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Spain: Opening the door to EEC

Intereconomics

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COMMENTS

Spain

Opening the Door to EEC

Spain's second Development Plan will soon come into effect. In spite of the fact that the first Development Plan, which covered the period from 1964 to 1967, did not achieve all it had set out to do, the new plan, which was conceived on the lines of the French planification schemes, once again sets its targets high. The country's financial structure is to be improved, but surprisingly enough, there is to be no far-reaching tax reform, which would be absolutely essential in this context. Particular attention is being paid to the rationalisation of agriculture, to the improvement of the educational system and to the building up of the country's infrastructure.

Critics of the new plan in pointing particularly to the large government expenditure, have drawn attention to the danger of accelerating the creeping inflationary process. It would appear, however, that the Spanish Government must run this risk, if the Spanish economy is to be quickly adapted to the competitive strength of the Common Market, for the essential aim of the Franco-Regime remains association with the EEC.

Viewed from this angle, the visit to Portugal and Spain of the German Federal Chancellor is of particular importance. Dr Kiesinger has very skillfully encouraged both governments to continue the process of liberalisation in their countries. The Federal Republic must now endeavour to strengthen its political and economic contacts with Spain and to support the process of economic emancipation and of clearing the way into Europe. In the EEC the Federal Republic must try to dispel the prejudices that exist among its members against Spain and to advocate with determination Spain's Association with the Common Market. crm.

United States

Prosperity through Disarmament

A noteworthy and auspicious phenomenon: every time the Pentagon reports on impending negotiations about stopping the fighting in Vietnam, prices go up in Wallstreet. Only recently, the announcement of talks between Washington and Hanoi caused the "Dow-Jones" Index to reach a new record high for the year.

Even if such reports frequently express hopes rather than facts, it is nevertheless worthy of note that the economy reacts positively to the prospect of seeing

US military expenditure for Vietnam either curtailed or even stopped altogether. The cost of the Vietnam war has in the meantime risen to above 20 billion dollars, or more than a quarter of the total American defence budget. This favourable reaction is worth noting, if only because it is in contradiction to the thesis that without costly armament contracts the "highly bred" American economy will inevitably plunge into a distinct crisis.

This view is not shared by the Stock Exchange. There the hopes are pinned on a number of projects—such as slum-clearance schemes in the big cities—, costly schemes which for years have had to be postponed because they would have imposed an excessive strain on an economy whose strength was already heavily under pressure by large military expenditures. Be it as it may, this strictly economic calculation, which is based on the expectation of compensatory orders from public authorities, seems to have done as much to expand optimism on the Stock Exchange as the hope that the general political climate will become calmer once the fighting has ceased.

It would certainly be wrong to attach too much importance to this fact, but it is nevertheless encouraging to know that political efforts to cut down on armament are not likely to be frustrated by economic objections. rg.

India

Anti-Baby Year

Widely known, and yet never ceasing to distress are the following figures: Until 1975 the growth rate of the Indian population is expected to amount to 3.2 per cent per annum. During the same period the growth rate of the national income will remain practically constant at 1 per cent. Today India has 480 million inhabitants. So far the forecastings of the Indian Government for the increase of agricultural output have not been realised. Actual production has even declined. One quarter of the harvest gets destroyed already in the fields by rodents and other pests; a further 25 per cent is lost through inexpert transport and unsuitable storage. In the consumption of the remaining fifty per cent participate—apart from the above-mentioned 480 million Indians—some 85 million sacred cows, about 1.5 billion monkeys and 3 billion rats, whose stomachs absorb roughly 30 million tons of grain. The conversion of the cows to meat, the use of rat poison and the drastic reduction of the monkey population would bring immediate relief to the hungry millions in India. As living creatures—because of possible reincarnation—