern. They probably said to themselves: "Well, this man is a failure."

D.P. Wasting their money.

R.P. A good Central Banker [perhaps they thought], but we need this report. Finally I decided to write, and in three or four days I wrote the whole Introduction to the first *Economic Survey*. It contained our view of the problems at that moment, international as well as Latin American problems, and the close interrelationship between them. These were the result of all my readings and reflections in those three, four, or five years of meditations. They sent the Introduction to Headquarters in New York. I signed the report. Nobody had told me I should not sign. A few days later, New York sent the longest cable that I have ever seen in my life and that, regrettably, does not exist in New York or in Santiago (according to regulations these things are destroyed after 30 years). It's a pity, because in this cable they made a series of considerations that ended in the following form: "The report is a document with a great content. But it speaks about development, industrialization, terms of trade, and many other matters that ECLA is not supposed to deal with. ECLA

has no instructions to deal with these problems. But as the document is a serious and responsible document, we suggest to you (Martínez Cabañas), to present the document as an Introduction signed by the author, so that you will attribute the responsibility to him and not to the organization." I remember that Martínez Cabañas came to see me with great concern, believing that I would react furiously. I said, "Gustavo, I never supposed that I would not sign the document. I put my personal ideas there. I have not diluted these ideas. So I agree fully." Believe me, in the ECLA Conference in Havana the reception of the document by Latin American countries, including Argentina, was inconceivable. Words of praise everywhere. On the other hand there were conventional minds on the part of the U.S., the same on the part of the U.K., a little better from the French.

David Owen, whom I met for the first time in Havana, was so impressed that he took me aside before the end of the Conference and said "Raúl, I cannot offer you any more [the] Executive Secretary [post] because it is in the hands of Martínez Cabañas. But I can [make] you Director of Research with a salary as a consultant at least equal to his salary and with full intellectual independence." I said, "David, are you willing to accept the following three conditions? *First*, what is the meaning of intellectual independence for me? Not to receive instructions from Headquarters nor from Cabañas about what ideas I should put on paper. Instead I should follow my own responsibility. I think that now, no longer being a consultant as I was before, but a man integrated into the body of ECLA, I would have to follow certain rules. With a sense of responsibility, but at the same time with the possibility of presenting problems that the developed countries would not receive with pleasure." He said, "Raúl, this is what we wish in the United Nations; to open new paths." "*Second*," I said to him, "I understand that you should approve the appointments that I would like to make. But every appointment should be the result of my proposal. You can reject or accept but it has to be my proposal. Being a man in the field, I know the people. I know the requirements, and if you act at a great distance, we will incur great mistakes. *Third*, I would want freedom to travel. Not to ask for authorization. Give me an amount of money and I will use it to the best of my judgment." "I accept your conditions," he said. These were the bases of my incorporation as a regular staff member.

D.P. How did you become Executive Secretary so quickly?

R.P. Well, it was obvious that the situation existing at that time would not last for long. Martínez Cabañas was an excellent fellow. But he was a young man who never before had that type of responsibility. Our personal relations were good. But everybody understood that the real authority was mine. Then, in a trip of mine to New York, to Lake Success⁵, David Owen said to me, "We are going to create a new entity in the United Nations for technical assistance. The Secretary General offers this to you, or the post of ECLA Executive Secretary, in which case we will accommodate Martínez Cabañas in the new organization. Which do you prefer?" I said, "tell Trygve Lie that I would accept whatever he likes. If he wants me to come to New York, to this new institution, I would go. If he likes me to stay as ECLA Executive Secretary, I will accept because I like this organization and I see the problems and challenges as I could not see them before." That afternoon, he said: "Trygve Lie said you should be Executive Secretary."

D.P. Why did you reorganize ECLA the way you did? The Development Division was very large and powerful.

R.P. Due to the role of development in Latin America.

D.P. Describe some of your key early staff, some of the important beginners. You had Ahumada, Urquidi, Furtado, Melnik, Santa Cruz, Botí, Noyola, Vuscovic. Did you pick them all or were they there when you came?

R.P. When I came there were Furtado, Botí, García and Rey Alvarez. They were consultants, the last two. Urquidi, Ahumada, Melnik, Noyola, and Vuscovic came later. How did [Pedro] Vuscovic come? A Peruvian professor was hired as a consultant in statistical matters and brought a young man, Vuscovic. I remember that Vuscovic was working in a small room at the entrance of Calle Providencia with a calculating machine. He showed intellectual abilities and he made a good career.

[Jorge] Ahumada entered later and Melnik too. We took Melnik from the Corporación de Fomento. He was a very effective man, very effective, a great man and a nice person. Different from Ahumada. Ahumada, at the

beginning, entered with a great arrogance. But gradually he was integrated. And once in Brazil, five years later, in a cocktail party that was prolonged until late, he said, "Don Raúl, I don't know, I cannot understand how you have tolerated me for such a long time because everything that you said, I disagreed with. And you were patient enough not to say, Jorge, why do you disagree?" And we became good friends. He was a very intelligent man, a good writer, and full of force.

D.P. Did your staff write papers and give them to you to read? How did you work with them? Did you ask them questions? I wasn't in ECLA really until 1953, but I had the impression that you did most of the key writing in the first 3 or 4 years. What was the way in which you worked? Did you invite papers, read them, and absorb what they said? Or did people write on their own?

R.P. Well as you said, there were different sections. Indeed they produced papers, a series of reports, many of which were published in the pre-[CEPAL] Review, the Bulletin, or printed in mimeograph and distributed. I took advantage of some of their ideas, I used to discuss with them, [but] was not very fond of big staff meetings, rather meetings with one, or two, or three people.

D.P. You used to keep your office closed for certain hours each day?

R.P. Yes, in order to produce my own papers. I didn't have open doors. But most of what I wrote was after everybody went to their homes, on Saturdays, and on holidays. The final decision was made by me, but always after listening. I would not try to present papers with the style of presenting compromises saying: "There are some who believe this and others who believe that." I would only put what I believe, and I would not eliminate the presentation of other papers with different views, but my personal ideas, my personal papers, would not be compromise papers.

D.P. You had a few key U.S. staff members: Louis Swenson, Alex Ganz and Richard Mallon come to mind. Did you pick them to have a U.S. presence or was that part of the game? In other words, there was always a gulf between you and the U.S. government. Did you pick some staff to make a showing to the U.S. government that you wanted Americans or were they picked for you?

R.P. Not at all. I promoted Louis Swenson because he was very able, intellectually very open, and morally a

⁵ Lake Success, New York, was the first site of the United Nations headquarters, while permanent facilities were being constructed in New York City.

superb man. He would be in charge of ECLA for a month or two while I was outside, and neither one of us would be suspicious of the other. It was a perfect team. Louis had a great critical mind. This is one of the reasons why I did not prefer to have a collegium office. Rather, I'd give a paper of mine to Louis, to let him make the criticism. He was free to criticize everything and he had a sharp mind.

D.P. Yes. I remember he wrote that first paper on European-Latin American economic relations, which was very solid. And Alex Ganz? How come you picked him? You wanted somebody on national income and Alex had worked in Puerto Rico?

R.P. Alex Ganz was a very good example of the cooperation of an American economist. He worked strenuously. He introduced new techniques.

D.P. National income techniques especially.

R.P. He was integrated personally with the boys, and was not eager to go back to the U.S. and publish on the basis of what he'd learned from us. He tried to live for ECLA. This is something that I always remember as one of the great merits of Alex Ganz. Others went there with the idea of taking easy fruits. Of publishing articles, not always paying tribute to ECLA. On the contrary, transforming ideas of ECLA in technical terms.

D.P. Into political documents?

R.P. Yes, and reaping the merit of the work for themselves.

D.P. I want to talk now about your initial relations with the U.S. government. You said that I knew more about this than you because I wrote an article in 1978⁶, but obviously I don't. Relations were often very strained between ECLAC and the U.S. government, and between you and the U.S. government from the very beginning. Why?

R.P. When Hernán Santa Cruz presented to the Economic and Social Council [ECOSOC] his project for the creation of ECLA, naturally he encountered much opposition from the great powers, and especially from

the U.S. He persuaded Mendès-France⁷ and some others to support ECLA. And finally the U.S had to accept. Especially taking into consideration that the Commission was initially established for only three years, and perhaps with the idea in the back of their minds of merging ECLA with the Organization of American States. Indeed, when I was appointed Executive Secretary, an ambassador who was representing the United States at the O.A.S., a very nice gentleman, invited me for a cocktail party in his house. And he said to me, "My government does not like two organizations dealing with the same problems. So we have elaborated a project of merging the two. I may say, first of all, that you are our candidate for being the Director of the two organizations. And you will have more resources than before. Here is the text: two pages." I read the text carefully, and I said the following, "Mr. Ambassador, I fully understand your position. But I have to speak very frankly with you. The basis of our new organization, ECLA, is intellectual independence. This is the first opportunity for Latin Americans to start thinking with their own minds on economic problems. This has not been the case up to now." I was persuaded of that, after years of meditation when I had to leave the University of Buenos Aires. I added "I have to tell you frankly that you would be the dominating power in the new organization, as you dominate the Organization of American States. The Economic Department of that Organization is dominated by the State Department. I understand this quite well. But understand my point of view. If I would have yielded my intellectual independence, perhaps I could have continued to serve the Argentine government. But I didn't. And I'm not going to change at this age. And if I had the weakness to accept your offer, not one of the young men who are accompanying me would continue in ECLA. Believe me, it is an exceptional group of brilliant young men who never before happened to work together in Latin America. Not for the salary, but for the idea of a Latin America working in the right direction. So I'm sorry to say to you that I cannot accept." Well, it was a nice drinking party. We changed the subject, and the matter ended as a civilized parting. This was a few weeks before the third meeting of ECLA, which in turn was my first meeting as ECLA Executive Secretary.

⁶ David Pollock. "Some changes in the United States attitude towards ECLA over the past 30 years" in *CEPAL Review*, No. 6, second half of 1978, pp. 57-80.

⁷ Pierre Mendès-France (1907-1982), subsequently Prime Minister of France, 1954-1955.

D.P. In Mexico?

R.P. In Mexico. First the constituting meeting in Santiago. The second in Havana, when I spoke as Director of Research, and this one in Mexico was my first as Executive Secretary. Immediately before the meeting, Antonio Carrillo Flores, the Mexican Secretary of Finance, invited me for dinner with Alberto Baltra, Minister of Economy in Chile, with another member of the Chilean delegation, with Merwin Bohan,⁸ and with a high official of the Department of Finance. The second Chilean was Oscar Schnake who was an old friend. We had a nice dinner. [This was] in Mexico City. Right away Antonio Carrillo Flores said at the table, "Don Raúl, how do you like this Mexican wine?" (*laughs*). I replied, "Dear Mr. Minister, this is not Mexican wine." (*laughs*). He was a man of good humor. Well, after dinner, there were two sofas, with the difference that there was room between the second sofa and the wall. Carrillo was there with Merwin Bohan and Baltra. I was on the side, facing them, with Schnake. The high Mexican official was standing behind the sofa. Then Carrillo said to Merwin, "Will you please read your project, your draft project for the merging of the O.A.S. with ECLA?" Merwin read it. Then Carrillo said to me, "What do you think about it?". I told him, "I do not need to reflect on it because this is precisely what they consulted me [about] in Washington and I reacted absolutely against it, on the following grounds." And I repeated those grounds. You know what Carrillo did? There are gestures in life one never forgets! "Give me this paper," [he] tore it up and threw it away. The matter was settled. And poor Merwin Bohan was silent. The U.S. had expected Mexico to support it, and Mexico was silent. This was known, naturally. President Vargas sent a cable to his delegation, the Brazilian delegation, supporting ECLA. Chile was hesitating. It gathered force. And the impetus was such that I had to help Merwin Bohan soften a draft resolution that was extreme (*laughs*). The man who established peace was Philippe de Seynes, a member of the French delegation.

D.P. Were there any Latin American countries that did not support you in ECLA?

R.P. All, including Argentina [supported me]. Argentina never put me in a difficult situation, I have to recognize this.

D.P. Tell me one small footnote, Don Raúl. Why was the Washington Office set up in the first place? Was it because one of the aspects of the agreement was, "All right, if you Latin Americans are going to have a regional commission, and we already have the O.A.S., then let us at least co-ordinate our work programmes so that there will not be duplication and overlap." Was that why it was set up?

R.P. I could see the extraordinary importance of being in Washington. First, as a source –as you subsequently developed the office– of contacts between Latin Americans and [North] Americans. As a source of collecting information and papers.

D.P. In addition to coordinating with the O.A.S.?

R.P. That was just an excuse. The real idea was to have a foothold there.

D.P. I see. Tell me a bit about the relationship between Santiago and New York. You always had very good contacts with the Secretary-General, as I understood it. Tell me about the Secretary-General, about ECOSOC, and about the Headquarters Administration. Three different levels. Start with the Secretary-General. You were always on good terms with Hammarskjöld⁹, with Trygve Lie, with U Thant¹⁰. You never had any trouble with the Secretary-General?

R.P. Absolutely none.

D.P. What about the ECOSOC and the Economic Department? Did they try sometimes to edit your output?

R.P. No. I may say that I had the most cordial and soft relationship with the Department. There were several personalities the first year, David Weintraub and Harold Kostin. David was sacrificed by Trygve Lie in the time of McCarthy.

David Weintraub was a man who saw the problem of development and was enthusiastic about the work of ECLA. The same for Harold Kostin, a Briton. But under

⁸ Member of the United States delegation to the GATT conference in 1949-1950 and United States Ambassador to the Inter-American Economic and Social Council in the early 1950s. He knew Prebisch when the latter was Director of the Central Bank of the Argentine Republic in 1941-1943.

⁹ Dag Hammarskjöld (1905-1961). Secretary-General of the United Nations, 1953-1961.

¹⁰ U Thant (1909-1974.) Secretary-General of the United Nations, 1962-1972.

the circumstances, David Weintraub had to resign. Harold Kostin was transferred to other functions and new men came. David Owen came a little later.

D.P. *What about the Secretaries-General? Tell me a little bit about your personal relations with Hammarskjöld, Trygve Lie and U Thant. You knew them all personally?*

R.P. Trygve Lie, only when I went to see him, on accepting to be Executive Secretary. When he was in Santiago for the ECOSOC he visited ECLAC. He visited my office and said to me, "Well, I'm very happy with you –because you don't give me any political problems." Period! (*laughs*). He never interfered at all. With Hammarskjöld I established a very cordial relationship. To such an extent that he made an exception: Never before had an Under-Secretary accompanied him on a trip. He asked me to travel with him in Latin America and we had very extensive talks on many matters. The man was intellectually brilliant, and he supported me in every sense.

D.P. *When I was in Santiago in 1955, I worked with José Antonio Mayobre¹¹ and Alex Ganz on an early ECLA document called An Introduction to the Techniques of Planning. When that report went to New York, a cable came back to you that got Mayobre very excited. He showed it to me. It said, "The report is all right, but every place where you say "planning", delete it and insert the word "programming", because here in New York we cannot have anything that supports planning." And you said, "O.K." Explain to me how come, with all this support you had –from the Secretary-General and all those people at Headquarters– the United Nations decided that "planning" was a bad word and "programming" was a good word?*

R.P. Not in New York. I was not concerned about heads in New York. It was in the State Department and in the World Bank. The Bank would not speak of "planning", but of "programming". By the way, [for] many years after, I never used the word "planning". It was a slip of José Antonio Mayobre to speak of "planning". I was speaking of "programming".

D.P. *Why has ECOSOC, which in theory is ECLA's parent body, never been influential? Why was it always a weak instrument? How did ECLA manage to be so powerful when ECOSOC itself –the parent body– was so weak?*

¹¹ Executive Secretary of ECLA, 1963-1966.

There's something odd about that. In many ways, ECLA transformed Latin American economic thought and action, for better or for worse. Import substitution, industrialization, the whole concept of Centre and Periphery, terms of trade, regional integration, planning, and so on. ECLA went ahead, wrote, did things, and influenced reality whether ECOSOC listened to it or not. ECOSOC almost seemed irrelevant. Somehow, there's an anachronism to ECOSOC which I don't understand.

R.P. After Gunnar [Myrdal]¹² left the ECE [Economic Commission for Europe], I could captivate attention by speaking without reading from notes, by speaking forcefully, by affirming my convictions. And people like that. It is an element of persuasion. If they do not always act in that sense, at least they respect what you do and the organization that you are representing. But if you go and read your speech, or speak in a monotonous voice and present many figures, you lose influence. You have to go and discuss, as an actor. I think this is an important element and Gunnar would do that. He was a powerful man, and I think this was an element. Remember, in a body like this, there are always three or four persons with intellectual ability. They shape the opinion about the intellectual quality of the man who is speaking. I never have seen a face of a man who was sleeping while I was talking. And that is important.

D.P. *[Returning to ECLA itself,] let's begin with three main initial contributions of ECLA to Latin American development. One was theory. The second was let us say technical assistance, training, and advisory activities. And the third was political: ECLA provided a forum for Latin Americans to meet. ECLA also provided statistical and other such services. But, fundamentally, the main contribution of ECLA and yourself in those early years was in theory. You began by identifying the dichotomy of the centre and the periphery. From 1948 until 1963, you focused fundamentally on the external sector. Your terms-of-trade approach, your emphasis on the need to industrialize through import substitution, your stress on more buoyant exports. Why did you focus so heavily on external vulnerability?*

¹² Gunnar Myrdal (1898-1987). Swedish economist. He became Executive Secretary of the United Nations Economic Commission for Europe in 1947. Author of *The Asian Drama* (1968), Myrdal shared the Nobel Prize for economics with Friedrich von Hayek in 1973.

R.P. Because the external bottleneck was the most important obstacle to development at that time.

D.P. *Early in your life in Argentina, you were very impressed by the vulnerability of the Argentine economy to international shocks. But in the ECLA thesis, there was very little emphasis on domestic phenomena. You looked fundamentally at the problem of the foreign exchange constraint. True, Latin America was enormously vulnerable then. But presumably your emphasis was also partly because you and ECLA wanted to get political support, in those early years, from the Latin American governments?*

R.P. And because we were not prepared to extend our thinking, suddenly, to every aspect of the economy. We took those parts that were more important at the moment. And gradually we extended our ideas to other subjects.

D.P. *Did your theory evolve over time? Your thesis was very intricate. Everything was linked to everything else. Did that evolve slowly between 1948 and 1963, or did you have it in mind from the beginning? That is to say, the tendency toward a secular deterioration in the terms of trade; therefore, an effort to reduce dependency on primary production for exports; therefore, accelerated internal industrialization.*

R.P. It was a gradual evolution. We had to industrialize in Argentina without previously building a theory, because we needed to supply more goods to the population. But we could not pay for all the imported goods, due to the fall of our exports and the deterioration in our terms of trade. That's the simple fact. Without any theory, the whole of Latin America did the same. From Mexico all the way down. Then, in my years of quiet thinking, after I left the Central Bank, I started theorizing. The concept of centre and periphery emerged, and the concept of industrialization.

Let us deal with the latter and then with the former. There was and there still is a great deal of confusion about deterioration in the terms of trade. I was accused many times of projecting into the future a tendency to deteriorating terms of trade. I never said so. What I said is, it is necessary to introduce technological progress into agriculture. The more you increase productivity, the less manpower you need per unit of product. It is true you can increase production and exports, but here comes the external part. If external markets are open, and you can sell in them whatever you produce, all right, that would be the most

economical way of employing manpower. But it so happens that the laws of income elasticity are very narrow. Very low income elasticity for primary products; very high income elasticity for manufactured products. How to deal with this? It is a very simple arithmetic problem.

D.P. *I remember, when I was in Santiago in 1955, that Alex Ganz had calculated the overall U.S. income elasticity of import demand for Latin American primary products at 0.6, and Latin America's income elasticity of import demand for U.S. manufactured goods at 1.6. So there was the gap.*

R.P. And if you extend this reasoning to all the centres of the world, given the very low price elasticity of our exports, there is a certain moment when the attempt to export more gives you less foreign exchange. What is the role of industrialization and protection? Reasonable protection gives an incentive to establish industries and to divert factors of production to industry from agriculture. Not to displace, but to divide the increments of factors of production; one part to continue increasing agriculture and one part for industrialization. This was one of the reasons for the programming that we advocated, to try and keep a dynamic balance between the two activities.

D.P. *One of the odd criticisms of you and ECLA was that you were "against agriculture" because you favoured industry.*

R.P. Well, that's absolutely nonsensical. Anyone reading our literature will see that we put emphasis on both things. One of the first things I did in 1955 when I was consulted by the new Argentine government was the establishment of an Institute for Technological Research in Agriculture –INTA– with financial independence. What I was trying to convey to people was the idea of a dynamic balance between the two sectors. I said, if there is no industrialization in the developing countries, in the periphery, and if there is technical progress in agriculture, then there will be a tendency to deterioration in the terms of trade. The only way to stop that is through industrialization. This was my simple argument. I did not make any forecast about the future. I presented my thesis as an argument in favor of industrialization. Against agriculture? How could I be? A man born and educated in Argentina, who recognizes that the high standard of living in Argentina by the beginning of the century was due to agriculture? And I said in Brazil (in reply to the arguments of Jacob

Viner¹³, who said “Prebisch ignored agriculture”) that agriculture can be the source of wealth. Now, the thesis of the orthodox economists was: If you need to stimulate industry, then devalue. Devaluation would increase the price of imports and would stimulate exports, without any intervention in the free play of the market. My reply was: Devaluation made for that purpose, and not as a response to a previous process of inflation, will promote inflation. It will be a socially costly way of protecting. And those exports (and this was the case of exports of primary products in Argentina, that were already competitive) will see their prices increase, and therefore production will increase, and therefore prices will finally fall. Then Viner said, “Put a tax on exports”. “But my dear [sir],” I replied, “This is intervention into the market. What is the difference between a tax on exports to prevent a fall in prices of exports, and a selective tax on imports?” Nonsensical. This is all. Even when I qualified these points, when I explained these points, still I was accused of incredible things in this matter.

D.P. Why do you think that happened?

R.P. Because of second- and third-hand reading. And because there is a prejudice that probably you have seen, [as] a member of a northern university. Really, David, there is a certain arrogance and disparagement. They don't take us seriously. I'm sure that in Harvard they don't take us seriously. We are second-class economists, or even third class. We are underdeveloped economists.

D.P. But could it also be because you represented a challenge to U.S. exports, through your import substitution measures? And also because of your criticisms of transnational corporations? The U.S. private sector and the U.S. government were worried that your theories would have a doubly adverse effect on them.

R.P. You are right. Let us take it bit by bit. I went to see Frank Southard¹⁴ about the Latin American Common Market. He was an open-minded man. I put as a case that we were thinking of producing cars. “But would you deprive us of our export market?” “Yes,” I replied, “but as a result we could import more.”

D.P. Import more capital goods?

R.P. “Well,” he said, “the immediate effects would be this. In the longer run something else may or may not happen.” He saw the immediate effects. There was no long-term policy conception. It was a plea of immediate interests. But I was thinking not only of immediate measures, but in longer run development terms. Don't forget that the long term starts now. You have to build the short-term programmes within the framework of your conception of long-term programming.

D.P. [What about] transnational [corporations]?

R.P. As always happens, the pendulum went too far. We have seen transnationals everywhere. We have built a theory of transnationalization. I think that it is necessary, here again, to try to build a policy. Let me take the case of oil. In 1955, during the short period when I was advising the Argentine government, I opposed with great firmness a policy of “open-door” to oil companies. Argentina, for several reasons had to increase its production of oil. So it was necessary to have the cooperation of the oil companies. I said to the President [Aramburu]¹⁵, “Don't give concessions. Try to get service contracts from the companies.” The attitude of the companies was against this. Do you remember Mr. Vance, who was head of the Export-Import Bank? He went to Santiago. He said to me: “I am a Republican. I consider that oil companies should be free to invest without conditions. And I may tell you that I'm willing to recommend to my government (he was a very influential man) a different policy; a policy of negotiations, joint ventures and service-contracts, as you had preached.” I took the first plane, at 12 o'clock precisely. I went immediately to see the Minister of Finance. Unfortunately, the day before, President Aramburu made an ambiguous declaration that was to change our policy. When this was known in New York and Washington, they retreated. And the country would have to wait for many years. Now the companies are prepared. They have learned. We need the transnationals, but with very clear rules of the game: duties, obligations and rights. We have to find new policies. First, a selective policy, we have to define where we need them and on what basis. The danger is that, in this very difficult situation, they would try to force the governments to give very favourable conditions.

¹³ Jacob Viner (1892-1970), the leading trade theorist of his generation in the United States.

¹⁴ United States representative to the IMF, 1948-1950.

¹⁵ Pedro Eugenio Aramburu (1903-1970), President of Argentina 1955-1958.

D.P. *This all leaves me with the feeling that the ECLA thesis or the Prebisch thesis of 1950-1960 continues to have considerable relevance for Latin America today.*

R.P. [For instance,] import-substitution, not as a theoretical preference, but insofar as we cannot find sufficient markets for our exports. That's all. We need to increase our income. We need to import more. Insofar as we cannot import more by paying with exports, then we have to pay with our own production.

D.P. *What's interesting to me is how the analytical rationale still goes back to the writings of 30 years ago. There are really very few new thoughts today on "what to do" about the external constraint that were not contained in the ECLA thesis of the early 1950s.*

R.P. I regret to say so, but the Centre-Periphery concept has not changed very much.

D.P. *Nor has the terms of trade theoretical rationale; nor has the import substitution industrialization concept; nor has the concept underlying regional cooperation.*

R.P. I would like to see –really, David– a revolutionary presentation of new ideas.

D.P. *You were in ECLA from 1950 to 1963 as Executive Secretary. I want to go back to some things that happened during that period. I'm going to start with the Alliance for Progress¹⁶. That was, for its time, a noble experiment. Tell me how you got involved in the Alliance.*

R.P. I would say that for me there were two different episodes. Adlai Stevenson¹⁷ visited Buenos Aires with Senator Benson, who was a very sympathetic man. Both of them asked to see me. Stevenson put some very pertinent questions. This was before the Alliance. At the end, after thanking me for the hospitality, [Stevenson] asked me to write a memorandum to him. I did so. And he used this memorandum as a basis for an article that he published soon afterwards in *Foreign Affairs*. I don't know if he was influential or not with John Kennedy.

¹⁶ The Alliance for Progress, a Latin America-wide development programme, was announced by President John F. Kennedy in March 1961. Through it, US\$20 billion in foreign aid was to be channeled into the region over a 10-year period.

¹⁷ Adlai Stevenson (1913-1965). President Kennedy appointed him U.S. Ambassador to the United Nations, with cabinet rank.

Now, let's turn to the Alliance for Progress. I was not the promoter of the Alliance for Progress, but I jumped on the wagon when the train was starting to move. Not because I was against, but it so happened. I underline this because many people believe that I was the intellectual author of it. The Organization of American States, during Kennedy's early years, attempted to introduce new life into itself, and formed a committee of some 15 or 20 people, the majority of whom were Latin Americans.

D.P. *The OAS asked ECLA to send some people to Washington to help?*

R.P. Yes. The papers of ECLA were the basis, and our presence contributed further. The OAS saw the opportunity to get new force. Some weeks later, after the presentation of this document by the OAS to the State Department, I had a meeting with José Antonio Mayobre (the Venezuelan Ambassador [to the U.S.]) plus Felipe Pazos¹⁸ and Felipe Herrera, who was already President of the Inter-American Bank. Alfonso Santa Cruz was in Washington and Jorge Sol was very active. He was the head of the Department. [I drafted a letter for the group to President Kennedy, saying] "This is the moment to act: to have a hemispheric policy toward Latin America." And Mayobre, as the most important man, being Ambassador, delivered this letter personally to the President. And the President received it so well that, a few days later, he said that the fundamental ideas were ideas of the Economic Commission for Latin America of the United Nations. Imagine how we felt, how excited! Well, this is the positive part. What is the negative part? That Richard Goodwin,¹⁹ without consulting us, gave to this document the name "Alliance for Progress." This title sounded to me [like] a "Holy Alliance!" It was not an Alliance: a mistaken and an unfortunate name. I was supposed to be Chairman of a Committee for coordinating the activities. But the Argentine delegation opposed me.

D.P. *Why? I thought you said earlier that they supported you?*

R.P. They did in ECLA. But I was acquiring too much power and importance, and this is very serious in

¹⁸ Felipe Pazos (1913-2001). Cuban economist, IMF staff member from 1946 to 1949.

¹⁹ Richard N. Goodwin was special adviser and speechwriter for President Kennedy (1961), Assistant Under-Secretary of State for Inter-American Affairs (1961-1962), and Director of the International Secretariat of the Peace Corps.

Argentina, I'm sorry to say. So I had to help on this Committee as a consultant, without any power. The Alliance, as you know, was attacked both in the U.S. and in Latin America. In [the] U.S., business interests had the following thesis: "Why think in terms of social reform? First stimulate growth, and then afterwards take measures for better distribution of income." And in Latin America the landowners resisted the idea of agrarian reform. Only the personality of President Kennedy, and his personal influence on government, could have saved the Alliance. But he died.

D.P. *The U.S. business community was against the Alliance because of what?*

R.P. For them Latin America was a source of profit. Anything that could adversely affect those profits was bad. Land reform in itself was convenient. But wait until the country is prosperous, very prosperous, before introducing all these types of reform.

In some countries the landowners said they would raise the flag against foreign companies. In Chile for example. This was utterly unfortunate. Then came CIAP [the Inter-American Committee for the Alliance for Progress]. The World Bank did not pay any attention to it, it continued taking its independent decisions. At the beginning, Latin American countries sent good delegations. When the group of "Nine Wise Men" was replaced by the representatives of governments in Washington, Embassy Secretaries were sent, people without any qualifications. I always remember that, due to the efforts of [Carlos] Sanz de Santa María, the American government went there. [He] made a great effort to get the presence of high-level representation from the U.S., and he obtained that. The Latin American representation was disastrous. No questions from them. So that Carlos Sanz, Walter Sedwitz²⁰ and myself had to put the questions. This persuaded me that all this experiment was condemned to failure.

D.P. *One of the implicit criticisms that you are making of the Alliance for Progress is that there never was a boss.*

R.P. That's it.

D.P. *I'd also like to talk briefly about ECLA and you on the one hand, and the IMF and the World Bank on the*

other. There has been a long-standing history of an adversarial relationship, at the intellectual and analytical level. During the 1950s and the early 1960s (until you went to UNCTAD), ECLA and the IMF saw the problems and therefore the solutions of Latin American development from very different lights.

R.P. Yes. The theory of the Fund was based on the conception that a balance of payments deficit was the result of internal mismanagement. ECLA would not deny internal mismanagement. I would have been the last man to do that, because of my long experiences in Argentina and my reading and writing of Argentine monetary history. But to attribute to internal factors what very frequently was the result of external factors was a real calamity, a real theoretical calamity. For instance, a favourable balance of payments during a boom in the centres would increase imports that were the source (the sole source or the greatest part) of taxes. And the Treasury was worried as expenditures would increase. And when the slump came, the deficit in the balance of payments was unavoidable. The thesis of the IMF was always "restrict credit to decrease imports." And we said, "Yes. But the way to decrease imports is through a selective policy, that would at the same time give impetus to new import substitutions." Because, in the long run, import substitution is essential. The Fund would not link the two things, import substitution (because it too was against the laws of the market), and selectivity of imports (because it was an unacceptable interference in the market). This was from the point of view of monetary policy, the most important element in our disputes with the Fund. Years later, many years later, when Pierre-Paul Schweitzer²¹ became head of the Fund, we got along personally very well. And I remember that in one of the dinners of the Fund he told me, "You know, Raúl, when I joined the Fund you were presented to me as the Devil. I was told to be cautious with you." Then there was de Larosière,²² [I remember] once, in the middle of his first period, he said in a speech in Switzerland, "the Fund has always considered that balance of payments disequilibrium in developing countries is due only to internal factors. That is not so. We have to give importance to external factors also."

²¹ Head of the IMF, 1963-1973.

²² Jacques de Larosière, Managing Director of the IMF from 1978 to 1987; Governor of the Banque de France from 1987 to 1993, and President of the European Bank for Reconstruction and Development from 1993 to 1998.

²⁰ Senior official of the OAS and Secretary of the Inter-American Economic and Social Council responsible for supervising the Alliance for Progress.

D.P. *He was the first one to say that publicly?*

R.P. [He was] the first one to say that out loud and clearly. A few days later, I was at a cocktail party at the Fund when they said goodbye to one of the high officials, I said, “Monsieur de Larosière, I congratulate you. You were an innovator when you said what you said in Switzerland.” And he replied, “Yes, but I would like to innovate much more. However I have resistances.” “Well,” I said, “Pope John XXIII had the same resistances!”

D.P. *I want to talk to you about the IBRD, the other Bretton Woods twin²³. You and ECLAC had intellectual difficulties with the Bank. Not quite so strongly adversarial [as with the IMF], but adversarial nonetheless. Was that because the World Bank was not so important? They were equally orthodox for a long time.*

R.P. I will tell you an anecdote that will give you a glimpse of this. In my Argentine report in 1955, I was preaching industrialization, and the need to promote private initiative in industrialization. [First, use] macro intervention of the State to create the broad lines, and then let private initiative take advantage of this. Some weeks after, I had to visit the Vice-President of the World Bank, Burke Knapp, a very cordial and sympathetic man. And Demuth²⁴ was there. Demuth said, “Why are you opposing private initiative in industrialization, and promoting the growth of State enterprise? Why are you recommending this?” “What?” I said to Burke Knapp, “That’s utterly disconcerting to me. I was attacked in my own country (as well as in other countries of Latin America) for the way I was speaking in favour of private initiative in industry as well as in agriculture and other activities. How is it that the Bank, that should be well informed, ignores this and instead presents me as a man promoting the growth of State enterprises? I never did, because I never believed in that.” Well, that shows you how –even in institutions and circles where they should know better– they hear something but they do not take pains to see what is the degree of truth. And this is built up as a consistent theory against you and against your own thinking. This is the unfortunate part.

²³ International Bank for Reconstruction and Development, the original name of the World Bank.

²⁴ Richard Demuth, a World Bank economist, who worked on agricultural matters, among others.

D.P. *So ECLA was a gadfly to the Bank and Fund. You were considered as not paying sufficient attention to neoclassical theory?*

R.P. Yes. Because I was not a neoclassical in the sense that I considered that, even if it is true that private initiative was absolutely important, it also had to be combined with planning, with the broad lines of planning, and this is what they did not accept.

D.P. *All right. But after Eugene Black left [the World Bank] and Robert MacNamara²⁵ came in with Hollis Chenery,²⁶ the attitude wasn’t quite the same. It began to be a little better.*

R.P. Yes, with MacNamara and with George Woods.

D.P. *Yes, he was in between.*

R.P. MacNamara was always very cordial with me, but that’s all. Chenery knew ECLA. Once before, we [had] invited Chenery to spend a few months with ECLA.

D.P. *So with Hollis Chenery, Mahbub Ul Haq²⁷, Drag [Avramovic]²⁸ and MacNamara, there was a different intellectual atmosphere in the Bank. [But in general] in Washington, even our little ECLA Washington office was considered somehow a beachhead of intellectual opposition. Not only to the U.S. government, but also to some of the specialized agencies of the United Nations. In other words, ECLA had the reputation of being a potential threat to the policies of the U.S. government, of the Bank and [the] Fund, and GATT.²⁹*

R.P. Well, there are two sides in this picture. One thing is the intellectual power that was one of our objectives, with political implications. Not the transfer of power from these institutions to UNCTAD; the most that it could get (and this could have been very important), was to be the centre of elaboration of new ideas, and the transformation of these new ideas into political forces. Not to try to manage the Bank or the Fund, but rather

²⁵ Robert MacNamara, U.S. Secretary of Defense, 1961-1968. President of the World Bank, 1968-1981.

²⁶ Professor of Economics at Harvard University and Chief Economist of the World Bank under MacNamara.

²⁷ Mahbub Ul Haq (1934-1998), Pakistani economist and Vice-President of the World Bank under MacNamara.

²⁸ Deputy Director of Economic Development of the World Bank in the early 1960s and subsequently a member of the Board of Governors of the Bank.

²⁹ General Agreement on Tariffs and Trade.

to examine what they were doing, to criticize, for instance in the case of the Fund, its policy of conditionality. One of the most important roles of UNCTAD could have been a severe criticism of the policy of conditionality. Not to say "We do not like conditionality," but [rather] "how conditionality could be applied."

D.P. *Don Raúl, I want to ask you about why you created ILPES?*³⁰

R.P. I did not create ILPES. The first idea about creating the Institute came from David Owen. He said, "Raúl, when you retire, you should have a research centre as part of ECLA." I said, "Fine idea." This was a conversation perhaps at the end of the 1950s. Once, I was asked by Paul Hoffman to go to New York and visit him. I did. "I will [allocate] resources for you to create a planning institute for Latin America," he said. Probably David Owen explained this idea to Paul Hoffman, and Hoffman—who established the International Development Institute—was a businessman with a very broad view of the world. We became good friends and he gave me the idea, but I did not ask anybody [to create] ILPES.

D.P. *Now that we've mentioned ILPES, how do you feel about it now?*

R.P. Not enthusiastic, ILPES is lacking in resources. It has been living a very precarious life. It doesn't have a research staff with continuity. And Latin America needs a research staff as a complement to ECLA.

D.P. *Let me go to regional integration. One of the great achievements of ECLA was to expand the concept of import-substitution industrialization from the national level to the regional and sub-regional level. And then to actually do the staff work for the creation of LAFTA,³¹ the Central American Common Market, the Andean Group, and in some ways too, CARICOM.³² So that was one of the specific practical and pragmatic achievements of ECLA. You were a father of regional integration in Latin America. How do you feel on looking back? What should have been done differently? How do you assess ECLA's contribution to Latin American regional cooperation?*

³⁰ Latin American Institute of Economic and Social Planning, now Latin American and Caribbean Institute of Economic and Social Planning.

³¹ Latin American Free Trade Association.

³² Caribbean Community.

R.P. This is a matter very close to my heart. I consider one of the most vital interests of Latin America [is] to give a strong impulse to this idea. Why has it not advanced beyond a certain point? It was not a failure. It was not a success. It was a mediocrity, a typical Latin American mediocrity. Let us start by saying that during the long years of prosperity of the centres, when Latin America was finally persuaded about the need and the possibility of exporting manufactured goods, the pendulum went the other way. First, the pendulum was in favour of import substitution, forgetting about the export of manufactures. We were the first to say (and I wrote this report at the beginning of the 1960s) that industrialization in Latin America was asymmetrical. We gave impetus to import substitution but we did not give symmetrical treatment to the export of manufactures. Duties on the one hand and subsidies on the other, we were the first, and I underline this because we were accused of being responsible for import substitution and against exports. That was not the case.

The Latin American countries took advantage of the boom years. Some of them were highly successful, following a very intelligent policy (like Brazil) and a consistent policy. Argentina started too, but then came the disaster of lowering import duties, believing that other countries would follow and we would liberalize the trade of the world. An overvaluation of the currency and plenty of money to pay for imports of manufactures destroyed a great part of the industry in Argentina, and therefore of the exports that had started in Argentina. Now we have to rebuild all this. Lack of consistency, David, was the main sin. And wrong ideas. I put in a parallel way Brazil and Argentina. We have to learn from the past, we cannot repeat ideas that we conceived 25 years ago. I was personally under the neoclassical conception of free trade ("Let us assure a growing free trade area in Latin America. Give time for industry to adapt to a lowering of duties. Give as much time as necessary"). In the light of experience, I think that was a mistake. Let us see what is the real problem. It is our deficit with the centres, for well known reasons. To this you must add oil imports. Let us concentrate on import substitution of those goods that are responsible for our deficit with the centres (insofar as we cannot export in sufficient amounts to pay for these imports).

D.P. *Imports of capital goods and intermediate products?*

R.P. Yes. And the new goods produced by technology, all these gadgets that you take enthusiastically. It so

happens that these are the goods that generally need broader markets. The old idea, this is the positive part of our preaching of a quarter of a century ago. Not the rest. But what is the lesson of this experience? Countries such as Brazil, Argentina and Mexico (not so many others) that are in [a] condition to export capital goods, but not at international prices, according to their own schemes, could do that via a system of trade preferences by the other countries. Let us say by Uruguay or Ecuador giving preferences to Brazil, Argentina and Mexico. But who pays the cost of this? Not Brazil. Not Argentina. The cost is paid by Uruguay and Ecuador. Why would they pay this cost? The idea was that they would receive –that they would be able to export—manufactures or other products to Brazil, Argentina and Mexico, receiving preferences from them. That may happen. My present idea is the following. Countries interested in exports should give a subsidy, according to certain established rules, in order to offer prices equivalent to international prices. So that the less developed countries of the area would be tempted to import from them. Even so, this could create a surplus in favour of the great markets. Part of the surplus should be used in a fund [created by Brazil, Argentina, and Mexico] to promote the establishment and development of industries that could export at competitive prices, with subsidies if necessary. [This scheme would not require] from Brazil the full opening of markets, but at prices competitive with internal prices. Not cutthroat competition.

D.P. *If this Fund was created and Brazil had an export surplus, and was going to give part of the Fund to Uruguay (to produce industrial goods that Brazil wanted to import), who would own the industry in Uruguay: the Brazilians or the Uruguayans?*

R.P. Both. I would like to see Brazil, Argentina and Uruguay working together. Not only for developing these industries but also for export purposes. So that, if they established one plant in Brazil, another plant would be established in Argentina. They would divide the work. In Brazil for certain types of capital goods; in Argentina for other types of capital goods. But the same enterprise, if possible. To merge interests.

D.P. *It makes sense for Brazil and Argentina. But does it make sense for Uruguay and Ecuador?*

R.P. If they will receive imports at international prices or close to international prices, at the same time they will have resources for developing their own industries.

D.P. *From this new fund?*

R.P. Yes. And if this could be matched by the Inter-American Bank or the World Bank—if they recognized the need for import substitution on broader lines—this would be perfect.

D.P. *So what you're really saying is a scheme like LAFTA or the Central American Common Market, but one that could be implemented at the level of two countries or more. It could be very practical.*

R.P. Yes, and another advantage is that, at present, according to the new ALADI³³ system, Brazil (let us say) obtains from Uruguay a preference, giving Uruguay a concession. Then Mexico comes and says, “I am willing to give a concession to Uruguay. Give me a preference similar to that of Brazil.” Brazil may say, “But I gave it this concession on the basis of having this advantage. Now let us renegotiate.” On the contrary, in this system, it is open. Brazil is given a subsidy for the export of machinery to any Latin American country entering into the system. If Mexico or Argentina would like to export the same goods, all right. There's more competition. All of them would have to contribute to the fund and follow certain rules. Subsidies could not be given on wild terms. Some rules would have to be established. It's not easy. We would have to abandon preferences.

D.P. *You mean abandon GSP³⁴?*

R.P. No, preferences inside the area. This deserves careful consideration. I may be wrong—I accept that possibility—but also I may be right.

(Original: English)

³³ Latin American Integration Association.

³⁴ Generalized System of Preferences, established by UNCTAD under Prebisch's leadership.