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EEC: Butter for the soviets

Intereconomics

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# COMMENTS

## *Latin America*

### **Eighth ECOSOC Meeting**

The main topic at the annual meeting of the Inter-American Economic and Social Council (IA-ECOSOC) of the Organisation of American States (OAS) was the analysis and reform of inter-American cooperation. As was to be expected, it led to yet another fierce clash between the USA and the states of Latin America. Chile's spokesman who voiced sharp criticism of the USA's past regional policy was especially outspoken. He pointed to the tardy progress of Central and South America in comparison with the faster growth in the northern part of the hemisphere, to increasing US protectionism and economic and political pressures as evidence of the failure of the ten year-old Alliance for Progress.

The US delegate rejected the charge that the USA had failed to fulfil its promises and commitments. In 1972 alone US imports from Latin America had grown by 18 p.c. to \$ 6.2 bn. US financial aid as well as the changes carried out in the sphere of inter-American relations demonstrated that the aim of the Nixon Administration was not paternalism but a policy of participation between responsible nations.

Despite these disputes—the draft resolution was rejected by the USA so that the conference ended in discord—North and South were agreed on one point: Latin America must make efforts to establish rapport with the group of the EC countries. Both sides accepted that cooperation would be easier in their hemisphere in future if Latin America met with success in its search for new friends and markets in other world centres, more particularly in Europe. But have they not placed too much hope in the EC? Whether the Community of the Nine will have sufficient resources left to help Latin America to good purpose remains to be seen. crm.

## *EEC*

### **Butter for the Soviets**

The Common Agricultural Market is becoming more and more of a nuisance, not only on the international level because of its protectionism, but to consumers and taxpayers inside the EC as well. The expensive consequences of the mistaken concept for agriculture were demonstrated especially clearly when the Soviet Union purchased 200,000 tons of butter from the EC at the ridiculously low price of DM 1.24 a kilogram, which is more than a third below the world market price and about one fifth of the intervention price of DM 6.80 at which the countries of the

Community have had to buy up the butter. Although the Community has had to pay out over DM 1.11 bn, the deal still left it with a net gain because storing the butter would have cost DM 1.5 bn a year. Besides, the Community at one stroke gets rid of half its present butter mountain and can thus clear the storage space for another butter mountain.

The butter deal is a further demonstration of the fact that the European agricultural system of indirect subsidies for farmers by guaranteed minimum prices and official purchasing commitments is becoming more and more intolerable. If subsidies have to be paid at all, they should be direct ones. That is the common sense view which is gaining more and more ground. But not in Brussels where it was decided simultaneously with the butter deal to raise the intervention prices by an average of 2.76 p.c., on the ground that farmers' incomes had not kept in step with the general trend in the Community. This claim does not hold good for all countries. Besides, for important commodities the prices actually obtained in the market are in part far above the official intervention prices. The price increases will therefore have the result of further surpluses being produced which will have to be bought up at the taxpayer's expense, only to be disposed of later to other countries at subsidised prices as has happened with the butter. kw.

## *China*

### **A Lesson in Realist Politics**

An amazing change has taken place in China in the course of the few years since the cultural revolution when the country almost shut its door upon the outside world. In Chou En-lai's skilful hands China's foreign policy has in a short time scored successes in all parts of the world which do great honour to his diplomatic skill. That is true also of Europe where China is establishing increasingly close contacts.

From the Chinese point of view however the events in the power quadrangle China—Japan—USA—USSR are more decisive. Nixon's brilliant gambit, his surprise trip to Peking, was the opening of a new game. Tanaka continued it by visiting China in turn, a move which will have at least equal importance for the course of events in the future. Moscow sees its long-term plan to attract Japanese investments into Siberia and thus to prevent Sino-Japanese cooperation imperilled. China which feels itself exposed to a Soviet threat evidently aims at a triangular relationship with the USA and Japan which would be superior to the power combination USSR—India. This would meet China's need for security even though the USA