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British exports: Support for the underdog

Intereconomics

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be made exempt of the entire tax automatically, completely, and exactly. Export will thus probably be made much easier in all cases in which overall tax refund rates had hitherto been lower than the actual tax burden,—mainly in the case of goods which are not the products of big concerns but have passed by a large number of purchases and sales through the hands of a number of companies independent of each other.

Up to now, it has been usual to impose a similar tax burden on imported goods as on the corresponding products of the German industry by levying a so-called equalisation tax in varying global rates. As the new tax imposes a rate of exactly ten or five per cent impost on the added value at every stage of production and distribution, imported goods will now be subject to precisely the same "Turnover Tax on Imports". Under the old dispensation, equalisation tax rates usually amounted to only 60 to 70 per cent of the accumulated turnover tax borne by goods produced at home, so the new system may make imports correspondingly more difficult. On the other hand, it is most unlikely that this braking effect on imports will in any way equal the export promotion impact of the new tax. The new tax on the value added will thus have the effect of a slight devaluation of the DM currency, and it will tend to increase the volume of German exports. ha.

The Algiers Charter

Cooperation Better than Accusations

Ministers of the "Group of 77 States" have been in conference in Algiers from the 10th to the 25th of October, 1967, trying to hammer out a joint basis for the stand to be taken by the developing countries during the Second World Trade Conference, and for the demands to be raised by them. During the Algiers meeting, Colonel Boumedienne, the Algerian Head of State, attempted to blame mainly the Western Powers as those responsible for the poverty and mass misery prevailing in the underdeveloped areas.

It is certainly true that the industrial nations have, in the past, committed grievous errors, in their approach to developing countries, but they now show the utmost good will to make up for these mistakes. However, the demands made by Colonel Boumedienne that the developing countries retain full overlordship over their own raw material resources and that the former exploiters now pay in full for exploitation suffered by their victims in the past will scarcely form a suitable guideline for overcoming the economic difficulties in which most developing countries find themselves. On the contrary, it would be much better for the developing countries if they themselves also did everything in order to secure reinforced economic aid from the industrial countries. If they improve the climate in which investments can be made on their territories, they will, for example, be able to attract much foreign capital for building up their national economies, their export

industries, and their indispensable infrastructure. In addition, they must increase their own economic efforts, e.g. by fostering inter-state trade with other developing countries, to agree upon coordinated national planning, and to set up jointly manufacturing industries that can only become economical through large-scale production.

If the developing countries show willingness to recognise the true causes of their economic difficulties and to participate actively in developing their own economies, then it will be possible for them to persuade the industrial nations, during the debates at the World Trade Conference, to agree to carefully planned and efficient aid. sc.

British Exports

Support for the Underdog

In 1968, the Overseas Marketing Corporation, a mixed public and private sector enterprise which, however, is to be registered as a private venture will provide financial support for the exports of small and medium-sized British businesses. This new initiative emulates the practice of promoting the foreign business activities of small and medium-scale companies adopted by other important exporting countries. Hitherto, the export volume originating from this category of business had been small. Successes achieved by the export promotion agencies of other countries, however, have conclusively shown that this lack of success of smaller enterprises was not due to a genuine lack of sales chances for their products in foreign countries. But small and medium-sized companies, in most cases, lack the experience acquired by big business in modern marketing and merchandising techniques. Small companies spend little on advertising and market research, as their capital resources are sparse. This again prevents them from adapting production planning of their plants to the requirements of foreign customers. If and when they sell products abroad, this is usually due to occasional deals or to hit-and-miss efforts to compensate for declining home demand, which are usually given up as soon as business at home picks up again, as exports require special efforts.

When a state-supported institution now takes over the work of general exploration of foreign markets, systematic market research, and advertising, this will create, for the first time, the basis for a continuous export activity of the smaller and medium-sized companies, and an increase in exports, which Britain needs so urgently in its present plight, will thus be made possible. If this new venture should succeed in leading small and medium-sized enterprises to making a stronger and lasting contribution to foreign trade, and in keeping them competitive in the process, this might even enable the Government to save a part of the subsidies hitherto required by the same companies. ke.