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## Comments

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# COMMENTS

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*Comecon*

## Disagreement in Warsaw

About the middle of last May, the 24th meeting of the Comecon Council sat in Warsaw. Though the talks, which lasted for three days, were held in strict privacy, their results can be clearly discerned from the official communiqué published after their conclusion. With the exception of Romania, the members of the Council agreed to set up an investment bank for Comecon, whose main task is to grant credits for joint projects of enlarging production of key raw materials and fuels. There was unanimity among Council members that the existing Bank for International Economic Cooperation, which had started trading on 1st January, 1964, from Moscow, should enlarge the scope of its work in the field of multilateral clearing. They also approved the formation of an international institute for economic problems of the Socialist World.

Held against the list of reforms proclaimed as desirable during the last two years or so, including supra-national coordination of national economic planning, increased division of industrial labour, a unified currency policy, etc., the agreements made in Warsaw represent only a modest measure of success. It was not the first time that Comecon members did not dare to take the big leap to full economic and trade integration, though Moscow has all along been pressing most strongly for it. The latest Comecon meeting was once again proof that the much-praised unity of purpose in the Socialist Camp is a pious legend. Bucarest apparently did not have to play its opposition part in soliloquy — witness the fact that no decisions were made about the question of the intended reforms. The advocates of nationalist economic policies have again prevailed, and no prophecy is needed to be sure about this: existing differences can certainly not be bridged up to the end of the current year by the specialist subcommittees which have been appointed. pl.

*France*

## Impasse for Pompidou

The "Italian disease" has become rampant in the French economy, too: the strike count continues to go up, though for the time being, it is mainly government companies which have been affected by industrial strife.

The economic boom continues, for the time being, but also the price level climbs at an accelerating pace. The Banque de France and the French Government therefore cling to their present credit squeeze, the Bank, for example, reducing the credit margin of the other banks by another Fr. 1,200 mn. And M. Giscard d'Estaing, the Minister of Economics and Finances, continues to keep down home demand through budgetary restraints. However, this type of economic policy becomes progressively the main butt of criticism. Businessmen clamour for an early de-restriction of credit, voicing their fear lest unremitting application of the financial brakes may eventually lead to a recession. Trade unions and the students have been attacking the authorities' budget policies. They demand of the Government that the long-heralded programme of social and economic reforms be launched through mobilisation of the funds needed for it.

President Pompidou has landed himself in an unenviable position. For giving the economy its head—which he seems inclined to do—will only strengthen the inflationary trends, and this would inevitably lead to a new devaluation of the French currency. Should he, on the other hand, decide to continue his policy of economic stabilisation, this will surely provoke new strikes and unrest. crm.

*"Ostpolitik"*

## The Meeting at Kassel

Medium-sized states, of which the Federal Republic of Germany is one, have to trace their course between the super-powers, even though this may be quite a burden for them. Willy Brandt, to-day's Federal Chancellor, put this question to the American press by implication, already years ago: why only General de Gaulle? In a similar way to the general, he had found out, much before this dawned upon others, that Europe must find its own way, without thereby giving up its solidarity with the United States.

The positive side of the Kassel meeting was that it could take place at all, and that it was not used for banging doors shut for good. The two meetings at Kassel and Erfurt are only comprehensible within the overall framework of Brandt's "Ostpolitik". It must not be overlooked that Ulbricht and Honecker had gone to Moscow on 15th May, a few days before the tryst at Kassel—and cer-

tainly not only for the purpose of downing some vodka. With all the rigidity of their behaviour, and in spite of their stonewalling attempts, the East German delegation had known all the time why they did not dare risk a final rupture but had to leave all avenues open. Ulbricht was not permitted to ignore the fact that the USSR evidently places equal weight upon normalising its relations with the Federal Republic as upon stabilising the zone of influence it had acquired as a sequel of World War II. There are also strong economic motivations for an agreement, as the Soviets, in their current economic difficulties, must set great store by as close a financial and technological cooperation with the Federal Republic as possible.

It is likely that Germany will remain divided, for all the foreseeable future. It may, however, be possible to join the two parts of it in a confederative form. Really, which arguments could be used against the long-term possibility of transforming Germany into the model of a greater Europe built upon the *modus vivendi* between a more liberal socialism and a more moderate capitalism? This, after all, is the ultimate aim of "Ostpolitik". hg.

#### UNCTAD

### Stabilisation of the Tin Market

For the fourth time since the last war, a new World Tin Agreement has been adopted in Geneva in the middle of last May. Sponsored by UNCTAD, a new agreement was hammered out which copied the salient features of the current one, to take its place as from the 1st of July, 1971. There is no change, in principle in the export controls in force and in the maintenance of a buffer stock, to serve the London Tin Council as tools for keeping the tin price stable. However, present conditions make it appear debatable whether these measures will be efficient and effective instruments for securing the desired aims, for almost immediately after the beginning of talks in Geneva, the London Manager of the Buffer Stock was forced to declare the bankruptcy of the policy which he is supposed to pursue. In the same manner as it happened previously in June, 1961, and in October, 1962, he had to withdraw from the market in the face of rising tin prices, because there remained no tin at his immediate disposal. As in the past, he had to leave the field again to the free interplay of market forces.

No commentary is needed to show up the precariousness of international tin agreements when reports come from London that the Buffer Stock

has been sold out: this tool of the Tin Council, which is very useful in times of a market glut for restoring equilibrium through tin purchases for stocking purposes, or through export restrictions, has been virtually paralysed through the change-over from overproduction to scarcity of supplies. An enlargement of the Buffer Stock would possibly contribute to meet the requirements of consumers in the future, when tin may be scarce again. But this could only take place, if the USA and West Germany would also contribute to the funds needed to finance stockpiling. sto.

#### USA

### Is Galbraith Always Right?

The trend prevailing in the international stock markets for the last 18 months or so, and particularly the slump of last May, seem to confirm the dark prospects foreshadowed by Harvard's economist, John Kenneth Galbraith, who declared that a recurrence of the mad conditions of 1929 is not at all unlikely. The steep decline of share prices registered by all the international stock exchanges was indeed striking. The price level on Wall Street, which is the fulcrum of all international dealings in stocks and shares, has plummeted almost one third from the level of May, 1969.

However, this rapid drop was followed by an equally spectacular recovery. Already on the morrow of May 26th, the Dow Jones Index gained again 30 points. A week after the seeming disaster it had climbed to 709.61, or by about 10 p.c. Yet there is anxiety whether this resurgence will have a lasting character. Investors generally feel uncertain in view of the Cambodia crisis, of unrest in the United States, and of the difficulties into which the IOS has run. But of an even more fateful significance is the apparent failure of the Nixon Administration to produce an anti-cyclical policy, for its strong anti-inflation drive has led only to economic stagnation without, at the same time, buttressing stability.

How the stock market will behave in the foreseeable future depends on whether President Nixon succeeds in leading the US economy from the doldrums by dispelling the feeling of insecurity, which now weighs down the business community and the investors. In view of the leading role which the New York market plays in the whole world, this will also be decisive for the future movements in all other international stock markets. hb.