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# COMMENTS

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## *Passenger Shipping*

### **Between Profit and Prestige**

The name of a passenger liner often embodies the prestige of a country's entire merchant fleet. Throughout the ages passenger liners have served as a kind of shop-window of not inconsiderable value. The Americans have their "United States", the British their two "Queens", the Italians their "Michelangelo". The history of German liners prides itself on such prominent names as "Albert Ballin", "Cap Arcona" and "Imperator"—yet they are nothing but memories today. In the Federal Republic of Germany, and oddly enough especially in Hamburg, there has been little inclination to build a new passenger liner. Large sums are needed to finance such projects and the shipping companies have little capital of their own. The prospects of re-entry into passenger shipping are by no means clear, and there is a great risk that such services may not cover investment and operating costs. Of all Germany's former passenger lines the Norddeutscher Lloyd Bremen alone has set store by its tradition and gone back into the business by taking over vessels of foreign shipping companies. They are the "Berlin", the "Bremen" with a great history behind her, and the "Europa". Largely because of a comprehensive programme of cruises the operation of these ships has turned out to be a successful enterprise.

The only passenger liner which still displays Hamburg's colours is the "Hanseatic". Built in 1930, she was formerly the "Empress of Scotland" and is now operated by the Hamburg-Atlantik-Linie. But the "Hanseatic"—through no fault of the management—has not brought the hoped-for success. Thanks to the initiative of the Hamburg-Atlantik-Linie, however, a plan for a new passenger liner has now reached a decisive stage.

The project of building a 22,500 g.r.t. liner for about DM 80 million is being promoted by the Deutsche Atlantik Schifffahrtsgesellschaft which was founded on 1.12.1965. A large number of company partners have raised DM 30 million worth of deposits and loans. The Federal Government intends to contribute DM 20 million in credits and Hamburg is to offer guarantees. The vessel is to be built by a Hamburg shipyard. It is, however, still a question of how and on what terms the remainder of outside capital can be obtained in the present critical situation on the capital market, and how the need for more outside finance than envisaged in earlier budgeting will affect profitability. Nonetheless, it is to be hoped that private initiative,

with State support, will succeed in launching a new passenger liner on its Atlantic crossings and other cruises. This would not only be an advertisement of German shipping, shipbuilding and industrial efficiency in general but also publicity abroad for German hospitality and culture. Although such assets cannot be measured, they are well worth considering.

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## *Food for Freedom*

### **Developing Countries without PL 480?**

The discussions which have been going on in the United States for some time about a modification of the terms of the twelve-year old "Food for Peace Programme" have caused anxiety in the developing countries. "Public Law 480", as it is generally known, serves to promote American agricultural exports but at the same time enables the granting of development aid. In accordance with this law the developing countries pay, as a rule, in their own currencies for agricultural imports. The United States then makes a substantial part of these payments available again in the form of government credits for development purposes.

Now it is intended to make the developing countries pay for US food supplies in hard currencies, after a maximum transitional period of five years. If the Bill now before Congress were to come into effect immediately and if, for example, India were not granted a transitional period, it would according to Indian journalists have to find about \$ 850 million to pay for the 10 million tons of grain it will need next year and the transport charges. The danger of such a drain on India's foreign exchange to its general development effort is obvious.

What is the purpose of the new "Food for Freedom Programme"? Is it to relieve the US budget from which measures under Public Law 480 are financed? Is it to adjust agricultural exports to US productive capacity? Or is there an education intent behind this tightening of the law? Up to a point all three aims are probably being pursued. But it would be too facile to criticise the USA because of this law, and to join the chorus of those who at present justifiably condemn industrial countries which too selfishly look after their own balance of payments and domestic economic problems at the expense of development aid. If, as may be assumed, President Johnson is chiefly concerned with shaking the developing countries out

of their lethargy and spurring them on to increase their own agricultural output, then the new Bill deserves to be welcomed.

The primarily educational character of the new Bill is indicated by the credit terms outlined by Mr Freeman, US Secretary for Agriculture: a 40-year repayment period with a maximum of 10 redemption-free years and a 2.5 % interest rate.

If the developing countries are ever to stand on their own feet economically such gentle pressure to induce them to increase their agricultural production may well be an essential move in the right direction. bo.

## Foreign Trade

### New French Export Promotion Measures

The Secretary of State for Foreign Trade, M de Chambrun, has recently announced the introduction of new measures to ease the adjustment of French business enterprises to international competition. The emphasis of these measures is on increasing French investments for the opening up of foreign markets, and their systematic development.

In part these measures consist of improving the existing bodies—for instance, the foreign trade boards, which are to be modernised. By exercising a stricter control over nominations to the boards, and over the activities of the 1,200 foreign trade advisers, it is hoped that the support which these non-professional experts can give will be more effectively utilised. The organisation known as the "Convention Society", instituted in 1959, will be made more flexible: it is also hoped to increase its popularity—the success of the system, which favoured export mergers of small and medium-sized enterprises related to taxation, has lagged behind the expectations of the planners. An improvement in the insurance for the opening up of new markets is also allowed for—large enterprises are now allowed to insure themselves against the failure of their sales efforts in foreign markets. The effectiveness of these measures will be further increased by the new expenses categories which have been created, e.g. insurance for the cost of market research and product-management.

Two further measures have been introduced. French companies in overseas will be encouraged in order to secure continued export orders. The French government offers a guarantee for the joint loans of exporters intended to finance affiliated companies in overseas. A condition of this guarantee, which will clearly improve the chances of raising loans, is that banks should participate in the capital invested in the affiliated companies. This measure will compel French banks to show a greater interest in foreign trade transactions. A further government measure is a guarantee for certain participations by French entrepreneurs in foreign countries. This guarantee, which covers only political risks, presupposes a link between the export of investment goods and participation, which must not, however, exceed 15 % of exports. In this way, a French exporter will now be able to

meet the frequent demands made on him by importers in developing countries, after taking over a minority share.

These new measures show that France, which had already improved its export promotion measures in January of this year, will continue to intensify its endeavours for an active balance of payments. ste.

## EEC — EFTA

### Regional Adaption Programmes

The fact that a coalition of the EFTA areas and the EEC is out of the question has created an increasing number of economic problems for the "development areas" in the Federal Republic.

By virtue of their geographic position the two Federal Lands of Bavaria and Schleswig-Holstein have to wrestle with similar economic problems. They are situated on the fringe of the EEC and face in three directions: towards the EEC area, towards the Federal Republic and towards the Soviet-occupied Zone (or towards Czechoslovakia, respectively).

The inroads made by the Common Market threaten to aggravate the difficulties already created by the unfortunate geographical location of these two regions. To counter this situation, the Schleswig-Holstein government in 1963 worked out its so-called "Regional Adaption Programme": this may be regarded as the first Land and Regional programme of its kind in Europe. It should be regarded as a blueprint to be followed by entrepreneurs, and the model for a possible long-term economic policy which will implement adaption measures vis-à-vis the EEC without too many "frictional" losses in the transitional phases. A similar work-programme is to be developed for Bavaria: indeed the preliminaries have already been negotiated by the EEC Commission.

These regional programmes might be abandoned, if the EEC and EFTA were to close ranks. The foreign trade of Bavaria and Schleswig-Holstein has its traditional links with the countries which belong to the EFTA group. Admittedly, since the EEC has come into being, statistics have shown that the turnover from foreign trade with these countries has been decreasing steadily; but the increase of trade with the EEC has not compensated fully this decrease. The tariff discriminations aimed at and levied by their trading partners outside the Common Market outweigh the tariff advantages which derive from membership of the EEC. For both Bavaria and Schleswig-Holstein the conflict between tariff policies and geographical factors is becoming noticeably more disadvantageous from the economic point of view.

If this conflict were to be avoided by a merger of the EEC and EFTA, then the geographical location of Bavaria and Schleswig-Holstein could be exploited, for the two areas located on the fringe would then become "bridges": Schleswig-Holstein would become the "bridge" between Western Europe and Scandinavia, and Bavaria would afford a link with Austria and Switzerland.

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