greater volume of investment per worker than has so far been forthcoming from domestic sources — averaging a third of gross national product since the war and reaching 42 per cent in 1961 — a factor no doubt important in prompting moves to liberalise foreign capital inflow.

Furthermore, the short-term consideration of stabilising the balance of payments encourages further inducements to foreign capital inflows — in the last expansionary burst, imports rose 41.7 per cent in the year up to November 1963, while exports increased only 17.3 per cent. A poor wheal harvest, increased .shipping charges and the erosion of invisible earnings (prompting further Government help to Japan's shipbuilders) have transformed the 1962 37 million dollars surf) I us on current account to a 572 million dollars deficit, converted into an overall surplus only by 880 million dollar net receipts on capital account. Accordingly, at the beginning of March. Japan requested and was granted a 305 million dollar IMF standby credit, and sharply increased the credit squeeze.

Other Side of the 'Miracle'

BUT where the Japanese 'miracle' is least impressive is in the distribution of the benefits of industrialisation although Japan is fifth in Cross National Product in the non-Communist world, she is only twentieth in *per capita* income. This is reflected not just in the poor development of 'social overheads', in housing and public amenities, not just in the rough and ready changes in the economy which are permitted to wreak havoc amongst the most vulnerable sections of the population, but also in the steady inflation which consistently devalues gains in income made by the majority and keeps the profit margin high. Consumer prices have increased steadily since 1960 — three per cent in that year, five and six: per cent in the two following years, and eight per cent last year. One estimate suggests that the level of popular welfare has declined since 1961 (after rising steadily since the War), and that 29 per cent of the population currently suffers from malnutrition.

The Joint Struggle Committee of the trade unions, established to wage the 'spring offensive' in the labour front, points out that in 1961 the proportion of manpower cost in added values in Japanese manufacturing was about 33 per cent, compared to fifty per cent or more in European industry. Accordingly, Sohyo this year demands a minimum of 25 per cent increase in pay for its members, with higher demands in high productivity industries like iron and steel, electrical engineering and chemicals. The la hour scarcity will add a new hard edge to these demands (much as it lias done in America and Europe), and, no doubt, accelerate the trend to shake labour loose from the sectors of small industry and agriculture. The liberalisation process, if it can reduce agricultural protection, will similarly wreak havoc on the peasant — already the American chicken offensive is well underway despite Government protests.

It is likely then that while the Japaness economy will continue to change rapidly, it is unlikely it will be able to sustain the same headlong pace of growth, particularly now with the new twin threats of intensified foreign competition within the domestic economy and labour pressure made mandatory by labour scarcity. Both factors are likely to squeeze the generous margin Japanese businessmen have managed so far to reserve for new investment, as well as successively eroding the 'dual economy' and making the old Zaibatsu that much more powerful in the economy. How far Japan will succeed in now making the transition to a high-wage economy while retaining its competitive viability remains to be seen.

Red Herring in Geneva

A Correspondent writes ;

WHEN the hat is passed around at Geneva, few will dare to refuse outright, but, equally certainly, few will not try to avoid giving away anything worthwhile, the political protestations of sympathy for the developing countries notwithstanding. The emphasis on commodity agreements as the centre-piece of an international strategy to help the trade of the developing countries is one such attempt at evasion. It is no accident that the suggestion that the best thing to do to help the developing countries is to devise arrangements which will assure higher prices for their exports of primary commodities comes from countries which themselves follow policies intended to make them as se If-sufficient as possible in these products and which, consequently, stand to lose the least from a rise in their prices.

Commodity agreements intended to even out year to year price fluctuations are one thing; but an approach which makes out international cartels in primary products as the principal solution to the trade problems of developing countries is worse than useless — it. is dangerous for those whom it is intended to help. Insofar as the main emphasis of commodity agreements is on restricting the supply that comes to the international market, they will lead to constant friction among the developing countries, both existing exporters of the commodities concerned as well as those who develop new surpluses. The artificially high prices will tend to divert investment into primary production, contrary to the dictates of development, while at the same time giving a fillip to the long-term trend of falling demand for primary products either through accelerated synthetic substitution or more determined efforts towards self-sufficiency.

Basically, an improvement in the terms of trade of the developing countries depends on a change in the conditions of demand and supply. High prices can be sustained by reducing production or increasing consumption. If the underdeveloped countries are to benefit land not lose through lower output what they gain from higher prices) the necessary action must come from the importing developed countries — they have to reduce their protected production of competing products and encourage larger imports by reducing tariff and quota restrictions and internal fiscal imposts on consumption.

Commodity agreements provide no escape from the overriding necessity to ensure larger markets for the products of the developing countries. They have a justification only as a transitional device to smoothen out the movement towards lower tariffs and larger imports by the developed countries. The focus of attention at Geneva has to be on the ultimate objective not on the short term expedient.