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British import surcharge: Seeking a new solution

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simultaneous and coordinated stabilisation measures, all following the same aim, which is to keep expansion under control. Costs at home would then no longer rise to the same extent as hitherto, as the exchange relations in terms of real value might remain unchanged. From this it follows that it is imperative to enter upon "concerted action" and "external defence" at the same time. Without the one, the other would lose its value.

Neither of the two systems of external economic defence for an expansion policy aiming at stability would, by the way, render it more difficult to further integrate the Federal Republic of Germany with the

European Economic Community and the world economy. Nor are they obstacles to reaching the more demanding comprehensive objective of "hardening" the international currency system. On the contrary—the proposed measures might be shown to operate successfully in the Federal Republic, thus proving that the apparent conflict between economic growth and a stable currency can, actually, largely be obviated. This again could strengthen the will of other countries to seek stability to such an extent that reciprocity in the interest of stabilisation policy were the common basis of action. Thus along an indirect road there would be reached what up to now seems to be inaccessible by a more direct route.

Wolfgang Michalski

COMMENTS

Granting Preferences

Good Will and Many Difficulties

Urged by the developing countries, the EEC Commission and the UN Conference on Trade and Development (UNCTAD)—as well as GATT—have now submitted their proposals for a new worldwide system of preferences. Although the EEC and UNCTAD projects appear very similar at a first glance, differences of detail should not be overlooked.

UNCTAD takes the view that a new system of preferences must at least guarantee developing countries the same advantages as do currently existing regional preference systems. As desired by the developing countries, it recommends the granting of general preferences by all industrialised countries, with no exceptions and without quantitative restrictions. On the other hand, the EEC Commission, which upholds more strongly the interests of industrialised countries and of certain sectors, would like to negotiate preferences product by product and, in addition, would like to limit the number of countries benefitting by arriving at an exact definition of the concept "developing country". It is true that UNCTAD proposes protecting particularly sensitive branches in industrialised countries, but in this case it would probably be the countries granting preferences which would have to apply for exceptions. This would mean that their negotiating position would be considerably less favourable than under the system they are proposing.

The main object of the preference system is to speed up the process of development and to reduce differences in standards from those of industrialised countries by promoting exports from developing countries. In no case shall preferences be retained permanently

for this reason. In order to prevent long-term distortions in international competition, the EEC is proposing that the lifetime of such a solution should be a maximum of 10 years. There is no such term set in the UNCTAD proposal. In view of past experience of development policy, a procedure such as this, which does not overestimate the effects of the new arrangement, should be absolutely realistic. The developing countries are given the possibility of intensifying their self-help, whilst the granting of preferences requires industrialised countries to take numerous further measures. These include not only additional capital assistance and the making available of technical know-how, but above all the acknowledgement of a new and worldwide co-operation. The days in which developing countries are encouraged with one hand, whilst with the other maintenance subsidies are paid to sectors of domestic industry, will soon be a thing of the past.

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British Import Surcharge

Seeking a New Solution

When, in autumn 1964, the newly-elected British Government celebrated its entry into office by imposing a 15% Import Surcharge, it was hoped that this measure, whilst avoiding a general policy of domestic deflation, would speedily and effectively cut down on imports. According to Government prognostications, the Import Surcharge would reduce the country's imports by £ 300 million p.a. However, this estimate turned out to be much too high—we can say this in spite of objections against attempting precise quantitative predictions. Although the rate of increase of all imports affected by this Import Surcharge fell from 29% in

1964 to 1.0% in 1965, in the ten months between November 1965 and August 1966 the rate was again 14.8%. Initially stocks were run down severely, but imports returned relatively fast to their "normal" level, due not least to domestic price development. The fact that between November 1965 and August 1966 those imports affected by the Surcharge rose twice as fast as did total imports shows how low an estimate is to be placed on the import-inhibiting effect of this Surcharge. This happened, although it was announced at the beginning of the summer that the Surcharge would be definitely lifted on November 30, 1966, and the announcement probably caused a transient deferment of demand for certain imports. The total import saving can be put £ 100 million per year.

If the British Government thinks it can lift the Surcharge, this is surely because domestic demand has been damped down meanwhile. But because of the necessity of relaxing restrictive policies at home to promote general growth, it can scarcely avoid searching for a temporary substitute for this tax. Quantitative restriction of imports or the introduction of advanced import deposits are two possibilities currently being discussed.

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Development Aid

Tasks for German Commerce

The annual import exhibition which takes place in Berlin since 1962, "Partners in Progress", has made it its task to give aid by removing the obstacles standing in the way of expanding trade with developing countries. The idea of a function where developing countries have the chance to offer their products, find out about their sales opportunities and make contacts with possible customers could also be used by those German firms which are the actual trading partners.

Promotional and sales functions for products deriving from industrialised countries are no longer a rarity, for instance, at German department stores. Is it not conceivable that the same should be done for products from developing countries? Doubtless, the difficulties are greater here. But the import trade, which has imported for many years from developing countries, could make available its knowledge of the market and the products in order to track down products not yet on offer on the German market and to further the development of traditional products, so that these are in a proper condition for consumption by German buyers. For their part, the department stores have the exhibition areas required at their disposal and the necessary personnel and, in particular, they have contacts with a wide range of potential customers.

The success of such a function organised jointly by German importers and department stores would become apparent; on the one hand, developing countries

would gain knowledge about the proper design and presentation of their products and thus of export opportunities, whereas the German export and retail trades would gain fresh incentives to broaden their selection of goods. This would assist developing countries to increase their exports, whilst giving scope for the enterprise of their German trading partners.

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Pan-African Union

Prestige versus Economic Necessity

The third Conference of Heads of African States, held from November 5, 1966, to November 9, 1966, in Addis Ababa, has once again turned a searchlight upon the Pan-African movement.

"Unity" is the magic word in modern Africa. Ever since independence, the governments of the emerging African States have repeatedly declared that African union is essential for economic reasons. Besides movements tending towards regional co-operation between individual African countries—for instance, the "Central African Customs and Economic Union" or the "Conseil de l'Entente"—there are also more comprehensive movements towards union. Based on international models, for instance, the "Organisation of American States" (OAS) or the "European Economic Community" (EEC), the emerging African States founded in 1963 in Addis Ababa the "Organisation of African Unity" (OAU). One of the principal aims of the OAU is "to co-ordinate and strengthen the relations and endeavours of the African peoples so as to achieve better living standards ...".

The last OAU Conference showed what the objectives of African politicians really are. Economic requirements were scarcely touched upon. This was obvious even from the agenda. Of 16 items, only one had to do with the economy of African States. But no resolution was passed on this item; a report was drawn up, but it is uncertain whether it will be published. Once again, the impression has been strengthened that certain African Heads of State consider the economy a tedious subject of secondary importance and that they would like to give precedence to straight political matters over economic ones. Most African Heads of State, therefore, did not attend the Conference and had themselves represented there because they do not want to give their assent to resolutions which would directly or indirectly impede economic progress in their countries. They fear the radical attitude of some of their African colleagues which is also giving rise to anxiety inside certain international organisations and to those countries which donate development aid. This radical attitude is preventing international co-operation, in spite of the fact that this latter is the most essential pre-requisite for rapid economic growth and, consequently, for obtaining true independence.

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