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Pakistan: Democracy in Asia?

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COMMENTS

USA

The Root of the Evil

Do presidents also work according to the dubious success recipe: "Make all things the other way round as your predecessor"? Regarding the US President Nixon, one could really have this impression. Being confronted with the burdening trade balance problem and the danger of a new great balance-of-payments deficit, he corrected the reconstruction measures of his predecessor Johnson considerably. Instead of maintaining or sharpening the coercive measures for diminishing the capital outflow, he steered the anti-course especially with regard to foreign investment. The hitherto taken restrictive measures are being loosened, direct investment in the USA is to be increasingly promoted in future.

It would, however, be premature to judge this shift as an adherence to the "liberalisation policy". It rather seems to be an indication of the insecurity about the actual effects of foreign investment. For scientists and men of practice are still disputing, whether they can this way really influence or even control the capital flows in the longer run. But maybe Nixon only thinks that the brakes Johnson tightened now could have too strong an impact after a certain starting period.

Insofar one can naturally follow the President's ideas; but not his assertion that now he is finally eradicating the balance-of-payments problem, whereas all his predecessors were only curing symptoms. The planned revision of the foreign exchange equalisation, too, will not serve this purpose. For, the root of the evil is much deeper — Vietnam. All politicians know, but who would admit it?

ke.

South Africa

Gold is not Everything

The economic policy of South Africa faces a dilemma. True, the country enjoys a rate of economic growth which after Japan is the highest in the world. But this pleasure is marred by an inflation which has by now assumed alarming proportions.

The catastrophic drought of the last months has aggravated the situation still further in that it caused food prices to rise by leaps and bounds despite efforts by the authorities to control them.

One of the most important causes of the inflationary trend is South Africa's distinctly protectionist economic policy. The official justification for this policy is that South Africa is still at a relatively early stage of industrialisation and that therefore protective measures are necessary to shield young industries. The true reason is however political. Because of its racial policy the South African Government must at all times expect that sanctions and boycotts are imposed against their country. This is why South Africa endeavours to become economically independent as quickly as possible and to the largest possible extent. But this protectionism costs the country dearly. It prevents genuine competition with foreign competitors and thus enables the home industry to produce and sell at high costs.

A temporary opening up of the frontiers would intensify competition and close the gap between demand and home supply. Owing to the fact, however, that export possibilities have been severely curtailed by the drought South Africa would be compelled to fall back on its gold reserves. But this is precisely what the South African Government cannot do. Larger gold sales would cause the free market price of gold to fall and thus thwart South African gold policy.

Pakistan

Democracy in Asia?

Once again fortune has deserted a great man. After a long illness Ayub Khan's authority vanished. His decision not to run for the presidency soon made it clear that the many opposition groups had only one aim in common: his downfall. In these circumstances a parliamentary system as such would have been unable either to stamp out corruption or to prevent the old discord from flaring up again which seemed to have been overcome when Ayub assumed power. It would therefore appear only logical that once again the army should have taken control with its Com-

mander, Yahya Khan, becoming the head of the Government and military law being imposed. Things calmed down at once, the workers ceased their strikes, the minute minority of radical students vanished from sight and the University of Karachi was reopened after being closed for five months.

In his radio broadcast General Yahya emphasised that he had imposed martial law only in order to protect life, liberty and property and to put an end to maladministration and chaos. Apart from this, he had no other ambition than to create the requisite conditions for a constitutional government.

His measures have so far been quite moderate; no politicians have been arrested and no political parties banned. Besides, the Government wants to use its powers under martial law for an attempt to ease the genuine difficulties of students, peasants and workers.

As in other Asian states such as South Vietnam and Thailand which have no democratic traditions and where even well-meaning Asians regard democracy as a form of government that is irrelevant to the problems of Asia, the question arises whether one does not expect too much of these peoples. Is it reasonable to expect that with an illiteracy rate of 70 p.c. a form of government can function which the European states adopted only after they had reached a much more advanced stage of development and a considerably higher standard of living? "First things first" would seem to be a sounder policy to adopt. hg.

Greece

Ambitious Economic Plan

The world-wide discussion of the internal policy of Greece has become less heated, and the military regime has meanwhile become sufficiently established for it to be possible to talk about the country's future once more in terms of sober economic facts. The ambitious economic plan of the present Greek Government for the period from 1968 to 1972 aims at an 8 p.c. annual growth of the gross national product and promises a marked general improvement in the standard of living in accordance with the proclamations made following the putsch. Clearly, the process of economic development in Greece can be accelerated to the desired extent only by a rapid build-up of the industrial sector. But in view of the high investment costs that may be expected it is more than questionable whether it will be possible to reach the growth target with an average rate of inflation

of no more than 2 p.c. For, after all, foreign investors in particular are guided not only by long-term economic prognostications but also by the relatively high rate of interest their capital can earn in the short run. One thing is certain: As the Greek investment programme concerns mainly capital-intensive sectors of industry, it is in any case far from clear how one intends to bring about the structural changes needed to improve the hitherto unsatisfactory distribution of incomes. It is a fact that about 50 p.c. of the working population is even today still employed in agriculture, and in view of their for the most part appallingly low educational standard it is unconceivable that such workers should be used in more remunerative sectors of the economy. Only 7.6 p.c. of all public investments are allocated to education, and this relatively modest share should hardly be sufficient to bring about decisive changes. sch.

Chile

A New Development Strategy

In December 1968, a commission of President Frei's Christian Democratic Party published a development programme under the title: "The non-capitalist way of development — a revolutionary strategy to convert the economy to socialism". This report outlines in great detail a development plan which is to be realised through the following three measures: Nationalisation of growth industries, of the internal and foreign monopolies and of the banking sector; implementation of a radical reform of agriculture; establishment of an over-all economic planning system. During an interim period, the duration of which is not clearly defined, the activities of the private economic sector are to be progressively curtailed. The aim is a completely nationalised economy.

This programme has been severely criticised in Chile for its socialist bias and lack of detail. In the parliamentary elections of February 1969 the Christian Democrats received their first rebuff from the population. They lost many votes to the conservative National Party, led by the former President, Señor Alessandri. Eduardo Frei seems to be disappointed with the little success his modest programme of economic reform has had so far. What he does not appreciate however is that Chile, being on the road towards industrialisation, urgently requires foreign capital, and it is more than questionable whether foreign investors will be prepared to risk their capital in a country that suppresses private initiative. crm.