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COMMENTS

GATT

Erosion of the Principles?

Much ammunition has accumulated in recent months between the USA and the EEC during the deliberations about international trade. As before, the Americans take exception to the EEC's protectionist agricultural policy as well as the agreements of association partly already concluded, and in other instances intended, with a number of Mediterranean countries. They look upon them as a violation of the GATT statute. The EEC endeavours towards closer economic links with 22 Latin American countries — America's inherent sphere of interests—also create unrest. The Americans, on the other hand, can in no way claim innocence: the promise, given by them at the time of the Kennedy Round, to abolish their antiquated system of tariffs on chemicals (ASP) has not been kept, and the new Trade Act is surely no paragon of liberal thinking.

Not only the trade relations between the USA and the EEC are at tenterhooks. For years the neo-protectionism of Japan has been a thorn in the flesh for Americans and West-Europeans alike. On the one hand, Japan protects its competitive industry behind an extremely high tariff wall, and, on the other hand, Japanese industry floods other countries with its goods regardless of the home production.

With their own hard interests at stake, the great trade powers have in recent times repeatedly brushed aside the regulations. GATT must therefore be careful not to lose reputation also in the smaller countries. Apart from the danger of a threatening trade war it was clearly also for this reason that Olivier Long called the most recent summit conference at Geneva. The agreement made there to continue negotiations in committees during coming weeks leads, bearing in mind the complex basic situation, to the hope that we shall not see the GATT principles being jettisoned and, as a result, a kind of free-for-all policy in international trade. ivj.

Italy

Politically and Economically in Danger

For the moment, the present negotiations about Great Britain's EEC entry overshadow the worries about the ailing Southern partner, Italy. Official quarters, it is true, are quick to point out that also this year a high real growth of the GNP and of industrial production of 5 p.c. is to be expected in Italy. But one prefers to remain

silent about the negative side of this upswing as the result of setbacks, foremostly caused by strikes, suffered last autumn. Once again the politicians in Rome see the prices running away fast. In the first three months of this year alone wholesale prices increased by 8.7 p.c. compared with the first quarter last year, and the cost of living index went up by 5 p.c. In Germany such a development would almost inevitably cause panic. But in Italy one remains astonishingly calm. In the eyes of the Government and the Central Bank, at least, the fear of inflation is not very great. One sees real danger only in the event of a 6 p.c. increase in the cost of living. But it is not a great distance to this point.

With the weapon of ever more strikes the trade unions try to enforce wage claims, shorter working hours and reform programmes. Small wonder, this, against governments staggering from one crisis into the next, and with the background of employers well capable of selling their products on the overheated domestic market also at higher prices. So far, the internal boom is still the driving force behind the growth. The growth rate of imports at present is about 20 p.c., and exports can no longer keep the pace. But the brakes are not being applied yet although the political and economic instability continues to cause massive rumours about a pending devaluation of the Lira. It seems these rumours are being ignored same as was the case some 18 months ago of those about a possible revaluation. Italy does not wish to alter the Lira's parity. But this does not help over the fact that, politically and in the monetary field, it ranks among the most endangered countries in Europe. ke.

Federal Republic of Germany

The Securing of Commodity Supplies

In most of the large industrial countries, particularly so in the USA and Japan, the trend has been recognised long ago: in spite of all technical progress and the possibilities of substitution connected with it, future demand for metallic and nonmetallic commodities will grow far beyond all present proportions. They acted accordingly and set upon to exploit commodity resources all over the world. Almost three-quarters of all newly planned projects, or projects for the expansion of existing schemes, are carried out by Anglo-American concerns or their associates. As to the remainder, Japan and France are particularly heavily involved. Only Germany, today still the world's largest trading nation but one and Number Three among all industrial countries, has so far shown, erroneous, modesty.

Now, however, responsible quarters slowly begin to realise that this reluctance might in the long run lead into a precarious situation. The domestic boom and Germany's international competitiveness must not lead to any illusions about the economy relying on the steady supply with commodities lest this potential be jeopardised. But in view of Germany's dependence on the import of 100 p.c. of most commodities, the supply is far from secure.

The Federal Government has now made up its mind to change all this. A programme has recently been decided upon under which German industry is to be assisted in the carrying out of mining projects partly by grants and guarantees and also with financial and tax concessions following the pattern of the practice in other countries. But here again, as with so many things, kind words are not necessarily synonymous with deeds: the moneys so urgently required for the long-term development, indeed already voted, if only to a moderate extent have for the time being been cancelled because of economic considerations. ogm.

Great Britain

New Government — Old Problems

Shortly after having assumed office the new British Government already finds itself confronted with difficult economic problems. During the first half of this year the unsatisfactory development of the GNP in spite of strong upward movements of wages and prices dominated economic thinking and considerations. Now, the recent dockers' strike once again has drawn the attention to the flank of the external trade. It would be a fallacy, though, to explain the growing deficit of the British trade balance to be expected in the third quarter solely with the strike in the ports. The second quarter had already shown a clear tendency towards trade deficits.

In view of such a development it may at first glance be surprising that the present Government renewed its assurance to abolish the system of importers' pre-deposits at the beginning of December after two years of their validity. But the recently growing criticism voiced by Britain's most important trading partners at this measure coupled with its doubtful effect on the trend of imports make the decision to do away with it appear a wise one. The same applies to the procedure of a gradual scaling down of the pre-deposits' rates. But nothing has been seen so far of a correspondingly "happy" concept of the much more complex solution of the entire involvement of external trade and its implications for the internal economy. A further worsening

of the external situation would indeed have to be expected if the promise of stronger growth by means of expansive measures would be fulfilled in the near future. So, it might well happen that the new Government, alongside the old difficulties of keeping external equilibrium compatible with an appropriate growth rate, will find itself face to face with those problems intensified by pressures on the Pound Sterling that, especially from short-term capital movements, result in growing deficits of the current account balance. wt.

ECOSOC

Necessary Pre-examination

Within the next few weeks the Assembly of the United Nations will have to decide on the guiding lines for the Second Development Decade. Sufficient, perhaps even too many, suggestions have been forthcoming in the Pearson, Jackson and Tinbergen Reports for the UN Assembly. Partly the recommendations are unconventional and lack political considerations. It is therefore a good thing that the investigations and their deductions are being pre-discussed within a small circle. It is easier in this manner to prevent the succeeding with political interests on the strength of feigned arguments. The council of experts is weightier behind closed doors. Materially necessary compromises are often impossible in the lime-light of the UN palace at the Hudson river, heated as the atmosphere there is by world publicity and political conflicts.

It is to be welcomed, for these reasons, that ECOSOC is meeting at Geneva already now in order to discuss the submitted guiding lines and recommendations. This is not going to be an easy task. From educational aid right up the ladder to export promotion in favour of the developing countries no important aspect has been omitted. Even the chronical brain drain from the less developed countries and the catastrophe in Peru appear on the agenda. ECOSOC thus takes into account the broad spectrum of comprehensive and materially orientated development aid. The Geneva resolutions will have to emphasise the necessary share of the Third World's own efforts, as has been done in the Reports that preceded them. A one-sided burden for the industrial countries such as resulted from the World Trade Conferences does not bear witness of expertly understanding of the concept of a world-wide development policy. Otherwise, non-expert interests can all too easily dominate the meeting of the Assembly in autumn. In the interests of the industrial nations as well as the developing countries such a situation should be avoided. mk.