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Eastern Europe: Parity changes after the dollar crisis

Intereconomics

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shortcomings, although on a smaller scale. For, even if the exchange rate relations should be realistic, they will by no means remain this way, since neither a homogenous economic development nor similar economic policy targets, let alone a uniform economic and monetary policy are in prospect.

Furthermore, mainly at the instigation of France a true floating of the exchange rates against the dollar could not be resolved on. With that, however, a second conflict is in the offing. For, who will decide on the admissible scale of the revaluation of European currencies against the dollar — France, which does not want to jeopardise its exports, or the Federal Republic, which for stability reasons would not mind a check to economic activity? It is therefore not a question of "whether", but "when" the next monetary contest will occur. ogm.

Bangla Desh

First Elections without Surprises

Fourteen months after winning their war of independence against Pakistan, the people of Bangla Desh have elected their first parliament. Sheik Mujibur Rahman's Awami League which since its overwhelming election success in 1970 has been governing the country has once again emerged victorious from the polls. This result — which surprised no one — was due solely to Sheik Mujibur's personal charisma and the absence of any political alternative. The only choice the 35 mn East Bengali voters had was between the Awami League and a motley collection of opposition groups at war with one another. The election platforms of these parties made even less sense than the programme of the Awami League which simply repeated previous promises to consolidate "Mujibism".

The progress made so far by the Awami League in the fields of administration and reconstruction hardly deserved to be rewarded by such an overwhelming success at the polls. On the contrary, the people of Bangla Desh are still waging a daily desperate battle against starvation. True, they are being supported in this fight, mainly by India and the USA. But, in spite of this help, supplies of even the most vital foodstuffs are far from assured. Domestic food production was hit hard by the war, and the scarcity of food is reflected in the prevailing prices which within one year soared by 300 p.c. The jute industry, formerly East Bengal's most important industrial sector, is recovering very slowly because of the shortage of raw material.

True, Mujibur Rahman has consolidated Bangla Desh politically by giving it a new constitution

and, through the elections, a parliamentary democracy. Now it is to be hoped that he will take the necessary steps to help the citizens in their struggle for their very existence, to improve their living conditions and to give the country a more efficient administration. bw.

Eastern Europe

Parity Changes after the Dollar Crisis

The East European countries have once more adjusted their official exchange rates following the most recent devaluation of the dollar. The adjustments were to a large extent of a technical nature. If one did not want to alter the gold parity, the Eastern exchange rates had to be up-valued in terms of the devalued dollar. Apart from the resulting distortions in the foreign trade statistics, which are compiled in Eastern currencies, the only effect of the dollar devaluation on the Soviet economy will be felt in the field of tourism, for here the official and the tourist rates are identical. In the other East European countries, the tourist rates are either only indirectly linked to the official exchange rate (by way of percentage premiums) or they are completely independent of it.

As far as East-West trade as a whole is concerned, exchange rate manipulations are of no practical importance. In most Eastern countries, domestic and foreign trade transactions are still kept completely separate, and none of their currencies is convertible. Parity changes only affect the balances entered on the price equalisation accounts. They make no difference to either suppliers or consumers in Eastern Europe as these settle their accounts at domestic prices with their respective state monopolies for foreign trade. The Western trading partners are likewise unaffected by these parity changes for their deliveries are invoiced in Western currencies — mostly dollars. Moreover, in view of the fact that in East European countries imports and exports are practically insensitive to price fluctuation, no marked changes in the flow of goods may be expected. Some restructuring may, however, occur in countries like for instance Hungary and Poland where the results achieved in foreign trade are directly incorporated in the trading accounts of individual enterprises inasmuch as the "internal rates" used as a basis for calculating the results of foreign business done are not adjusted. No information is available, however, which would throw light on the position in these countries because the extent of the change in parity is regarded as a state secret, for any regional differentiation would give some indication about the country's foreign trade policy. hc.