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China: A lesson in realist politics

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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

would presumably rather play the role of independent referee and keep a balance between the power blocs China—Japan and USSR—India. The combination of Japan's technology with the industrious and highly gifted masses of China would create a partnership with unlimited possibilities which even the USA must view with mixed feelings.

All this however is still a dream, for industrially China is still an underdeveloped country; its strength lies in its agriculture. But the technological advances made since Mao assumed power are proof that the near future already will see far-reaching changes if China's foreign policy can prevent Russian interference. The astonishing pragmatism of Chinese foreign policy opens favourable opportunities. Ideologies, world revolution, marxism and leninism do not intrude on Chinese tactics. Negotiations are conducted with monarchs, dictators, democracies and people's democracies alike. Chou En-lai, one of the most able and realistic politicians in the world, engages in realist politics according to the rules of classic diplomacy. After the irrational tempests of the cultural revolution this is indeed the great wonder of recent times.

hg.

Developing Countries

Preferences and Multinationals

The system of generalised non-reciprocal preferences which the countries of the European Communities designed so as to provide substantial aid to the developing countries is far from yielding the expected results. Of about a hundred developing countries no more than 10 to 15 p.c. have so far been able to make practical use of these preferences. Among them are countries like Yugoslavia which do not really meet the customary norms of qualification as developing countries. Besides, it has been noted in recently published UNCTAD studies that the wealthy multinational enterprises (MEs) with subsidiaries in developing countries have been among the beneficiaries of such agreements.

One of the objectives of granting these preferences was that of facilitating the expansion of production and export capacities in the developing countries. Such expansion presupposes capital investments over a number of years of which the countries concerned are not themselves capable. The MEs are filling this gap through their subsidiaries for whom the provision of capital usually presents no problem. As most of the MEs are exporters and importers of finished and semi-finished products at the same time, they are predestined to benefit from the EC preferences. They merely have to prove that the products which they assemble or complete in a developing coun-

try are entitled to the preferences. This they mostly succeed in doing, and the ME subsidiary is thus exempted from paying the most favoured nation duty which it previously paid on its goods in the EC area.

The originators of the preference system certainly did not desire or consider such consequences when they devised it. Clearly this development can do no good in the long run to relations between the EC states and many of the developing countries, for the system loses credibility if big private enterprises emerge as chief beneficiaries of the official development aid policy. How this problem can be solved is however impossible to foretell. The relations between the EC and the USA would no doubt benefit if such preferences were done away with, but the developing countries would again be at a disadvantage.

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Africa

Pan-Africanism on the Right Road?

Conferences of African states are following one another at ever shorter intervals. The Organisation of African Unity (OAU) met in January and the Economic Commission for Africa (ECA) in February. In between and afterwards conferences were held in preparation for the meeting in Monrovia. Pan-African ideas have been brought to the fore at all these events. Neighbours who were previously at loggerheads are coming together, and a large number of new agreements have lately been concluded after long negotiations. All this reflects a stronger and clearer will to cooperate than existed in the past when the orientation of the interests of individual states towards western or eastern development aid donors stood in the way of cooperation.

This development is being welcomed by the industrial nations as they have always pointed out that economic concentration is good for foreign trade and industrialisation. In the past however the appeal of reason has often been thwarted by political quarrels and thinking in national-state terms. The recent symptoms suggest that there now exists a greater willingness to cooperate. Economic as well as political considerations induce Africans towards it at present. But whether they will prove strong enough to speed the process of unification in Africa is still uncertain. The African states will not move a single step closer to genuine economic cooperation as long as they confine themselves to resolutions against oppression in South Africa or economic exploitation by the industrial countries. It is to be hoped therefore that their common aspirations will as soon as possible find expression in joint actions to strengthen their own economies.

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