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EEC: Preferences of doubtful value

Intereconomics

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their economies, but this call upon the industrialised nations has hitherto found a feeble response. Total development aid, as granted during 1967, amounted to about US \$ 11,300 mn, of which only \$ 4,300 mn originated in the private sectors of the donor countries' economies, and of this sub-total, again only about 55 p.c. represented direct investments. Yet there is no lack of highly attractive opportunities for investing in developing countries. But a favourable outlook regarding future profits is often clouded over by political and legal insecurity, obstacles and risks in the way of profit transfer and currency exchange rates, and private investors are thus hampered in arriving at positive decisions. Almost the only thing the UN Economic and Social Council can do in this field is the frequently repeated warning against such influences actively barring the influx of foreign capital from private sources. It is mainly up to the developing nations themselves to dismantle such obstacles, whilst credit reinsurance, guarantee against losses, and tax remission granted by the industrialised nations can only act as supplementary aid. The experts' meeting in Amsterdam might be considered a success already if the necessary warnings derived from experience could be written clearly into the official proceedings, for all the politicians of the Third World to read. jk.

The Philippines

Impressive Successes

When President Marcos of the Philippines delivered his Report on the State of the Nation early in 1969, economic problems preempted a large part of its text. During the fiscal year of 1968, the Philippines' GNP increased by 6 p.c. The rice and corn (maize) harvests were above average, and total farming production, with a growth of 7 p.c., overshot the forward estimates. Results for the calendar year of 1968 are even more impressive. Estimated at constant prices of 1955, the GNP, during 1968 (calendar year), grew by 6.3 p.c., reaching Pesos 17,600 mn. By far the biggest rate of progress was achieved by farming, whose output grew by 8.9 p.c. to a total of P. 4,800 mn. Through the development of a "miracle rice" by the International Rice Institute at Los Baños, the Philippines were for the first time placed in the position to achieve a surplus of exports over imports of about US \$ 7,000 mn, after having had to import big quantities of rice.

The government was also highly successful with its infrastructural programme. Over the last three years, the government of the Nacionalista Party was able to build more roads than during the 65 years since the turn of the last century. Similar achievements have been recorded by agricultural irrigation projects, school construction, piped drinking water supplies in the capital city of Manila, etc.

It seems that the government has also found the right approach to social tensions with its programme of „Neo-Filipinismo“. It is true that "street parliaments" are responsible for a few acts of violence, some wildcat strikes, and demonstrations also in the Philippines, but it is generally believed that the masses are more interested in genuine communication and not in the display of brute force for its own sake. Student actions, which have hitherto been held within civilised limits, are being treated as demonstrations of their critical opinion by citizens making justified complaints, and are being taken seriously. hg.

EEC

Preferences of Doubtful Value

The Commission of the European Communities has worked out a system of general tariff preferences for the export of finished and semi-finished products by developing countries, and has submitted it to the Council of Ministers. The draft is one of the end products of pressures exerted by the developing countries upon the industrialised nations during the Second World Trade Conference at New Delhi. However, it is highly doubtful whether developing countries will genuinely profit from the success of their demand. For it is a fact that existing regional preference systems, for example those favouring the African states which are associated with the EEC, have resulted in only slender benefits for the countries so favoured.

Moreover, it must be considered that the level of economic development between developing countries is usually different. But a system of general tariff preferences favours all of them in equal measure, both those whose competitiveness has already been established, and those who have to fight for becoming competitive in the European Common Market. Whether the planned establishment of upper limits for the imports of certain manufactured goods of individual countries will prove efficient in protecting the interests of the latter may well be doubted. For, in the last analysis, it is demand by the user which will determine how much of the imports—especially of industrial goods—can be sold, no matter whether they have their origin in one of the developing countries. This is the reason why Brussels should ask itself, whether a policy of the "open door" for the imports of farm produce from all the world would not have met the requirements of developing countries in a better way. At any rate, it would be foolish self-deception to believe that preferences alone constitute a policy of development aid in themselves. Since preferences will make competition even keener than it has been, those countries without competitive strength will certainly need more and not less aid than hitherto.

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