should be more active in seeking new markets and the Committee's concern over the decline in East Europe's share in STC's total exports. Further, while the Committee is apparently opposed to any curbs on the development of private trade, it nonetheless feels that the Corporation's direct trade is not large enough. The explanation that the Corporation's share in India's trade is more than what figures would indicate and that, by its indirect efforts, it has facilitated exports by private traders has not convinced the Committee. It is of the opinion that "after creating a climate for exports the Corporation should not have passed on the entire benefit to the private traders but should have undertaken at least a part of the export on its own". Actually, the issue here is more than that of conservation of "benefit"' for the public sector. What is the cost involved in passing on export trade to private parties? And why should trade be so passed on at all? These questions are left unexplored by the Committee.

In import trade (which in recent years has come to be the most significant aspect of the STC's business) the Corporation is apparently careful about retaining benefits". The canalisation of certain imports through the STC has meant economies of bulk purchase. But these have not been passed on to the consumers whose prices remain unchanged. The Corporation fears that any attempt to lower prices would only benefit middle-men, which is largely true. The Estimates Committee, however, feels that this is not the proper attitude for an organisation with over seven years' experience and with a pressing need " to create a good image " in the public mind.

Such an image, of course, would depend on more things than the Corporation's success in expanding trade or lowering prices. From the Estimates Committee's report it would seem that the Corporation is subject to all the ills that bureaucratic flesh is heir to. The Committee feels that for efficiency and economy, the Corporation should be guided by the practices and procedures followed by business houses in the private sector. In actuality, however, the Corporation operates on the Government model, with the inevitable heirarchy, inordinate paper work and delay —- all of which the Committee deprecates.

Considering the Corporation's Regional Offices, the Committee suggests that some " yardstick " for relating " the number of persons employed to the quantum of work in each office " must be devised. And as an instance, the Committee reveals that a lull-time Director of the Corporation entrusted with assessing stall requirements, worked at it for about two and a half years but never submitted a report.

Yen, Convertible Now

TO the direct benefit of all her trading partners, on April 1, Japan's status in the International Monetary Fund will be upgraded to make her the. twenty-filth Article VIll nation — the Yen will become fully convertible for current transactions, and Japan will accept the obligation not to restrict such transactions for short-term balance of payments purposes. The change is the sequel to lour years of liberalisation of trading policy — by last September, 92 per cent of Japan's import categories had been freed from control, and after April I she will retain controls on only farm products, coal, cars and electronic equipment, although cars will probably be freed in September (partly to counter a proposal by Ford to set up a plant within Japan's tariff wall). Yen convertibility is also the prelude to Japan's entry into OECD when she will accept the obligation of removing the remaining controls on service payments as well as capital transactions. Above all, making the Yen a hard currency ushers Japan into the class of industrially developed countries, fifth in world manufacturing output, third (with West Germany) in steel production, third or fourth in electrical power generation and cement output, and world's chief ship-builder—for the past two years, the tonnage launched in Japan has *been* as great as that of her two nearest rivals combined.

All this, the public relations blurb, is both more and less than Japan has generally achieved, and does not illuminate the long-term changes likely in her economic position. Japan reached pre-war production levels in the mid-fifties, and since then industrial production has trebled and real national income doubled, culminating both in Ikeda's 1959 pledge to double *per capita* income in a decade and in the sprint expansion of 1959-61, recording annual growth rates of 18, 13 and 14 per cent respectively. The last three quarters of 1962 demanded a tight restriction on that expansion reducing growth to 5 per cent. The relaxation at the beginning of last year produced in twelve months an increase of 18 per cent in industrial production (an estimated 8½ per cent increase in real total national product by this April) only to be cut back again by the re-introduction of the credit squeeze, forcing Japanese industry to borrow extensively on the European capital market (since New York, the source of three quarters of the capital inflow in recent years, is virtually closed to foreign borrowers at the moment). It is to be noted that currently the phases of expansion, much more violent and whirlwind than in any other economy, seem to be getting shorter, and the need to apply curbs more frequent.

Exposing the economy to world competition will presumably only tend to intensify the curbs to real growth, as will the changing composition of Japan's output and the nature of its production. Japan is still a net importer from industrialised countries and a net exporter to the under-developed, and her share of world exports is still only three and a half per cent, but the structure of the Japanese economy is exhibiting the same increasing trend to capital intensive technological industry that was seen earlier in advanced countries — exports, reflecting this, are shifting to heavy industrial goods where productivity is highest and away from the traditional fields of textiles and light industrial products.

The shift coincides with the severe shortage of labour, particularly skilled labour and technicians, revealed in the past three years and exhibited in the relative decline of temporary to permanent workers, the increased overtime worked, particularly in manufacturing, and the increased wastage rate of Japan's labour intensive small and medium enterprises. In addition, the new type of industry demands an even

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.