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# COMMENTS

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## *Guinea*

### **People's Tribunal and Entertainment**

Opponents of development aid believe to be justified by Sekou Touré, who was previously honoured with the German Distinguished Service Cross (!). For the first time German development experts have been banished from a country for political reasons. Two German citizens, one of whom allegedly committed suicide in prison, have been sentenced to forced labour for life. Particularly macabre was the publication of the judgement as a public festival, although Guinea was among the African states favoured mostly by German development aid. It received more than DM 1 bn in the past.

The responsible politicians would be well advised to take a warning from these events and to concentrate development aid on countries showing political moderation and realism with respect to economic policy. Radical regimes will always be inclined to divert attention from their domestic troubles by means of spectacular activities. In the case of Guinea, about 500,000 people emigrated for political and economic reasons. Moreover, Minister Eppler's recommendation to grant development assistants in future the status enjoyed by UN-Experts is of particular interest. Although agreements of this kind do not promise absolute safety, they nevertheless offer additional protection. However, in this context it should be mentioned that the other African states disapproved of the Guinean tricks and stood up for the arrested Germans. This fact should be pointed out particularly to those people who at present are again opposing development aid. fa.

## *India*

### **No Use Waiting for a Miracle**

The elections for the house of commons of the central parliament in New Delhi, which are scheduled for the beginning of March, will be decided in the country, and not in the city, because it is in the country where two thirds of the 560 mn inhabitants live. And it is here where in the past the population has suffered most due to the weak ruling of past governments and the numerous mistakes in economic policy. The industrialisation efforts have not shown the expected results. The national steel plants are working with a deficit of DM 250 mn per year. And in spite of the nationalisation of private banking the farmers and peasants have as many problems getting credits as they had before.

It is therefore interesting to note that the two major contracting parties, Indira Gandhi's Congress party and the Communist party, are focusing their main attention during the election campaign upon the agrarian population. But whatever the outcome of the elections, there is not much hope for the country-side for a radical improvement of its situation. Too many mistakes have been made in the past.

The question arises if India can be governed according to democratic principles. Neighbour China might appear to offer an alternative form of government for many in India as well as elsewhere in the world, but one should not forget that many years of hard work passed before economic results were achieved in China. No change for the better can take place from one day to the next. The first step on the road toward economic progress should be, however, the establishment of a central government with the courage and the chance to get unpopular measures also through parliament. crm.

## *USA*

### **Doomed to Success**

Unemployment in the United States at 6 p.c. has reached its peak for nine years. Most economic sectors, almost all regions and employed persons of all income groups are afflicted by it. Therefore it is easy to understand that President Nixon is continuing to orient his economic policy toward the solution of this problem. Now, as before, the Nixon Administration relies on the chance that a relaxation of its monetary and credit policies will stimulate economic activities. The money supply is to show an annual growth rate of 6 to 9 p.c. The policy of cheap money is to be further maintained. The budget deficits of \$19 bn for the fiscal year 1970/71 and of \$11.5 bn for 1971/72 are additional evidence of Nixon's intention to accelerate economic growth and to reduce unemployment.

But it is still unknown what the Nixon Administration proposes to do for mastering the second big problem of the past few years. Although in his State of the Union Message the President announced that he will mobilise all forces promoting a strengthening of the market economy, he explicitly declined wage and price controls. On the other hand, he intends to exercise his influence on occasion, as he recently did in the steel industry. Nixon's critics, however, believe it to be impossible that the President will be able to stimulate the economic development and

simultaneously bring about a decline in prices without wage and price controls.

Nixon's economic policy can only be successful if it finds the support of all quarters in the United States. In view of the increasing polarisation in his own country it seems questionable whether the President will succeed in overcoming the "Stagflation" of the US-economy before the elections in 1973. If he fails, the chances for him to be re-elected will decline. He is therefore doomed to success. mk.

## OPEC

### The Oil Producers' Success

According to an expert opinion the world's energy requirements of 1985 will be covered as follows: 37 p.c. by mineral oil, 25 p.c. by natural gas and no more than 6 p.c. by nuclear energy. The rest will be provided for by coal, water power, etc. The members of OPEC (Middle East states, Libya, Algeria, Indonesia and Venezuela) control 64 p.c. of the presently known reserves and 48 p.c. of current production. It is before this background that the Teheran talks had to be considered.

For a long time the producer countries harboured bitter feelings toward the industrial states' energy policies that tax mineral oil products like luxuries but grant the producers minimum prices only. Thus the Iranian Minister of Finance complained at Teheran that, although the Western partners get up to \$ 14 for a barrel, they paid the producers only \$ 3.50. Another striking example was given by France. Of a retail price of 100 Centimes per liter gasoline, Algeria was up to now paid no more than 8 Centimes while the French Government kept 50 p.c. in the form of taxes.

The oil producers' self-respect has been fortified by the events in the Middle East. They have learned that European industry is depending completely on oil regardless of the price. Small wonder that they who feel wronged were showing their teeth and confronted the oil companies with their demands.

On February 14, 1971, they got everything they wanted. The list-price of a barrel of mineral oil will immediately be raised by 35 cents. Besides the oil companies agreed to an increase of taxes on their revenues in the Gulf-countries by 5 p.c. to 55 p.c. They also agreed to make adjustments to balance the worldwide inflation, and from June 1, 1971, on will pay an additional 2.5 p.c. on list-prices. Further extra charges such as these will become effective at the beginning of 1973, 1974 and 1975. Finally the companies prom-

ised to pay 5 cents more per barrel from June 1971 on, and at the beginning of 1973, 1974 and 1975 they will do the same. As most of the producer countries involved are LDCs in desperate need of funds for development projects, and the industrial countries, on the other hand, require petroleum urgently, it is to be hoped that this agreement will work out satisfactorily. hg.

## Developing Countries

### Three Alternatives

The danger of worldwide protectionism exposes also Japan to a cross-fire of criticism since it supports part of its industry by means of import restrictions. However, in this context the fact is being ignored that only a few decades ago Japan was a completely underdeveloped country. In 1960 the country still registered a per-capita income of only \$ 436 and thus did not reach the \$ 500 limit used by the UN for the definition of a developing country. Moreover, one also forgets that above all the lengthy, complete separation from the outside world—the remainders of which are now the object of criticism—enabled the fast economic development and high growth rates in this country.

This panacea of a long-term absolute separation from the developed world was recommended by Barbara Ward. Tibor Mende of UNCTAD, addressing 500 international managers on the North-South problem, called it one of the three alternatives for developing countries. This point of view had been previously approved by the United Nations. Besides, there are other possibilities—either to wait for the so-called "spill-over effect", which is being followed already by some LDCs geographically bordering on particularly successful countries, or to acquiesce forever in the status of a "client-state", as for instance Tunisia vis-à-vis the EEC.

The complete seclusion from the developed world, as practised by the USSR and China even today, at a first glance seems to be an alternative only for very big countries. In fact, however, it holds good also for all developing countries. For, if the LDCs bunch up in tariff unions or similar formations and specialise in the production of certain goods, they have a chance of reducing the advantages of the industrialised countries. The developed states should support this process by efficiently assisting the necessary establishment of an adequately functioning capital and credit market through abandoning the customary tying-up clauses for their capital aid. Then the Third World could favour its members better in the placing of development orders. kw.