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Chile: Going downhill

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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.