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*Italy***Need for Internal Reforms**

The economic barometer in Italy does not point to "fine". In the first five months of this year production lagged by 3 p.c. behind the previous year. The Government's aim of raising the GNP by about 6 p.c. in 1971 seems to recede into the future. To accomplish it after all, the regional Socialists and Christian Democrats in early July hastily passed a programme for the stimulation of the economy. They hope for some success from investment concessions and partial relief from social welfare contributions for small and medium-sized firms.

The Government will need this economic success if it is to bestow at long last the promised internal reforms on the country which is in many respects backward and unbalanced. But there are only mini-reforms to show for its many fresh starts. That holds good for the new farm leaseholds as much as for the social insurance and the social housebuilding programmes. The really important reforms, like the great tax reform, are still in the pipeline or have not been taken in hand at all, as happened to the repeatedly delayed question of how to re-arrange the support for Southern Italy. To be able to effect reforms the Government needs not only a majority in Parliament but, most of all, money — and this a flourishing economy alone can provide.

So the Government must be successful. If its economic policy fails, its last hour is not far off. It was not without reason that the extremists on the left and right scored a success at the last regional election. ke.

*Arab Common Market***Fata Morgana**

The "Arab Common Market" which was called into being on January 1, 1965, seems to turn into the kind of phantasm which is thought to be a typical feature of these regions. Some of the member countries—Egypt, Kuwait, Jordan, Yemen, Iraq, Syria and Sudan—have admittedly taken the import duties off each other's agricultural produce

and lowered those on industrial products by as much as half, as was pointed out at the 32nd congress of the Arab Chambers of Commerce in Beirut. But a common external tariff has been out of reach, and nothing at all has been done in the way of co-ordinating, e.g., national taxation and currency policies. It causes no surprise therefore that the tariff cuts have not significantly increased the imports from partner countries, diminutive as they are compared with total imports, the less so as in many cases the removal of trade restrictions was rendered inoperative by the introduction of licences.

The exceedingly meagre result of an enterprise which had been initiated with a great deal of enthusiasm shows once again that forms of organisation which the industrialised states of Europe have evolved for economic cooperation since the war do not lend themselves to ingenuous transplantation to the Third World; for that the difficulties stemming from the divergence of economic systems are as a rule too great. Besides, it is a drastic demonstration of the lack of economic reality behind the schemes for Arab union which Arab leaders are wont to conjure up, especially when political and military unity against Israel is at issue. kw.

*Austria***The Revaluation of the Schilling**

Austria's balance of trade showed a record deficit of nearly 18 bn Austrian schillings in 1970. This shortfall resulted from a very large increase in imports—by 25.7 p.c. to S. 92.3 bn—which was not balanced by the rise in exports—by 18.6 p.c. to S. 74.3 bn. Since the deficit, which marked the climax of a long series, suggested devaluation or at least a standstill on the foreign exchange front, Austria caused wide-spread surprise by upvaluing the Schilling by 5 p.c. What were the reasons which caused the Government to take this step?

The revaluation of Austrian currency must no doubt be viewed in the context of the decision of the Federal Government of Germany to let the DM float. For the balance of trade deficit resulted mainly from trade with the Federal Republic of Germany which accounts for one-third of Austria's total foreign commerce. All other markets abroad together yielded a surplus. To offset, at least in part, drawbacks

which may derive in other foreign markets from the change in parity, the Government announced improvements to the set of instruments available for export promotion, but whether its calculation will turn out right is uncertain. It is not yet definitely known what form the improved promotional instruments will take. Their effects cannot yet be quantified. If the—so far *de facto*—revaluation of the DM turns out smaller than expected, the Government may be seen to have been too optimistic in its calculation.

Whatever happens, the Vienna Government's decision to revalue the currency will make it more difficult to reduce the foreign trade deficit. Besides, it is likely to impair the trend of the services account which has hitherto shown a surplus. Forced to choose between price stability and external economic equilibrium, Austria has opted unequivocally for the former. Experience in other countries however shows how well-nigh impossible it is in the long term to achieve stable prices without reining in the external economy at the same time. Fa.

Union of South Africa

Apartheid Hampers Expansion

Nine months ago the Vorster Government initiated trenchant deflationary measures. New taxes were introduced, the income tax was raised, and restrictions were imposed on instalment buying. The state's measures have come in for harsh criticism by businessmen, for in their view the current difficulties are not the temporary consequence of overheating in the past but the outcome of a mistaken apartheid policy.

There are only 4 mn White people in South Africa but about 17 mn African and Coloured who supply 72 p.c. of the labour force. Racial legislation restricts them to unqualified and badly paid jobs. In the gold mines, for instance, a Black man earns the equivalent of about DM 4 per shift but his White colleague nearly 20 times as much. Many businessmen therefore believe that there is an obvious solution to the economic difficulties—to raise the productivity, wages and consumer potential of the non-White population. Thus alone can South Africa's industry make effective use of its large and willing manpower reservoir. As long however as the majority of the population is prevented, be it by direct prohibition or by lack of training, from playing its full role, it is impossible for the Union to avail itself of the excellent prospects for economic growth and a better life for all the peoples of South Africa.

The Boer nationalists still repudiate these undeniable facts, and the Government has so far made only slight concessions to the Coloureds. Needed is an exceptional training programme for the non-White population and a general removal of racial barriers. Now that a new class of entrepreneurs of Boer nationality is emerging, who in its own interest endorse the demands of English-speaking business circles, there seem to be grounds for hope in the long term that commonsense and tolerance will ultimately triumph over traditional prejudices. hg.

EEC

European Trade Unions

An event which took place in Brussels towards the end of June may prove of crucial importance for the further extension of the Common Market: The coordinating body of 8 metal trade unions in the 6 EEC countries has decided to set up a European Metal Workers' Federation. Trade unions have thus for the first time taken recognisance of the fact that the process of economic integration makes cooperation of the individual trade unions imperative, for European trade union associations are indispensable as a basis for trade union action if there is to be an assurance of "normal" negotiations, i.e., negotiations between equipollent social partners, in future.

That the metal unions of Europe are doing pioneering work for all trade unions was evident long before the Brussels decisions. Coordination committees for dealing with important multinational employers' groups were established several years ago already so as to provide better protection for the 3.0 mn members of the affiliated metal workers' unions. It was intended that they should improve cooperation and coordination amongst the workers themselves and also in negotiations with the group managements concerned. Such committees have been set up for the Philips electrical combine, the Fiat/Citroën motor group and Fokker/Vereinigte Flugtechnische Werke. Hitherto they have oriented their work primarily towards social safeguards for employees in rationalisation and reorganisation projects, but an extension of their field of activities is envisaged.

The other trade union organisations would be well advised to emulate the example of the metal trade unions. For it is certainly true, as employers assert, that an integrated Europe stands in need of trans-European combines; the Community however needs European trade unions quite as urgently in order to keep an effective rein on the power of such multinational corporations. crm.