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## Currency snake: Switzerland stays outside

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seas, the extension of the existing territorial waters and the establishment of economic zones, as well as with questions of pollution and maritime exploration. The papers lack official character and are in no way binding to the delegations to the conference. In view of the great number of participating countries and the heavily conflicting economic, political, and strategic interests involved it does not seem very likely that the texts, as they are, will meet with immediate acceptance from all parties.

In contrast to other international conferences, this time the front-lines are running right across the traditional groupings of capitalist and socialist or industrialised and developing countries. The majorities change depending on the particular issue under discussion and the way the interests of the individual countries are touched in every single case. Thus concessions will be needed from all sides in order to bring together the required two-thirds majority for the convention as a whole. Otherwise more and more governments might lose patience and decide to look after their interests on their own account. ch.

#### *Currency Snake*

### **Switzerland Stays Outside**

The "mini-snake", that relict of an abortive EC sortie in the direction of the Economic and Monetary Union, has lately again enjoyed more popularity. Apart from France's return to the snake, Austria and Switzerland tried to gain admission to the currency ring. The present partners in this intervention system on the other hand seem to be in no particular hurry to enlarge their circle, and the talks with Switzerland have in the meantime been broken off without having yielded any results.

The reason for the failure of the negotiations must be looked for in the Swiss capital transactions with foreign countries which have exerted a perpetual revaluation pressure on the Swiss franc in recent months. Switzerland has resorted to extensive controls over capital transfers and intervened in the foreign currency markets in order to hold the franc at par with the snake currencies and to protect the Swiss export industries and tourism against major setbacks. By admitting Switzerland to their currency ring — that apparently was the intention — the other members would shoulder part of the burden of intervening in the currency markets. The snake countries on their side considered the upvaluation of the snake currencies which would have followed unacceptable. Hence they demanded that Switzerland should revalue the franc substantially before linking up with the snake — which was of course exactly what the Swiss wanted to avoid by joining.

This being the situation, the talks were bound to end in deadlock. The outcome is that the snake has been preserved from what would have been a severe strain; and this is to be welcomed for, whatever the advantages of floating, the system of fixed exchange rates has proved its merits, at least in its present form. There is certainly no point in enlarging it precipitately. kb.

#### *Portugal*

### **Quo Vadis?**

No more than a year ago the dictatorship in Portugal was overthrown by an oligarchal conspiracy. There was reason to fear that the Portuguese people, having lost the feel for democracy, would tumble from one extreme into the other, the more so as the Communist Left was better organized and financed than the other parties, had control over the news media and possessed powerful friends in the AMF. In the election the Portuguese however showed a surprising measure of political maturity and moderation. The Communists attracted less than 13 p.c. of the vote.

Although the Socialist Party has proved to be a people's party latest developments seem to indicate that the Communists may be the final winners. But nevertheless, in what direction Portugal will ultimately move, is yet to be decided. The road is to point to socialism, but the AMF are neither sure of or agreed on the future political structure. General Haig in his address to the WEU voiced his opinion that Portugal after its revolution is now on the path of evolution. The West German Government seems to believe the same, too.

Portugal is one of the poorest and most backward countries and the development of the economy its greatest worry. According to the latest OECD statistics the per-capita GNP is about \$ 760 — Sweden's is \$ 4,410. Turkey is the only country in a comparable position which is even worse off. The crucial question for the AMF is therefore not whether Portugal should stay in NATO or not — as a matter of fact they would prefer continued membership — but how to get over the country's poverty and set it on a propitious economic course. The USA and the EC should not trouble about military aspects but ponder how they can help this poor country on its way. If they succeed in this, the NATO problem will solve itself.

Initial steps have been taken and are encouraging. The EC countries decided in favour of economic aid for Portugal to promote the Portuguese efforts for a democratic development. Industrial investments, technical assistance and trade concessions in the Common Market are under discussion. "A stitch in times saves nine". It would be a pity if the Communists could again steal a march on the Democrats. hg.