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## Foreign exchange equalisation: A compromise, not a genuine solution

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ment and which also meant that no benefit was gained from devaluing the Rupiah, encouraged this trend. This weakening of the Congress Party is accompanied not only by a strengthening of the Swatantra and Jan Sangh parties—which incline towards the West and recommend a more liberal economic policy—but also by a growth of the Left, so that it will probably become yet more difficult to solve the Indian crisis.

On the other hand, people are already speaking of the "beneficial shock" of these elections, which might give India's political life a more distinct profile and—with a more compact and stronger opposition—offer fruitful alternatives. Congress' monopoly position, which has proved increasingly fatal, has been destroyed. New forces have the chance to collaborate in shaping the future development. But this will depend, to a great extent, upon whether Congress and the other parties are prepared to place their country's interests above their own and whether they are prepared to work together in all vital matters on a national and an international level.

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### *Fruit Marketing*

#### **"Chiquita for Quality"**

For a long time tropical fruits were imported into Germany as unbranded unspecified goods. These fruits were first given individual markings and brands were developed when certain producer countries were endeavouring to increase their share of the market. Previously this had been customary only for industrially processed consumer goods. A good example of this procedure is citrus fruits from Israel and South Africa, which have become widely accepted on the market under the brands "Jaffa" and "Outspan". Another fruit which has hitherto been sold unbranded on the German market is now beginning to be developed as a brand, namely bananas from the Republic of Honduras under the brand name "Chiquita". This label guarantees high quality, both in appearance and taste. Consumers and retailers are made aware of the new brand of bananas by advertisements and television publicity. This is how the "Chiquita" bananas are to be raised out of the general run of anonymous goods.

This is an example of how producer countries or fruit exporters resident there are taking the initiative to increase their exports. By working together with the German import, wholesale and retail trades, they have already succeeded in gaining for "Jaffa" and "Outspan" a larger share of the generally increasing sales of citrus fruits. Also the new branded bananas might well mean that the exporter of bananas from Honduras—the United Fruit Company—can significantly increase its exports to the Federal Republic. Developing countries wanting to conquer the German market should be stimulated by these examples to work out new ideas of their own, test them and put them into practice with the assistance of the trade

in importing countries. In this way such countries can gain new classes of buyers for their exports and expand and exploit to the full the absorbing power of their export markets.

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### *Foreign Exchange Equalisation*

#### **A Compromise, not a Genuine Solution**

It seems that the current negotiations between the Federal Republic and its Anglo-Saxon allies on the future arrangements for foreign exchange equalisation will lead to a solution acceptable to all parties. It has apparently been accepted that the previous arrangements for annual payments by the Federal Government to the sum of approx. DM 3,500 million, tied almost exclusively to the purchase of military material, are no longer practicable. It is not possible for the Federal Republic to make available the necessary funds from the Budget, nor is it possible to find a sensible use for these funds as long as the "commitment" clause is retained. The solution—which at present is under way with the Americans only—is a progressive one for three reasons: to begin with, its basis is no longer to be the link between the strength of the American and British troops stationed on German soil and the volume of foreign currency compensatory payments. Troop withdrawals shall no longer be used to bring pressure to bear, but shall be considered solely from the aspect of joint Allied security. The new agreement shall also entail the cancellation of the "commitment" clause. In future, the Federal Republic is to buy military equipment from its allies only to the extent which is reasonable economically and from considerations of defence policy.

The new agreement at last takes into account the fact that foreign currency equalisation is exclusively a balance-of-payments problem. It is not necessary for the flow of foreign currency to the Federal Republic to be met by corresponding fluctuations in the balance of trade. For this reason it is to be welcomed that, in respect of America, the German Government is undertaking to achieve an equalisation based on monetary collaboration between central banks for that part of the foreign currency in-flow which cannot be covered by compensatory purchases of military or civil goods: i.e. the German central bank will not have to transfer into gold excess foreign currency profits deriving from foreign troops being stationed in Germany, but will convert these into US Treasury Bills with a maturity date of not less than one year. For America, this arrangement will mean that the balance-of-payments situation will be correspondingly relieved by this influx of capital. For the Federal Republic, the problem of raising and utilising funds will be solved, at least in the short term. In the long term, however, it is hardly possible to achieve a genuine solution of this problem by forcing the Bundesbank, against its will, to purchase an ever-increasing volume of securities.

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