For Publication

STRAIGHT TALK

TRADE, AID AND DEBTS

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The underdeveloped - rather misdeveloped-countries of the world today face a grave crisis in trade and development. The highly industrialized countries have been increasing their share of world trade at the expense of the poor third-world countries by high tariff walls, by discriminatory preference agreements, and by a two-price system of farm subsidies.

Poor countries also suffer from price manipulation at the hands of the rich countries. They are forced to sell cheap and buy dear.

The USA has obstructed or delayed attempts at stablizing prices of commodities which make up the bulk, about 85% of the export of poor countries.

The obstruction to commodities - agreements was noted as long ago as 1961 by the New York Foreign Trade Bulletin. It stated:-

"Most of the countries are heavily dependent on the production and exchange of one or two commodities ... (which) provide most of the foreign exchange needed for the purchase of imported industrial goods ... It is well recognised that market instability inhibits economic growth . . . Latin American countries have long and unsuccessfully tried to interest their customers - that is, the industrial countries in co-operative efforts to minimise market fluctuations . . . International commodity agreements to meet the problems of instability have consistently been resisted by the United States".

According to UNCTAD, between 1958-65 mineral export prices from the rich countries rose by 5%; for the poor countries, there was a price fall by 7%.

Take another glaring example. Egyptian cotton, though better than US cotton, fell in price by 30% during the period 1955-65, while the fall in price of US cotton was only 12%.

Bauxite producing countries have been particularly hard hit. Philip Rono, US economist, said that "from 1938 to 1959, the general US price level rose by 138 per cent. During these years, the price of bauxite produced in the United States doubled. Yet the price of bauxite imported from Surinam and British Guiana was almost the same in 1959 as it had been in 1938. That the companies were holding the price of imported bauxite at the dead level did not prevent them from raising the price of aluminum, which went up by 78 per cent between 1948 and 1959".

TRADE LOSSES

Today, as compared with a decade ago, poor countries can get for the same quantity of exports about one-tenth loss of imported goods.

Prices of exports of raw materials from poor countries declined by 7% since 1958, as compared with an increase of 10% for similar exports from rich countries.

Cocoa beans prices fell from US 58 cents per lb. in 1954 to 37 cents in 1955, 20 cents in 1962, and 16.3 cents in 1964. Copper price fell from 42 cents in 1956 to 28 cents in 1963.

In 1954, it required 14 sacks of coffee in Africa to pay for an imported jeep: in 1967, it needed 39 sacks. A Latin American dictator complained that his country could now buy only one jeep with the same amount of goods which 10 years ago bought 3 jeeps.

For one ton of steel poor countries exported:-

Country	(Product)	1959	1961	per cent Increase
Ghana	(lbs of Cocoa)	202	571	283
Brazil	(lbs of Coffee)	158	380	240
Malaya	(lbs of Rubber)	132	441	334

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By buying cheap and selling dear, Britain alone was able to make from poor exploited countries about G$3,000 million a year between 1957-1963. This partially accounts for the high standard of living in Britain and the poverty of places like Guyana.

EXTERNAL BORROWING

Trading losses have to be met by external borrowing under onerous conditions. Between 1955 to 1966, the indebtedness of third-world countries increased fourfold from US $10,000 million to $40,000 million.

Western aid has also fallen short of the 1% of national income which was earmarked some years ago. From 0.87 per cent in 1961, it has declined to 0.62 per cent in 1966.
And interest rates on some loans are high. Besides, loans are tied. Strings attached to Western aid specify how the aid is to be spent.

Commenting on trade and aid, Finance Minister Jorge Mejia Palacio of Columbia said in 1962 that his country had lost two to three times as much foreign income from falling coffee prices as it had received in Alliance for progress credits. He said the main thing the Alliance could accomplish would be a long-term coffee pact. "Until this comes about", Senor Mejia asserted, "the help that is given us, however generous it may be, will not be blood to vitalize our economies, as was planned, but simply tranquillizers to avoid a total collapse".

Foreign aid, which now includes foreign private investments, is leading to a vast drain of profits and strangulating debt charges. Executive Director, Carlos Quintana, of the Economic Commission of Latin America (ECLA) declared: "Considering the net flow of autonomous and compensatory foreign funds, deducting the interest on foreign debts, profits and other renumerations of direct foreign investment, the not foreign contribution to the region's external purchasing power has been negative since 1962. The amount in 1965 exceeded the US$950 million mark".

According to the Cuban delegate at the 1967 ECLA Conference the net drain from Latin America alone was then no less than US$1,567 million.

Former President of Brazil, Juscelino Kubitschek writing on trade and aid under the Alliance for Progress said:-

"Let's be frank. The prices for Latin America's basic food and raw material exports have depreciated so much that this area's income has declined more than $500,000,000 this year in terms of the price paid for the same commodities when I took office in 1956. That $500,000,000 is just about the amount that the Alliance for Progress has put into Latin American since the programme began. Latin America is therefore in the peculiar state of a man who is receiving blood transfusion in one arm and donating blood through the other."

As compared with 1953, poor third-world countries are losing today about US $ 2,500 million annually as a result of fall in prices of their exports and rise in prices of their imports.

DEBT CHARGES

Loan repayments now constitute a large percentage of the budgets of third-world countries. According to the World Bank, loan repayments in 1966 represented 40 per cent of all the loans made by the Bank.

Repayments on the indebtedness of poor countries in 1966 amounted to the alarming sum of US$4,000 million yearly, an eight-fold increase on foreign debts of US$500 million in 1955. Foreign debts are likely to swallow all inflowing foreign exchange up to 1970.

India's interest payments jumped from RS. 1.6 crores in 1951-52 to Rs. 36 crores in 1961-62. At the end of 1967, the Indian Government asked the "Aid India Consortium" for additional time to pay debts falling due, estimated at US$400 million.

By 1956, Latin American countries ~~paidxxxxxx~~ out US$450 million, almost the exact amount they received as aid. Interest on loans have now jumped to about US$573 million.

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Guyana's debt charges jumped from G$5 million in 1960 to G$15½ million in 1968, (16 per cent of budgeted expenditure). These debt charges would have been higher but for the facility of deferred repayment on some of the loans. And while debt charges are likely to increase sharply, foreign aid - laons and grants - is likely to fall from the average of G$24 million for the last three years. This will mean that Guyana will soon roach the position where she would be begging and borrowing abroad only to be able to repay foreign debts. The Guyana Prime Minister declared in September 1968 during the second Aid Donors Conference that for the past three years Guyana received an average of G$7 million per year, and paid debt charges amounting to G$9 million.

There has been talk that the poor countries must embark on a programme of self-help. This is rather vague. What is necessary is to break the chains of neo-colonialism and state monopoly-capitalism which bind the poor countries to the imperialist countries. This means radical change and restructuring of the economy.