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Federal Republic: With an eye on the voter

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COMMENTS

Bolivia

What after Barrientos?

The President of Bolivia, General Barrientos, has been killed in a plane crash. During his period of office Bolivia's economy expanded rapidly: the country's GNP increased on average by 6 p.c. per annum. His great charisma enabled him to force through urgently needed, but unpopular measures of reform. Moreover, he succeeded in curbing the powers of the leftist miners' union. But his greatest achievement was the stabilisation of the political situation in the country.

Many economic and social problems remain to be solved in the near future—problems which result from the country's unfavourable geographic situation and the high proportion of mostly illiterate Indians among its population. What is needed first and foremost is to broaden the country's production structure, for until now Bolivia has been depending exclusively on its tin output and latterly also on the production of crude oil, the volume of which has only recently been forced up.

In 1970 elections will be held in Bolivia. The man elected will in all probability be General Ovando. His popularity is nothing like as great as that of General Barrientos. But he can count on the support of the army and of the moderate groups in the country. The main objectives of his policy must be to continue on the road of economic progress and to carry on with the social reforms to improve the lot of the Indian population. To achieve these aims foreign capital is urgently needed. True, the International Monetary Fund has promised Bolivia further foreign capital to enable it to carry out the reforms needed for the country's economic development. But such a promise can be regarded as binding only as long as political and economic stability continues.

crm.

USA

The Japanese Challenge

Much is heard about the American challenge in Europe—talk which probably brings a smile of indulgence to American faces. But what they are unfortunately overlooking is a similar "drama" which is now being enacted on the American stage. Hitherto they have been able to feel secure in the proud knowledge that they are "the greatest", but a short while ago there appeared on the scene a competitor who must be taken seriously: Japan. The Japanese programme for

opening up new markets has every appearance of being a well thought-out military operation. Large-scale publicity campaigns, careful market studies, technically highly developed and often superior products as well as peak performances in their manufacture are the means by which the Japanese have gained a foothold. Many American managers go even so far as to take a leaf out of the Japanese book.

For the Europeans to show any malicious glee at this turn of events would be misplaced, for to the American challenge they are already facing is now being added the one from the Japanese. Not at all content with their intrusion into the ardently courted American market, the Japanese are also penetrating into the European field. As a result, the Europeans are now being shot at from two sides. For the time being, however, the Japanese, by virtue of their good position in the United States, are making it more difficult for European firms to gain access to that "market of tomorrow". To maintain one's position in the face of such twofold competition will be anything but easy.

European firms will be well advised to study the Japanese successes with care. There is that stupid argument, dictated by mere envy, which runs as follows: "No wonder, they have low wages and export help from their government, and, in any case, all they do is to copy foreign products." Such reasoning is gradually becoming less credible. No, Japanese successes are the result of consistent application of American production and marketing techniques. ke.

Federal Republic

With an Eye on the Voter

The Minister of Finance, Herr Strauss, has announced that he would not wait until the next general election to incorporate in his next tax adjustment bill measures to promote capital exports by German firms. This announcement has occasioned no surprise. Shortly before, the new president of the DIHT (Deutscher Industrie- und Handels-Tag: Central Association of German Chambers of Industry and Commerce), Herr Otto Wolff von Amerongen, on assuming office, had once again mentioned the dissatisfaction which had long been felt with the insufficient fiscal encouragement given to private capital exports. He said, in his opinion there was only one way of getting over foreign tariff barriers and import

quotas and thereby safeguarding the competitive position of German industry in the world; that way was direct investments.

Franz Joseph Strauss had the unique opportunity of reducing the German currency reserves, whose high level clearly proved to Germans and foreigners alike the failure of last year's "Ersatz-revaluation". By making his announcement he was able to take the wind out of the sails of his critics who were pressing for revaluation at this belated stage. No less in favour of such a step was the Federal Minister for Economic Affairs, Karl Schiller, who had made the identical request to the Finance Minister months earlier. That two Ministers have the same idea, does not necessarily justify the conclusion that there will be any fundamental changes, for only such wishes are fulfilled as have long been on the list of requests of German entrepreneurs. The measures announced contain no fundamental novelties but simply supplement the existing tax regulations. The Finance Minister glosses over the fact that he is not competent in this matter by pointing out that only the tax measures can be passed during the remainder of the present legislative period, which lasts until September 1969. This is nothing but yet another of the often condemned presents distributed with a view to the coming elections. mk.

East Africa

Road into the Future

The East-African states of Kenya, Tanzania and Uganda belong to the most highly developed among the states of Africa; moreover, their economic conditions are remarkably stable—the result of an outstanding economic improvement that set in after the British colonial power had withdrawn. In real terms, the GNP rose after the war on average by 7 p.c. per annum in Kenya, in Tanzania by 8 p.c. and in Uganda by as much as 10 p.c. Even more impressive has been the expansion of foreign trade. In the years 1960/66 the value of Kenya's imports increased by 60 p.c., while the value of Kenyan exports rose by 69 p.c. For Tanzania the corresponding figures were: imports plus 72 p.c.; exports plus 40 p.c., and for Uganda: 82 p.c. and 77 p.c., respectively.

Whether this trend will continue into the future depends primarily on two factors: association with the EEC and progressive integration of the countries in that economic area. The East-African community has admittedly been enjoying since the last year a certain measure of preferential treatment by the EEC. But these concessions fall far short of what is needed and have therefore been all but ineffective as a means of bringing about further economic expansion. Endeavours to achieve complete association must therefore be pursued with more vigour than has been shown so far.

Unfortunately, a pronounced nationalism prevails also in East Africa, and it is this mood that—apart from a few joint arrangements—has prevented the formation of a genuine economic community. Such an integration would not only produce the usual expansionist effects; it would also strongly stimulate interest among foreign investors. Latterly, there has already been a marked increase in the flow of European and American capital into the area, which would vigorously grow still. But more is urgently required as the formation of indigenous capital not only proceeds at an unsatisfactory rate, but is actually on the decline. ogm.

Yemen

A Bold Experiment

Since 1962 civil war raged in the Yemen between the Republicans inspired by Nasser and the mountain tribes which had remained loyal to the Imam. In spite of massive intervention by both Egypt and Saudi Arabia neither party succeeded in gaining a decisive victory over its opponents. Now they have become reconciled, and on the occasion of the inauguration of the first parliament in the country's history its President Iriani set the Yemen after a thousand years of theocracy and years of civil war a new task: fusion of parliamentary democracy with the tribal traditions in the service of the country.

The newly organised state faces however immense economic and political difficulties. Foreign Minister Dschagmam regards as his most urgent task the preservation of the country's neutrality. From the Federal Republic, with which it wishes to resume relations as soon as possible, the country hopes to receive help in its endeavours to build up its telecommunication system and develop its air traffic. The Soviet Union is building a road from Al Hudaydah to Taizz and is helping with several industrial projects. In dogged competition to them, the Chinese are building a road from San'a to Sa'dah and a textile factory.

The most difficult political problem is how to achieve reunion with the People's Republic of South Yemen. The one-party government of the NLF in Aden is not interested in free elections and a united state, which can only diminish its influence. It plays the Russian card all the more as the USSR has plans to turn Aden into a future naval base. In conflicts between the two Yemenite states the USSR could seriously jeopardise the Yemen's young democracy and its policy of independence from any bloc by supporting the Baath party, by rearming South Yemen and by imposing economic sanctions. Yemen being heavily in debt, such sanctions would hit it hard. Determined and unconditional aid from the West would give the bold experiment its only chance of success. hg.