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## Development aid: Thinking in new dimensions

Intereconomics

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merit of having told the world in what an awkward dilemma the oil-producing countries find themselves. If — assuming they have the absorptive capacity — they import more goods from western industrialised countries, they become dependent because foreign trade always creates "dependence" upon others. If, insofar as they cannot absorb more imports, they invest in western countries, they also become dependent, according to Boumedienne. To bury the money in the sands behind the boreholes does not seem to be very wise either. There remains the possibility of investing in other developing countries, which are certainly in urgent need of capital, but their present indebtedness and the available investment opportunities in these countries do not make such use of the capital either safe or profitable. Unfortunately Boumedienne did not say what countries like Saudi Arabia and Kuwait are to do with their oil dollars. Perhaps he will in his next interview.

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#### *Development Aid*

### Thinking in New Dimensions

It is not only in the Federal Republic of Germany that the energy price crisis triggered off by the oil-exporting countries of the Third World has re-awakened feelings of resentment, which seemed to have faded away long ago. The acquisition by the Shah of Iran of a financial interest in the Krupp AG, which caused something of a sensation, and — to mention just a couple of other examples — the purchase by the Government of Kuwait of a shareholding in Daimler-Benz, one of the German prestige firms, and St Martin's Property, a highly thought-of British property company, has caused the opponents of development aid to take up the cudgels again.

Not unfrequently the whole of the Third World is made to stand proxy for the oil countries. Certain circles in the industrialised countries will only tardily and sometimes reluctantly accept that the great majority of developing countries are affected more acutely by the oil price crisis than the industrialised states and that several hundred million lives in Third World countries are now threatened by starvation. The situation is such that more development aid is urgently needed which however will have to be restructured and readjusted to the new situation. As the financial capabilities of the traditional donor countries have fallen off, it is more imperative than ever that a worldwide partnership and cooperation in development aid is sought. This must include the oil-exporting countries in particular. The oil-rich developing countries cannot and do not want to do without continued technical aid by the indus-

trialised states either now or in the long run. They possess the financial resources to participate in the provision of capital aid for the other Third World countries, but have so far only volunteered vague declarations of intent. Their participation therefore still remains doubtful, but will most probably be one of the crucial factors for efficient development aid.

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#### *Italy*

### Unending Crisis?

In his speech on entering office Italy's new Premier, Moro, spoke of the gravest economic crisis for 30 years. Italy's dismal economic situation is characterized by rapidly mounting foreign indebtedness (\$ 20 bn at present), inflation rates of nearly 25 p.c., exceptionally high cost of credit and a definite recession, which is spreading over more and more industries. To go by what the men in charge of economic policy are saying, quite a few changes are to be made, for Moro has promised that the export industries and building trades, which are crucial for the stimulation of the production apparatus, are to receive favourable treatment.

The first steps have in fact already been taken. There are at least indications of a change of course in credit policy: In time for Christmas the Government's credit committee provided many alleviations and incentives for investment and exports. The Government had however misgivings about the reduction of costs by lowering of the bank rate and easing of the drastic credit restrictions, which had been imposed to counter inflation.

Italy's trading partners are now wondering whether the Government will be able to cope with the severe disruption of the economic relations with other countries by undertaking a consolidation of the internal economy. Italy has had to draw too often in the past ten years on international standby credits without achieving a decisive improvement of the internal economy. Further foreign support can only be expected in future if the Government measures point to a real turn-round and hold out the prospect of an improved economic situation and a disciplined balance of payments policy.

The credit and capital market initiatives are certainly an important step in this direction. But much will depend on the right dosage of selective measures being applied, for large trade union claims are pending and the international indebtedness calls for moderation in Italy's credit policy.

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