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India: Anti-baby year

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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—

Prestige versus Reason in Currency Policy

Once again, German economic policy experts did not reckon with General de Gaulle. The enfant terrible of the EEC upset the decision of the Bonn currency conference, too. The General—triumphant on all battlefields (!)—obviously interpreted a devaluation of the Franc as an open avowal of his economico-political failure. This fact and the exuberant victory celebrations of a misinformed German press contributed much to the surprising decision: the "grande nation" does not devalue!

But neither the control of exchanges nor the rigid economy measures should suffice to master the crisis and to restore the necessary confidence in the severely wounded currency. Drastical retaliation measures by other nations, which could have serious consequences for EEC and GATT, are much more presumable. A new era of protectionism is by no means any longer utopia.

But whom concern economic concatenations, if political prestige is at stake? The West German politicians, too, did not at all give an example of economic reason in their fight for the DM, when they firmly promised not to upvalue during the months until the elections. In this, however, they held a much more convincing position than the French.

Within one year only, Minister Schiller's "upswing made to measure" led the Federal Republic out of the shadows of recession straightforward to the sunny hills of a boom. Employment and production rose again; Government expenditure was not excessively high and prices remained stable. But—supported by the lax economic policies

of the USA, Great Britain and France—also the high export surplus of the preceding year continued. This aroused suspicions of a DM-revaluation. Speculation came in. Between November 15 and 19 alone, speculation capital to the value of DM 7.1 billion flowed into the Federal Republic. This was reason enough for France and Great Britain to demand energetically a revaluation of the German currency. But did not the cause of the precipitate flight to the DM mainly lie in the fact that these nations were suspected to devalue and moreover made no secret of their inclination for a control of exchanges?

So, France a few months ago demonstrated that it has no scruples regarding such a step. Now the model pupil Federal Republic was to be penalised for the carelessness of the others.

Minister Schiller vigorously struggled against sacrificing, without fight, the results of his work on the altar of international solidarity. In the hastily called meeting of the Club of Ten, he achieved his "operation made to measure": Instead of revaluation, a fiscal burden on German exports and a facilitation of imports by variation of the rates of the turnover tax refund and the turnover equalisation tax. These measures were completed by some further regulations designed to fight the wave of excessive speculation—that are, however, only of a short-term nature.

It is the initial advantage of the fiscal regulation that de facto the revaluation effect has been reached:

□ The measure directly effects the trade balance surpluses—

the main stumbling-block—and this means a concession vis-à-vis the partner states.

□ The complicated trade with agrarian products is not affected.

□ Moreover, the burden on exports and the facilitation of imports puts an obstacle to the price rise, which is the risk prevailing during the next months.

□ And finally, the measure can be varied in the short run, and, if required, be removed or prolonged.

It is quite possible that with this concept foreign trade and payments can to some extent be brought again into equilibrium—unless this concept is weakened by various waivers for different branches. In combination with the currency loan to France, to which Germany contributed most, and a Franc devaluation, this concept could have brought again a calming-down at the currency front. General de Gaulle has prevented that!

It is now absolutely possible that the DM anew comes into the fire-zone of speculators or that in the Western industrial states a roundabout of protectionism begins to turn—with consequences for the international economy, which cannot yet be foreseen. This must be avoided under any circumstances. Despite all solemn declarations not to upvalue, Minister Schiller kept a small back-door open. He does not intend to make this step "going-it-alone". A comprising re-determination of the currency parities has been overdue for a long time. Maybe, the frequently repeated currency crises have the result that this action now gains popularity and advocates.

Dietrich Kobschull

must not be destroyed, the situation inexorably calls for radical birth control for human beings.

All Western countries have until now been considering ways and means of controlling births; they have submitted proposals to the developing countries and have even carried out on-the-spot experiments, but these have for the most part unfortunately failed. It is therefore gratifying to learn that the Indian Government has now come up with an idea of its own. The Minister of State for Family Planning has made the following proclamation: For one year, until the hundredth birthday of Gandhi—who is supposed to have given up women at the age of 37—all married couples in India are to use the cheapest and safest preventive method there is—abstinence. A glorious ideal! It is a pity though that the Ministry of Family Planning seems to have only a very incomplete knowledge of Gandhi's life history. He is alleged to have renounced not only women, but also to have given up to a largest possible extent eating. How would it be if one were to make the Indian people acquire a taste for hunger as being good for their own well-being and benefit? Such a cynical demand would certainly be no more absurd than the Government's recommendation to stop love-making.

GATT Talks

More Trade within LDC

Since October, 32 developing countries have been meeting in Geneva under the auspices of GATT to discuss mutual tariff reductions and the removal of other obstacles to trade. The talks will last a year or, as is unfortunately usual these days, longer still. Their purpose is to achieve an extension of trade exchanges between the developing countries themselves.

Whereas since 1950 trade between industrial states has been steadily increasing, the share of trade between developing countries has dropped from 27 % to 20 % of their total exports, representing no more than 4 % of the total world turnover.

The development policy must therefore aim at intensifying trade between developing countries themselves, this aim ranking next in importance to the expansion of their exports to industrial countries. To build up trade relations among themselves it is not enough for the individual country to prepare lists of concessions it expects its partners to make. The creation of new outlets for goods requires above all markets that are larger, more open and have a greater absorptive capacity than those that at present exist in most of the developing countries. The examples of the EEC but also of the Central-American Common Market plainly show that the best means of furthering trade within a given area is through regional cooperation and integration of partners on the same level of development. In any case care

should be taken not to make arrangements on the basis of most-favoured-nations treatment because under the GATT provisions such arrangements would automatically have to include the industrial countries. Any intensification of trade within the area would then in all probability at least be outweighed by the industrial countries making larger inroads into the markets of the developing countries concerned. In such a case there would be no change in the complementary nature of their structure; they would remain what they have been: purveyors of raw materials.

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Flag Discrimination

Fools Rush In ...

The Brazilian Commission for the Merchant Marine has prohibited European shipowners from carrying coffee, cocoa and cotton purchased by European countries in Brazil. While negotiations are going on in Rio de Janeiro between European shipowners and Brazilians, the ban has been temporarily lifted. Strong indignation has been expressed in the German press at these Brazilian measures which have been described as sanctions, blackmail, etc.

And yet flag discrimination and protectionism for shipping are by no means new. They have been practised since ages: In ancient times they were still on a modest scale, being based on the then prevailing commercial and shipping practices as prescribed by Greek, Roman and Rhodos law. In the Middle Ages there was clear evidence of such discrimination: the statutes of shipping guilds, arbitrary decisions by certain towns, judgements by maritime courts—, all these were moulded into a body of law which became applicable to certain "spheres of influence", such as for instance that of the Hanse. The protection of coastal shipping originates from these laws. And what about the present day shipping conferences and pools? Are they not also practising flag discrimination on occasion? On the other hand it can also happen that flag discrimination is lifted, as was recently shown when the "Deutsche Seereederei, Rostock" (East Germany) was admitted into the India-Pakistan Conferences, London. The "political value" of the flag is in this context of only minor importance.

When dealing with this age-old problem it is worth quoting an opinion given in 1932 by the Hanseatic High Court of Hamburg for its reference to international maritime law. The court then said: "The justified self-respect of any individual state, also in legal matters, entitles it to give preference to its own laws."

Brazil's action is therefore only one more link in a long chain. But as Brazil has been the possessor of a "flag" for a relatively brief period, having entered the lists as a potential maritime power only a short time ago, it is to be feared that the young African states may in due course follow Brazil's (bad) example.

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