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How to Avoid a Disaster

By their spectacular policy of turning oil into a scarce commodity the OPEC countries have not only severely hit the industrialised countries but done grave harm to many states of the Third World who are their friends. The community of the "underdogs" of the world economy exists no longer in its traditional form. The difference between rich and poor is no longer the distinguishing mark only of the relations between industrialised states and developing countries; the widening gap is also cutting right across the group of 77.

While some regions favoured by nature are at present swamped by money, the people in others stand in fear of losing the wherewithals of bare existence. The estimates of the threatening dangers may well be incomplete and imperfect. Nevertheless they give an idea of the additional burdens due to fall on the world economy. To go by cautious World Bank forecasts, a minimum of \$ 3 bn will be needed in the LDCs to cover the extra cost of oil. Others assume that as much as \$ 10 bn will be needed by the 25 poorest countries alone to hold their supplies of raw materials, foodstuffs and fertilizers at their present low level.

In the European Community the view has been expressed that close on one billion people are doomed unless swift and effective measures are devised and put through to afford redress for the high cost of energy and raw materials. This may be a somewhat exaggerated figure, but even if substantial corrections have to be made, the world has certainly stumbled into a disaster situation of hitherto unknown dimensions.

UN Secretary General Waldheim has therefore been pressing for months to achieve as quick and uncomplicated a solution as possible. He wants to set up a fund for the hardest hit LDCs in order to save what can still be saved. These efforts have generally been taken note of with approval. There is scarcely a statesman zealous of his reputation (and who isn't?) who has not affirmed his support for appropriate schemes.

To start with, the industrialised countries and the oil states tried to saddle each other with the responsibility. After a while the Shah of Iran suggested the setting-up of a new Development Bank to which both groups should be parties. This bank was to provide about \$ 3 bn a year. His plan met

with general consent. The World Bank and the IMF felt immediately able to undertake this additional job. The European Community had concrete proposals for financing it: The EC and the USA were each to provide \$ 500 mn, the oil producing states together \$ 1,500 mn, and Japan, Canada, Australia and the other industrialised countries were to raise the rest.

That the plans and proposals were more or less alike could not however conceal the fact that most of the interested parties were holding entirely different views about their realisation. Several EC countries showed a rather marked reluctance to join in at all. Others did not want to surrender the principles of their development policy, such as regionalisation. Besides, it did not emerge clearly how possible overlapping of competences could be avoided between the World Bank and the IMF. Finally, the OPEC countries indicated that they had also different ideas, for they decided to establish first, and independently from the industrialised countries, an OPEC fund for LDCs.

Neither in this instance nor in regard to the other suggested solutions is there any agreement on which countries should be alimented by the fund. The EC spoke mostly of 25 states, the World Bank sometimes only of 12. This point at least should have been cleared up before determining the capital needs of a new fund!

In development policy however one has unfortunately to get used to such things. Even when disaster strikes the old maxims are not abandoned — and that means: lip-service as a mark of consent combined with delaying tactics. A good many examples could be given — even when more money has not to be provided as for this disaster fund. For even if a fund were set up, the industrialised countries would merely alter the mix of their development aid. That additional money must not be expected from them was shown by the difficulties in the USA, the cut of proposed increments in the Federal Republic which even caused the Minister concerned to resign, and the announcement in Japan that no more loans could be given to the World Bank, at least not in 1974. What else, one may wonder, must happen to bring about a world-wide consensus to ward off a catastrophe which can be so clearly foreseen?

Dietrich Kebschull