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Chile: The fight for reforms

Intereconomics

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COMMENTS

Rhodesia

The Fourth Satellite State

An amicable settlement of the conflict between the UK and Rhodesia is growing more and more unlikely. The futile talks in December have certainly not been the last attempt at negotiations, but neither side seems to display a strong interest in making mutual accommodation easier. This means that the Smith government appears to have imposed its own conception of a white Rhodesia upon the world, at least for the time being.

There can be no doubt that the worldwide embargo demanded by the UN General Assembly has hit the Rhodesian economy badly. But even after having been cut off from the outside world, Rhodesia's economy is still far from approaching breaking point.

No matter whether the future state of Rhodesia will be under white or under black domination, it will always depend heavily on South African aid for keeping its economy running, or for revitalising it. Economic pressures which have been exerted over the last two years by the UN have brought Rhodesia even more closely to the side of the Republic than ever before. South Africa is the only developed country on the African continent with a high degree of industrialisation, and it already operates a customs union with the former British protectorates of Lesotho, Botswana, and Swaziland. It now looks as though Rhodesia might become its fourth "satellite state", which depends economically on the South African Republic. The South African government has worked out completely realistic plans for setting up a common market together with the neighbouring states. This common market is to consist, apart from South Africa itself, of the territories already named, but perhaps also of Zambia, Malawi, Mozambique, and Angola. Rhodesia's economic struggles will certainly accelerate the pace of such developments greatly, and from them will eventually be born a powerful economic empire led by South Africa. ri.

Chile

The Fight for Reforms

If a given government wants to sweep away old-engrained weaknesses from its national economy and to reach the targets of its economic policy by quick shortcuts, it must be in an overwhelmingly strong position of power. The traditional instability of home

affairs in South American republics makes it difficult for any government to build up such a position, and it is not to be expected either that South Americans will, in time, lose their political volatility. Economic reforms carried out in any developing country inevitably discriminate against one or another stratum of the population. Since all the South American states are developing countries, this makes them by implication, subject to political unrest. This goes far to explain why military juntas have seized the power of government in so many of them.

President Eduardo Frei's cabinet in Chile is one of the rare democratic and stable governments in South America, and for a long time, it was also a relatively strong government, without needing military support. But Chile is a good example for illustrating the fact that economic ailments affecting the community tend to undermine the foundations of a democracy, which it had taken strenuous efforts to set up.

Chile's government is compelled to cut public expenses drastically if it wants to deal successfully with the country's economic ills. The government has taken new and stronger powers to carry on the necessary fight against the steep rise in prices—foodstuffs alone became more expensive by about 20 per cent during 1967—but its steps provoke protests by all parts of the population. The result has been that President Frei's government had to content with much increased difficulties on the home front recently. This causes less than optimal efficiency in the use of the available funds, and it forces other agencies, e.g. the International Monetary Fund, to increase its additional aid, in order to weaken the activities of Frei's political opponents. wü.

Italy

Development Aid in Europe

Italy is one of the few European countries on whose territory there are still areas in need of development aid. It is the aim of the Cassa per il Mezzogiorno to assist in developing the South Italian economy, so as to enable it to draw level with the north and the centre of the country. One of the foremost measures designed to serve the industrialisation of the region was the 1965 Law No. 717. Under this statute, 30 per cent of all manufacturing orders issued by the State must be placed with South Italian industry. This rule seemed to be the more promising as the share of the public sector in industry is very high in Italy—the foremost representatives of State participation in the