

Hamburg Institute of International Economics (HWWA) (Ed.)

**Article — Digitized Version**  
**Comments**

Intereconomics

*Suggested Citation:* Hamburg Institute of International Economics (HWWA) (Ed.) (1969) : Comments, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 04, Iss. 10, pp. 304-305, <https://doi.org/10.1007/BF02926277>

This Version is available at:

<https://hdl.handle.net/10419/138261>

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# COMMENTS

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## *Tourism*

### **Travelling Tired Europe?**

As in 1967, the stream of foreign tourists into the European OECD-countries was again rather unimpressive last year. Until 1966 the average increase of tourists coming to these countries was between 9 to 12 p.c. But the growth rate showed a considerable slowing down subsequently, to 7 p.c. in 1967 and a mere 3 p.c. last year.

This unfavourable development is undoubtedly in the first place explained by the economic decline in the most important "tourism export countries": Germany, France and Britain. But manipulations of currency policy, namely the limitation of foreign exchange personal allowances in Great Britain since 1966 and in France since 1968 as well as the devaluation of Sterling and the French Franc, also added to this diminishing stream of tourists.

In some OECD member-states the tourism industry has become a very important branch of the economy. In Austria, Portugal, Ireland, Spain, and Switzerland the foreign exchange gains from tourism amounted to no less than 4 to 6 p.c. of the GNP in 1968. In spite of the improved economic situation in Europe this year, a relaxation of the foreign exchange regulations cannot be reckoned with in France and Britain on account of balance of payments considerations. The growing offers for tourists to come to certain countries of the Eastern bloc and non-European Mediterranean countries as well as the rather slackening tourism demand growth rates will force, therefore, those OECD-countries that depend on tourism to intensified efforts, if they expect to maintain their leading position as tenderers for tourists during the next few years. hw.

## *Foreign Investment*

### **The Other Extreme**

Industrial countries prefer to see the advantages of their direct foreign investments solely through rosy spectacles. Often, the attitude of the receiving countries is completely different. The comment of the Chilean Foreign Minister, Valdés, is particularly typical of the growing criticism about for-

ign capital. According to him, foreign investments are nowadays essential for the further development of all Latin-American countries. But they should merely be an addition to domestic investments and always be subordinated to the receiving countries' policy. In order to achieve this, minority participations—with the government of the respective receiving country as a partner—should be encouraged first of all. Preferential treatment of foreign capital, existing up to now, should be done away with.

This attitude, true enough, is to be understood in view of the awakening nationalism and the deeply rooted neo-colonialism in Latin-America. But is it, after all, realistic? Foreign investors are out to make a profit. This, however, is denied them by the channelling of their capital into unprofitable fields of production that are neglected by entrepreneurs in the countries concerned. Because what else can be meant by the so-called "subordinating" to the policy of the receiving country? Even state partnership could hardly be the appropriate means to attract entrepreneurs from free market economies. It appears finally more than doubtful whether, in view of the admittedly high risks of these investments, one can afford to reduce the existing measures for the furtherance of them. Both donor and receiving countries should draw the lessons from past mistakes, but in this case there lures the danger of falling from one extreme into the other. ke.

## *UNCTAD*

### **Justified Reproaches**

It is with satisfaction that Bonn and Washington will be able to register the eulogy in the working study of the UNCTAD Secretariat: The Federal Republic of Germany has managed to become the second largest donor of capital to the "Third World" and contributed, together with the USA, towards a rapid growth of world trade in 1968. However, the developing countries paint the future black: until 1975 the industrial countries' annual growth rate of the GNP is expected to average 3.5 p.c. (not 4.3 p.c. as before). This entails the assumption of a relatively substantial reduction of the developing countries' foreign

trade because three-quarters of their export is destined to the industrial countries. A comprehensive liberalisation of international exchange of goods would be a way out. But the experience gained by UNCTAD up to now is bad: the anxieties of the countries of the "Third World" about their export carried minor weight only in GATT-negotiations and other rounds of talks. Merely the Americans and the EEC-countries saw themselves in a position to make some concessions. In other respects, too, there was but little broadmindedness. It is being said that international liquidity is to be limited to a minimum because of the necessity of upholding the present currency-order. Therefore, the Special Drawing Rights are not meant to be deployed for the financing of services to the developing countries, although the disturbances of the international currency system did not originate from these countries but, in fact, from the European nations.

In view of this policy of the industrial states, the less developed countries will even in the next few years not be able to eliminate their balance of payments deficits. Once again, the taking of effective and internationally agreed steps was missed: the chance to cure the causes of the development countries' insufficient economic development was not taken. It is the right, indeed the merit, of UNCTAD to have brought this to light in words and deeds. mk.

#### *Latin-America*

### **The Crises Remain**

The social tension between the government and the workers' representatives has resulted in bloody conflicts and a considerable flight of capital from Uruguay. In fact, this former model-country of South America is on the verge of state bankruptcy. However, Uruguay finds itself in "good neighbourhood" as far as political and economic problems are concerned. A struggle for the general orientation is going on in the countries south and north of Uruguay, and it is nowhere certain who will be the victor.

It seems that the differences between the Argentinian trade unions and President Onganía have become insurmountable ever since the May unrest at Cordoba. It is certainly not impossible that the unions, that have written the words "nationalism" and "socialism" on their banner, will be victorious. In Brazil, the military still govern by means of the Emergency Law. There, too, the number of the discontent grows daily, so that a revolt in the near future is not without all eventualities.

The chronic situation of conflicts, in which those two largest South American countries find them-

selves, could not fail to have its ill-effects on their economic position. In spite of satisfactory growth rates there are distinct inflationary trends in the Argentine as well as Brazil. The ever disquiet political situation, undoubtedly also stemming from inferior economic development up to now, proves particularly detrimental to the attempts to master the economic future. It seems as though Hermann Khan should prove more than right with his last year's prognosis: contrary to their own perceptions both countries will not reach the aimed-at industrial phase before the later stage of the 21st century. crm.

#### *Australia*

### **Uncertain Perspectives**

This autumn, general elections will be held for the Australian Federal Parliament. This date of the elections is clearly reflected in the budget for the fiscal year 1969/70. As the present coalition government of the Liberal and the Farmers' parties commands an adequate majority in the Federal Parliament, this budget, with its election presents, will pass through the parliamentary machinery without cuts.

On the face of it there can be no objections against the envisaged pronounced stepping-up of the furtherance of public health and education services, but certainly against the new high subsidies for agriculture. Such a strong increase of expenditure, however, appears rather risky in the present state of affairs of the Australian economy. It is true, one hopes—on the strength of a favourable estimate of tax revenue—that last year's deficit of \$A 385 mn will be reduced to 30 mn, but it must remain extremely questionable whether this alone will have a braking effect on the inflationary tendencies. For the credit policy measures initiated already at the beginning of August can hardly be considered supporting ones. The small increase of interest rates for debtors from 7.50 to 7.75 p.c. and of the minimum reserves by 1 p.c. of the deposits will not prove very effectful because of the banks having rarely before been as liquid as during the last few months.

It is for these reasons that stronger measures on the revenue side of the budget were expected. But in view of the fast approaching election day one abstained from tax increases. This omission, then, did nothing to remove the prevailing uncertainty about the future development and economic policy during the coming period. It will, if any, grow because of hearsay, originating from the Administration, that an additional "mini"-budget is to be reckoned with early in 1970 and that its provisions would make up for the now left-out, but necessary, steps for a cooling down of the economy. ogm.