

## Trade Relations EEC—Developing Countries

Interview with Professor Jan Tinbergen, The Hague, Nobel Price in Economics and Chairman of the United Nations Development Planning Committee, on the consequences of the enlargement and association policy of the EEC for international trade and development.

*Professor Tinbergen, the enlargement of the EEC means that the developing countries of the Commonwealth will also be associated to the EEC, a fact which is arousing strong criticism, not only from the USA and Japan, but from the excluded developing countries. Is there a danger of an even stronger economic bloc comprising the EEC and associated developing countries being set up?*

There is certainly this danger. I believe that this is even the most important problem facing the EEC at present, and I hope that it can be overcome because I think that it is very important for us from the international point of view to allay this impression of a bloc being set up. We can avoid this impression only by taking appropriate initiatives. There are initiatives which suggest that the enlarged EEC is in fact taking

an interest in Asia, and that will be very necessary.

*The EEC has concluded bilateral trade agreements with two developing countries in Latin America which hitherto did not receive preferential treatment. What is your view of such trade agreements?*

### **Introduction of Tariff Preferences**

Generally speaking, they also create a danger of encouraging the bloc-building tendencies. But there are possibilities for countering this danger. I have suggested on other occasions that the associated countries should in future be augmented by the whole group of the so-called "least developed countries": the entire group of countries which in the view of the United Nations are least developed should be given the same rights as the EEC has conceded to its associated members.

*Since July 1, 1971, the EEC and other industrial nations have granted the developing countries general tariff preferences. Can these tariff preferences be regarded as a kind of compensation for developing countries?*

Yes, if you like. I am glad that the EEC was first not only in completing these negotiations but in applying the results directly in practice. I believe that we can go farther in this direction, for the EEC preference system is capable of improvement. And I hope that at the third UNCTAD session in Santiago further steps will be taken to induce those other industrial nations which have not yet introduced preferences to take similar measures as the EEC and others.

*Although the developing countries are enjoying competitive advantages in certain semi-*

*manufactures and finished products—such as textile manufactures—these goods are not included among the preferences or have been given limited quotas so as to protect industries in the EEC countries. Could not more be done for the “international division of labour”?*

Most definitely. In my opinion however it must be considered a step forward that the EEC preferences have not excluded the textile imports altogether. Certain sections of the textile industry in the EEC must now be counted among the less protected industries. But one could of course go further.

I believe that we should in future try to relinquish systematically all the more labour-intensive industries to the developing countries. The capital-intensive industries in the industrialised countries would certainly profit, for if the developing countries acquire more purchasing power, they are thereby enabled to buy e.g. more machinery from us.

**Exports of Raw Materials**

*Pending the removal of import obstacles, the developing countries demand for their raw materials a partial transfer of the dues and taxes levied by the industrial countries on imports from the developing countries. Is there a possibility of this demand being met?*

It is my view that this possibility certainly exists; appropriate changes could of course be made in the tax structure. That depends on the individual Governments in the Community. What after all were the reasons for introducing these taxes—e.g. on coffee—in some EEC states? For one thing, it has always been relatively easy to tax imported goods; for another, the coffee tax was originally conceived as a kind of luxury tax. Conditions have however chang-

ed since, so that coffee can hardly be described as a luxury today. There is a definite possibility of altering the tax structure in this respect to favour the developing countries.

*To stabilise their production of and earnings from raw materials, the developing countries are demanding tariff preferences for raw materials as well as commodity agreements. What should the EEC in your view do in this field?*

The existing duties on imports of raw materials should be removed, in my opinion. At the very least the tariffs charged for raw materials and for semi-manufactured and finished products made from these raw materials should not differ. For tariff differentials are known to make it difficult for developing countries to process their raw materials. If standardisation could be achieved in this field, an important contribution would have been made to the promotion of exports from the developing countries.

**Adoption of Commodity Agreements**

As regards commodity agreements, negotiations are at present in progress on agreements for cocoa and sugar. I hope that at least two agreements will really be brought into existence, or extended, in this way. In the case of sugar the negotiations are about an extension since there already exists an agreement in which however the EEC does not participate. I think that the EEC should join the sugar agreement. For cocoa there has been no agreement until now, but I believe in this case the EEC should do more to meet the developing countries so as to speed the conclusion of an agreement.

*What view do you take of the chances of solving the agricultural questions to the satisfac-*

*tion of the developing countries in a new round of negotiations in GATT which will definitely be needed following the EEC enlargement?*

I do not take a very optimistic view of these chances. Difficulties will arise in the case of agricultural products which are being produced also by the industrial countries. There is still very strong resistance, especially among the farmers in the EEC, to the liberalisation of imports of these products in particular. It will not be easy to reach a settlement. Nevertheless, I believe that a new EEC policy making more allowance for the requirements of the developing countries will have to be initiated and carried through.

*How could the developing countries be assured of more influence in GATT?*

While some developing countries already belong to GATT, many more should do so. That depends of course on the practical outcome of the various negotiations for the developing countries, for the latter will perhaps strive harder to join GATT if something is being achieved for them within its framework. I think that it is indeed high time that more be done for the developing countries under the auspices of GATT.

**The Role of UNCTAD**

*What role can UNCTAD in your view play in resolving the important trade issues?*

UNCTAD is of course up against difficulties because, like all United Nations institutions, it acts only in an advisory capacity. That means that the main effect of UNCTAD sessions springs from their influence on public opinion. Public opinion should be persuaded of the advantages of an improved worldwide division of labour because in the final analysis it is in the

interest of all peoples in the world. I see in my own country that young people, for example, are already showing very great interest in these questions and express their views on them frankly and plainly. I hope that more interest can also be awakened in the political parties and that these issues which after all bear on our own long-term interests will feature in the programmes of all parties. In this respect the resolutions which may be passed at an UNCTAD session are really very important.

*The developing countries demand that private credits and investments should no longer be taken into account for the one-per-cent target. Furthermore, they want the so-called net-transfer principle to be adopted, i.e. capital repayments and interest remittances should be deducted from the contributions. Is there any chance of that being done?*

**Net Transfer Principle**

In my opinion this demand is perfectly justified. The figures which are now being published, e.g. by the OECD, are after all in part misleading. First, because repayments only, and not interest payments, are deducted. And secondly, because they contain under the heading of development aid private investments which in the view of many experts should not be included. I also believe that the whole situation could be stated more

clearly if the term "development aid" were either avoided altogether or at least confined to the public funds which are made available.

*What are the prospects for the so-called "link", i.e. the bracketing of Special Drawing Rights allocations and development aid?*

We had quite an interesting discussion on this question recently at The Hague where our national commission for the Second Development Decade arranged an UNCTAD symposium. Professor H. G. Johnson expressed his view like this: If the "link" were accepted, he said, the governments of the donor countries would certainly include the "link" funds in their aid calculations; so there would be no difference at all compared with the present situation.

I did not agree and said that a "link" would have the advantage that the developing countries would be able to spend the money coming in where they can buy most cheaply, which of course is not always the case with bilateral aid. In this respect the new allocation mode for Special Drawing Rights would be in the interest of the developing countries. And I have gained the impression that views on this matter are gradually changing somewhat in other countries as well.

*The developing countries are also calling for an improvement*

*of state aid. They say that it should be granted on IDA terms, i.e. free of interest for 50 years, with 10 grace years. What is your view of the prospects of this demand?*

**A World Finance Ministry**

If you ask me about the prospects, I cannot of course be very optimistic. But if you asked what is the best policy, I think I should have to support the demand of the developing countries, and my reason for doing so is that it is really a duplication of effort if, on the one hand, new loans are given while, on the other, repayments have to be rearranged because these countries cannot raise sufficient new loans. I think that it would be very much simpler to introduce a current budget for development finance. It is odd that we have today a kind of central bank on the world level in the form of the IMF. We also possess something that can be regarded as a kind of investment bank, namely the World Bank. But we have no World Finance Ministry although we know that in our individual countries the most important financing operations are undertaken through its current budget. It therefore seems to me that it would be much more logical from a world viewpoint if we had in fact a world budget for development expenditure and could decide later what types of development tasks suit this World Finance Ministry best.

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