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China trade: Trade agreements unnecessary

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : China trade: Trade agreements unnecessary, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 6/7, pp. 147-,
https://doi.org/10.1007/BF02929840

This Version is available at:
https://hdl.handle.net/10419/137753

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must be corrected. However, this imbalance is due not only marginally to a lack of initiative on the part of German industry. Africa—it is the developing nations in Africa which receive the lion's share of the European Development Fund—was and remains a difficult market for German industry. African countries have traditional trade ties with other European industrial nations which date from colonial days—e.g. with France, Belgium, Holland—and it is very difficult for Germany to break in.

Quite rightly, the Federal Minister is of the opinion that the allocation of development projects financed by the European Development Fund could be better arranged if there were direct co-operation between German and French firms. With this end in mind, it was agreed that a conference should be held in the near future to be attended by representatives of private industry from both countries, where opportunities will be discussed. This type of co-operation also appears urgently necessary in order to avoid useless overlapping and duplication as sometimes happens now with the various projects in Africa. be.

Military Government in Greece

Economic Policy still Unclear

Very soon after assuming power the Greek military government hastened to assure private industry of its support. It wishes to encourage investment by means of monetary and fiscal measures, but so far these have not been described in detail. Foreign firms are to be given additional incentives. The only concrete step of a politico-economic nature taken hitherto has been the abolition of the right to strike: this is particularly important for the frictionless flow of trade, since it will no longer be necessary to anticipate frequent delays in loading and unloading ships.

However, when in the near future the Greek entrepreneur's propensity to invest is increasing again—they have been too reluctant to do so since the end of last year—this will be not only because of the new government. For several months industry has been playing a waiting game, mainly because it was impossible to predict the composition—and, consequently, the politico-economic atmosphere— of the government expected to take office after the parliamentary elections orginally set for 28th May.

Nevertheless, based on statements made thus far by government spokesmen, there is still no guarantee of consistency in economic policy or that these aims will be methodically pursued. It is precisely in those spheres where the democratic government was defeated because of special wishes of interested parties that the military government—which is not dependent upon the votes of the electorate—appears unwilling to take a new line. The tax reforms urgently recommended by OECD—in particular higher income tax—are not to be carried out "for the time being". On the other hand, the income of the peasant class (still the largest class of the population) is to be raised; the reduction of agricultural subsidies recommended by OECD seems to have been forgotten. Since the current Greek Government is not subject to any parliamentary control, it may hardly be expected to draw up a detailed programme of development which would make it possible to measure the quality of this Government, in economic matters, against the punctual execution of such a plan. rl.

China Trade

Trade Agreements Unnecessary

Hitherto the proportions and lifetime of foreign trade relations between Western European countries and Communist countries in the East have normally been regulated by trade agreements between the states concerned. However, the development of West Germany's foreign trade with the Chinese People's Republic shows that this type of trade agreement is by no means a conditio sine qua non for trade with an Eastern bloc country. Granted, the first peak in Sino-German trade was reached in 1958, on the basis of trade agreement between "German Industry's Eastern Committee" and the "China Council for the Promotion of International Trade", signed in 1957; but after the expiry of this agreement at the end of 1958, the subsequent diminution in the foreign trade volume (which lasted until 1963) was unexpectedly followed by a constant expansion of exports and imports; these reached a peak of ca DM 900 million in 1966. Thus by 1966 West Germany had become the most important Western trading partner of the Celestial Empire, in spite of the fact that—unlike Britain and France—it has no diplomatic representation. If the negotiations now under way between a European consortium under German leadership and the Chinese Government, for the construction of a rolling-mill for sheet-steel, are successful, the volume of foreign trade between West Germany and China should exceed the billion mark in 1967. It is astounding that also the "cultural revolution" has not yet had any restrictive influence upon the development of foreign trade. Until the end of 1966 Pekin placed no restrictions upon the placing of contracts but was more inclined to increase them. The reason why West Germany—not Britain or France—is China's favourite trading partner in the West must most likely be sought in the structure of the trade currents. Because of the industrialisation process taking place there, China has urgent need of just those high-quality machines and chemical products which make up the main proportion of Germany's exports. West Germany plays a leading role on the world market, at least in the market for high-quality precision instruments.

In any case, the way this foreign trade has developed is one more indicator of the fact that even in Communist countries political targets cannot always take precedence over economic necessity. ha.