

PRESS CONFERENCE

BY

MR. C. CHEYSSON ON THE COMMISSION PROPOSAL TO SET  
UP A WORLD FUND FOR EMERGENCY AID TO THE DEVELOPING  
COUNTRIES

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for development and cooperation policy.

I have not come this afternoon to talk to you about internal European affairs and this will obviously be a disappointment for you. I am going to speak about a world problem which concerns us enormously and with respect to which the Commission yesterday decided to take a step which I personally consider to be very important and which also proves that the European institutions are not yet as in articulo mortis as some people are wont to say.

The last time we met I told you that we were undertaking a very detailed analysis of the consequences of the increases in raw materials prices for the developing countries. I said at that time that we were faced with several types of situations and I summed up as far as possible by pointing out that a number of countries benefit from the increase in the price of raw materials as they earn more from their exports, but that there were others whose exports have not increased in value either because the prices of their exports have not risen or because they export very little. These are the countries which I wish to talk about today. They have felt the impact of the higher prices for their imports, and even if we confine ourselves to products which are vital to a country's existence, those without which they simply cannot live, the effect is dramatic. The total figure is already well known: in 1974 the developing countries as a whole will pay 10,000 million dollars more than before for their oil products and about 5000 million dollars more for indispensable foodstuffs and fertilizers.

However, this line of thought becomes really striking when we analyse the situation of those countries whose exports have not increased in value. It emerges that the pattern of payments of about 25 countries in the world has abruptly deteriorated by between 3 and 3.5 thousand million dollars. This means that, taking into account the slight increase in their income, they must pay out between 3 and 3.5 thousand million dollars more. The most striking case is clearly that of India, as the deterioration in the payments situation of this country alone will be 1.5 thousand million dollars. In 1974 India must find 1.5 thousand million dollars more for the same imports as in 1973. For purposes of comparison I would remind you that world aid to India is about 1000 million dollars, including aid for the consolidation of debts, i.e. money which India does not receive. In these circumstances the economy ceases to exist and there is no longer any chance of survival.

This then is the situation which faces 20 to 25 countries. Those worst affected are undoubtedly the very densely populated areas of Asia: India, Pakistan, Sri-Lanka, Bangladesh and also about 10 African and Latin American countries. The situation seems to us so serious that we believe these countries are about to experience an incredible and, in fact, almost unimaginable crisis in their terms of payments situation if no answer is found and the effects of this catastrophe which has fallen upon them from the skies, are not offset. We also believe that the effects will extend beyond these countries. You are aware, as Mr. Boerma the Director-General of the FAO reminds us every week, that the world is confronted with a very serious food situation. We have already seen that those countries which have no more money have reduced their fertilizer imports. This may lead to a fall in world agricultural production. If there is such a fall I have no idea how far prices will climb - it's anyone's guess - and there will be famine and all kinds of inconceivable horrors, and the entire world economic system will be shaken. This has already been said in general terms by various people. However, I believe we are the first to be able to say it with any precision because of the detailed studies which we have made on the development of the balance of payments in the developing countries in the coming years. In view of this urgent situation which afflicts part of the world the remainder of our aid programme is becoming derisory. What I mean is that offering 1000 million dollars to India when it must pay

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1.5 thousand million dollars for the same goods as last year renders our 1000 million dollars meaningless. And I could say the same thing with regard to Kenya, Senegal or Costa Rica.

The effects of this crisis must, therefore, be neutralized. So that there is no misunderstanding as regards our proposal, we are not putting forward a new development aid policy: we must return to the previous situation where our aid policies developed in a normal and relatively satisfactory manner and in order to do this we must first of all offset what has happened to these 25 countries. We are not proposing an alternative policy, but an additional policy without which the rest is meaningless.

These ideas are not very original, but we can explain them in more detail than others as we have done a lot of work on them. However, the whole world is aware of this situation. In particular, I would like to point to the ideas expressed by a number of oil-producing countries as they quickly recognised that something must be done for those developing countries worst affected.

They acknowledged this for political, humanitarian and economic reasons. This is not the point I have come to discuss, but they did recognise this situation. In its communiqué last week, the OPEC published a very detailed text which envisaged the creation of a special fund and stated that a decision should be taken on 29 March or, at the very latest, on 10 April, that is, at the beginning of the United Nations General Assembly. These countries, then, have become aware of the problems.

This being so it seems completely abnormal to me for us, who also benefit from the increase in the price of the raw materials essential for these developing countries, not to say that we are also prepared to participate in this world effort. For we benefit greatly from the increase in foodstuffs prices, which have doubled for wheat, quadrupled for rice and trebled for sugar. Do we, who export these products to the developing countries, wish to disregard the effect which this may have on the poorest countries while the oil-producing countries, which we continually criticise, have themselves just admitted that there is a problem? I believe this situation would be intolerable, and I would like us to be the first to carry out a detailed analysis of the problem, not however in order to propose procedures or machinery. This must be decided at world level, for it is not up to the Community of the Nine to teach the world a lesson. After all, the oil-producing countries have said that they are ready to contribute to a fund, but they have not tried to establish a system for it. It is not our responsibility to do this either, but we must be prepared to make a contribution commensurate with our responsibilities in the world.

Our reasoning is as follows: The aim must be to offset the effects of the increase in the prices of essential foodstuffs for those suffering the effects without corresponding advantages. We believe, therefore, that the world system, whatever it may be, must be reserved for the poorest countries and, within this group, for those countries whose payments balances have seriously deteriorated and, finally, for those which have neither currency reserves nor sufficient borrowing capacity to cope with the situation. We believe, that the Community must now announce that, if a world system is established, it will make its contribution whatever the procedures approved at world level.

What should be the scale of this contribution? Here again it would be dangerous for us to propose methods for calculating the contributions of the various industrialised donor countries, rich countries, etc.. However, we estimate that, for the 25 countries whose economy is in danger of being completely destroyed, the amount required to restore the previous situation is

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about 3000 million dollars per year. We believe that Europe should state that if a world system is established on the basis of the criteria I have indicated, it would be prepared to contribute about 500 million dollars to a fund of this kind.

It will be said that this figure is large, but I am convinced that if these 3000 million dollars are not found the resulting chaos in the 20 to 25 countries would have human and hence political and economic consequences affecting us all, which far exceed the 500 million and 3000 million dollars.

The Commission is therefore not proposing machinery or procedures, but is putting forward an idea. This idea is compatible with all that has been said elsewhere, in the OFEC communiqué, the appeal made by the five international financing bodies, (World Bank, Monetary Fund and the three regional banks), the statements by Mr. McNamara, by Mr. Wittewen the Director-General of the International Monetary Fund when he was in Teheran, and by the Shah of Iran, or rather his Minister of Finance, when he said that Iran could make a sum of up to 1000 million dollars available to the international financing bodies if the industrialised countries made an effort. This idea cannot, under any circumstances, fit into a regional system. It is part of a world system and as such will undoubtedly be managed at world level. We must not prejudge the issue, but this is clearly the most reasonable solution (World Bank, Monetary Fund). This proposal involves aids which cannot cover all the problems of the Third World and, in fact, deals with only one problem, namely the additional burden for the countries whose economy has collapsed and who have no further hope or chance of escaping their fate.

I would be particularly proud if at a time when it is reputed to be incapable of projecting its action into the future, the Community could take the initiative for such an idea at the United Nations Extraordinary Assembly, in other words, before numerous ideas are put forward under conditions which will probably not always be clear.

I see no reason why the Community could not take a stand on this problem, as every Government knows that it must be tackled. Neither from the political point of view, nor from the point of view of the world economic situation, nor even from that of our own interests can we leave these roughly 25 countries in their present situation. No Government can be unaware of this. India cannot be left to end up in the state of crisis to which it is headed, and I could list many other countries. This, then is the idea we propose. It is an idea which we have wished to make pretty clear, but at the same time sufficiently flexible to fit into a world system which we do not propose to elaborate ourselves, but which must be worked out at world level.