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Jugoslavia: Setting an example

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COMMENTS

ECAFE

Endless Quarrels

It is now twenty-one years since ECAFE (the Economic Commission for Asia and the Far East of the United Nations) was first established in Bangkok. ECAFE's main task is to coordinate economic planning in the Asian developing countries and to promote and carry out projects for improving their infrastructure. Finance for such projects is to be provided by the Asian Development Bank, whose seat is in Manila. ECAFE deals with a series of highly important economic and social problems. Priority has been accorded to the creation of a regional Asian road and transport network, improved utilisation of Asian commodity sources for export, and safeguarding sufficient food supplies, which is ultimately the aim of all development projects.

ECAFE's activities are limited by the strong divergence of political and economic interests between its various member states. Even on specific community projects, whose joint benefit to all is not questioned, consent is difficult to reach. Therefore, ECAFE cannot but fail in trying to hammer out a joint Asian and Far Eastern economic policy. Effective and efficient division of labour is being hampered by the nationalism being rife in all member states, since each individual nation insists on setting up full industrialisation on its own territory, in spite of severe capital shortages and—what is even more aggravating—the very limited capacity of local and regional markets for absorbing industrial products. Already now, there is much wasteful competition between several countries which manufacture similar products. In spite of indubitable merits of ECAFE in dealing with specialised practical problems and with drawing up plans for limited projects, the Commission has not yet been able to meet its essential task of coordinating overall economic development in the region, and this apparently is a common characteristic of all the four regional United Nations' commissions on economic problems.

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United States

New Aids for Agriculture

In a Farm Message to Congress, published on February 27, 1968, President Johnson has asked for a number of new and extended measures to help the American farming community. The current Food and Agriculture Act of 1965 will lapse only during 1969, but the President tries already now to lay down completely new guiding lines for Federal farm policy.

Farming has always been an important sector within the overall US economy. For economic policy, farming moreover is of particular social importance, as average incomes are lower than those in the industrial cities of the US. Farming produce, in addition, earns about 20 per cent of the income of the United States derived from exports.

Among the salient proposals is above all the creation of a National Food Bank whose task it would be to protect farmers against declining prices through stockpiling of surpluses of wheat, coarse grains, and soybeans. In addition, it is intended to prolong for an indefinite time the subsidies currently paid by the Federal Government for wheat, coarse grains, and cotton, which would end under the present law in 1969. The "Food-for-Freedom" Program, originally conceived for two years, is to be extended to three years.

However, the chances for carrying these far-reaching demands through Congress are slim. They would cement US protectionism in favour of the farmers far beyond what had been conceived up to now, and it is highly doubtful whether Congress would agree to such incisive measures, which would virtually divest Congressmen of the power to influence an important part of farming policies for several years. Yet it will still remain highly advisable for non-Americans to keep a constant and close watch on the farming policies of the United States, not only because of the importance of the US in the world farm produce markets but also in view of future negotiations on liberalising world trade with farm produce, which especially the United States has repeatedly demanded with regard to the EEC.

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Jugoslavia

Setting an Example

In recent years, the economic activities of the communist countries in Europe have become infused by an ardent inclination towards reforms. Jugoslavia's example appears to have made a major contribution to evoking this trend. Its early withdrawal from a firm connection with the Soviet Bloc placed Jugoslavia in an awkward position between two stools, or power blocs, which had its adverse effects on the Yugoslav economy for a fairly long period. However, today—two years after the Yugoslav economy has been reformed throughout—an undeniably strong economic upswing can be registered. Once the firm decision had been taken to trade, and to increase trade, with the important commercial nations of the West, the Yugoslav market had to be opened to Western

imports. Yugoslav export industries, adapting themselves to the competitive habits of their Western rivals, have learned, in large measure, how to specialise and to modernise. Here, the foremost example has been Yugoslav farming, which has been able, through its highly elastic and flexible reactions to every change in the Western markets, to conquer a secure position for its products.

In 1967, the reforming efforts produced the first favourable results for Yugoslavia's entire economy. During that year, price levels have remained practically unchanged, and also the dinar's rate of exchange in the foreign currency market rarely strayed far from official "parity". The Yugoslav price structure is now largely in line with that of the Western trading partners.

On the whole, this development is only one of the first steps towards a high degree of integration between the Western and Eastern trading nations. That all the other communist countries have started to emulate Yugoslavia, is evidence for the indispensable and long-term need of cooperation with the West. Since the Western trading partners are likewise highly interested in broadening trade relations, it may be taken for granted that these efforts will be largely successful. wü.

Soviet Union

The Golden Trap

Nobody in the Western world knows more about Soviet gold production than what vague guesses tell him. However, all the experts agree that the Soviet Union already now ranks second among the big gold-producing countries of the world, after South Africa, and is set fair to advance to first place in the longer term. This view seems to be supported by two sets of circumstances: on the one hand, existing gold deposits, which were already known and exploited under Stalin's rule, have been supplemented, especially recently, by new gold strikes which appear to have been highly promising. On the other hand, the costs of gold production, in sharp contrast to the conditions prevailing in other countries, are of very little interest to the Soviet rulers. For them, it is much more important that their gold reserves will always be available for breaking the bottlenecks of their own home production through exporting big quantities of gold to pay for corresponding imports of goods in short supply in their country. We need here only remind our readers of the early 'sixties when the Soviets annually exported very large amounts, sometimes more than the equivalent of US \$ 500 million, in order to finance the huge imports of bread grain.

But the Soviets, like King Midas in ancient times, made the experience that gold is a peculiar stuff. Though their difficulty was of a kind very different from that of Midas, it hurt them quite as much: though being interested in a high price for gold, the Soviet Union was compelled to act in a way that practically led to cementing the current monetary

price of gold which it believed to be too low. The market for gold has now been split up into two sections. Should the Soviets yield to temptation and try to reap higher profits in the free (non-monetary) gold market, they would then not only bring about a likely drop in free gold price but probably also persuade the Western governments to listen to reason and abolish gold, at last and finally, as the basis of international currency relations. Once gold becomes a metal among other metals, an industrial raw material and a commodity precious and pretty enough to form the substance of much jewellery, it would then be affected by all the normal price fluctuations of the metal markets, without endangering the world currency system. Indeed a trap for the Soviets, though a precious one made of gold. hg.

UAR

Limited Scope for Action

Strict controls of currency expenditure introduced by the Egyptian authorities for the protection of the balance of payments have led to a steep decline in imports. Whilst the United States, during the first nine months of 1966, still contributed 17.1 per cent of total Egyptian imports, this share dropped to only 10 per cent in the period January—September, 1967. The Federal Republic of Germany currently delivers 7.3 per cent of total Egyptian imports, thus ranking third among the country's suppliers. The Soviet Union, on the other hand, now stands far in front as the most important source of the UAR's imports, having supplied 19.5 per cent of all imports in the first nine months of 1967, against 9.4 per cent during the corresponding period of 1966. Financial assistance granted by the wealthy Arabian oil producing countries has been replacing currency income formerly derived from Suez Canal dues and tourism, and massive Soviet foreign aid has enabled Egypt to overcome the aftermath of the Arab-Israeli war surprisingly quickly. Long-term economic planning of the Egyptian authorities is being continued, in spite of the new Five Year Plan having been postponed. The government endeavours to set up a powerful heavy industry, to serve as the foundation stone for overall industrial development.

The strong influence exerted by the Soviet Union, which at present is the only power able to support the military and political claims of Egypt to leadership in the Arab world, naturally sets close limits to the scope within which the UAR can deal with Western countries. However, such a one-sided Eastern inclination is not in line with the old-established political practice of President Nasser who, emulating the Yugoslav example, always hoped to profit from playing the two ends—in the East and the West—against the middle. The gradual subsidence of the tensions created by the Arab-Israeli war will therefore most likely result in a revival of the formerly fairly close economic relations of the UAR with Western countries, notwithstanding the socialist principles adopted by Egypt's economic leadership. re.