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COMMENTS

Development Aid Tax Law

Incentives for Commercial Firms too

In order to promote private German investment abroad, Bonn is giving some thought to a renewal of the existing development aid tax law and to an attempt to integrate this more effectively into German development aid policy. But the amendment still does not cover investments in current assets. Tax relief can still only be claimed where the investment is in non-durable goods forming a part of the capital assets.

Such restrictions upon tax relief have an adverse effect, not least upon German exporters and importers whose investments abroad consist mainly of liquid assets. Are their investment less desirable, from the point of view of development policy, than those of German producers?

German exporters maintain spare-part and stock depots in less developed countries; these safeguard the employment of capital goods exported by Germany and help avoid troubles and loss of time on the production line. German importers have depots in developing countries where local products are sorted, handled and thus prepared for export. Knowledge of markets and local conditions and products accumulated by businessmen resident abroad help promote new products and develop exports. Thus, by virtue of their own investments in developing countries, these importers have an important contribution to make to export trade from such countries.

Once the significance—in terms of development policy—of such investments is realised, it will become obvious that German exporters and importers must be granted tax reliefs by including current assets under the terms of the amendment. This will also help less developed countries both to maintain their home production and to promote their exports. sc.

Near and Far East

British Troop Reductions

The British Government plans to withdraw from all military commitments in the Near and Far East, including the Mediterranean area. Apart from potential defence interests affected by these decisions, certain important economic consequences are bound to result. In the financial year 1967/68 alone, it is intended to withdraw 25,000 men—about one quarter of the fight-

ing forces stationed in this area—plus 6,000 dependants; the British Government expects to make a saving of £ 75 million in foreign currency here. This, and the further sums saved by additional troop reductions, will create a considerable future void in the countries concerned. Thus the announced withdrawal of a further 10,000 military personnel from Malaysia and Singapore caused these governments to ask for an assurance from Defence Minister Healey that he would support them in case of financial difficulties. The British Government is likely to be reminded of these promises very soon, for in Singapore alone there are 40,000 civilians working in military establishments.

On the other hand, the measures envisaged are bound to have unpleasant consequences for Great Britain, too; the return of so many men entails difficult problems connected with accommodation and employment. At a time of acute housing shortage the government have already purchased 3,700 new family houses, but between now and 1970 they will have to find accommodation for another 20,000. Moreover, they have to provide the corresponding social services, schools and hospitals for the returning troops. Thus the saving in foreign currency is more than offset by increased expenditure for supporting the repatriated troops in Britain. It thus appears doubtful whether the intended reduction in the defence budget will really bring annual expenditure to about £ 2,000 million. Because of urgent financial requirements, the British Government has already announced a further absolute reduction in troops of 75,000 by the mid-1970's. rg.

US Trade Policy

New East Bloc Embargo?

For some years now, American export interests and the US Government have evinced a mounting interest in trade relations with the East Bloc. The reasons for this new policy—which has replaced the former policy of discrimination against the Communist countries of Eastern Europe—are due, above all, to the spectacular successes of Western European competitors in exporting to Eastern Europe, and also to renewed efforts to improve the United States' balance of payments.

Over the past year 400 types and groups of goods have been released from the Commodity Control List (a Cold War relic) in connection with measures taken