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GATT: A meeting without confrontation

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COMMENTS

Vladivostok

A Break-through at the Summit

Confounding the prophets of gloom, especially in the American press, the US-Soviet summit in Vladivostok seems to have produced results which surpass all expectations. Not only has the worst been avoided in the protracted negotiations about rocket weaponry but Kissinger has even spoken of that "break-through" which in the past he had vainly striven for in Moscow. Positive repercussions of the Vladivostok summit may now brighten the whole political scenario in the world.

The Kremlin has shown itself capable of astonishing flexibility. One reason for this is that in view of the USA's technological superiority Moscow can hardly wish for an all-out armament race. Besides, the Soviet leaders have a special interest in clearing the way for a successful SALT agreement at the summit next summer: it would be just in time for the 25th CPSU Congress on which so much depends for Brezhnev. Not only is the next five-year-plan to be adopted at this coming Congress but an unprecedented 15-year-plan is to be prepared as well. Brezhnev needs a clear commitment by President Ford to a Soviet-American détente, including long-term military and economic undertakings, in order to take the wind out of his critics' sails and plan ahead with some measure of certainty. And the USA needs this détente as an escape from the nightmare which torments Kissinger — a collapse of western civilisation.

The arrangement which Kissinger described as a "break-through" must be seen as part of this larger canvas. No advance could have been made in the SALT talks if a basic accord had not been established on the critical areas in the world — the Middle East, Vietnam, Europe, etc. — if the two powers had not, for instance, drawn certain lines which they will not cross in aiding their respective protégés in the Arab-Israeli conflict.

There is thus reason to believe in a "break-through" because it is in accord with the interests of both parties. And it might not be confined to the armament race alone but may hopefully help to cut away the roots of a general war. hg.

CIPEC

Uncertain Outlook

That the rich are getting richer and the poor even poorer, that industrial products are becoming dearer and raw materials relatively cheaper, is nothing new. What is new is the realization that something can be done against it. The oil producing countries have proved it. Their success has

inspired CIPEC which represents another raw material producing interest to try to emulate their example and to cut all copper shipments from member countries by 10 p.c. from the beginning of December: more substantial curbs on production are envisaged for the future.

That something is done at last to stabilise the copper price and make sure of an adequate return is perfectly understandable and indeed to be welcomed. During 1974 the price of crude copper fell by more than half while the rate of inflation and the cost of industrial goods soared. The crucial question however is whether this and other steps by CIPEC can possibly be successful. Even though the organisation's secretary-general himself said that miracles cannot be expected, it is widely thought that CIPEC is taking too optimistic a view of the market situation.

The CIPEC countries, unlike OPEC, are beset by a number of special afflictions. For one thing, the "producers' cartel" is not comprehensive enough: its members — Chile, Peru, Zambia and Zaire — are the most important world market suppliers but account for no more than 40 p.c. of world production, not counting eastern Europe. The copper producers must also bear the substantial effects of substitution and recycling of secondary metal in mind. The more highly industrialised a country is the less does it depend on the primary copper suppliers because it can draw on scrap from its own industry. Besides, improved technologies enable all countries in theory to extract copper, an ubiquitous metal, from their subsoil.

For these reasons it is not surprising that the outlook for the copper market remains as uncertain as ever. In the light of recent developments it seems likely that the contraction of consumption caused by the worldwide recession will depress the copper price further. And it is not very consoling to reflect that the price is already so low that another price collapse as experienced in 1974 is unlikely. zz.

GATT

A Meeting Without Confrontation

At this year's annual GATT conference in Geneva the official attitude was to feign ignorance of the oil embargo and restrictions on raw material exports of the past twelve months. The OECD countries desisted from anything which might have amounted to a confrontation with their numerically superior partners from the Third World. Nevertheless the problem of raw material supplies with all its implications will play a major role in the coming multilateral trade negotiations.

The worldwide inflation, currency uncertainties and balance of payments worries, together with the tightening of supplies and soaring prices of essential foodstuffs and raw materials, which would previously have been considered inconceivable, have brought about a situation in which import tariffs, quota restrictions and certain other obstacles to trade have little impact on the flow of commerce. To open markets more widely can still help to secure close economic integration in the world and to increase the supply and lower the prices of the goods which are subject to international competition. But in the present situation it is much more important to prevent a relapse into protectionism such as threatens in some countries which try by this means to burden others with their inflation and balance of payments problems. For most industrialised countries it is even more important to preserve their safe access to essential raw materials and sources of energy.

At the coming world negotiations in the framework of GATT the entire system of rules governing the international trade will have to be adjusted to conform to the changes in the world economy which have already taken place and are still to be expected. It remains to be seen whether GATT will manage to balance the divergent interests of its 83 members, which account for about 85 p.c. of world trade, without getting involved in bitter confrontations and conflicts. kw.

Japan

Tanaka's Heritage

The Japanese Prime Minister's, Kakuei Tanaka's, resignation after less than two and a half years in office was taken by the population without great surprise. By this step Tanaka deferred to an increasing pressure exerted on him by the public which accused him of having misused his official power for his personal enrichment. Besides the massive reproach with corruption, Tanaka's resignation may be traced back primarily to economic causes.

After more than two decades of an unprecedented economic expansion which made the former developing country one of the world's leading industrial nations, Japan has fallen into a crisis which seems to be far more threatening than those facing any other of the industrialised countries. Prices are increasing at a record rate of 26 p.c. The trade unions, which demand compensation for the rapid deterioration of their members' purchasing power, paralyze the areas of industrial concentration by strikes that take place at ever shorter intervals. Enormous wage increases which are usually soon outpaced by new

waves of price rises, drive many enterprises into their financial collapse. Since the Bank of Japan's policy of credit restriction has proved its inability to curb inflation, long overdue investments into the country's hopelessly underdeveloped infrastructure have to be suspended. For the current year a negative growth rate is expected for the first time since 1945.

So Tanaka's decline may well be taken as a symbol for the present decline of Japan's economy. In view of the recession and inflationary strains of hitherto unknown dimensions wide parts of the population have to resign themselves to a substantial deterioration of their standard of living. At present there are no signs indicating a fundamental economic recovery during the tenure of office of Tanaka's successor, Takeo Miki. ch.

Iceland

My Fish — Your Fish

Since Iceland arbitrarily extended its fishing limits to a 50-mile radius, the waters of this enlarged zone have been the scene of the so-called cod war. German and British trawlers in particular have come up against the Icelandic fishery protection service. Late in November, for instance, a German trawler, the *Arcturus*, was fired at by an Icelandic vessel, boarded and taken to an Icelandic port where the skipper had to face court proceedings.

Who has the right on his side? That is a question which is not easy to answer. The German Government regards the Icelandic action as contravening international law as the International Court in The Hague has conceded to Great Britain and the Federal Republic the right to fish in the disputed waters. For Iceland, on the other side, the main consideration is apparently that one of its principal sources of income is threatened; and for lack, to date, of a basic worldwide convention on fishing limits at sea Iceland understandably does not feel bound by the decision of the Court in The Hague. The UN Conference on the Law of the Sea which was held in Caracas in the middle of last year might have resolved this complex of problems; but the views on rights of sovereignty are too far apart at present to allow the problem to be solved at an international conference.

Much can be said on either side of the fishing dispute, but piratical actions, boycotts, etc., ought to be avoided. Such acts can ultimately only harm the citizens of the countries involved — by reducing earnings or raising the prices charged for tightening supplies. It is to be hoped that bilateral negotiations will bring a return to orderly conditions in the use of the resources of the sea. iwe.