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Allende Deserves a Chance

Looking back at the first months of government of Dr Salvador Allende, there is no doubt that politically he has moved with much more caution than originally expected by his admirers and feared by his opponents, i.e. the non-marxist parties. On the other hand, in the economic policy field he seems very determined to carry out his campaign programme. The agrarian reform, introduced by his predecessor, Sr Eduardo Frei, has been accelerated. His other two pledges, the nationalisation of the banking system through government stock purchases and of the US-controlled copper industry through application of the quite unprecise Law of Compensation, have also been carried through swiftly.

In order to get the roaring inflation of the past under control, Dr Allende's short-term economic strategy has been to freeze prices of consumer goods and raw materials. But at the same time he has assured wage-earners that he will allow wage increases by 35 to 60 p.c. as a compensation for price increases by 34 p.c. last year. Because of these economic measures, because of the state prohibition to close factories even if they are losing money and due to the general uncertainty about the future economic development, private investment in Chile has come to a standstill. At the same time unemployment in the capital Santiago alone rose from 6 to 8 p.c. during the last months.

Since Chile cannot expect to attract private foreign investors in future and since its internal financial ability is also limited, one of Dr Allende's main concerns has been not only the maintenance but even the improvement of international relations. For he recognises that his country will in future be more than ever dependent on public development aid by foreign countries. The reception given by the new President to Professor Sohn, State Secretary in the Federal Ministry of Economic Cooperation, in Santiago not too long ago was therefore very cordial.

Being quite impressed by Dr Allende's programme, Professor Sohn assured him that the Federal Republic would continue to grant development aid on a large scale, regardless of the fact whether or not Chile sets up diplomatic relations with the German Democratic Republic. Because of this statement the State Secretary was criticised heavily by the Opposition party and press on his return to Bonn. The question most often heard was: Why must the Federal Republic support a country with increased aid when this nation which is clearly on the road towards socialism is ready to recognise the GDR and when there are so many developing countries which can be called "friends" and are also in need of development aid?

These critics fail to acknowledge that the main question is not whether or not Chile sets up diplomatic relations with the GDR in order to get foreign aid. It is more important to realise that economic development in the Third World is part of a more general process of social and economic transformation. In this respect, each nation must develop its own development strategy in accordance with its historical, social and economic background. This strategy does not have to be similar to the Western model which has dominated development thinking in the past. In fact, many experts forecast that in some years the Japanese, Chinese or Chilian models of development will be the rule, whereas the Western model will be an exception. It is therefore to be welcomed that the Federal Ministry of Economic Cooperation has accepted that a donor nation should try to secure its interests but should not try to impose its political, social and economic ideas upon a country's development strategy.

President Allende has still a long way to go on the road towards economic progress. His strategy of evolution rather than revolution can only be successful if it finds the support of the industrialised nations and international development organisations. The developed world should therefore at least give him a chance to prove whether he has a point.

Carsten R. Moser