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Common agricultural policy: Another case of bankruptcy

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COMMENTS

International Monetary Policy

Recycling of Arab Funds

Now that the "mini reform" of the world monetary system has been completed, the solution of the problem of the oil states' high foreign exchange proceeds should be given priority. Most of the surplus Arab funds have so far been placed on the Euro markets. According to first estimates, at least $ 20 bn of the oil states' proceeds are said to have already flown into international financial markets where they were again at the disposal of the oil consuming countries. No doubt, this development must be welcomed for it mitigates partly the balance-of-payments difficulties of the consumer countries. However, it cannot be the only answer to the problem of neutralizing the oil states' foreign exchange surpluses. In that case the international financial crisis would become inevitable indeed. The reason for this is that the banks involved would very soon be no longer in a position to make the enormous sums available which are required for balance-of-payments financing, for they have already now nearly reached the administrative and economic limits of their business.

Another important reason for paving new ways of solution is that the states most affected by the oil crisis, i.e. the poorest developing countries cannot obtain funds from the Euro markets to finance their balance-of-payments deficits, so that this type of "recycling" of oil moneys will primarily favour the industrial states. But in order to help the developing countries as well, it is absolutely necessary to institutionalize, at least partly, the redistribution of the oil states' foreign exchange surpluses, be it in the form of development banks or within the framework of the IMF.

The solution of this problem must no longer be delayed by the responsible politicians in the hope that everything will come right, for otherwise the break-down of the Bretton Woods system might have been a prelude only. ge.

Common Agricultural Policy

Another Case of Bankruptcy

The temporary ban on all beef imports into the EC has again laid bare the bankruptcy of the common agricultural policy. Last year it was the butter mountain which had to be disposed of – now it is the beef mountain. Both were stacked up by the same mechanism – inordinately high state-guaranteed prices and a commitment to buy in undetermined tonnages through import and storage centres. There is another parallel between the two "mountains": today as last year the surplus goes to the Soviet Union – albeit with the difference that billions were lost over the butter deal through grant of special terms while now, true to the mentality of the "market organizers", the special terms have become the rule. The advocates of this kind of agricultural policy are even advancing economic arguments to defend it – it is cheaper to pay subsidies in order to get rid of surplus stocks than to build new cold-storage depots.

The consumer is always the one who has to foot the bill – first for laying in stocks, next for removing them, and finally for premiums paid for withholding cattle from slaughtering. The import stop on beef is also hitting the South American export countries – Argentina, Brazil, Uruguay and Paraguay. At times of shortage they were asked to supply beef to the EC. Now they have to find new customers and adjust their production to the changed conditions. After a certain time the phenomenon of the "hog cycle" will cause beef supplies to tighten again. Premiums will once more be paid for breeding and slaughtering cattle, but as before they will come too late. The consumer will again be asked to settle the account when shortages cause another upsurge in prices. One hardly dares to venture an answer to the question what else has to happen before this kind of agricultural policy is subjected to the review which was promised as early as 1969 at the summit conference in The Hague. kw.

Association Policy

Agreement in Jamaica

In their negotiations in Kingston, Jamaica, at the end of July the nine member states of the EC and 44 developing countries in Africa, the Caribbean and the Pacific area have made considerable progress towards a new association agreement to replace the Yaoundé and Arusha conventions which are due to expire at the beginning of next year. It looked several times as if the negotiations would fail, either because of divisions on important issues between the Europeans or else because of the unrealistically high de-