

Kebschull, Dietrich

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The Alternative of New York

The Seventh Special General Assembly of the United Nations ended on a note of distinct surprise, for contrary to a multitude of bleak prophecies, there was no confrontation in New York between industrialized and developing countries.

Evidently, the representatives of many of the countries of the Third World, from the very beginning, harboured scant hope for the fulfilment of their extremely far-reaching requests to establish a new world economic order. Otherwise, the forceful applause welcoming the offers made by the US and the Federal Republic of Germany would remain inexplicable.

The Foreign Ministers of both states had not carried on official consultations prior to the Conference. However, the strategies which the two suggested were almost identical. In contrast to their past responses to the developing countries' various requests and demands, the two protagonists of a liberal policy on international trade displayed an astonishing willingness to concede quite a number of requests.

The conclusion of commodity agreements and the setting up of a comprehensive system for stabilizing export proceeds have been accepted as making sense, as much as a rapid – and mainly one-sided – dismantling of all obstacles to imports from developing countries. Moreover, the industrialized countries have now adopted a more positive attitude to the establishment of a link between Special Drawing Rights and development aid.

Proposals of this kind are typical for the alternative offered by Western industrialized nations, instead of the conceptions of developing countries concern-

ing a new order of the world economy and an integrated commodity programme. The US, the Federal Republic of Germany, and other member states of the European Communities do not agree at all with the desired protectionist measures, including worldwide producers cartels, index-linked commodity prices and a giant control machinery. Their concept aims at extending and evolving the system of free markets in favour of the developing countries.

Once such a target has been adopted, it becomes inevitable to abolish all forms of protectionism which affect the developing countries' competitive ability. Customs duties and non-tariff trade barriers will have to disappear, in the long run, as well as state subsidies paid to uncompetitive national industries and the entire agricultural policy will have to be revised thoroughly.

The concept of "aid by trade", in the past, however, has not foundered exclusively on the obstacles which industrialized countries built up as barriers to imports. That is why supplementary measures in favour of developing countries will still be indispensable, if liberal trade principles are to be successful. It will be necessary to adjust and correct the operations of a free market if and when its results militate unequivocally against Third World producers.

In the same way as within any national free market there apply measures of social support for certain groups of people, comparable methods ought to be used for assisting the weaker groups of countries or populations that try to compete in a free world market. Up to now, the social element in the

foreign trade policies of the Western industrialized nations operated almost exclusively in the form of tariff preferences. But Kissinger and Genscher have now made it abundantly clear that they are willing and prepared in the future to advocate a considerably broadened form of "outward-directed social market economy".

In this context, it must never be forgotten that all such measures can be applied for limited periods only. Their purpose is to facilitate structural adaptations and thus to improve the degree in which developing countries are integrated in the economic network of the whole world. One should never aim at the *permanent* establishment of support measures for the Third World – in the developing countries' own interest – including commodity agreements, buffer stocks, or the stabilization of export earnings. Whether the alternative policies outlined in New York can be successful will depend in decisive measure on whether the declarations of friendly intentions will, in fact, be backed up by actual helpful deeds.

There is one more reservation: The new proposals open up a practicable way out of their difficulties only for such developing countries whose export trade is strong. There is a vast group of states with much lower surpluses of goods that might be exported. These are, generally, also less competitive and have remained on a rather low level of economic development. They would hardly be able to reap the benefits of a social market economy in the forms proposed. To aid these nations, industrialized countries will have to draw up additional aid programmes that are adapted to their situation. *Dietrich Keschull*