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COMMENTS

EEC Export Credits

Unification or Harmonisation?

Little noticed by the general public, the common trade policy in the EEC slowly gains shape. Early in August, Brussels proudly revealed that the EEC Commission had now finalised the first draft guidance for the introduction of common export credit insurance policies and already submitted it to the Council of Ministers. At the initial stage one modestly kept the outlines refined to a unified insurance policy covering those medium and long term credits where the foreign partner is a public institution. In keeping the draft thus restricted one recognised—quite correctly, at that—that this kind of business occurred most often.

Bearing in mind that better and better credit conditions have for years been a factor exciting feelings, it must be greatly welcomed that at long last the Commission has tackled this red-hot iron of trade policy. It has in fact done it earlier than the OECD which has occupied itself with this very aspect at least as long as the EEC. The Commission's endeavours are surely in the interests of both donors and receivers, chiefly developing countries, who in the long run gain nothing from this sort of competition.

The Commission's optimism in expecting no further difficulties, however, appears somewhat premature. Optimism might be justified in respect of the formality of the passing of the common insurance policy, but its practical handling is another matter. Will the various countries concerned agree, for instance, on a unified classification of their respective receivers of credit? What will happen in the event of a debtor country exceeding the upper time limit of credits? How is one to regulate, and match, the instance of interference by state-aided foreign competitors? There are thus many problems yet to be clarified if and when including the institutional side. For, how is one to unify the credit ceilings? One wonders whether the enthusiasm for integration has perhaps led to stake the aim too high. ke.

Spain

Larger Concessions by the EEC

The negotiations between the EEC and Spain about a preferential trade agreement now enter their expected final stage. The EEC Council of Ministers has already agreed on unified guiding

principles. In the commercial sector Spain is to be offered a lowering of tariffs by 60 p.c. spread over three years (30, 20, 10 p.c.) with the proviso of a possible further 10 p.c. out in the fourth year. In addition there is preferential treatment of some fruit during the early season when the Common Market countries rely on imports. In the other trade direction the EEC expects from Spain a lowering of its tariffs in the commercial sector by something like 40 p.c.

A successful conclusion of this new round of negotiations will decisively depend on Spain not again coming with special wishes and claims which, in the past, have repeatedly resulted in delaying the negotiations by months. Madrid should realise that the enlarged concessions, on which it was difficult enough to agree within the EEC, are the utmost Spain can for the time being expect to obtain. The attitude of the Spanish government will decide the issue whether Spain will from Europe's outer fringe move nearer to the Community of the Six and keep open its chance of entering the desired association with the EEC at a later stage. re.

Eastern Trade

Japan in the Second Phase

The state-run Japanese External Trade Organisation (JETRO) holds an exhibition of electrical and electronic products in Vienna from October 2 to October 8, 1969. Such exhibitions in JETRO's Trade Centers in the leading trade cities of the world have long ceased to be something extraordinary. But the event in the capital of neutral Austria deserves special attention because of JETRO having told the participating firms to exhibit only such goods that are not on the embargo list of the Coordinating Committee for East-West-Trade Policy (COCOM). The fact that over and above this the Minister for Foreign Trade and Industry states that the subject of loosening the COCOM regulations was on the agenda for the Japanese-American economic talks, goes a long way to show that the strongly expanding markets of the Eastern bloc are meant increasingly to become an operation field for the Japanese industry.

One has already done valuable spade-work towards this objective. During the first phase of the Japanese strategy emphasis was laid on enlarging its own imports. The trade deficits thus created ensure the Japanese of an extraordinarily strong position in future negotiations, and these negotia-

tions will come. Already today the number of permanent offices of Japanese firms in the East European capitals is greater than that of all Western industrial countries combined. Besides, the de facto representation of the Japanese economy reaches much further than merely the number of branch offices leads one to assume. The agencies are chiefly maintained by the big commercial companies doing among them some 60 to 70 p.c. of Japan's entire foreign trade. The ability of those concerns actively engaged in import as well as export to operate, and intensify, foreign trade by applying the medieval barter methods has had its awards in Japan's trade with developing countries. JETRO assists private firms actively in the exploitation of the Eastern market; the exhibition in Vienna is the up-to-now last chain in a series of such ventures which have in the past been staged in Bucarest and Plowdiw (1967) as well as Posnan and Prague (1968). They all prove very strikingly that Japan has set out on the second, aggressive phase of its strategy for the trade with the countries of the Eastern bloc. ho.

Africa

The Agreement of Yaoundé

After lengthy negotiations, the Second Treaty of Association between the EEC and eighteen African countries and Madagascar (AASM) has at last been signed. The structure of the Treaty is essentially the same as laid down in the First Treaty. But some of the details are vitally different.

The old preferential system has been brought nearer to the UNCTAD conceptions of a global preferential system. So, the EEC's external tariff has generally been reduced from 9.6 to 7 p.c. for cocoa, from 5.4 to 4 p.c. for coffee, and from 9 to 6 p.c. for palm oil. Compared with the previous arrangements the preferences for the associated French territories in Africa are thus reduced. This new regulation is to be looked upon as a concession to the opponents of regional preferences for developing countries. On the other hand, the regional components come more to the fore in general trade policy. In fact, the EEC agreed to waive the nil tariff in favour of the African countries and also the application of the most favoured nations clause if, by doing so, the development towards internal African unions is being helped.

The outcome of the negotiations made it clear, though, that the differences between opponents and promoters of regional preferences for developing countries have not been overcome. The new Treaty yet lacks a unified conception in the sphere of tariffs and trade policy. In the field of finance an agreement has been possible; but aid in this form is purposeful only if deployed with an aim in mind — and aim, in this sense, means within production and regional develop-

ment programmes. For these purposes the grants from the Third European Development Fund extended to the African countries were stepped up from \$ 620 to 748 mn. It must, however, be added that once again this agreement and the grants set out by the Development Fund have been limited to run for five years only. It remains to be seen in how far this time restriction proves a hindrance for long-term projects. ogm.

China

New Onsets for Growth

Recent Chinese publications depict last year's economic development in China as brilliant. One reads of high growth rates of production, high employment, stable price levels and a stable exchange rate — in short, all symptoms of strong and well-balanced growth. On the strength of good crop expectations in the field of agriculture and further increase of industrial production this expansive trend may well continue during 1969.

The People's Republic of China would thus have succeeded in approaching again the steep growth rates that have been typical of the period since 1962/63 which followed the crisis years from 1959 to 1961. The upward trend of the economy was interrupted only in 1967 as a result of the cultural revolutionary riots which occurred in that year.

It must be said, however, that the Chinese assertions are never, or only rarely, corroborated by conclusive statistics. They are as a rule merely growth rate figures without stating the basic points. For nearly ten years now, Peking has not published any systematical economic statistics — neither for any single branch of the economy nor for the whole. Apart from the motive of prestige not to disclose figures about economic setbacks, invariably mentioned in the West as a reason for the silence, also the immense difficulties might be responsible for this sort of inconclusiveness which a country of the size of China, and a developing country at that, finds itself confronted with when it comes to a centralised statistical survey of the course of the entire economy.

Under these circumstances, the observer can only draw upon the estimates made outside China, for instance in the USA and Germany. But these also appear to confirm the most recent Chinese optimism at least in as far as the high level of production in the record year 1966 having indeed been achieved again in 1968. It seems, however, highly unlikely that over and above this there has been an important widening of production in spite of the extremely high growth rates often claimed by Peking. After all, the Peking figures are compared with the crisis year of 1967, and, moreover, those branches of industry are put in the limelight by the Chinese that were hardest hit by the cultural revolution. hw.