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## France: Economic hindsight

Intereconomics

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# COMMENTS

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*France*

## **Economic Hindsight**

Ever since the efforts for European cooperation were first launched, French governments have attracted attention by their arbitrary attitudes. They showed in the economic sphere as much as in other political fields. However, this French arbitrariness never really indicated a fundamental lack of willingness to cooperate. But the French often gave the impression that, though fully aware of the need for European cooperation, they were trying to get as much as possible for themselves. There was also a good deal of disdain for other peoples' presumed incomprehension.

It now looks as if the exaggerated egocentrism is, together with this disdain, gradually giving way to more prudent counsels. France has lately been an advocate of coordination of European stabilisation efforts. No concrete proposals are yet at hand about the details of such cooperation, but Paris is willing to pay more attention to the coordination of the economic policies of the European states in future.

For a long time France did not want to hear of such cooperation, believing that mutual monetary adjustments would compel the participating states to keep a curb on their domestic economic situation. This illusion was shattered when it became clear that France, like all western industrial nations, was being caught by the inflationary maelstrom. But otherwise the economic situation in France is not really bad: Growth and full employment are assured for the present, in the main no doubt because of the efforts made by the governments in the sphere of economic policy. For these successes however France paid by the loss of its price stability. The unbridled inflation in their own country, though not dissimilar in magnitude to that of other industrial nations, has taught the French that stability is beyond their reach if they do not join their partners in an economic policy. The French, like others before them, are learning the hard way. ro.

*Japan—USA*

## **After the Reciprocal Shocks**

President Nixon and Premier Tanaka have had two days of consultations and a joint communiqué was issued afterwards. What is the outcome? As regards the trade controversy, no long-term solution has been found. Japan, it is true, has promised to try to cut the US trade deficit over a "reasonable" period of time to a "more manageable size", but how this is to be done in prac-

tice remains to be seen. For President Nixon it is important that time has been gained, two months ahead of the elections, by short-term trade-policy promises on the part of the Japanese. The huge US deficit, estimated at \$ 3.1 bn, is to be cut by about \$ 1 bn. Nixon can also claim as a success that Japan has for the first time not merely taken note of the economic problems of the USA but indicated its willingness to do something about them.

Of rather more significance is probably the communiqué's political content. A new dialogue is to lead to ever closer relations between the two countries. Foreign Minister Ohira remarked on a change from a relationship between "guardian and ward" to one between "mature partners" and stressed that "in a multipolarised world Japan is assuming in the international community a greater responsibility commensurate with its enhanced power". In other words, Japan won't have any more "Nixon shocks".

That stress was put more than once on the harmonious relations between the USA and Japan cannot hide the fact that bilateral problems are still very much on the mind of diplomats in both countries. That is true, above all, of Japan's new self-willed policy towards China and the interpretation of the American-Japanese security pact, more particularly with regard to Taiwan. To Nixon's shock policy Japan retorted with the "Tanaka shock" of instant rapprochement to China. The USA hardly expected such a pungent reaction. Since the two countries depend on each other in the Asian area, it is to be hoped that this reciprocal shock therapy will help to get over misunderstandings and animosities. hg.

*Common Market*

## **Difficult Mediterranean Concept**

On September 25/26 the EEC Council of Ministers turned its attention to the task of redefining its policy to the Mediterranean countries which have economic links with the Community in the form of trade treaties, tariff preferences and association agreements. An impelling reason to do so was the necessity of the four new EEC countries adapting their trade barriers against the Mediterranean countries to those of the original Six in such a way as to avoid heavy inroads, especially in the farming sector. France used this opportunity for suggesting a new Mediterranean concept: "global agreements" are to be offered first of all to the countries whose economic relations with the Community are already governed by trade accords.