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Developing countries: Preferences and multinationals

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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.

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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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