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Taiwan: The death of the generalissimo

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COMMENTS

Energy Conference

Fruitless Talks

After nine days of negotiations the Paris preliminary conference, convened to fix the number of participants to, the place, and the agenda of the planned energy summit between oil producing, oil consuming, and developing countries, ended without result in mid-April. Right from the start there was a confrontation between two diametrically opposed basic opinions. The industrialised countries held the view that the negotiations should be confined to energy problems and related issues and warned of one of those mammoth jamborees with endless disputes and meagre results. Contrary to this the mineral oil producing and the developing countries were not willing to content themselves with an oil conference but insisted in putting all raw materials as well as questions of development aid on the agenda.

That the failure of the conference did not evoke much distress in the industrialised countries did not come as a surprise since the energy crisis seems to have lost much of its urgency: there is plenty of oil available, the oil producers' cartel has shown first indications of a break-up, and the recycling of the petro-dollars has so far refuted the gloomy predictions of a financial drying-up of the industrial nations. This, however, means also a deterioration of the other raw material producers' chances to obtain, with the support of the oil countries, a new price system for their own products and to establish a new world economic order according to the principles passed by the majority of delegates to the UN General Assembly. Notwithstanding their present, relatively strong, position the industrialised countries would, however, be ill-advised to leave it at that until further notice. The energy situation could soon change again and in the long run they will in any case have to concede a larger share of the world's wealth to the raw material producing countries.

ch.

Raw Materials

AIEC — A New Cartel?

Eleven states meeting in Geneva have decided to form an Association of Iron Ore Exporting Countries (AIEC) with headquarters in London. The initiators, on the one hand, stressed that their organisation was not to operate as a cartel but, on the other hand, the Association shall help above all to bring about better trading conditions and higher export prices.

Australia, India, Peru, Sierra Leone, Sweden and Venezuela are among the AIEC's members. The USSR, the USA, Canada and the P.R. China — accounting together for more than half the world's iron ore production of 85 mn tons in 1974 — are staying outside. Whether Brazil, one of the major exporting countries, will join an "ore cartel" is very much in doubt: its Government aims at doubling production and expanding exports; a clash of interests would be inevitable if the "Ore Club" felt tempted to hold up prices by tightening supplies.

In view of the fact that the most important producers and some of the major exporting countries as well are so far standing apart from the AIEC, it does not look probable that an OPEC-like iron ore cartel will come into being. AIEC is more likely to remain a consultative body without incisive powers. The conference chairman, the Indian Minister Chattopadhyaya, said that the Association would demonstrate the ability of the exporting states to defend their "legitimate" interests without violating the interests of the consumers. But conflicts will probably be avoided only as long as one side accepts as "legitimate" what the other side deems to be "legitimate". iwe.

Taiwan

The Death of the Generalissimo

Chiang Kai-shek, the man whom Sun Yat-sen, the father of modern China, saw as his successor, is dead. Little had been heard of him since the U-turn in US policy to China. It was as long ago as 1911 that the then young officer came into contact with the nationalist and social reformer Sun Yat-sen, and when Sun and his national people's party, the Kuomintang, in 1922 succeeded in forming a government, Chiang was a member of it. By that time the Kuomintang had developed into a movement set to rally the whole nation. Amongst others it included the Communist Party of China which had been founded in 1919.

After Sun Yat-sen's death Chiang soon emerged as the leader of the Kuomintang. He surrounded himself at first with many leftist advisers, amongst them Chou En-lai who became his chief of staff. In 1927 however Chiang unexpectedly broke with the Communists. The Kuomintang Government was made up of politicians of moderate views. In the decades which have elapsed since, the duel between Chiang and Mao has dominated the political scene inside China and engaged the interest of the world. Often it seemed that Chiang was close to final victory, but later the fortunes of war turned forever: Chiang with two millions

of his followers had to flee to Taiwan, and it was here that he proclaimed the Republic of China in 1950.

Chiang Kai-shek never gave up the dream of his return to the mainland. But when it became clear after the Quenoy Affair in 1958 that the USA would guarantee the defence of Taiwan but not support an adventure on the mainland, he had no choice but to concentrate on the economic development of Taiwan, which he did much to the benefit of the island. Here remarkable growth rates, now averaging 8 p.c., were soon achieved, giving the National Chinese a standard of living surpassed in Asia only by Japan.

What the Kuomintang had set out to achieve as a revolutionary party for the whole of China he accomplished here. The further development will now largely be decided between the USA and China. Buttressed by its economic strength, Taiwan will probably do all in its power to reach a long-term compromise with the P.R. China, a compromise which assures it of some measure of autonomy, and the example of Hongkong suggests that this may well be in the interest of the P.R. China itself. hg.

Suez Canal

Overtaken by Structural Changes

The prospect of the reopening of the Suez Canal early in June has given rise to contrary conjectures and predictions about its importance for traffic in the future. While great hopes are being entertained on the Egyptian side, the comments from many shipping companies sound sceptical. Cost advantages as a result of considerable time savings and an increased number of profit-earning round-journeys are mentioned by the Egyptians as factors likely to attract traffic to the Suez route. The sceptics point to structural changes in sea-going shipping and especially the great increase in ships' sizes to explain why they bide their time.

Euphoria and wishful thinking about the commercial importance of the Canal would indeed be misplaced. The Egyptian expectations of \$ 500 mn of revenues in the second half of 1975 and as much as \$ 2 bn in 1976 do not seem to be very realistic since tanker shipping, once the backbone of the traffic using the Suez Canal, has undergone changes transcending by far any transitory arrangement to bridge a temporary closure of the Canal. About two-thirds of the global tanker tonnage and much bulk cargo as well is now carried in vessels far in excess of the 70,000 tdw for which the dimensions of the Canal allow.

It would be equally wrong to play down the relevance of the reopened waterway too much. The

Canal is still of interest to the — by present yardsticks — small liner, tramp and tank ships and to the Mediterranean states. It is of particular interest also to the shippers who can reasonably hope for lower rates on the Suez route, especially on tramp and liner services. On balance these advantages may not weigh so heavily however. The Suez route will probably attract some 4 p.c. of the future sea-going shipping in the world. The great time of the Canal is irrevocably past. wa.

Chile

Going Downhill

It is almost two years since the military men in Chile rose in revolt against the democratically legitimated Government of the Socialist Allende. What has happened to the promise of a brighter future by the men who charged the previous government with incompetence and responsibility for the economic chaos and — with the backing of business and political circles — have dug the grave of democracy in Chile? In case men like the Christian Democratic ex-President Frei thought they could still guide the military masters, they were soon undeceived. Many of the new men's former Christian Democratic friends were purged alongside their natural enemies in the left camp. The business world did not fare much better. Up to now the economic policy has not yielded the expected results although the Government has persisted in its efforts for economic reforms at home and economic discipline abroad. The stabilisation policy led to a recession without breaking the back of inflation. The situation of the Chilean economy is characterised by currency devaluations, the world's highest inflation rates, and a high balance of payments deficit. To overcome the balance of payments crisis is doubtlessly the foremost problem at the moment. The foreign debt has risen sharply, not least because of the adverse price trend for copper. Were foreign aid to be halted, the Government would have to impose massive import restrictions, and the strain would probably be almost intolerable for the domestic economy.

The present rulers are now up against the same obstacle as Allende's Popular Front Government. The country stalls and will not budge. Negotiations with the Club of Paris concerning the restructuring of the debt have been postponed at the behest of several European states. The World Bank has followed suit by cancelling an agricultural project. All Chile's hopes are now directed to the USA. It may be some consolation that the USA, Chile's principal foreign creditor, takes quite a positive view of the restructuring of the debts and the grant of new loans. zz.