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## Export financing: The Krupp case

Intereconomics

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# COMMENTS

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## *German/Arab Relations*

### **The First Step has been Taken**

The resumption of diplomatic relations between the Federal Republic and Jordan is a first step towards a normalisation of the relationship between Bonn and the Arab States. Egypt's guarded efforts, via the Arab League, to resume talks with Bonn justify such hopes. Hitherto the tense situation between the countries of the Middle East and, in particular, the frequently difficult relationships of these states with the UAR was one of the main obstacles to such normal contact.

Another difficulty—the acute emotional reactions in the Arab world to the dispatch of a German ambassador to Tel Aviv—appears to be decreasing relatively in significance. Although the Arabs still mention the Palestine question in the same breath as German reunification, their esteem for the Federal Republic's economic potential is gaining in importance. This is particularly true of Germany's influence inside EEC and the Western communities, both as to possible financial and technical assistance and also any future expansion of trade relations. In view of the delicate balance-of-payments situation of most Arab countries, the Federal Republic is an attractive market. Its influence upon EEC's foreign trade policy is considered very prudently. It is known that in Bonn the continuation of traditional economic relations with the Arab zone dating back to the 19th century arouses a great deal of interest, to say nothing of the political significance which a resumption of relations would have. The Arab leaders rightly feel that the resumption of normal relations will mean greater sympathy for the economic problems facing their countries. ma.

## *Export Financing*

### **The Krupp Case**

Hardly any German firm has become such a symbol of German economic power as has Fried. Krupp, Essen. For this reason, hardly any piece of news concerning German economic life could cause such world-wide interest as did the statement, issued in March by the Federal Minister of Economics, that the Federal Government intends to help Krupp's by taking up a guarantee to the amount of DM 300 million to assist Krupp's to solve the problems it is encountering in financing exports.

This statement appeared to confirm the rumours about Krupp's financial difficulties first heard three years ago in England. However, a closer examination shows that even during this crisis Krupp's has not forfeited much of its function as a barometer for the German economy. The firm is heavily engaged in the shrinking coal, iron and steel sector. The structural crisis in coal and the trading crisis in the steel industry have caused profits to decline. Because of decreasing domestic demand, in the manufacturing sector Krupp is at present much more dependent—as is the entire German capital goods industry—upon export orders. However, where capital goods are involved, international competition has long meant, essentially, competition as to credit conditions. It is therefore obvious that lack of scope for self-financing and the restrictive measures taken by the German Bundesbank could only mean that the international competitiveness of German industry would be severely prejudiced and its available financial margin limited. The Federal Government recognises the particular difficulties of the German capital goods industry. Therefore its assistance to Krupp's was deliberately restricted to the handling of export orders. In addition, the Federal Minister of Finance let it be known in an interview that a general alleviation of export financing will be considered. ho.

## *Indian Elections*

### **Crisis or Beneficial Shock?**

India has been to the polls. Against the background of the perhaps most critical year in India's history and in a situation where the life of millions of people depends literally upon the punctual arrival of hopefully awaited shiploads of wheat and rice, the Congress Party—which has ruled with an absolute majority in the Lower House of the Central Parliament (Lok Sabha) since 1947—has appealed to the Indian electorate. The Party has suffered considerable losses both in the Central Parliament and in certain provinces of the Indian Union. Nevertheless it does still have an absolute majority in the Lok Sabha, although this has dwindled from 362 to 277 seats.

The larger number of votes for the opposition parties is attributed mainly to dissatisfaction about the deterioration of the food situation, rising prices, unemployment and corruption in government circles. Errors of economic planning, which gave first place to industrialisation instead of to agricultural develop-