

Bruxelles, le 28 janvier 1975  
Rue de la Loi, 200

ADDRESS DELIVERED BY MR. CLAUDE CHEYSSON,  
MEMBER OF THE COMMISSION OF THE EUROPEAN COMMUNITIES  
TO THE SECOND INTERNATIONAL SEMINAR OF ECONOMIC JOURNALISTS,  
HELD IN NEW DELHI, JANUARY 24, 1975

---

The economic order of today is different from that of yesterday. This is a fact, one can like it or dislike it, one can complain or applaud, one can dream about the past, it is a fact : we have entered a new economic order, which hopefully should be better than the one beforehand.

I understand it is the subject of my address as proposed by the chairman of the Forum of Financial Writers when he wrote to me a few months ago. I should like to say how indebted I am to him for giving me this opportunity to speak before such a distinguished audience on such important matters. I have also to apologize for arriving late. I am afraid this resulted from the fact that the European Community Council's decisions, like babies, are normally born in the late hours of the night and that we cannot control nature, which resulted into a fog blanketing Delhi Airport this morning. I regret I have missed the address of my friend Mr LALL, the most remarkable Ambassador of India in Brussels, and I hope that what I shall say will not conflict with his views and will not be too repetitive.

.../...

The new facts of this new order appeared with the co-called economic crisis. The fact that there is an economic crisis cannot be disputed and I beg you, although you are discussing problems of development of the third world, not to forget that the OECD countries are very badly struck themselves by the present crisis. The growth in GNP which had reached some 6 % average for the OECD countries in 1973 over 1972 has fallen to a quarter of one per cent and will not go beyond 0,5 % in 1975 over and above 1974.

The balance of payment problems are extremely difficult and the countries that had a deficit in 1973 in the Community - (Denmark, Ireland, Italy, United Kingdom) - have doubled their deficit ; those that had a balance, like France, are now in deficit. Altogether, the additional deficit of balance of payment that we have to pay due to the crisis represents 2 to 3 % of our GNP.

Inflation which had been there for a long time before the crisis has now reached peaks with an average of more than 13 % in 1974. Governments having used traditional and classical deflationary measures, we have seen the beginning of recession. Unemployment has reached a level which may trigger political crisis, social emotion, the one-million figure is a kind of holy figure in Germany, France, Britain. In addition, this has not been evenly shared by the Community members and one, Germany, has done better than the others. Two have done worse than others - Italy and Great Britain - and it resulted into internal tensions which are very serious. You should not ignore the psychological and political implications of this crisis. When one is sick, one has a tendency to close the windows and to refuse to see even friends. There is now a tendency to isolationism in everyone of the OECD countries, and this counter-current - (think what progress had been made during the past few years) - is one of the very alarming signs.

.../...

As a result of this also, our weakest States or the ones who feel that they are the weakest have accepted a larger degree of dependence of their economy, of their policies. As you may have read in the press, the Chairman of the European Commission, François-Xavier ORTOLI a few days ago was denouncing the increased dependence of European countries vis-à-vis the United States. So the picture is grim on our side.

Still there are some rays of hope, in particular the fact that, after a very long period of prosperity, the signs of a serious crisis have led those who have to think in terms of long term perspective to consider these perspectives with greater care, greater understanding and intelligence. I mean of course the bankers and the industrialists, who cannot afford thinking in short term. I mean also trade unions and often public opinion as well as the press. The fact that the press now speaks of long-term perspectives is one of the few rays of hope which we have in Europe.

As to the implications of the crisis for the developing countries, they have been shown during the last two days of your seminar, so I shall be very brief. Still I would like to recall that the most seriously affected countries in the world are developing countries. They are those who are close to "absolute poverty" to take Mr. MacNAMARA's expression, this one billion inhabitants which has now lost even the hope to pull themselves up with their own resources. They were struck by the crisis, which resulted in fantastic increases in the prices of imports which are essential to life and did not get substantially better returns for their exports. My friend, Ambassador LALL, when he signed an agreement with us recently was saying :

" We thought we could see the light. We were struck by the storm ;  
the tunnel caved in, the light seemed to go out".

.../...

Other countries have done better, those countries whose exports had increased in value at the same time when the cost of their imports was increasing. They have a new balance between their exports and their imports, they seem to be in a better situation. But for many of them, the situation is extremely precarious and it will remain so as long as we have the present balance in the commodity world markets, as long as these countries are suppliers of the economic growth in the world and not partners in this world's growth.

The oil producers are of course those for whom the crisis was the most favourable. They have received an additional 70 to 80 billion dollars in 1974 - 10 to 15 from the third world, 65 to 70 from the industrialized world. Those who have real capacity for development - I mean population, ambition, political structure, sociological advancement - those now have plans for a very fast development and the amount of their imports shows that they mean business. According to OECD statistics, imports from oil producing countries which were around 28 billion dollars in 1973 will reach nearly 70 billion dollars in 1975. Still they have many problems of development due to the rapidity of the jump into this very modern type of society which calls for a dramatic industrial and agricultural advancement. For other oil producing countries, there are surpluses which to a large extent cannot be used by them.

In brief, out of the crisis, it appears that there are various types of situations, various stages of development. Indeed the nature of requirements for development is very different from one case to another. For the most seriously affected countries, it is the financial facilities that are most needed. For those who depend almost entirely on exports of one or two commodities, the need is for stabilisation of their revenue, of the returns for their exports. For those that have now every chance to develop, it is a conjunction of technical, industrial and scientific cooperation. For all of them, it is an access to markets, which will result into better development of their trading capability.

Between the developing countries struck by the crisis a number of political and psychological elements have also appeared. For some it is fear, fear of collapse, fear of chaos with everything that it may mean in political terms. For almost all of them, it is a contention of the established order which should result into progress because it is going to be a driving force throughout the world. The tone of the latest United Nations meeting confirms that this contention will not be satisfied with long tedious speeches but will result into a constant pressure to change the rules of the game. There is also among developing countries this new feeling that "sticking together" gives you an additional strength. There is no doubt that the demonstration made by the oil producers, however, unpleasant for a number of us in particular in Europe, has taught a lesson : developing countries when they stand together for a certain power, can build up strength and bring about some degree of equality between industrialized countries and developing countries. We have to accept it and I frankly welcome it.

Facing that new situation, what should we do ? Of course we can keep on thinking of the past, recalling the good days of the old economic order. I do not think this is the proper approach, the approach of responsible political leaders, responsible economists, journalists or financial writers. We should face the problems and devise new rules of the game. Most urgent of course is to meet the financial requirements of the most seriously affected countries. For them, the first thing to do was to avoid that they should perish under the strain of the first months of the current crisis. Their wounds have to be healed and this was the purpose of the decision taken by the United Nations during the extraordinary session last Spring : an emergency action was to be undertaken through which 3,000 million dollars would be made available to these 25 - 30 countries most seriously affected by the crisis. The recommendations of the United Nations although it was criticised by many, have proved extremely appropriate. The UN had to see to it that money be made available and the response was good mostly due to immediate action by the oil producing countries. It was hoped that they would give some 1,500 million dollars of the total 3,000 million dollars. In fact, we know already that in this 12 months period -

July 1974 to June 1975 - their contribution in accordance with the very strict criteria decided by the United Nations will go far beyond 2 billions. The industrialised countries have also contributed their share. The effort made by some of them is particularly striking and confirms that there was a ray of hope due to the reaction of public opinion and the press.

A country like Switzerland with 5 million inhabitants has put 15 million dollars in the operation. Sweden has put 37 million dollars for 8 million inhabitants ; Yugoslavia in spite of its difficulties has put 7 million. I am pleased that the European Community has played a leading role in advancing the idea although it was not among the first contributors. The Community has kept to its word and that was confirmed by our Council of Ministers meeting just a few days ago. We shall pay 500 million dollars to which we were committed.

I am sorry that the reaction was not the same everywhere. It is very surprising that the Government of the United States decided not to take part in the exercise. It is all the more surprising when we think that everytime in history when there has been a catastrophe in the world, reactions, emotions in the American public opinion have been among the most powerful. So I really cannot understand what happened this time. I am also sorry that the socialist countries have kept out of this effort and if they can argue that they are not responsible for this crisis, they nevertheless are part of the world community. In other matters like participation in an increasing number of international conferences such as the recent world Food Conference, we welcomed their involvement and we found difficult to understand that they should not be with us when the problem was to save the life of the most seriously affected countries.

Now that we have given these countries a breathing space, the new financial problems which they encounter have to be faced. This will not be covered through a fund, but through reorganisation and redistribution of financial flows throughout the world and a very substantial increase in those flows. According to the World Bank, Official Development Assistance

.../...

ODA, should grow from 10 billion dollars - its 1973 level - to 20 billion in 1980 so as to achieve an average growth of 0,8 % which is unacceptable as it means a decrease in GNP for a number of countries. ODA should grow to at least 25 billion dollars within the next 5 years to guarantee a 2 % average growth for the developing countries. At the same time, the borrowing capacity of these countries should be increased from 9 to 24 billion dollars.

Roughly there should be some 50 billion dollars made available by 1980 in one form or another to the developing countries. In addition there should be the redistribution of financial flows corresponding to the present economic circumstances : roughly 80 % of ODA and financial facilities should be now directed to the most seriously affected and 20 % to the other developing countries. These figures are impressive but substantial efforts already made by the oil producing countries point into the right direction. According to OECD figures, commitments by OPEC countries to developing countries were at the end of November 1974 of the order of 10 billion dollars with actual disbursements reaching already 2,6 billion dollars (this is more already than the European and American commitments and as much in disbursements as the United States contribution which is the lowest of the two). This is not sufficient but the hope is very great as we know of the further intentions of the oil producing countries. Every possible efforts should be made to increase such flows and I welcome, therefore, the decision taken recently within the International Monetary Fund, with a view to borrowing oil money for the purpose of relending it to developing countries with a substantial interest rate rebate for the most seriously affected countries. I also welcome Mr. McNAMARA's approach in his speeches. Every industrialized country should also contribute to that effort through decisions taken at world level and also through its direct action in a number of developing countries.

Oil producing countries are anxious not only to give money for development but also to invest money in profitable industrial, agricultural or other economic ventures. In many cases, the famous triangulation between facilities in the developing countries (space, raw materials and commodities, ambition to develop, etc...), the capital flowing from oil producing countries and the complement that we can and should provide in the form of additional markets, technology, know-how, is the appropriate

answer. This conjunction can be extremely profitable and can result in very important ventures which will ultimately help in channeling these much needed larger financial flows.

Let me turn to another important point which is the world food situation. I consider that in such a period the increase in food aid programmes is a must. To me the figure given as an objective by the FAO of 10 million tonnes of grains to be supplied as food aid, is the target to be achieved. The Community is ready to play its part in building up a food aid programme and stocks. But I also believe that the European Community has another role to play in food supplies. The crops which the world is short of, can in many cases be developed in many parts of the world and through our common agricultural policy we have a system of planning for agricultural production which is unique in the world. We can and we should include among our targets to be covered by the planning of the common agricultural policy the production of those additional quantities of food which are badly needed. Of course, this should not be done in isolation; this should be done in close conjunction with the assessments made by the FAO or by the new World Food Council in order that our additional production should take its place within world food requirements. This should not, however, mean competition with new or additional productions at home which remain, of course, the first objective of developing countries.

The second field where new rules of the game have to be established is the field of raw materials and commodities. The United Nations extraordinary Session in the Spring of 1974 has given the facts of the matter. We can agree here that a situation in which wheat price can be multiplied by two or three in a space of 18 months, sugar price can go up from one to six in less than one year, raw material prices can be multiplied by two or three or four in a matter of less than one year, such a situation is unbearable. At least it is unbearable for those countries which have to import such essential goods or for countries that depend on the export of such goods for their revenue. This is largely the case for developing countries, but also for some industrialised countries

who pay?  
At what  
price



those that have a confined space. There is a great geo-political difference between the countries in Europe or Japan so heavily dependent on imports and the countries with large economic space like the USSR or the USA. In Europe, external relations are a part of our life and we have to find a way to consolidate these relations in terms of economics. We cannot afford the kind of risks which can be taken easily by those countries which are not big importers of raw materials and commodities. In other words, in this field, our interests are, in many cases, much closer to those of the developing countries than to the interests of industrialised countries with large economic spaces. This is a new aspect of life which should be given due consideration. The ultimate result should be world commodity agreements which would be different from one commodity to another. Such agreements should result in a certain degree of guarantee of sale and price of those products, with some reference to the prices of the other products, be they manufactured goods or other. This will indeed take a very long time to establish. We are now entering a ten-year period which will be a period of raw materials and commodities, of organisation of world markets. It will be a slow progress as the interests of all are not identical, still progress should be made when and where it is feasible.

In that respect I would like to recall three approaches now made by the Community and which fit well with this suggestion that we should try and progress when it is possible. In our present negotiations with the 45 so-called ACP countries, the all of Black Africa plus a few countries in the Caribbean and the Pacific, we have proposed to guarantee the nominal return of their exports, product-wise. In other words, should Ghana in 1978 get less for its cocoa sales to Europe than the average of the three previous years, we undertake to pay the difference. It is a

.../...

right to compensation for the difference and it is as important, I consider, as it is to have unemployment allowances for our workers at home when they are unemployed. We guarantee to the producers who sell to our markets that, if there is a natural catastrophe or if prices fall in the world market, they will have a minimum return, i.e., the return they got on average during the three preceding years.

The second approach goes further and introduces a kind of sliding scale. On sugar we want to enter into a system with the ACP sugar producers according to which, as was the case under the Commonwealth Sugar Agreement, we guarantee to buy a certain quantity against a guarantee of supply but in addition to the previous Commonwealth Sugar Agreement, we also guarantee a minimum price which is the same price as we pay to our own producers. The countries concerned may still take advantage of the market and get a higher price but in any case the prices paid to them will not fall below the price that we pay to the producers and as it is the price that we pay to our producers is indexed with the cost of production. We are extending the same guarantee to the ACP countries.

Thirdly - this aspect has not yet been mentioned in public - and subsequent to the suggestion made by partners in the developing world, the Community has stated that it is ready to consider long-term agreements for the supply of some of the agricultural products which we produce. With the guarantee of supply and a system of pricing that would be pre-determined, it would enable them to plan knowing exactly how much they will have to pay for their own purchases of agricultural products (we are already discussing such a matter in the case of grains with a country of 10 - 15 million inhabitants and which imports for 500 million a year of that commodity). My conviction in this field is that all of us have to join forces to come to a better deal on raw materials and commodities, this is one of the most important issues of this new economic order.

.../...

Meanwhile the most crucial issue will be, as Ambassador LALL puts it, that we find the means in order that the import capacities of developing countries should not be impaired, and for some of them, in order that their import capacity should be increased through better export returns. For the industrialised countries that have very big markets, it amounts to give an access as free as possible to our markets. There it has been the consistent Community policy to enter into a so-called General System of Preferences which was started a few years ago. Our GSP now covers very substantial figures : the maximum that could be introduced duty-free in the Common Market almost reaches now three billion dollars per annum. It is an inducement to industrialisation as it bears mostly on industrialised and processed products. We want to make it a permanent system although it was adopted on a temporary basis. Much will depend, of course, on what the other industrial countries will do. But I am already pleased that the Trade Act recently passed in Washington has at long last decided on the General System of Preferences with regard to the American market. We believe that the GSP is an important element in the assistance that we can give. In some cases, however, our ambition is greater and we feel that we should not only give free access but guarantee access in a certain manner.

Then we come to the idea that there will be, probably on a regional basis, fields where economies can be better integrated or made more inter-dependent than they are now. We have to see how we can encourage our operators (industrialists, bankers, traders and brokers) to enter into joint ventures of a long duration with developing countries on which we depend for the supply of some raw materials or capital: Such joint ventures can be entered into through joint investment which between us is becoming a more effective proposition now that there is in oil producing countries money available for investments, provided they are profitable. It can also take other forms that exist even with socialist countries where no foreign investment is allowed. This is the whole idea of long term contracting with a certain industrial development taking place in

.../...

developing countries for the sake at least partly of our markets.

In all these fields you realise that the operators, the companies, will lead, not the governments or the public authorities. National or private companies will decide on the fields where such joint ventures can be entered into because it makes economic sense in guaranteeing supply, in establishing that inter-dependence. Consequently, we will have to work more closely than in the past with our companies, our bankers, the economists who know about business, the financial writers. All this, of course, should be accompanied by an access to the technology developed by the industrialised countries. However in the field of industry, I want to draw your attention to the fact that the technology which is required for the development schemes you have in mind is not the technology which is taught in the universities or which is available to governments. It is know-how, experience, it is management capabilities and this kind of technology will not result from formal agreements between governments or agreements with the Community ; it will result from direct investments in ventures in which those who invest have a direct interest at stake.

After we have considered these various means of action, I believe it is the conjunction of these means which may lead to a satisfactory solution and hopefully some progress.

The idea that there should be conjunction of the means is not new to a country which belongs to the Commonwealth. But it is new to many other countries. In particular, when you are in the United States, there is always the tendency to consider that assistance to development be only of a financial nature. This is not our belief and this is why the Community has a preference for the so-called association, a policy of partnership : through contractual agreements we can enter into a comprehensive system of aid to development, combining - (as we shall do with the 45 ACP countries, or with the countries of the South Mediterranean) - financial assistance, possibly food supplies, technical assistance, trade promotion, access to the market, guarantee of export returns and institutional facilities, thus enabling our partners to enter into contact with our public opinion, with our parliamentarians, our trade unions, our press.

.../...

It is worth to emphasize here that industrialised countries cannot have a development aid policy separated from the other policies. For instance, if we decide to give free access to our markets, it means that there will be production entering into direct competition with our own production. In the agricultural field we see that every day in Europe and in our negotiations with ACP or Mediterranean countries the main difficulty has been that duty-free entry into the Common market has resulted into direct competition with our farmers. So, there is a direct conjunction to make between our internal policies and our development aid policies. Development aid policies should be at the very center of thinking of governments, should be a subject for discussion, beyond governments, between all the political forces that make a country. If we want to go beyond the mere opening of credit facilities, trade unions, parliaments, the press and the people should feel and be involved. All this requires a lot of imagination. Everything has to be reinvented today, mostly by you, when you think of the many mistakes that have been made in the past with development having no roots in the culture, in the society of the countries that we were pretending to help ; you have a right to develop, but also a right to remain yourself. So, imagination is needed, badly needed, and this will be one of tomorrow's challenges.

As you see, my whole reasoning is definitely in the new order but not in the perspective of the club of Rome. Another meeting would be needed, if we were to consider what would happen in a world that would run short of everything, a world that could be suffocated by the excess of population. Still, I think this is not the problem of today, not the problem of tomorrow. I respect the thinkers of the club of Rome for their long-term considerations which must be kept in mind. But today and tomorrow the problems are different, we still have the means to progress and I trust it can be done if the will is there.

.../...

When your Chairman wrote to me in October he said :

" We believe the EEC has a central role to play in giving lead to new perspectives of international cooperation, both political and economic".

I think he is right ; at least I think it should be that way. First, no industrialised country can be indifferent to what is happening now. Men are dying, this is a problem for all of us. There can be no peace in the world if there are tensions and injustice bearing on millions of people. We have a responsibility in yesterday's order which we built for our own sake. We were often responsible for your economic development for tens of years, if not centuries. We have a direct responsibility, not only on moral ground but because the whole economic balance is at stake. In Europe again, countries with limited supplies must compensate for their size by a consolidation of a number of their economic external relations. We have to compensate the small size of our own markets, of our own states and the crisis in a way has offered new opportunities. Our industrialists have been very much afraid when they felt they could be strangled, but they are now more decided to look outside and are anxious to enter into the new markets, which are primarily in the developing countries. In addition new financial resources which exist mostly in the oil producing countries are available and in search of investment possibilities. So again, conjunction of such factors offer new opportunities and new hopes.

The feeling of our youth today is for contest. I think this contest could be transformed, could be turned into a positive aspect, if we put the contest on such problems. Trade unions are already preparing themselves to face such problems and entering into such policies is essential for Europe, for its independence. I think Europe has the means to do so, and the Community build up in that respect is useful, because that is one level at which all problems can be seen together. How else

.../...

could we explain the fact that development policy has been the only field where the Community has kept on progressing during the last year or two ? It is precisely because it is needed by European economy, even European politics, and because it is easier to achieve it at community level than elsewhere.

It is a grand design, it is a vision of cooperation, not of confrontation. The risk for Europe is too big, if there is confrontation. So it is my hope that we shall play a central role. But, again, much will depend on how we can cooperate with you first in imagining what should be done to turn the present crisis into a motive, into a force for progress.

---