

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Peru: A long, hard slog through austerity

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1969) : Peru: A long, hard slog through austerity, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 04, Iss. 2, pp. 36-37,
<https://doi.org/10.1007/BF02929902>

This Version is available at:

<https://hdl.handle.net/10419/138121>

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COMMENTS

EURATOM

Unity Falls to Pieces

The fantastic precision and breathtaking exactitude with which Apollo 8 has achieved the circumnavigation of the moon must have convinced even the last doubting Thomas that, at least in the field of space research, Europe and the United States are separated not only by a technological gap but by a chasm.

Within the most important European research community—Euratom—joint efforts and joint research have never been accorded sufficient priority. Of the member governments, hardly any one was ever willing to act for the Community without receiving an immediate quid pro quo, and this is more so now than ever. This attitude has had a particularly unfortunate effect in the field of energy production. Basic policy was determined by an erroneous forecast of a future shortage of natural fuels, and construction of nuclear reactors was therefore artificially boosted. The faulty prognosis did not lead to a growth in members' interest in Euratom. Especially France, hitherto in the lead in atomic research on the continent of Europe and heavily in debt on this and other accounts, now therefore tries to withdraw from Euratom. In spite of all the warnings against the dangers for European integration arising from this policy, only 50 per cent of Euratom's 1969 budget will consist of community projects, the balance being financed by Italy, Belgium, the Netherlands, Luxembourg, and the Federal Republic of Germany in the form of "complementary tasks". Thus, France can today be classified as some type of half-member only. Optimists still cherish hopes that President de Gaulle may again share "fully" in joint work if and when increased technical cooperation, which is being sought within the so-called *Ma-réchal* Group, is written into Euratom's future programme. But was there no earlier opportunity for thinking of such an expedient? ke.

The Mansholt Plan

With Closed Eyes Into the Future

To pronounce platitudes about agriculture in Europe may still make a noise that is listened to, since farmers in the Common Market countries seem to be congenitally incapable of believing that their production, too, as that of so many other branches of the economy, must meet with

the requirements of the market, and that, similarly as in industry, production units will never pay their way and make a profit unless they are of a certain minimum size. Once more, this experience was made by the Vice President of the EEC, Sicco Mansholt, when he demanded that farm production be guided by the size of demand, and that farms ought to be larger units, capable of operating efficiently. That it did not impress the farmers that such developments might reduce the payments made to the Community's Agricultural Support Fund could have been anticipated without difficulty, for these payments must, of course, be borne by the entire economy. What offended the farmers' ears was the requirement cited by Mansholt that the total number of independent farm units must be cut down. The farming interest believes it to be impossible to create 2.5 million new places of employment for redundant farmers within ten years. Even the many types of transition pay, redundancy bonuses, and other forms of aid, as suggested by Mansholt, will not, in their view, sweeten the bitter pill or lay the spectre of mass unemployment.

This means that the "Green Front" has remained rigid and unyielding. But it would be frivolous to pass judgment in a hurry on the future victims of a new structural policy for European farming, because people who are going to lose their old-established way of earning a living suffer from genuine misery. But will such misery be mitigated by closing the eyes and ears permanently against the impact of reality, refusing to read the signs of the time? rd.

Peru

A Long, Hard Slog through Austerity

Early in October, 1968, a military junta seized power in Peru, justifying its action by the economic crisis, in the middle of which the republic then was. The new masters promised to improve the economic situation of the country speedily, but to this day, nothing of the kind has been achieved. Nor does it appear very likely that the government could free the country from its enormous burden of foreign debts in the foreseeable future. In September, 1968, Peru owed foreign creditors about \$757 million. The members of the junta are busy negotiating the postponement of the dates when foreign credits are falling due for repayment. Talks are being held with private lenders in North America and in Europe for

mobilising a stand-by credit of \$ 100 million, and it is probable that the International Monetary Fund may grant a similar credit of \$ 75 million in the future.

In order to overcome the budgetary crisis and to enable Peru to shoulder the burden of gradually redeeming its debts, a period of austerity, which will probably be of extended duration, cannot be avoided. The new government has announced ruthless cuts in expenditure, which are to be combined with increased public revenues, but it remains to be seen whether the new forms of taxation will meet the high hopes they are supposed to fulfil. Already now, many exemptions from the proposed austerity measures have been granted to various branches of the economy, which are supposed to serve the "essential" interests of the nation. But it is clear that such exemptions also reduce the estimated income of the state. Most of the foreign investors show marked reserve. New investments which create additional employment will probably enter the country only hesitantly, in view of the junta's nationalist inclinations. sch.

Middle East

Israel's Policy of "Self-Defence"

On December 26, 1968, two Arabs from Palestine caused heavy damage to an air liner of El Al, the Israeli air transport company, which had just landed at Athens airport. Two days later, Israeli military planes attacked Beirut airport, destroying Lebanese airplanes and equipment valued at over DM 250 million. The United Nations' Security Council was hurriedly convened, and after several days' discussion unanimously condemned the actions of Israel. The proposed economic sanctions against Israel, however, did not attract the required majority of votes in the Security Council. It is true that the Lebanon's claims for compensation were recognised but nothing was said about how and where such claims could be enforced and collected.

The Suez Canal has been blocked for world shipping from the summer of 1967. Egypt has thus lost one of its most important sources of foreign currency income. During the same eighteen or so months, Jordan has been compelled to do without the farm produce of its fertile tracts west of the Jordan river, without which it cannot feed its population. The lack of stability in Syria's economic and political life is demonstrated most conspicuously by the frequency with which its governments are overthrown. All this does not contribute to gradually reducing Arab hate against Israel. That is why world public opinion must find a much stronger form of expressing its uneasiness over the Eshkol government's policy of so-called self-defence. The initial efforts of the four big

powers to exert joint pressure for dealing with the conflict in the Middle East must be increased in order to force the hostile states to meet round the conference table. It is true that the sluggishness with which the negotiations about setting an end to the war in Vietnam advance may have undermined badly the belief in the effectiveness of any negotiation. And yet, the endeavour to arrive at a compromise must not falter. Most countries in the crisis area of the Middle East are smitten by economic misery, and in order to overcome their poverty, a new kind of Marshall Plan for helping them ought to be designed by joint Eastern and Western efforts crm.

Australia

Japan on the March?

Australia is one of Japan's main suppliers of coking fines. Recent developments in Australian coal mining are the cause of difficulties for the steelmakers of Japan, whose coal requirements for 1969 are leaving all forecasts and extrapolations far behind. During the current fiscal year (March 1968 to the end of February, 1969), Australian deliveries of coking fines to Japan will fall at least two million tons short of the contracted quantities, even though the delivery promises had already been cut down considerably early in the year, because unexpected geological and mechanical difficulties had been encountered in the collieries. These obstacles to higher output are being encountered in the entire Australian coal industry, which is located in Queensland and New South Wales, as in the two states opencast mining is on the way out and must be replaced by deep mining, which causes unforeseen problems.

No early improvement of this situation can be predicted, as development work on large mining projects in Queensland will require at least another two years. But the Japanese are growing impatient, and they allege that the unsatisfactory state of affairs is due to faulty Australian management and defective planning. Japanese steelworks have used in 1967 about 32 million tons of coking fines, of which more than 22 million tons had to be imported, which makes it easy to understand that the Japanese are dead keen on contributing financially to the Australian mining projects and on taking up an active interest in colliery management and planning. The Japanese Ministry of International Trade and Industry intends to send to Australia a coal industry delegation in January, which may be expected to table proposals of this kind. But it is a completely open question what the Australian coal interests will answer to such suggestions, for who likes to be placed under foreign tutelage or, at least, to lose a major part of his freedom to make his own decisions? hg.