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COMMENTS

EURATOM

On the Point of Foundering

Even the strongest optimists have begun to see the future of European efforts for overcoming the technological gap in very sombre colours. The European Atomic Community seems to be on its last legs. It is lacking a genuine programme for its activities, there is no agreement in its ranks on the future aims of its joint research work and on the financial contributions of its member countries, and it appears to be tottering towards its grave. The scientists serving Euratom cannot be blamed for this failure—on the contrary. It was the megalomania of the organisers, a policy serving prestige only, and the miserliness of national treasuries when called upon to finance supra-national research efforts, which infected the Community with an incurable disease.

After January 1, 1969, France has only been a "semi-member" of the Community. In great haste, an emergency budget has been adopted which provides for interested member states financing, in future, 50 p.c. of total Community expenditure in the form of so-called follow-up and supplementary tasks.

Since then, it had been the intention to lay the groundwork for a new Five-Year Plan—but the way to hell is plastered with good intentions. Actually, again no agreement was reached. Under M. Pompidou, France shows the same lack of interest as under General de Gaulle. In desperation, people hunt for ways out of the dilemma, in order to prevent the whole Community from foundering and breaking up. Among other things, it is being mooted whether "follow-up tasks" ought not to claim 60 p.c. of all expenditure, or whether political guarantees might be obtainable for ensuring survival of Euratom's research centres, though these would then be more than ever the preserves of individual member nations' influence. Do the technocrats in Brussels seriously believe to be able to keep capable scientists in their employment with the help of such futilities?

ke.

Trade Unions

Superfluous Competition

Unconnected with the much-praised efforts to industrialise the Third World—and generally unnoticed—about 1,700 mn human beings in Africa, Asia, and Latin America have become the objects of a fierce struggle. The protagonists on both sides are the mainly American-inspired and

American-directed International Federation of Free Trade Unions, and the World Trade Union Federation, which is dominated by Moscow..

The two federations are serving clearly political interests: the World Trade Union Federation endeavours to plant cells in developing countries destined to become nuclei for the organisation of communist parties whilst the IFTU applies all its energies specifically to prevent this. This kind of competition is not at all conducive to promoting the growth of trade union organisations in developing countries, where they are still in the initial stages of growth. Wordy proclamations are thundering across the field of battle, whilst empty promises replace practical aid in the fields of technical training and economic assistance.

Both the WFTU and the IFTU have failed in their aims, and this proves, beyond all doubt, that it is an urgent necessity for them to turn away from futile competition for the adherence of the Third World. If the two world federations were willing and capable of cooperating closely with the workers and employees in the Third World, this would be a valid contribution of the Eastern and Western colleagues to their development.

mk.

Israel

Consolidation of Industrial Development

Unceasing military clashes in the Middle East are leaving their traces in the economic condition of Israel. Increased internal consumption, rising prices and shrinking currency reserves are visible signs of this.

The earning power of many manufacturing companies has improved, and this has led to big investments for expansion. Huge orders for the production of defence supplies are being received by the metal-using industries, electrical engineering, and electronic industries and ensure not only full employment for them but also exude a "fall-out" of new inventions from big research projects which go beyond the financial means of private enterprise. Such inventions are most effective in leading to substitute production for former imports, and a great number of them are also very well suited for being sold in world markets. Additional support for industry are the new markets which have been opened up in occupied territory, though mass income there is relatively low. This favours especially the trade in consumption goods and textiles. Moreover, profit margins of those

industries which exploit local raw materials as basestocks for manufacturing chemicals have noticeably improved. The phosphate plants, which had operated at a loss for many years, are earning profits for the first time.

Actually, however, it must not be forgotten that it will hardly be possible to increase the rate of growth strongly above present levels. The scarcity of skilled labour and the narrowness of the local capital market are acting as brakes, since the government claims the lion's share in the available funds. Foreign capital, especially for direct investments, is hard to get, in view of the precarious political situation. Financial support by Jewish industrialists abroad could be stronger, and Tel Aviv does not ever get tired in regretting this fact. Government-imposed credit brakes will have to be applied lest overheating in the industrial sector becomes rife. ja.

East-West Trade

Cooperation — The Solution?

In line with the progressive "thaw" in international relations which has replaced the Cold War, the efforts to promote East-West trade have increased vigorously. Italy for instance builds a car plant in Russia, France concluded a new trade agreement with the Soviets which is designed to double the present exchange volume, and the US Senate adopted by a big majority a new bill which reduces the number of prohibited exports on the list of "strategic goods" from about 1,300 to a mere 200 items. West Germany has not remained idle. Bonn has been negotiating with Poland on easing import regulations for 1970, and similar talks have been scheduled for the current month in Bucarest. A delegation of the Federal Association of German Industries has recently been to Yugoslavia to deliberate jointly with the Belgrade authorities on the planned expansion of both mutual trade and industrial cooperation.

Yet with all these activities, it would be wrong to overrate the possible volume of trade with the communist countries, as long as the Soviet Union and Comecon-states will not allow the creation of net import surpluses which have to be paid for with foreign exchange. Moreover, the products these states offer are generally of inferior quality and there are no servicing facilities for them abroad, all of which makes them uncompetitive in western markets.

The East is well aware of its weakness especially in the last-mentioned field. A way out of this dilemma is seen in technical cooperation with western companies—notwithstanding the fundamental differences in their philosophies and economic orders. Cooperation is sought particularly by Poland, that strives for a five-year skeleton

agreement on cooperation between West German private industries and State-owned Polish enterprises. For the manufacturing plants to be set up with the aid and under participation of West German private enterprise, Poland needs credits. But how is it to repay these advances? Both the regulations of the EEC and the plight of German farmers set a ceiling on Polish farm exports. In spite of the obvious difficulties, it must not be forgotten that trade is the most efficient bridge-builder, and everything ought to be done for facilitating industrial development of these countries through increased cooperation. hg.

UNCTAD

Supplementary Financing Desirable

A proposal has been under discussion from 1966 onwards, to grant developing countries some form of balancing payment to make up the gaps which may appear in cases when their export earnings remain below advance estimates. Such payments are to be a form of protection, guaranteeing the execution of development programmes against possible interruption through fluctuations of income from abroad, since such programmes are usually being based, among other things, mainly on advance projections of foreign trade income.

The World Bank had published this proposal in November, 1965, and this immediately prompted lively discussions on the question whether this suggestion would be in fulfilment of the recommendations of the World Trade Conference (UNCTAD). No action, however, followed the debate. In the end, it was the refusal of the industrialised countries which prevented any progress from being made in the field of supplementary financing during the Second World Trade Conference, which took place in 1968 in New Delhi. This meeting was again only able to adopt recommendations. But the developing countries did not give up their fight. In September, 1969, the World Trade Council requested the World Bank to give its expert opinion as to when, in its view, supplementary forms of financing might be introduced.

At the same time, the habit of excluding difficult problems from the deliberations of the World Trade Council has undermined the faith in the effectiveness of consultations by this body. Other pressing questions of worldwide development policy have not been solved in this form either. Admittedly, it is not easy to make industrialised and developing countries agree with each other, but from the case of supplementary financing methods, it can be seen that there is not even much good will available. For the Second Development Decade, this is not a good augury. na.