

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Supplier's credits: Dangerous imbalance

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : Supplier's credits: Dangerous imbalance, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 3, pp. 60-, <https://doi.org/10.1007/BF02930341>

This Version is available at:

<https://hdl.handle.net/10419/137705>

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COMMENTS

Supplier's Credits

Dangerous Imbalance

In a study commissioned by UNCTAD, the World Bank is investigating the medium- and long-term indebtedness of developing countries based on supplier's credits. The volume of such credits has risen considerably over the last 15 years, due both to export competition between industrialised countries and to the desire of less developed countries for rapid economic growth. At end-1965, developing countries' debts for supplier's credits were estimated at about US \$ 7,000 million. This is equivalent to more than one sixth of their foreign debts and to a much higher proportion of their annual debt service.

This development points up a dangerous imbalance. Increased sales in developing countries are facilitated for Western industrial countries by often generous credits, based on carefully worked out systems of public export promotion. Developing countries have no equivalent system to set against such private—but state-supported—export drives. On the contrary, in their exports to industrialised countries, they come up against an equally carefully devised system of state restrictions upon imports. This is obviously absurd.

Supplier's credits are essential, particularly when doing business with developing countries which lack capital. But it should be recognised that there are always two sides to trade—selling and buying. If the second requirement is lacking, then it is a gift. In practice, industrialised countries receive claims for their goods which are worthless, because the borrowers have no chance of honouring them. The study deals with crises of indebtedness in developing countries. These can only be eliminated when imports from such debtor countries are also promoted. je.

EEC Associate States

Unsatisfactory Trade Expansion

At the Abidjan Conference, the 18 African states which are associate members of EEC once again expressed their disappointment over the development of their volume of trade with EEC members. Their trade statistics show clearly that one of the essential aims of this association — to increase trade — has not yet been realised. EEC imports from the associated

African states rose by only 28% between 1958 and 1964, whereas between 1964 and 1965 they even fell by 0.3%. On the other hand, the growth rate of EEC imports from the non-associated developing countries was about 44% over the same period. The growth rate 1964/65 in trade with Latin America alone was 150%, and 215% with the Near East. In order to increase their sales opportunities, therefore, the African EEC partners are asking for preferential tariffs, stable prices and the removal of certain consumption-inhibiting taxes upon tropical products, particularly bananas, cotton and oil plants.

However, these widely discussed preferential tariffs can only increase sales if the associated African countries' products are competitive on world markets. This means that prices must be competitive and the product quality acceptable, whilst deliveries of suitable quantities of goods must be regular and delivery conditions must be met. Most of the associated states are unable to fulfil these requirements. Of the desire for price stabilisation, it must be said that any diminution of the often very considerable short-term price fluctuations would be welcome. But EEC cannot change the mechanism of raw material prices which operates throughout the world unilaterally in favour of the African states.

Measures such as these, if taken alone, will not achieve the aim of expanding trade at this time. In order to do so, additional measures are required to improve the export efficiency of the economic sectors in young states. li.

Nationalisation in Tanzania

On the Road towards Socialism

Only a few days after President Nyerere's announcement on 6th February that all commercial banks in Tanzania would be nationalised, it was made known that all insurance firms and eight of the most important exporting firms would be nationalised. Also the sisal industry and seven other large industrial firms are to be nationalised. The private owners of these firms were assured of "full compensation". These measures are the first concrete consequences of the "Arusha Declaration", in which the executives of the ruling Tanzanian African National Union (TANU) demanded complete socialisation of the Tanzanian economy. Measures taken hitherto have been enthusiastically received both by the population and by a large number of African nationalists. For