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West Germany—Foreign trade policy: As great as possible,
as much as necessary ...

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parties concerned judge the employment of "guest workers" in a different way. The individual enterprises dismiss their foreign workers first and with a lighter heart, because they are "only" foreigners. In case the "guest workers" should have long-term contracts the enterprises are moaning. The advocates of macro-economic interests now realise that the import of foreign labour can show negative effects, too. For, the structural changes, necessary for every long-term economic growth, at least are postponed, if not prevented. For the home countries finally, the "guest workers" returning home cause great problems. First the decreasing transfers deteriorate their balances of payments. Above all, however, there are the difficulties to reemploy the returning workers corresponding to their newly learned skills. As this is not always possible now social troubles are threatening or even increasing. This is the reverse of the medal!

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Latin American Shipping

Preferences for Regional-Flag Ships

The "Agreement on Water Transport" signed by the members of the Latin American Free Trade Association (LAFTA) has been severely criticised in shipping circles. According to the cargo preference plan drafted in the Agreement, transport of cargo by sea between LAFTA countries will in future be reserved for ships flying the flags of member countries. Shipping lines from non-Latin American countries which run regular services between their countries and LAFTA States will be permitted to participate in this trade to "supplement" the service. Within the free trade area shipping belonging to third flag countries is to be completely excluded from transporting goods loaded in the region.

It is a logical step for countries in South America to exploit contacts made through the LAFTA to obtain a preferential position for their own shipping. The expansion in trade, which it is anticipated this Association will bring, offers a welcome opportunity to extend or maintain national shipping lines. Why should protectionist measures like those which are standard equipment in other sectors of industry throughout the world be taboo in the shipping industry? To waive all protection against superior foreign competition would mean the present concentration of forces in world shipping becoming a permanent fact and would make it impossible for these countries to build up commercial fleets of their own.

To counter this argument, past experience of the shipping industry has shown that protective measures of this type have never led to economic working or efficiency in running shipping lines. The new "Agreement on Water Transport" will reduce considerably the large number of sailings offered hitherto to and from LAFTA ports and will prejudice cargo being carried by sea. From the cost aspect, the cargo preference plan means that economic resources will be

injected in the wrong place. The greater use of domestic cargo ships will doubtlessly go hand in hand with a rise in carrying costs—to the detriment of intra-regional trade and of economic growth in the LAFTA.

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West Germany – Foreign Trade Policy

As Great as Possible, as Much as Necessary . . .

At the turn of the year, Germany's new Minister of Economics, Professor Karl Schiller, expressed some thoughts about the relationships between German economic policy in general and foreign trade. The Minister's thesis is that West Germany's foreign trade involvements will become increasingly important for its domestic growth in the coming years. In view of the German economy's decreased flexibility of supply, it is essential that there should be state support for growth-promoting structural changes. This could only be achieved by a better international division of labour, i.e. the elimination of protectionist measures in force. In order to obtain equilibrium in external economy it is essential to balance the long-term structural deficit items in the balance of payments by surpluses in the trade balance.

It cannot be disputed that a country's domestic production structure can be improved by greater division of labour internationally. But whether the abolition of protectionist measures will prove to be an adequate and sufficiently dynamic way of achieving this largely depends upon how far the Minister is able to prevail against other interests. That will be the great future task.

The pressure for trade balance surpluses in order to adjust balances of payments is not new—thus far, for instance, Schiller is in agreement with the President of the Landeszentralbank in Bremen, Dr Gleske, or with Prof Jürgensen of Hamburg. However, the Minister is more or less keeping his own council about the method of achieving this aim. In addition, he immediately goes on to qualify this opinion further, as follows: "A continuing over-surplus would be just as bad as a shortfall." From this we can see his anxiety about the prejudicial side-effects upon monetary value of excessive demand incentives due to rising trade balance surpluses and/or his fear of growth losses due to insufficient trade balance activity. All the same, we are forced to ask where the dividing-line between over-surplus and shortfall lies. When Schiller states: "As great as possible an extension of foreign trade, as much trade surplus as necessary", one can only say that it is quite unclear what he really means by this. How far is such an extension of foreign trade possible, how far are trade balance surpluses necessary? Who is to decide, on what generally acceptable bases, about "proper" quantification? Here economic policy should offer a guideline.

schl.