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Development aid: Thinking in new dimensions

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merit of having told the world in what an awk-
ward dilemma the oil-producing countries find
themselves. If — assuming they have the absorp-
tive capacity — they import more goods from
western industrialised countries, they become de-
pendent because foreign trade always creates
"dependence" upon others. If, insofar as they
cannot absorb more imports, they invest in west-
ern countries, they also become dependent, ac-
cording 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 invest-
ment 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.

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 sensa-
tion, 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 com-
pany, 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 affect-
ed 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.

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 situa-
tion 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 prom-
ised that the export industries and building trades,
which are crucial for the stimulation of the pro-
duction 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 ex-
ports. The Government had however misgivings
about the reduction of costs by lowering of the
bank rate and easing of the drastic credit restric-
tions, which had been imposed to counter infla-
tion.

Italy's trading partners are now wondering
whether the Government will be able to cope
with the severe disruption of the economic rela-
tions with other countries by undertaking a con-
solidation of the internal economy. Italy has had
to draw too often in the past ten years on inter-
national standby credits without achieving a de-
cisive improvement of the internal economy. Fur-
ther 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 im-
proved economic situation and a disciplined bal-
ance of payments policy.

The credit and capital market initiatives are cer-
tainly 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 indebt-
enedness calls for moderation in Italy's credit
policy.

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