

# FREE TRADE AND ECONOMIC DEVELOPMENTS BETWEEN AFRICA AND EUROPE

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There is a widespread opinion that after the economic boom, Italy is now passing through a period of crisis.

It is not exact to speak of a crisis now. What is true is that Italy is experiencing a difficult moment, as are, moreover, many other countries that have reached a notable degree of industrial development, with an economy that is closely linked and, in some fields and areas, completely integrated with the world economy.

There is no doubt that in the first months of 1970, Italy felt the repercussions of the disturbances which occurred in 1969, at a moment when demand and investment were in full expansion.

Trade union tensions, inflationary pressures, the increase in the interest rates on the Eurodollar market, and the slowing down of production due to delays in the renewal of the labour contracts, have had an unfavourable influence on the evolution and the equilibrium of the Italian economic system.

However in Italy, at the present moment, there is already ample evidence of the factors of a recovery, a revival in consumer demand encouraged by an important *redistribution of incomes*, and an improved trend in productive investments.

As regards foreign demand — a constant and indispensable impulse-factor for the Italian economy — a contraction has had to be registered. This, though, must not be attributed to a shortcoming in our competitive capacity, but rather to a delay in production caused by the circumstances I mentioned earlier. In other words a disequilibrium has occurred in the rate of increase of the currents of foreign trade. But this disequili-

brium, which was very marked at the beginning of the year, has been diminishing steadily.

We have seen a notable evolution in foreign trade during the summer months. In the same period the inflow of foreign currency continued, thanks to the measures adopted to encourage the return of Italian capital from abroad.

In this respect I can, without being unduly optimistic, affirm that extremely positive elements of recovery have already been manifested in our foreign account which closed at the end of 1970 with a surplus, albeit small, whereas at the beginning of the year it registered a marked deficit.

Moreover, the availability of productive resources will permit the Italian economic system to develop in 1971 at a progressive rhythm, which in any case *should not be less than the values of the last five years.*

Private as well as public consumption will be contained within the limits necessary to enable investments to grow in harmony with the rate of increase of the national income.

Although it is, in fact, true that lacunae and elements of reduced dynamism still linger, it is also true that there exist certain basic factors, which can determine a complete utilization of economic and social factors.

Full employment, equilibrium in the economic development of the country and the strengthening of the public infrastructures and social services are the principal objectives that the present Government, of which I have the honour to form part, is pursuing with resolute decision.

On the other hand, the circumstances in which the Italian economy recently found itself, have shown that to achieve a rational and integral utilisation of the productive resources, it is essential to re-launch the activity of the economic Programme, giving it a concrete operative character and enabling the social forces to participate in it on a wider scale.

The second five-year plan, according to the Government's intention, must therefore be directed not so much to the enumeration of general objectives and guideline *as to the indication*

*of a series of operations and projects which will be assigned to the different centers of power.*

It is not a case of rigid programming or programming limited solely to indicating the general objectives and the means of achieving them.

It will define a series of concrete projects, ascertain whether their cost is compatible with the real resources and decide which organs will be entrusted with the realisation of these projects. In short, it will serve to guarantee *that fewer things are embarked on, but that these are carried through.*

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As regards trade policy in the broadest sense, Italy will continue to make an active contribution to international co-operation in all its forms. In the financial sector, in particular, the Italian Government desires to proceed along the road of international integration in order to sustain all the economic activities necessary to satisfy the social exigencies of our times, to eliminate disequilibria in regional development and to reconcile the needs of an industrial civilization with those of a society in which every citizen participates in the fundamental decisions of his country.

It is in this conviction, with its prospect for dynamic equilibrium, that we have contributed to laying the bases for the constitution of the European Common Market.

When we talk of Western Europe we ourselves often lose sight of a quantitative but nevertheless extremely eloquent fact.

The construction of Europe means the unification of the aspirations and interests of 190 million persons, the number of the components of the present member states of the Common Market, of 260 million after the now almost certain entry of Great Britain, Norway, Denmark and Ireland and, eventually, even 360 million or more, a figure which could well be reached in 10 or 15 years time in *a community of partners if not integrated states.*

This means that for dimensions, income and demographic expansion united Europe could be — and without doubt will be — one of the major political areas of the world.

In setting ourselves such an objective we are not entertaining any visions of supremacy or, which would be worse, of competing for absurd records. We are not interested in reasoning in terms of power and prestige ; we merely see things as realities expressed in terms of well-being, progress and economic potentiality.

If, within the community Italy has had, and intends to maintain her function of stimulus and, let us also say, of pressure, this is understandable also because of the place we occupy in southern Europe and for reasons of civilisation as well as material progress.

While, for obvious economic reasons, it is certainly in Italy's interest that the Community enlarges as much as possible towards the North, it is, *above all, in the Mediterranean area* — with its populations we count as friends, its countries with nascent political structures, its emergent countries — that Italy can and must carry out intelligent and passionate action.

*Italy feels herself to be and, indeed, is the natural projection of the Common Market in the Mediterranean, which we regard not as a sea that divides but as a lake that unites ; not a geographically enclosed sea, but one that is extremely open to the variety of political, ideological and cultural experiences that are reflected therein.*

The problem for us is not so much *that* of relations in general between Italy and Africa *as that* of the relations between Europe and Africa within *the framework of this Euro-African partnership*, which is one of the facts which history creates, impetuously sending its vanguard ahead, and which we can now identify in all its importance. A partnership in which Europe and Africa condition each other in turn and in which *Europe's commitment to helping Africa raise itself* must be seen not in a purely material sense and even less in a moral and cultural one, but in the sense that solely through this complementary character will it be possible for a new entity to develop — an entity which is able, in this new planetary equilibrium, to take its place and make its own particular contribution.

Hence not a Mediterranean understood in a narrow sense, but a Mediterranean as a great projection where *our country*, which is like a bridge ideally straddling Europe and Africa, *can have* this formidable function of a «clearing house» which must serve Africa as much as Europe itself.

Therefore I should like first and foremost to say that there are no Italian solutions to this problem. None of us can imagine Italy making an original contribution which is other than the human one to which we have referred. Anyone who has been able to grasp the sense and spirit of our work in Africa *will*, I think, have understood what this message is and how the present communities of workers in Africa have given the fullest meaning to the human way, so different from the old colonial methods.

But I should like to say even if Italy has this particular contribution to give, due to her experience, her contact, her nearness and her humanity, there is, as I observed, no Italian solution for the African problems as there are no French, German or English ones. There is only room for a new form of collaboration which, recognizing the liberty of the new countries, accepts and puts into practice a real partnership between Europe and Africa.

It is up to us now to find an overall solution for these problems, and there is *no way* of tackling *them* except through the filter of common experiences.

Hence we are facing a problem that can only come within our framework if we have the will-power to extract ourselves from what is our national or nationalistic contingency to assume this greater dimension which is the dimension of the future, the one which must determine all our future processes. In other words, together we must solve our problems of common interest and establish a valid policy to hand on to the new generation.

Some guidelines have already emerged : the need to step-up measures for technical co-operation and the training of technicians, the need gradually to abandon the system of trade preferences and, instead, to accentuate financial assistance for the achievement of diversification, particularly in agriculture, the need to agree upon investments in infrastructures according

to regional programmes and to start-up projects for the processing industries.

As I have already had the occasion to affirm, this is the key-idea. If this idea is to ferment, it is essential for Europe to enlarge and consolidate. If European-African partnership is the key-idea, we must realistically accept the fact that collaboration must never be exclusive. We must, on the contrary, establish at international level, *a global and long-term vision* in every financial, commercial, technical, scientific, cultural and social sector. A vision that has as its goal the effective transformation of the economic structures of the African regions, the real premise for the exploitation of agricultural resources and those of energy, for diversification and for a gradual and necessary industrialization process.

*Another essential principle is that of a more extensive multilateral system* which makes it easier to follow rational criteria in the exploitation of available resources, thus accelerating the pace of development to the advantage of every one.

For the developing countries of Africa, the existence of a multilateral structure is the best guarantee against any possible neo-colonialistic temptation on the part of the industrialized countries. It favours the coordinated development of countries with frontiers that are ill adapted to their productive requirements. Lastly, it increases the efficacy of the financial contribution from abroad.

I am bound to say that over the many years in which I have had the opportunity of concerning myself with these problems, these views have become increasingly rooted in me, thus strengthening my conviction that concrete and reciprocally satisfactory solutions can only be encouraged through the cooperation and solidarity of the European countries both in their relations with each other and also in relations with the States of the Third World.

Bilateral efforts perhaps pay-off in the immediate present, but apart from creating suspicion and diffidence, they neither contribute to the attainment of a **community policy** nor to a **real understanding**.

Therefore, as far as Italy is concerned, we will fight with

energy and commitment to secure recognition of the thesis that it is not solely a matter of increasing trade between Europe and the African Countries. There is also a need to avoid the ratio of trade deteriorating to the disadvantage of all. *In our opinion, if this is to be avoided, the entire trade policy of the European Economic Community needs to be re-examined.* It does not in fact seem that the opening that has occurred in the granting of preferences in the industrial sector forms, at least on a short or medium term basis, *an adequate compensation* for the existing limitations on the purchase of agricultural and basic products available on the markets of the emerging countries.

It is in the trade sector itself that the situation can be considerably improved. When foreign trade is still in an initial phase, the introduction of a certain degree of bilateralism can indeed be an obligatory step, nevertheless this is not the way to set about finding solutions to problems of relations between Europe and all the developing countries, including therefore the African States.

In our view, a reasoned *but outward-looking Community policy* is the only one capable of providing the decisive thrust needed to overcome the hesitations, egoisms and fears both within the industrial world and the sphere of the Third world.

In point of fact, the problem of economic development is also a problem of the de-mystification of old and new prejudices, often tied to a mentality that is unable to take a realistic view of the situations and the prospects of the contemporary world.

As far as we are concerned, I should, however, like to re-affirm that Italy's trade policy as regards the emergent countries of Africa is the test-bench of our intentions.

Consequently my country will do all it can to encourage by every means the establishment of forms of financial and technico-industrial co-operation through the *setting up of joint ventures* between Italian firms and those of the developing countries. It will also make every effort to interest constantly increasing categories of business men in these markets.

If there really is a desire to take action to reduce the gap between the more and the less developed countries, the first

essential step is to *work out a global development strategy*. This must take into account the manifold aspects of assistance, from aid of a financial nature to trade policy, technical assistance and interventions in the field of advanced technology. Furthermore, such a consideration must also include the themes of employment and human environmental conditions.

*The first move in this strategy* must be to obtain a profound and unreserved knowledge of the commitments to be made, already made and to be maintained. On the other hand, if the objectives of such a programme are to be reached, the help is needed not only of the financial and human resources of every one, but also of science and technology. These are the vital instruments for giving the entire assistance programme the global character to which I referred above. Thus it would cease to be segmented and unco-ordinated and, instead, be set within a very flexible plan of manoeuvre, in order that it may be realistic but, at the same time, opportunely directed towards the desired objective. In my view, the action of the industrialized countries ought to be based essentially *on two main lines* : trade policy and financial interventions.

Within the framework of a global strategy for the development of foreign trade, they become fundamentally important. In effect, the dynamism of the economic and productive apparatus of the developing countries depends, in large measure, on these two sectors. If it is born in mind that the increase in the rate of expansion leads, among other things, to a major volume of imports, a step-up in the demand for foreign currency and an intensification of export currents, it is not difficult to appreciate the fundamental importance of this trade and the conditioning effect it has on the rhythm of growth. And this, briefly, is what is intended when it is affirmed that the policy of gifts needs to be substituted by a policy for trade between the industrialized world and the countries of the Third World.

In its general lines, this is how such a wise and therefore coherent trade policy could be framed :

- a) new international agreements on raw materials not yet regulated by apposite conventions ;
- b) possible revision of the existing agreements in order

to adapt them to the new situation in the world markets ;

- c) abstention from imposing any new tariff obstacles as regards raw materials and basic products coming from the developing countries ;
- d) creation of a system of generalized, non-discriminatory and non-reciprocal preferences on behalf of the emergent countries ;
- e) progressive reduction of the obstacles to the importation of the products exported by the developing countries ;
- f) technical and financial assistance for the implementation of productive diversification programmes in the developing countries ;
- g) technical assistance for the elaboration and application of export policies and programmes for the promotion of foreign trade and for the training of specialized personnel in this field ;
- h) technical and financial assistance in enterprises for integration or regional economic co-operation between the developing countries ;
- i) measures for the development of trade and economic, technical and industrial co-operation between the countries with different economic and social regimes.

In short, the Italian Government is today making every possible effort to put on a systematic footing a development and aid policy which has hitherto been carried out in a way that is often erratic and falls short of the Country's possibilities.

The backing up of our industries on foreign markets, export credits, integrative allocations for private investments and the contributions of the international organs do not — let us frankly admit — form a policy.

But I should also say that it is the character itself of our economic system, with its two faces, its two sides — a high

degree of industrial development and under-development -- which equips us to carry out a special role as go-between and mediator for the highly industrialized countries and the depressed areas.

In this perspective, Italian economic and trade policy for the African continent has, in these years, been developing in two directions : the Mediterranean seaboard and Saharian Africa, thus making a distinction which responds to the environmental, ethnical and agricultural, economic and historical conditions.

Once discharged of the mortgage of her colonial past, Italy has been able to weave a new and up-to-date network of relations with the African countries.

Here are a few figures to demonstrate the consistency of these relations : in 1969 the value of Italo-African trade amounted to 1, 142.2 thousand million lire against 988 thousand million for the previous year, marking a percentage increase of 15.6% Italian exports to Africa rose in 1969 from 424.8 to 443.3 thousand million, an increase of 4.3%. Imports registered an increase of 24%, passing from 563.1 to 698.8 thousand million. The Italo-African trade balance shows a progressive increase in Italy's deficit which has grown from 104.6 thousand million in 1967 to 255.5 in 1969. The greater increase in imports as compared with exports is justified by the ever growing need for raw materials. But even the slight increase in exports has a precise and positive meaning : Italian exports, in fact, mainly concern capital and consumer goods and an increase, even if slight, indicates growth in the African economy.

As regards the African States of the Mediterranean area, Italy is an importer of raw materials, above all, crude oil, minerals and cotton and an exporter of finished goods. In spite of internal criticisms and although more vulnerable than the other Common Market Countries, Italy has supported the trade agreements between the European Economic Community and Morocco, Tunisia and Algeria, the producers of agricultural foodstuffs such as fruit, vegetables and wine, which compete with our own exports. She has also agreed in principle to a system of financial aid for these States.

We are, in fact, firmly convinced that issues of a community character must always take precedence over those of a strictly national order, however fundamental. It is our belief that possible sacrifices on the practical level will be compensated by the advantages for the economies of the member countries arising from the common market. And these advantages will undoubtedly increase as the economic and monetary organisation becomes progressively integrated.

As I pointed out earlier, for obvious economic reasons, it is certainly in the Italian interest that the European Economic Community enlarges as much possible towards the North. But it is equally true that Italy must carry out her action in the Mediterranean, where populations she counts as friends live and work, and make herself the spokesman within the European Economic Community of an agreed and outward-looking policy in relations between the industrialized countries of Western Europe and the markets of the Third World.

As regards Italy, I can say that we have always supported the theme of liberalization within the Community, at every moment and in relation to every problem, whether it concerned association with Third Countries or the facilitating of trade with the emergent countries in general. The defence of free trade is a matter which involves and must involve all the Countries.

The free trade to which is due the gigantic development in international trade, which has quadrupled in the last twenty years, is not in fact a cause which concerns certain countries and even less only a few privileged ones.

The weakest partners in international trade would inevitably be the main victims of the wave of protectionism that would be bound to arise if customs barriers of another kind began to be erected. This would be fatal for the very fact that if we started to shut ourselves in enclosed areas, world trade would most certainly shrink to the damage, above all, of the developing countries, or, that is two thirds of the world, thousands of million of people who are, on the contrary hoping, through the multiplication of the currents of trade on fair and just bases, for well-being and prosperity.

The exponents of free-trade throughout the world, who are aware of these things and can fully evaluate them, will never, though, succeed in prevailing as long as their action is scattered. Hence it is essential that all the countries recognize the grave risk of involution that they are incurring, and that they unite in a single effort without distinction of frontiers or diversity of interests.

I cannot end my talk without recalling the ties of friendship existing between Italy and the United Arab Republic, proof of which, as my colleague Moro pointed out in his meetings in Cairo last May, is given by the state of the relations between the two countries and the fruitful collaboration that has been established in all fields.

It is for this reason that Italy is closely following the developments that are taking place in the Middle East situation and ardently hopes that a lasting peace will be re-established in this region.

I am saying nothing new in emphasizing that the United Arab Republic is of fundamental interest for the Italian economy, neither am I revealing a secret in averring that Italy, a major processor of oil and natural gas, felt the Suez crisis to an appreciable extent, since she has had to resort, more than in the past, to a considerable diversification in the sources of her supply in order to guarantee her stocks.

These fundamental exigencies coincide and fuse with the political ones, in soliciting an enduring settlement of the Middle East crisis. In this context, Italy looks favourably on every effort aimed at the reopening of the important waterway that is the Suez Canal, the primary path between the Mediterranean, the Red Sea and the Indian Ocean. (And, at the same time, she hopes that the necessary work will be carried out to make it navigable to the ships of very large tonnage that are appearing in increasing numbers on the high seas). Italy also welcomes every other initiative designed to give greater importance to the geographical and commercial position occupied by the United Arab Republic in the Mediterranean basin, and this will encourage the development of free trade and pacific co-existence among the peoples.