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COMMENTS

Great Britain

Abortive Orientation Aid

The weightiest Continental opponent to Britain's joining the EEC, General de Gaulle, is no longer in office and the commencement of negotiations with Great Britain has been decided upon by the Six. Following these developments, more is being heard in Britain now of groups within all political parties and shades which are unwilling to join EEC. They find their arguments strengthened by many points in the British Government's White Paper, published on February 10, about the economic consequences of Britain becoming a member of the Common Market.

It must be said, however, that the attempt, deserving as it was, to arrive at a quantivalence of the costs and gains has been carried out entirely unsatisfactorily. This criticism centres on the vast sphere of uncertainties with which the possible effects are enumerated. After all, the evidence of the net burden for the balance of payments being somewhere between 100 and 1,100 mn Pounds can hardly offer a basis for helping Parliament and the general public to come ultimately to a decision one way or the other. The methodical procedure of the authors of the White Paper is almost even more aggravating. One can only agree with the „Economist“ that, for instance, the import and export flexibilities taken as a basis can hardly be regarded as serious. The statements on the expected short-term food price increases are equally vague. Finally, the report has scarcely anything to say about the long-term advantages of an EEC-entry.

The experts would have been better advised had they restricted themselves to a depiction of the development trends. The study might well have tactical value for the British Government in view of the forthcoming general elections as well as for the negotiations with the EEC-countries. But the economist finds himself confronted with a document that he is forced to discard like in the past so many other similar pseudo-exact documents.

wt.

DDR

The Costs of Recognition

Once more the Leipzig Spring Fair has proved that the possibilities of the exchange of goods and services between East and West have not nearly been fully exploited. West German industry, too, says that, on the strength of the numerous

contracts concluded with firms in the German Democratic Republic (DDR), it is highly satisfied. At the same time, however, the DDR's trade deficit from the inter-zonal trade—now having increased to more than DM 1,000 mn—brings its problems. The Federal Republic of Germany will have to lend its hands to even greater concessions in the field of finance if the flow of trade is to expand in the future.

Following the meeting between Ulbricht and the President of the Central Association of German Chambers of Industry and Commerce, Wolff von Amerongen, the question arises as to what appearance the trade will have in future. Ulbricht is said to have made West German industry a tempting offer provided Bonn would agree to a „normalisation of conditions“ between the two German states. But must „normalisation of conditions“ necessarily entail recognition under international law? Ulbricht is well aware of the fact that at full and proper recognition the DDR export to the Federal Republic of Germany would fall subject to the EEC-tariffs and thus become more difficult. It is true that there could instead be a long-term trade agreement on the pattern of the arrangement between France and the DDR which was signed at the beginning of this year. But the much more favourable conditions prevailing under the present regulations would then no longer be applicable to the DDR. Seeing things from this angle, Chancellor Brandt's optimism to arrive at an agreement with the DDR on the question of a state recognition, without the necessity to establish diplomatic relations is perhaps understandable.

crm.

Latin America

Appeal for Deeds

Riots and demonstrations shortened Rockefeller's good-will-tour of Latin America last year. His mission was meant to be a manifestation of the Washington Government's interest in that part of the American Continent and render possible a first factual assessment of the political and economic situation. The unfriendly reception of the visitor from the North showed the necessity of this intention. This unfriendliness stood out as the reaction to the long period of politically clumsy and economically questionable development aid extended by the rich US to its poor neighbour in the South.

All this is to change now. As ordered, Rockefeller summarised his experiences in a report to the American President and submitted proposals for

the orientation of the future relationship between North and South America. First of all he recommended a breaking down of the trade barriers, so artificially erected by the American protectionists, for goods from Latin America. There will yet be bitter struggles in Washington about this. It is still impossible to foretell when the desired result will be forthcoming. The American defenders of a policy of protectionist tariffs have shown their masterly skill in delaying decisions which run contrary to their interests.

Rockefeller's proposition is courageous for the very reason of it being directed against these powerful interests. The politicians and economists in Latin America, too, must show courage and not be afraid of their own shadow; they must set upon the reform of their domestic economy and the social system in order not to jeopardise the absolutely necessary success of Rockefeller's initiative. It is also this time a challenge for both sides, as always when development aid is at stake. Powerful words in the sense of political spectacles do not help any further even if they are often nearer to political and economic conceptions in Latin America than the work at detail. mk.

DAC

Old Theses — Newly Wrapped

Following the Pearson Report, the DAC Report "Development Aid—Annual Survey 1969" has now also been published. The politicians thus have at their disposal an additional comprehensive basis for the elaboration of a strategy for the second development decade. The report positively evaluates the average growth of the GNP in the developing countries which in 1968 again reached the rate of 5.3 p.c. and the trend of their export growth, the rate of which was even 8 p.c. On the other hand, worries are expressed about the rapid population increase and the steadily declining level of employment. Compared with the previous year, development aid was higher in 1968 by 14 p.c., and it might be satisfactory for the Western world to know that the DAC countries' development aid amounted to approximately \$13,000 mn against only \$325 mn that came from the Communist countries. The structural change between public and private aid was again visible. The latter increased by 36 p.c. during the year under review, while public aid there-against decreased by 4.5 p.c.

The DAC Report goes beyond the scope of a mere annual survey. However, it is disappointing that the balance drawn, and the recommendations put forward, are rather similar to those of the Pearson Report. In other words, there are es-

entially no new accents brought to the fore by the Commission. It would surely have been appropriate for the Commission to deal with the questions asked by the critics of the Pearson Report. It can after all not be the sole purpose of the DAC Report to point at the necessities of development policy by a chain of repetitions of data from the past and generally known demands for the future. fa.

Switzerland

Stability through Export Deposits?

Even Switzerland, up to now the paragon of economic prosperity and stability, is not spared the worries of inflation. In order to circumnavigate the legislative complexity of a hitherto widely expected revaluation of the Swiss Franc, the Government has been searching for an instrument whose application would bring in its wake similar effects. Analogously to the much discussed prepayment of taxes, it now proposes the installation of export deposits. The intention is to place a general levy of 5 p.c. on the value of exported goods to the exporter's credit, and to re-fund these contributions after the overcoming of the domestic tension.

Contrary to an export duty or an export tax, this kind of mild damper would merely bring about a temporary withdrawal of liquidity. The exporters incur a "loss of income" by and large only in so far as they forego the element of interest. The intended stipulation not to allow the taking up of loans on the deposits, or mortgaging them, will hardly prove effective at all because there are numerous ways and means of by-passing such a regulation even if and when formally obeying it. The export deposits are thus rather unlikely to result in taking the steam off the export demand. It seems that neither the particular nature of this measure with its inherent weaknesses nor the 5 p.c. level of the levy would be adequate for the desired target. The experience of the Federal Republic of Germany with its export tax introduced in November, 1968, has taught that a country with relative price stability should be in a position to digest such an extra cost factor without having to suffer a marked turnover setback, due to the worldwide upward trend of prices. For this reason the number of those is already increasing in Switzerland who vote against this measure even during the stages of preliminary discussion. It would appear that the endeavours to lessen the tensions of the domestic economy by tackling the problems from the aspects of foreign trade, and to master the imported inflation, are likely to be more successful by means of relieving imports. wt.