COMMODITIES

Lomé II: inconclusive results

With its emphasis on economic and trade development, and only secondarily on raw commodities pricing and income support, the Lomé Convention has been looked to by many since its inception in 1975 as an alternative to the Common Fund and other concoctions that have been circulating under the guise of development policy since their concerted promotion by Henry A. Kissinger beginning in the mid-1970s.

Negotiations that began more than a year ago concluded at the end of June between the European Community (EC) and 46-member African, Caribbean and Pacific (ACP) group of developing nations to renew the Lomé Convention, due to expire in 1980. The negotiations failed to produce any breakthroughs in North-South relations.

With the exception of the move to add a new emphasis on minerals support and mining and energy development, Lomé II is for the most part an extension of Lomé I, the numbers updated to more or less account for inflation.

The agreement is yet to be ratified by the parties, pending an Aug. 30 meeting of disgruntled ACP ministers. It is staunchly defended as "the last word" by EC representatives who in late July officially rejected ACP requests to convene a joint ministerial meeting to study the final text of the convention.

Lomé II stipulations double the overall aid commitment from five years ago to an approximate $7.5 billlion over the next five-year period. Only half of what the ACP originally demanded, this outcome was forced when the ACP refused, to the point of suspending negotiations this spring, to countenance the EC's initial puny proposal. EC resistance to the final total, still thought grossly inadequate by many, was led by Great Britain.

Strategic minerals

The addition of a minerals section to the convention's STABEX export income stabilization program is perhaps the most interesting feature of Lomé II. The inclusion of copper, bauxite, manganese, tin and iron ore in STABEX successfully pinned down supplies of strategic raw materials for Europe. Moreover, this pro-

BRITAIN

Tory chancellor sees bankruptcy as good business

In a remarkably candid interview with the *Wall Street Journal* Aug. 15, Tory Chancellor of the Exchequer, Geoffrey Howe admitted that the British economy is "off course," its engines are failing and the short-term prospects for industrial recovery are "frighteningly bad." As for companies faced with an immediate liquidity crunch in the current economic climate, Howe proposed that "People don't understand that bankruptcy clears a firm's balance sheets and may often be the best way of restoring the most effective use of of "strict monetary orthodoxy" carries the danger of "turning into a resources

In Britain, the strategy of discouraging government bailouts for ailing industrial firms has been adopted as the cornerstone of Tory Prime Minister Margaret Thatcher's economic policy. This is the "shock treatment" of cutting off subsidies, tightening credit and raising interest rates to historically high levels.

"A straitjacket"

British business organizations remain unconvinced of the purgative value of bankruptcy. In its economic report for August, the influential London Chamber of Commerce warns that the government's policy strait-jacket." The Chamber predicts a "grim 12 months" for British industry, states that unless there is a policy change, many export companies could go bankrupt—not by choice—and accuses the Tory government of taking "grave risks" with industry. And in its latest economic reports, the Confederation of British Industry says that order books are worsening for 43 percent of firms interviewed, while they are above average for only 15 percent.

The important Engineering Employers' Federation (EEF) believes that there will be at least 18 months' recession in the mechanical engineering industry as the industry's customers reduce their investment programs in anticipation of low output and productivity next year. The Federation of Civil Engineering Contractors claims that the vision was complemented by measures earmarking loan guarantees and special loans to maintain mining capacity in the face of a drop in export earnings or, significantly, other "disruptions," and by special measures including support outside the agreement from the European Investment Bank to encourage mining and energy projects, in return for investment guarantees. As a whole the initiative constituted an important intervention, led primarily by Chancellor Schmidt, into the respective crises in economically devastated Jamaica and Zaire then being manipulated by the IMF.

Drawing both countries into the Lomé orbit pulled some wind out of the sails of the Common Funders, who banked on copper as the exemplary "Common Fund" agreement. The initiative also acted as a certain sort of counterweight to the Anglo-American destabilization efforts.

But this political initiative by Europe has not been further elaborated. Much of the negotiations over even the perfunctory basics of the accord involved a protracted battle within EC ranks between Britain and its shifting allies, and the Franco-German alliance. This was exemplified not only by British resistance to nominal increase in overall aid levels, but in the British-Dutch insistence on the inclusion of a "human rights" clause in the new convention. The latter measure, publicly opposed by West German representatives, was decisively defeated by the ACP, but not until after it had served to divert discussion from more substantive issues. Some observers think French preoccupation with urgent new Middle East diplomacy has in effect back-burnered Europe's Third World push, at least in its Lomé form.

If Europe accomplished more than the formal Lomé terms indicate, it may become apparent in the orientation and activity of the ACP countries at the soon-to-be-convened Nonaligned Summit.

—*Susan Cohen*

GOLD

Gold columnist Alice Roth is on vacation. Her comments on the record $311-per-ounce gold price on Aug. 22 and related matters will appear in the next issue.

government's public spending cuts will mean the break-up of skilled teams of civil engineers and workers, which would not only present problems in the event of an upturn, but will curtail the basic services currently provided by the industry.

Union response

The Tories' determination to triage heavy industry and with it the country's skilled industrial workforce also caused the greatest alarm in trade union organizations. The fact that the official jobless rate—"seasonally adjusted"—eased this month from 5.3 percent of the workforce to 5.2 percent means little to the thousands of workers in the steel and shipbuilding industries who face layoffs because of the government's industrial policy. Shipyard workers are already urging a nationwide "resistance campaign" to the government's announced plans to close down four major shipyards and reduce the workforce by almost one third. Twelve thousand workers at the four yards have already staged a 24-hour protest and steelworkers are planning to support the protest because jobs in the steel industry are jeopardized by the shipbuilding cutbacks.

Steelworkers in Wales have mounted a campaign of their own against the proposed closure of the Shotton steel plant as part of British Steel Corporation's rationalization plans. A leaflet being distributed by the local branch of the Transport and General Workers Union accuses the government-owned BSC of being the most "muddled and misguided collection ever to run a major industry" and of "arrogantly ignoring" simple economic arguments for modernizing the Shotton steel works.

The national Trade Union Congress (TUC) will formulate program for a "coordinated course of action" of opposition to the government's public spending cutbacks, which have affected not only industry but road-building, education, housing and health care. In the meantime, TUC leaders have denounced a new device introduced by the Tories to show the beneficial effects of its program of income tax cuts. The new Tax and Price Index, geared to show that the increases in VAT (value-added consumer taxes) introduced in the government's April budget were more than offset by the reduction in income tax, is seen as part of the government's effort to moderate pay claims in the upcoming round of wage negotiations. Financial Secretary to the Treasury Nigel Lawson, who introduced the new Index, told the press that the government's approach will be that "maintaining the standard of living is not the point of wage bargaining."

—*Marla Minnicino*