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Lip-service to “aid by trade”

Intereconomics

Lip-Service to "Aid by Trade"

In New Delhi, the industrial countries undertook to make 1 per cent of their gross national product available for development aid. Only six countries reached this rate in the past year, and there is little hope of a general increase during the coming year. Two important donor countries will be curtailing their contributions still further. The newly elected US President, Mr Nixon, is likely to be as little averse as was his predecessor to cutting down his excessively large budget by reducing aid allocations. And the British Prime Minister, forever plagued by crisis, has no other way out than to resort to the makeshift of cutting down on development aid in order to reduce at least partially the constantly recurring deficits.

It is for these reasons that increasing stress is being laid on self aid now that planning has begun for the second development decade. As in the past, so in the years to come, lip-service will be paid to the overworked old slogan of "aid by trade". It must be said that so far this strategy has not had the hoped-for success, and there is no reason to think that it will be more successful in the future considering the attitude of the industrial nations towards the developing countries, whose exports consist primarily of raw materials. Nowadays there is hardly anybody who seriously contests the theory of the decline of raw material prices relative to other prices. Discussions have been going on for years on why different methods of calculation should have produced different results, and yet there is still no agreement on the proposition that a policy of self aid and of further incentives could begin effectively with a stabilisation of raw material prices. The developing countries put a proposal to this effect on the agenda of UNCTAD II, but met with little sympathy from the representatives of the industrial countries even at that time. At New Delhi it might still have been possible to excuse this negative attitude by pointing to the lack of time and preparation and to indecisiveness and disunity of the developing countries. But in the meantime it has become clear that this attitude is also due to reluctance on the part of the rich countries to enter into negotiations on this issue.

The Sugar Conference in Geneva was held without the participation of the USA and the EEC. This time the United States staged a walk-out from the Conference, just the same as some African countries during the speech in New Delhi of the South African delegate—an act for which they were strongly criticised. As the Americans see it, the Sugar Agreement has been concluded not so much in order to help a great number of developing countries as to strengthen the bogy of the capitalists—Cuba. The EEC boycotted the Agreement because of the export quotas, which the Secretary General of UNCTAD, Mr Prebisch, had undoubtedly fixed at too low a level. The "Six" who in the field of agriculture pursue an ingeniously contrived protectionist policy are alarmed at the prospect of raw material agreements upsetting the price mechanism on the world market!

The latest initiative of the World Bank and the IMF—a study of the causes and backgrounds of fluctuations in raw material prices and the means of avoiding them—also contributes but little to a solution of the problem. The study does nothing but reopen the wearisome discussion of facts that have for long been only too well known. For the fact that most developing countries have need of diversifying their export structure is hardly any more news than the recommendation for the creation of buffer stocks or the warning that excessively high raw material prices favour the maintenance of the status quo. A large part of these questions could be settled by negotiation. But for this to be possible a l l industrial countries would first of all have to regard development aid as h e l p in the true sense of the word—help, if need be, even in the political sphere—and to show that they are prepared to negotiate and make concessions. Even if it is impossible to increase direct grants, nothing should be done at least to put further obstacles in the way of self aid.

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