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Japan: Foreign capital investments

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last become visible. The close economic entanglement of the United States and Canada will lead to this trend extending also to Canada. Smaller export and increasing imports during recent months clearly show that, with further strong expansion and low rates of interest, one will have to expect balance of payments difficulties, which means a continuation of the falling exchange rate of the Canadian dollar. Even capital imports will not counter-effect this trend as long as the abnormal situation of the Canadian banks' debit interest rates being lower than those charged in the United States prevails. For, this merely leads to Canadian subsidiaries of American companies financing their expansion in the future by means of taking up loans in Canada instead of, as hitherto, in the United States. In view of the almost dominating position of these subsidiary companies in Canada one has not to go far afield to forecast higher rates of interest.

In the short run the Canadian monetary reserves might be adequate to prevent balance of payments difficulties. But taking a longer view Canada will not be able to avoid increasing the rates of interest and slowing-down the growth. ogm.

Japan

Foreign Capital Investments

The first trip overseas of the Japanese Foreign Minister since the inauguration of the Nixon Administration serves the opening move for future complex negotiations about such controversial problems as the return of Okinawa, the liquidation of the huge American military base on this island, the renewal due next year of the American-Japanese Security Treaty, the mutual trade relations, the liberalisation of foreign investments in Japan, etc.

Okinawa is the most urgent among the problems that have created tension between the two powers. The USA would be well advised to adopt a flexible attitude about this particular question in spite of the Pentagon's objections because of the embittered agitation both in Okinawa and Japan becoming increasingly militant and already demanding the immediate unconditional withdrawal of the Americans from Okinawa. This entails a direct threat to the pro-American Sato government and might therefore jeopardise the renewal next year of the Security Treaty.

In order not to excite the national sensitiveness of the Japanese both parties are reluctant to admit that there is a connexion between the Okinawa question and the other subjects of negotiations. All this has its price, and the realistic Japanese know that solutions can be reached only by adhering to the principle of "give and take". It may

be assumed that Japan's rigid rejection of a voluntary curtailment of its textile exports to the USA, whose value amounted to about \$ 494 mn last year, merely aims at strengthening the country's position during coming negotiations. It appears that Japan is more accommodating in the question of the liberalisation of foreign investments. The USA demands an immediate opening-up of the Japanese economy for foreign investments, especially in the field of the motor industry. Although the Japanese fear that their industry is not strong enough to counter-balance the interests of mighty foreign capital, it seems the Sato government is inclined to yield to the American demands if only because it secretly looks upon this concession as a further price to be paid in return of American concessions about Okinawa which latter the Tokio government urgently needs to preserve political stability. hg.

Romania

Too Many Speculations

The announcement that President Nixon, on his return from Asia, will visit the Romanian capital has been taken as a political sensation in the East and the West alike. It is after all the first time that an American president in office pays an official visit to a Communist country. It can be taken from the Kremlin's silence that Moscow is upset because it had apparently not been previously informed. For these reasons the flood of speculations should be checked as quickly as possible. The naive manner in which to interpret the visit as a successful American gambit in the cold war as well as far reaching prognoses of a new East-West relationship would seem not only daring but—in view of the anniversary of the invasion of Czechoslovakia—also politically unwise.

For some time Romania has been trying to free itself from the one-sided dependence of its trade relations on the socialist countries. The share of the GATT-countries in Romania's foreign trade has increased from 38 p.c. in 1960 to 55 p.c. in 1968. Romania hopes for still greater intensification of those trade relations and has, with this aim in mind, last year officially applied for GATT membership. The relevant negotiations began in Geneva on June 25th.

The EEC-delegation has already stated its willingness for a stronger trade co-operation with Romania within the framework of GATT, but the USA voiced reservations particularly as regards the application of most favoured nations clause. Nixon's visit will presumably hardly bring a final decision in this question. But it might contribute towards a rapprochement of the differing points of view and thus form the prelude of an effective liberalisation of the entire East-West trade. hw.