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COMMENTS

Great Britain

Vital Trade Unions Reform

There is no end to the wave of strikes in Britain. Almost 6.8 mn working days were lost to the British economy in 1970. The strike at the Ford plants in Britain lasting, as it did, many weeks, alone resulted in a substantial loss of production and caused serious difficulties in numerous branches of the economy. Already there are signs of an even more damaging catastrophe which is bound to bring in its wake a strong upward push of prices: ICI, Europe's largest chemical concern, faces a union demand for wage increases by about 33 p.c.

Small wonder, therefore, that in such a situation and with such gloomy prospects American direct investments (and not only those) are increasingly circumnavigating Britain, the explanation of which is not merely uncertainty about Britain's entering the EEC. Following the announcement of Henry Ford II not to invest further in Britain as long as there would be no "effective" improvement of the economic climate there, the assumption cannot be far fetched that General Motors, too, will sooner or later totally concentrate the expansion of their capacity in Europe to the Continent. Their British subsidiary, Vauxhall Motors, has after all been working at a loss for years.

It is incomprehensible that the trade unions are unwilling to realise that, with their excessive demands, they dig their own grave. By their very attitude they force Government and Parliament to accede to an Act bound to limit the unions' freedom of action. The fact is that Britain, lest it imperil its position among the Western economies, simply cannot afford any longer to accept the rates of growth and inflation stemming from the attitude of the trade unions. ivj.

Libya

Five Years Deferment

After long and hard negotiations frequently threatened to break down and always overshadowed by the threat of a supply embargo as well as a take-over by the State, the international oil companies have concluded an agreement on the supply conditions also with Libya. It is valid for five years, and its most important element is an increase of the Sorted Price by 90 US-cts, to \$3.45, a barrel. It is generally expected that the other suppliers of crude oil in the Mediter-

anean area—Algeria, Iraq and Saudi-Arabia—will fall-in with these negotiated terms.

For the time being at least, the oil peace remains secure. But the oil countries should realise that in the medium and long term they will be able to profit from their riches and prevent to out-manoeuvre themselves from the market only as long as they also show consideration for the interests of the oil importing countries. Most of the supply countries still lack the experts and know-how in order to be their own masters when it comes to the actual production of oil.

For the industrial countries, not last the Federal Republic of Germany which covers 40 p.c. of its oil requirements by shipments from Libya, it becomes even more necessary, after the Tripolis agreement, to scrutinise their energy policy afresh. The question of oil supplies should not be left to be tackled solely by the oil companies which, in their turn, merely pass-on in full any conditions unfavourable to them to the consumer. The oil supply should, instead, be more strongly controlled, and diversified, by governments. For only a continuous supply of oil can guarantee the future economic growth of the industrialised countries, unless new energy sources are developed and become a real alternative to oil. kw.

EURATOM

A Resurrection from the Dead

In view of EURATOM's years of sickness as a result of the consistent negative attitude of the French there was hardly anyone in the member-states who still believed in the future of this organisation. Merely the time factor of its dissolution remained an open question. The news comes therefore all the more as a surprise that the six members now seriously endeavour to refloat the EURATOM ship. This is to be achieved by a shift in research emphasis: in former times EURATOM was chiefly occupied with aspects of nuclear energy, but the intentions for the future are more prominently to include in the working programme such things as data processing, environment protection and raw materials. Furthermore, the often criticised remote-control by Brussels over research institutions, involved in this or the other project, is to be replaced by giving individual initiative a stronger part to play. Over and above these broadened outlines, attempts will be made in the direction of persuading industry to extend orders to the installations of the European research centres.

It is as yet uncertain whether this process of re-activation will lead to EURATOM's second spring of life. It is true, the basic attitude of the French towards intensified co-operation has become somewhat more positive, but the stage of discussion is so far not concluded. Nevertheless something seems to be moving within EURATOM; a thing considered impossible only a year ago. It is significant for the greater readiness towards scientific co-operation that ten European countries have agreed to enlarge the nuclear research installation CERN near Geneva by way of the construction of a large-size accelerative unit. Thus, for the first time in years, it has become possible for the Europeans once again commonly to pursue a very large project. crm.

Soviet Union

Tug-of-war about the Kama-Project

With their aim already in sight, the negotiations with the German motor-concern Daimler-Benz, surely the most interesting partner for Moscow, have broken down. According to Tarassow, the Minister responsible for the automotive industry, the German group had demanded too much financially for the Soviet Union to accept. It has thus become near enough certain that Daimler-Benz will not have a hand in the construction and equipment of the commercial vehicles' plant on the river Kama, a tributary of the Volga. The Russian plans were for a plant to be completed in Avtograd by 1975, with German aid, with capacities for the annual production of 150,000 8 to 15 ton vehicles and an additional 100,000 engines for the modernisation of existing vehicles. It seems likely that the Russians found the German price too high because of the extremely high licence fees asked for by the bunch of Mercedes suppliers rather than because of profit aims by Daimler-Benz themselves. But the tug-of-war about the commercial vehicle business will now continue without Daimler-Benz. The talk is still of Klöckner-Humboldt-Deutz, British Leyland, Fiat und Renault as partners of the Soviets. Also Ford apparently expects still to be drawn in.

Nevertheless nothing is yet known about large-scale activities. In spite of varied constellations, the Soviet price conceptions are perhaps unacceptable also for these companies. The Soviets had apparently expected quite a different outcome when first looking for a Western partner who would take all worries off their shoulders and, what is even more, fall in line with the Russian time-table. For, Kama is an important phase in the rapid further development of the transport system as well as the opening-up of Siberia.

Certain preparations and projects already commenced indicate that the Soviet Union is determined to go ahead with the Kama project regardless of negotiations with foreign companies. There can be no real doubt that the Soviets are in a position to do so. But their major problem remains the time factor. For this reason it is safe to assume that they will do all they can not to abrogate the contacts with the motor-car producers in the West. la.

Federal Republic of Germany

The Capital Return Balance Situation

A recent analysis of the capital return balance during the last ten years made by the Federal Bank showed an improvement of income on capital assets from DM 1,000 mn to more than DM 5,000 mn whereas, over the same period, expenditure went up from about DM 2,200 mn to some DM 6,100 mn. Thus, the return on capital assets has in recent years increased to such a degree that even a surplus of capital return payments may be expected in the near future.

It has been a decisive factor in this development that capital invested abroad has gone up by more than Germany's foreign indebtedness with the result that the net capital assets position towards foreign countries did improve considerably. A break-down of the various forms of investment shows that 77 p.c. of the capital returns stem from bank deposits, money market investments, credits and loans. The income surplus in these brackets amounted to DM 1,500 mn. But these payments originate almost exclusively from the returns on the Federal Bank's foreign investments in the shape of monetary reserves and from the returns on official German credits extended to developing countries. There is, however, a remarkable change in the balance of interest income and interest payments foremostly in respect of fixed-interest securities, a change at once reflecting the growing international importance of the German capital market. In the early 'sixties interest income from abroad counter-balanced expenditure on interest to only 20 to 25 p.c. But since 1968 the income has increased so considerably that, finally, last year, there was indeed a surplus of approximately DM 500 mn.

Thereagainst, portfolio income and income from direct investments, at DM 400 mn, were exceeded by the DM 3,400 mn of expenditure. This fact brings out clearly that there were, and still are, insufficient direct investments. Even the change-over of the Federal Republic from the role of a net taker of capital to that of a net capital giver will not help to change this. hh.