


Briefings

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The Dean Rusk Center was established in 1977 to foster interdisciplinary research, service and education concerning institutions and processes basic to efficient intercourse among nations. U.S. fiscal and monetary policy has separate emphasis, due to its increasing impact upon international commerce. U.S. trade and investment in a world environment remains the primary focus of its study and policy recommendations sponsored by state and federal entities. The Center also recognizes that internal dynamics of nations remain the major determinant of international relations and that domestic concerns about the quality of life, stability and efficiency will continue to vie for dominance in determining a nation's posture in world affairs. Thus, much of the Center's data collection and analysis dwells on domestic events of nations and diverse disciplinary explanations of their presence and evolution.

Admittedly, the interactions of fiscal and monetary policy, international arrangements and domestic events cannot fully be analyzed in a specific geographic or subject context. Nevertheless, many of the Center's policy development activities concentrate on the North American region and related subjects of agriculture, national development, business-government relations and public governance. These bi-weekly briefings reflect the convergence of the Center's diverse activities and interests.

Facts and details of events addressed in briefings are gathered through a scanning of major daily newspapers and weekly periodicals, which are cited throughout each article. Sources of related policy and disciplinary material appear in a listing following each article. The purpose is to link facts with policy implications and academic points of view in order to present an integrated and in-depth approach to current issues. Views expressed are not necessarily those of the Rusk Center.

1. FISCAL AND MONETARY POLICY

MONETARY - SBI MERGER EFFECTS ON CUSTOMERS AND STOCKHOLDERS

The takeover of Fidelity Savings and Loan of Oakland, California, last April confirmed the Federal Savings and Loan Insurance Corporation's preemptive policy of merging floundering S&Ls before the cost of failure becomes too severe. When Fidelity executives refused to comply with the bank regulators' wish that Fidelity merge with a healthier institution, the FSLIC seized Fidelity's assets, dissolved the old corporation, and formed a new savings bank called Fidelity Savings of San Francisco. Fidelity executives, who were major stockholders in the corporation, had refused to merge because the price of doing so with FSLIC assistance is the loss of equity value to stockholders. But the FSLIC believes mergers between healthy S&Ls and ailing ones are good for the industry, and it is encouraging more mergers to prevent closings and help build public confidence in savings institutions. With only $7 billion to cover $700 billion in thrift deposits, the Federal Savings and Loan Insurance Corporation is making sure that S&Ls do not fall by virtually forcing intrastate and interstate mergers. The end result for consumers is always positive since the FSLIC insures deposits, but the consequences for stockholders vary depending upon whether FSLIC funds are necessary to facilitate a merger (Newsweek, 4-26-82, p. 68; Economist, 4-24-82, pp. 511; Federal Home Loan Bank Board J., 12-81, pp. 24).

According to the chairman of the Federal Home Loan Bank Board, Richard V. Pratt, the current crisis in the savings industry is due to high interest rates and a movement of savings accounts from S&Ls to other institutions offering identical interest rates. Because thrifis are legally required to provide a large portion of their loans as long-term fixed-rate mortgages, high and volatile interest rates have made the cost of raising funds higher than profits from mortgage income. Customers worried about the future of S&Ls have moved their accounts to other institutions. Andrew S. Carron, a research associate with the Brookings Institute, estimates that $13 billion dollars withdrawn from
SALs last year was deposited in commercial bank savings accounts with identical interest rates and insurance programs. The key to preventing this quiet run is to bolster confidence in the thrift industry. Without public confidence, according to worst case scenarios, more SALs could fail, thus depleting FSLIC reserves and shifting the insurance burden to the taxpayer (Illinois Bus. Review, 12-18-81, pp. 94; Newsweek, 5-15-82, pp. 50).

Although the Federal Savings and Loan Insurance Corp. insures deposits up to $100,000 in SALs, depositors are still moving their savings elsewhere. Treasury Secretary Donald Regan and Senate Banking Committee Chairman Jake Garn have both issued assurances that the government will cover all deposits in thrifts. This open check from the federal government is designed to prevent a run on savings institutions, but should the industry collapse, the check would cost taxpayers greatly. Regulators hoping to avert this scenario and stabilize the industry have been experimenting with mergers, including interstate mergers, to achieve this goal. Savings and loan associations are not barred from interstate banking by the McFadden Act; and although they have refrained from interstate banking in the past, financial conditions dictate a change in policy for the future (Bus. Wk., 12-7-81, p. 39; Economist, 12-19-81, p. 76; Bus. Wk., 12-7-81, p. 39; Federal Home Loan Bank Board J., 12-81, pp. 71).

Much of the future of savings institutions depends on depositor confidence in the industry. In the event of massive failures, depositors would be insured for their losses, but they would suffer as taxpayers because government funds would be required to cover insurance costs. While preventive measures such as mergers may enhance the attractiveness of the savings industry, commercial bank displeasure with interstate SAL banking may force Congress to allow banks the same privilege. When and if the dust finally settles, financial institutions will likely be vastly different from what they are today (Newsweek, 5-15-82, p. 50).


11. INTERNATIONAL ARRANGEMENTS

POLITICAL/MILITARY - GREECE AND NATO

Events occurring over the past eight months in Greece and the Aegean area have focused attention on the directions that Greek foreign policy is taking under the leadership of Premier Andreas Papandreou. Papandreou and his party, the Pan-Hellenic Socialist Movement (PASOK), were swept into power in parliamentary elections on October 17, 1981, gathering 48.1% of the vote and 174 seats in a 300-seat parliament. The incumbent New Democracy Party, led by George Papadakis, took 35.5% of
the vote and 115 seats, while the Communist Party earned 10.4% and 13 seats. The various center parties did not receive enough votes to obtain representation in the parliament (Economist, 10-24-81, p. 51; New Republic, 11-4-81, p. 9). Papandreu, who spent 20 years in the United States after he left Greece in 1959 to escape the right-wing authoritarian regime of Ioannis Metaxas, obtained his advanced degrees here, married an American, was at one time chairman of the economics department at the University of California, Berkeley, and was politically active in several Democratic presidential campaigns. He returned to Greece to form PASOK in 1974, the year after the most recent military dictatorship was overthrown (Nash, Post, 10-29-81, p. A17; Chr. Sci. Mon., 10-20-81, p. 28). Although foreign policy issues were less important than domestic ones in the October elections, a major foreign policy initiative taken less than a week after the election was to increase the diplomatic status of the Palestinian Liberation Organization (PLO) to a level equal to that of Israel ("diplomatic representation") (New Republic, 11-4-81, p. 9; Wall St. J., 10-29-81, p. 30; Economist 10-31-81, p. 59; N.Y. Times, 10-24-81, p. 5; 10-23-81, p. 4; 10-17-81, p. 5). Of greater importance, however, is Greece's dispute with Turkey over territorial boundaries and control of Cyprus, which has persisted for decades. Recently, Papandreu withdrew Greek forces from NATO exercises off the coast of Italy when Turkey violated Greek territory and airspace in the Aegean Sea (Sunday Times, 4-30-82, p. 3; N.Y. Times, 4-14-82, p. 3; Proln. Wkly., 4-29/30-82, p. 49). This move indicates the unique complexity of Greek foreign policy, the implications of which have a bearing on both Mediterranean and Atlantic security.

Greek foreign policy, especially with respect to security, has been informed by unique geopolitical circumstances. It has centered around regional relationships that remain of primary importance even when they have larger continental implications. The East-West division which emerged from World War II caused Greece's geographical position to conflict with its new alliances: prior alliances had had a strong regional flavor (World Today, 37(4):120-26, April 1981). Tensions thus developed between Greece and its traditional ally Bulgaria, because it is a member of the Warsaw Pact and Greece until 1973 was governed by a right-wing junta. (Now that Papandreu is in office, relations between the two countries are better.) Albania is attracted to Greece because it can be used as a marketplace for Albanian exports to the rest of the Balkans and as a diplomatic ally. Relations with nonaligned Yugoslavia are good. Papandreu has recently expressed interest in closer relations among the Balkan countries; in particular, he wishes to create a nuclear-free zone, which is of interest to President Todor Zhivkov of Bulgaria as well (London Times, 5-29-82, p. 6). Of most immediate concern, of course, are Turkey and Cyprus. The struggle over Cyprus, which erupted once more in 1974, has reinforced Greece's preoccupation with its regional status rather than with the larger continental geopolitical-military balance. The strongest manifestation of this was the Greek withdrawal from NATO's military wing in 1974 after the U.S. refused to prevent Turkey, a strategically placed NATO member, from invading Cyprus using American weapons. Greeks fear renewed Turkish military activity in the region more than any designs the Soviets might have in Western Europe and the Middle East (N.Y. Times, 10-15-81, p. 5; World Today, 37(4):127-34, April 1981).

Events during the past decade have, however, brought to focus the value of Greece's geographical position in maintaining a credible deterrent against Warsaw Pact attack. The Soviet naval buildup in the eastern Mediterranean since 1973, troop and armor assessments by the Warsaw Pact on the Bulgarian-Turkish border, a centuries-old Russian ambition to control the Turkish Dardanelles and the Bosporus Straits, and the uncertain future of the role of Yugoslavia as a buffer between East and West after the death of nonaligned socialist leader Marshall Tito have enhanced the importance of securing facilities for NATO and American personnel and equipment in the region. Though the Greek facilities are not in themselves considered indispensable to the integrity of NATO's southern flank, their absence complicates NATO intelligence and communications coordination sufficiently (Economist, 2-20-81, p. 47; Newsweek, 11-2-81, p. 47; Chr. Sci. Mon., 10-2-81, p. 203). NATO counted on Greece's support for Spain's entry into NATO against Denmark's and Portugal's opposition, and now needs its support again for the deployment of Pershing II and cruise missiles in Europe. This diplomatic
support is considered crucial to NATO, since Greece will not permit NATO to station forces on Greek soil.

The Greek government's present position on NATO seems to be defined essentially by a peculiar set of constraints and opportunities. Many Greeks feel that the way the U.S. and Turkey have treated Greece is sufficient justification for withdrawing Greece from NATO completely. But during the campaign Papandreou backed away from advocating withdrawal (Chr. Sci. Mon., 10-20-81, p. 29; Newsweek, 10-2-81, p. 46; Pro involving, 4-29/30-82, p. 4). Another complicating factor is the need of Greece, which imports 70% of its oil, to expand a recently established export base with Arab countries; this has perhaps been an important motivation in Greece's offer to raise the diplomatic status of the PLO (Chr. Sci. Mon., 10-15-81, p. 823). West Europeans support this initiative because it is thought that expanded Greek-Arab relations will provide West Europe with additional contacts in the Arab world. Yet this trade campaign may be construed by the U.S. government as a decision motivated by direct hostility towards the U.S.

It is fairly certain now that, contrary to earlier fears, Greece will not withdraw from NATO. The contrast between Papandreou's campaign rhetoric and his private statements on NATO suggests a flexibility in his basic position that has been borne out in subsequent actions. Papandreou is now saying that the contribution NATO can make to Greece's security from Turkish attack is the price NATO will have to pay for Greece's permission to use facilities on its soil. With its military presence being enhanced along the Greek-Turkish border, Greece also wants NATO to sanction that buildup as necessary for Greek security. Aside from the negotiations between Greece and Turkey carried out under the mediation of the NATO high command, NATO has played a role in stabilizing the Aegean area by providing Greece with arms to maintain the military balance between itself and Turkey (Economist 2-2-81, p. 47).

Papandreou knows that in order to retain its support for democracy he must continue to cultivate the favor of the military, a tactic that has been an integral part of PASOK strategy since its formation.

Papandreou has diverted the military's political ambitions by engaging it in activities against the Turks, who have violated Greek airspace repeatedly. The moderation of the Greek electorate was demonstrated by its greater support for New Democratic and other pro-European candidates in parliamentary elections for the European Economic Community (PASOK: 40.8%, 10 seats; New Democracy: 32.75%, 8 seats; other parties 22.18%, 6 seats) (Economist, 10-24-81, p. 32). PASOK has captured the broad moderate spectrum of political support now that the communist party on its left has broken from the coalition and New Democracy, its conservative opposition, has fragmented into four movements. Given a practical consensus with which to govern, Papandreou can devote himself to the diplomatic construction of maintaining ties with NATO while seeking to make the Balkan area a nuclear-free zone.


SOCIAL/CULTURAL - INTERNATIONAL EDUCATION AND EXCHANGE FUNDING

As the academic year ends, concern continues to be expressed about the future of international education and exchange since the Reagan administration committed itself during the formation of the fiscal year 1982 (FY82) budget to cutting many types of educational and research funding. The most secure and prestigious scholarships, such as the Rhodes, of which 32 were awarded in February, are certain to continue; but the future of many other programs is in doubt from year to year (N.Y. Times, 2-26-82, p. 1). The administration's proposal to reduce
funding for the Fulbright fellowship program in FY82 from the 1981 level of $48.1 million to $22.5 million was rejected by Congress. A 40% reduction would have seriously impeded this successful international teacher-scholar exchange program, financed chiefly by the United States. The number of countries involved in exchanges would have been reduced from 120 to 59, with most of those dropped coming from the third world. In recommending that Fulbright funding be cut so drastically, the U.S. International Communications Agency (USICA), which administers the program, was in tune with administration interest in intensifying efforts to disseminate information favorable to the U.S. abroad through the electronic media (New Republic, 4-14-82, pp. 11+; N.Y. Times, 10-24-81, p. 3; Economist, 11-7-81, pp. 31+). Though the substance of the administration's FY83 proposal seems to be different, the intent and the effects may be somewhat the same: while the latest proposal calls for an increase in funding for Fulbright fellowships and other educational programs run by the USICA, it also proposes a 50% reduction in Department of Education international educational programs, with the remaining programs transferred to USICA. Some believe that transferring the programs is a step toward their eventual elimination (Chronicle of Higher Education, 2-24-82, pp. 1+). Though these proposals and other budget-cutting measures point to a general contraction in the role of government in education and other aspects of American life, the indiscriminate reduction of educational funding, particularly for international exchange and educational programs, has serious implications for the long-term success of America in the international arena.

Challenges to academic and scholarly exchange programs that have emerged over the past decade stem from a number of factors: (1) a decline in the condition of the world economy which has made economicizing a high priority, (2) the progress of less developed countries (LDCs) in upgrading their own institutions of higher education and research facilities, and (3) the very attitude of LDC governments toward educating their citizens in the West because of the danger that they will not return home (Annals, 424:6-15, March 1976). Nevertheless, evidence shows that international educational exchanges have been very successful. Of all American Fulbright scholars, 79% have maintained professional contact with foreign students and 77% say they have devoted more time to international affairs because they were Fulbright grant recipients. Moreover, 35 heads of state as well as many other foreign leaders have participated in the International Visitor's Program, which would have been eliminated by last year's proposal (New York Times, 11-17-81, p. C5).

The shift in priorities contained in the Reagan administration's proposals is in part a reflection of its perceptions about effective means for containing communism on a worldwide scale. Defense is thought to have failed in maintaining a military balance between superpowers and in preventing the Soviet Union from conducting adventures in the third world. With defense discredited, discussions of methods for pursuing the national interest are reminiscent of the Cold War period. One suggestion has been the undertaking of propaganda campaigns. The Fulbright strategy of creating goodwill among nations by fostering mutually rewarding inter-country exchanges of bright, often idealistic people is being replaced by a mass media strategy of directly communicating national values while counterning Marxist-Leninist influence wherever USICA thinks it may be found (N.Y. Times, 11-17-81, p. C5).

Proposals to cut international exchange programs may also reflect a loss of faith in the ability of research and education to solve major political and economic challenges, as well as an isolationist sentiment in some segments of American society. The increasing use of advertising techniques to spread a desired American image abroad may stem from an optimistic faith in the willingness of people to accept ideas espoused through the mass media. However, a contrast exists between the diffusion of knowledge through disciplinary exchange across national borders, which has a tendency to foster new patterns of thinking, and the manipulation of symbols on a mass scale, which is susceptible to central control and the creation of simplistic images in the minds of the intended audience.

A prominent theme in social science research is the role of culture in informing all social, political, and economic dynamics, regardless of
the national, ethnic, or socioeconomic setting. Thus, knowledge of cultures plays an important part in the formulation of policies in all aspects of international life, from diplomacy among nations to international trade. Experience with foreign cultures is increasingly important because local idiosyncrasies must be adapted to and exploited in the successful execution of international marketing and investment strategies. International exchange not only creates much goodwill between Americans and foreigners, but serves as well to undermine appeals for unilateralism and renunciation in American foreign policy, which are often based on fear and misinformation. Trade strategy might in fact encompass the development and acceleration of exchange programs involving countries that are or will be trading partners with the U.S. in an interdependent world knowledge of and experience with foreign values, social dynamics, and economic systems is indispensable to the successful pursuit of any foreign policy.


III. DOMESTIC ISSUES

VALUES - ISLAM AND MODERNIZATION

On a superficial level, the struggle for modernization in Islamic countries can appear to conflict with cultural and religious traditions. A closer examination reveals, however, that these traditions not only tolerate but in some cases promote development. In Indonesia on May 4 the Golkar group led by President Sukarno won national elections with 63.9% of the vote. The fundamentalist Muslim United Development Party took 22.7% of the vote. The election's outcome, in a country 90% Muslim, has been interpreted as a mandate for a moderate development program (Far Eastern Econ. Rev. 4-23-82, pp. 24; Asian Wall St. J. Ind., 5-17-82, p. 7). On April 22, a national election was held in Malaysia in which Dr. Mahathir Mohamad and his Barisan National Front Coalition won with 90% of the vote. The remaining 10% was split between Parti Islam, the country's main Islamic fundamentalist party, and the Chinese Democratic Action Party. This mandate, the strongest given a Malaysian government since 1957, has been interpreted as a successful test of Mahathir's development policy (Far Eastern Econ. Rev. 4-30-82, pp. 174; 4-2-82, pp. 23; Asian Wall St. J. Ind., 5-29-82, p. 1). Both elections point to the challenges of formulating realistic development policies consonant with Islamic aspirations.

The peculiar challenges and opportunities that the Islamic religion poses for economic development stem from the fact that it offers a comprehensive, organic structure for living. The Koran, Islam's holy book, and the Sharia, or body of law handed down through the centuries, provide the historical-intellectual context for modernization: Apart from detailed laws governing economic behavior, the Islamic tradition has been interpreted as not forbidding any act or policy not specifically proscribed by law. Muslims conceive of the application of their religious laws to development as a middle ground between capitalism and Marxism. Islam is a traditional and antimaterial faith. Wealth is accumulated for the glory of God and the enrichment of the community. Self-enrichment is not forbidden, yet laws of religious taxation (zakat) and charity and against the taking of interest (riba) exist. To the Muslim mind, Islam meets the criteria of a development ethos that encourages affluence, distributes it justly among the masses, and preserves culture (Gummers, Askari, and Ahmad, 1990, pp. 25-48). Thus, wide latitude exists for economic growth within the context of laws that are not easily ignored or overridden. How this is being done varies from one country to another depending on the type of Islamic pressures regimes experience, the number of Muslims in the country, and the natural resource base of the country.
Academic theorizing has produced a set of four roles that religion can play in development efforts, all of which have relevance to the diverse Islamic ideological environment. First, religion can aid the individual in acquiring a set of standards in a rapidly changing environment. A foremost example is the "Islamic resurgence" not only among the poor, who base their rising economic expectations on the Islamic concept of justice, but also among middle-class students and intellectuals and, notably, affluent Egyptian women, who seek a personal identity in the turbulent world of Arab politics and culture. Second, religion can resist development, as it seems to be doing in Iran, where an Islamic government has been established under the rule of a centralized theocratic hierarchy whose legitimacy is based on a literal interpretation of Islamic law. Third, religion can make a positive contribution to development. Here a moral code is followed from the beginning, thus avoiding social tension disruptive of growth and stability. Thus, Saudi Arabia has conformed to this description because it has been ruled with relative stability by an alliance between the family of Saud and the Wahabi religious sect. Finally, in order to be a cohesive force for modernization, religion can link nations together with a common ideology that transcends state political differences. The World Muslim League, representing 40 Muslim countries, and the Islamic Development Bank, which offers funds for development projects in Islamic countries, provide examples of this type of religious involvement in the development process.

Other examples of the constructive role Islam can play exist as well. Egypt, an essentially secular state, must now use religious symbols more often than ever to execute development policies and to pursue the national interest. Particularly difficult is the case of Malaysia, predominantly Muslim but with a large Chinese minority. While Muslims dominate the governing structures, the Chinese dominate the economic system; so development strategies must proceed so that the quality of life improves for Muslims without upsetting the delicate racial balance. Planners fear most the latent appeal of fundamentalist religious ideals.

In essence, Islamic development is a competition between conservative and revolutionary fundamentalism. The former is represented by states such as Egypt, Saudi Arabia, and Kuwait, while the latter is represented by Iran, Libya, and common people in all Islamic countries. Conservative regimes are using the carrot of developing stakes in the status quo among ordinary people and the stick of political repression in order to create political stability before revolutionary movements overwhelm their rule. Whether regimes are forced to use Islam to modernize, either symbolically or in substance, probably matters less than the fact that their strategies constitute a unique and realistic midway between the West and reactionary fundamentalism.


IV. NORTH AMERICA

MEXICAN OBSERVER STATUS IN OPEC - Mexico may begin to participate as an observer in the deliberations and activities of the Organization of Petroleum Exporting Countries (OPEC), the group of oil-producing countries that attempts to coordinate pricing and production of oil. Venezuela, an OPEC member, has sponsored Mexico's application for
The discovery and rapid development of oil reserves has transformed the nation's standing in the international investment community. At the same time, as a result of four years of sustained economic growth supported by petroleum exports, the Mexican economy is exhibiting structural changes similar to those observed in other petroleum exporting nations: a rising contribution of the petroleum sector to gross domestic product along with a concomitant diminution of the relative importance of other sectors, including agriculture; infrastructural bottlenecks such as electrical power blackouts and brownouts, transportation jams, and warehousing inadequacies; the rising importation of goods and services; high inflation rates; and a currency that has been overvalued (J. of Commerce, 1-8-81, p. 12).

This burgeoning growth is occurring in an economy already fairly highly developed relative to other LDCs but with a markedly unequal distribution of wealth. Studies of Mexico's economic development over the past 45 years acknowledge tremendous strides forward, particularly since the recognition of substantial petroleum reserves. However, such studies all point to the features of Mexican social and economic life which are symptoms of unbalanced growth. Draconian income disparities and limited educational opportunities for ordinary Mexicans predominate. A contradictory situation exists in which industrial growth and wealthy neighborhoods coexist with large poverty-stricken areas and extreme underemployment (Scientific American 243(3):192-204, Sept. 1980).

The sudden "discovery" of massive wealth in Mexico raises questions about the future stability of the Mexican social and political systems. In consideration of such world events as the revolution in Iran following an attempt by Shah Mohamed Reza Pahlavi to industrialize the country rapidly, some have speculated that Mexico might fall into the same pattern of attempting to bring about social change too quickly and with too little consideration of long-term consequences. The rough equality of proven liquid energy reserves of the two countries is the basis for this comparison, though other important elements, such as the nature and functioning of the governments, have been quite different. Future events, however, could make the comparison more valid.
Although the Mexican political system has operated under the same constitution for over 64 years, the foundations of governmental stability are becoming tenuous. Because the effectiveness of Mexican politics rests on the ability of the ruling Partido Revolucionario Institucional (PRI) to satisfy competing interest group's claims on a day-to-day basis, the system's resilience would be undermined by demands for massive wealth redistribution (World Politics 32(2):194-227, Jan. 1980). However, the sociopolitical systems of the two countries differ so much that their analogy may be suspect: Iran lacks the revolutionary tradition that Mexico possesses and hence Mexican politicians may heed historical lessons as to how to avoid revolution by the timely satisfaction of popular demands.

Internationally, Mexico appears to be entering a new phase of development as well. Mexico's observer status with OPEC represents another step away from the United States. Mexico is interested in increasing its exports of oil to industrialized nations in return for transfers of technology. The Japanese ambassador to Mexico has stated that his nation fully intends to become the largest foreign investor in Mexico next to the United States (J. of Commerce, 3-27-81, p. 15). The Japanese plan includes investments in automotive manufacturing and in the construction of oil pipelines, one of which will transport oil from Mexico's eastern oil-producing districts to a facility on the Pacific coast of Salina Cruz that is easily accessible to Japanese tankers (Asian Wall St. J. Weekly, 4-13-81, p. 15). Mexico is also pursuing a similar deal with the Canadians.

The values inherent in these developments pose contradictory problems for both the U.S. and Mexico. Mexico is embarking on a brand toward bilateralism explicitly incompatible with the trilateralism favored by President Reagan for North American affairs. President Portillo of Mexico, in a joint communiqué with Canadian Prime Minister Trudeau during the Portillo-Trudeau summit in the summer of 1980, reaffirmed Mexico's official opposition to the notion of trilateralism in North American affairs (Bus. Latin America, 6-4-80, p. 179; Latin America Weekly, Report, 6-13-80, pp. 44). At the same time, however, Mexico realizes that it is inextricably linked to the United States because it is a geographic bulwark against threats to the U.S. from the south. Thus, the U.S. has a primary interest in seeing that Mexico manages its economic growth in such a way that the appeal of left-wing movements remains small.

The Mexican president in power from 1982 through 1987 will face challenging policy choices regarding the role of oil in the national economy, the rate of extraction, and the dependence on oil exports for development capital (J. of Commerce, 1-9-81, p. 12). Mexico will also be testing the limits of its strategy of pursuing independence from the United States by developing trading partners worldwide when It cannot divorce itself from being a crucial component in U.S. defense strategy.


V. EDITORIAL

AN AGRICULTURE BASE FOR DEVELOPING COUNTRIES - Social and economic historians, when appraising the development efforts of many less developed countries (LDCs) over the past 20 years, will find many people disillusioned by a disconcerting array of governmental mismanagement. Although the field of development studies, still in its infancy, cannot provide comprehensive guidelines for LDC policymakers, it nonetheless has much to offer them in determining appropriate policy directions. Yet political institutions in many LDCs seem incapable of or unwilling to accept scholarly advice because powerful interests in their countries
resist the appeal of enlightened recommendations or because ideological commitments are too important to rescind. Too often, the pursuit of egalitarian ideals has degenerated into economic mismanagement and political repression. The situation of Zambia is a case in point.

When Zambia gained its independence in 1964, the resource rich country (the supplier of 15% of U.S. cobalt needs) was given a better-than-average chance for successful development. But the present plight of the economy suggests that the optimism surrounding Zambia’s prospects as a newly independent nation was misplaced. In 1981 the International Monetary Fund provided Zambia a fund of $800 million, representing $165.00 for every man, woman, and child (Africa Research Bulletin, 4:11-12, p. 6004). The money was designed to relieve Zambia’s worst exchange crisis in 17 years, but the fundamental causes for economic decline remain unchanged.

For 10 years after Independence, the price of copper, one of Zambia’s leading commodity exports, was high. The large revenues generated from copper sales tended to conceal the economic imbalances that have been aggravated by inappropriate government policy. When prices fell in 1974 because of a worldwide recession, the extent of Zambia’s problems became apparent. Since that time they have become progressively worse, and Zambia is now a nation of shortages. Manufacturing in 1980 was 15% lower than in 1974 (Africa #115, 5-8-81, p. 81). Gross fixed investment has fallen approximately 60% since 1979, and a large portion of the country’s machinery is unusable because of a lack of spare parts. The most critical shortage, however, is in the country’s basic food, corn. Nearly 40% of basic food requirements must be imported even though Zambia was self-sufficient in basic foodstuffs 10 years ago. Not only is corn production low, but it is highly centralized: 30% of all grain marketed is accounted for by approximately 400 commercial farmers. While government officials blame poor climatic conditions over the past three years, the more serious culprit is the low price offered farmers by the government marketing authority (Africa #108, August 1980, p. 52). Clearly both agricultural and industrial policies since independence have been counterproductive.

Almost 80% of economic activity is accounted for by a small sector straddling everything from agricultural marketing to mining and transport and now in disarray. The agricultural marketing authorities are notably inefficient, and corruption is common. In an effort to bolster agricultural production, in May 1981 the government launched “Operation Food Production.” The plan was designed to reduce consumer subsidies and develop large state farms (50,000 acres) in each of the nine provinces. However, in the absence of sound managerial talent, the plan could not be adequately administered and has not been successful.

Zambia’s political leadership has played a crucial role in the decline of the national economy. The president of the country, Kenneth Kaunda, seems thus far to have assured his political survival by a devious reshuffling of his lieutenants to avoid the building of independent power bases. The side effect has been to prevent senior officials from accumulating the necessary expertise to make and implement policy. Popular participation in the political process is low; the membership of Zambia’s sole legal party amounts to 5% of the population (N.Y. Times, 10-15-81, p. 4). Criticism of government policy is often considered a threat to national unity. Worker unrest, especially in the copper mines of the north, has resulted in the detention of union leaders (Economist, 8-1-81, p. 37; N.Y. Times, 11-1-81, p. 12).

Unfortunately, this situation is similar to many others in Africa. Agriculture has not been given adequate emphasis on the continent, and development policies have been imported from other regions of the world with little adaptation to local conditions. While “one commodity” developing countries are particularly vulnerable to the vicissitudes of international markets, it is also true that overemphasizing the growth of industries whose economic viability is not clearly demonstrated leaves the country little flexibility in times of economic stress. Sound agricultural development policies that seek to involve the majority of the rural population will not only improve the general welfare but will also build a consumer base for future industries. Consumer subsidies in the form of artificially low agricultural prices may be a popular short-run political tactic, but a high price is paid in longer-
term dislocation and stagnation. Developing countries complain, often rightly, that past colonial policies have left them in a dangerous state of dependence upon the more industrialized world. However, dependence is not so strong that latitude does not exist for designing strategies to overcome it with time. A first step in this direction is to have an agricultural policy that allows the country to feed itself.


