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Canada

In Search of New Markets

The measures taken by President Nixon in the course of his economic programme hurt Canada grievously and caused violent protests. In view of the economic dependence on its Southern neighbour nothing else could have been expected. However, in this difficult situation Canada did more than merely protest; it went over to the offensive. For one thing, the Trudeau Government looked for allies, and found one, Japan, which also ranks among the chief sufferers from the American measures. They agreed upon continuous consultations between the two Governments and a two-way promotion of direct investments. Furthermore Canada set upon a campaign to prevent the total collapse of the Commonwealth. It is this very policy to try to maintain a sort of skeleton Commonwealth without Great Britain that aims at the securing of markets foremostly for the sale of such goods which are hit specially by the American surcharge.

As it is, Canada's offensive in the field of economic policy lacks an aggressive note. In spite of the harsh treatment which Canada received by the US, it still did not lend its hand for retaliation in the shape of trade war against the US. To the contrary, together with its new confederate, Japan, Canada agreed in principle on fighting the increasing protectionism and taking a new initiative towards free trade among the nations. It is to be hoped that other industrial countries will join the efforts of these two countries, because by lip-service alone the danger of a trade war will not be averted.

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Euratom

Endless Dilemma

For years the European Atomic Energy Community (Euratom) has been ailing between life and death. All endeavours to amalgamate the research potential of the various member-states in the field of nuclear science and, on the strength of united efforts, to close the research gap vis-à-vis the US have failed as a result of differing interests of the partner-countries. There were either varied opinions about the financial provisions for this project or disagreements on the research programme. Not all EEC-countries were willing to abstain from national research activities of their own, and they therefore disassociated certain research plans from the Euratom programme.

The Council of Ministers was thus forced, after the Summit Conference of heads of governments at The Hague, to devote special attention to this problem and give new impulses. After almost two years, and following the reorganisation, the Brussels Commission has now finally succeeded in submitting a three-year programme for Euratom to the Council of Ministers.

But this still does not signal the end of the EEC's research crisis. Firstly, non-nuclear tasks were given the common research centre—for instance in the field of environment protection—, but the vital decision on a new uranium plant still remains in abeyance. Secondly, the programme is merely a minimum one. For direct work in the common research centre it envisages expenditure of only \$ 145 mn. This is just about sufficient to maintain the present staff of some 2000 people. The widening of the tasks on the one side therefore entails a scaling-down of some activities on the other side. Thirdly, the Commission quite rightly points at the fact that a rational programme and its being carried out efficiently can in principle only be safeguarded if these projects are pursued within the frame of a global policy on research, technology and industrial development. This aim, however, has not reached a stage beyond modest beginnings.

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Development Policy

Growing Worries of LDCs

During the IMF Conference in Washington the main interest was devoted to the monetary "catch-as-catch-can" between the industrial nations. The numerous concerns of the countries of the Third World were hardly taken notice of. But in view of growing balance of payments difficulties of the LDCs and their increasing indebtedness it is particularly these countries that were hit hard by the present "trade-and-money battle". All delegates from the Third World who had the opportunity to speak at the Conference therefore expressed their great worry not only about foreign aid cuts and Nixon's 10 p.c. import surcharge but also about the credit-stop decreed by the IMF.

They furthermore brought up the following main demands for discussion: tying-up of SDRs and Development Aid, the necessity of providing a higher level of credits at softer conditions and free of ties, and a scaling-down of trade discriminations. Not entirely without bitterness, the representatives from LDCs stressed the fact that

these claims have essentially been wellknown for a long time but that only trifling progress has been made towards meeting them. Anxiously, too, they spoke of the dragging IDA re-financing and the diminishing percentage share of development aid in the GNP of DAC-countries.

As a matter of fact, the complaints so vehemently voiced by the LDCs are not altogether unjustified. The monetary uncertainties and the industrial nations' growing tendency towards trade and payments restrictions harm the Third World at a moment when their hopes for a better future have been set especially high: at the beginning of the Second Development Decade. It only remains for the LDCs to tackle themselves the problems of population explosion, distribution of incomes, agriculture and industrialisation by intensifying their own efforts in the hope that the industrial nations will soon resume their tasks within development policy. crm.

IATA

Price-war in the Air

Nothing but losses, of \$ 480 mn so far, have been the result for the air companies from the formerly so profitable regular North Atlantic service. Everything speaks for the probability of these losses becoming more severe from now on. According to what IATA secretary-general, Hammar skjöld, said, a price-war is threatening following Lufthansa's refusal at Montreal to agree after negotiations of seven weeks to IATA's airfares propositions which were to be agreed upon unanimously. But Lufthansa demanded less differentiated, and lower, air fares on the North Atlantic route.

For the other air companies, also engaged in the important traffic across the North Atlantic, there is now no alternative but to adjust their rates to Lufthansa's lower air fares if they are to remain competitive. A suicidal price-war which could rock the financial basis of large parts of the air traffic industry will be the outcome. Only the most powerful companies, in a position subsequently to dictate their conditions to the smaller ones, would be able to survive such trial of strength.

It remains to be seen whether Lufthansa's measures will lead to the elimination of the real cause of the financial dilemma: the rapid growth of charter flights across the North Atlantic to the detriment of the companies servicing this route with regular flights. Judging the situation from the angle of traffic volume on the North Atlantic route and the conditions of the regular flight companies, it does not appear likely that air-

planes' capacity utilisation will improve substantially enough to render the North Atlantic business profitable once more. To the contrary, as a result of lower air fares, welcome as they will be to the passengers, a longer period of increasing losses for all companies must be reckoned with. And those losses will, finally, have to be met by the countries concerned, i.e. by the tax payers. kw.

Japan

At a Crossroads of its History

The major victim of Nixon's new shock policies, though hurting also many other countries, is Japan. His new China-policy introduced without previously consulting the Japanese Government is considered a "Stab in the back". Japan feels particularly irritated by its loss of face since it always belonged to the sturdiest advocates of the United States' Asian policy. Nixon's new protectionist trade policy is also viewed as incomprehensible. Japan does not doubt that the import surcharge was mainly intended to enforce the revaluation of the yen, which was anyway already accepted as inevitable by the country's economic experts. And regarding other major US demands, i.e. for elimination of import quotas, non-tariff trade barriers, liberalisation of foreign investments and stopping of export subsidies, Japan was making slow but accelerating progress. The immediate consequences of the new Nixonomics hit Japan hard. Foreign trade transactions are paralysed by the monetary instability, production and investment plans were cut down, mass unemployment and a major recession are threatening.

But Japan as major industrial country is not without power to retaliate. It is the USA's main overseas customer and most important buyer of US agricultural produce as e.g. soybeans, cotton, wheat, etc. to the tune of \$, 1.1 bn in 1970, but it purchases also coking coal and mineral oil. An economic recession in Japan would gravely impair US exports (\$ 4.5 bn in 1970) as well as those of American firms in third countries.

Japan believes to be at a crossroads of its history and might embark on a reorientation of its foreign and economic policies trying to develop bigger markets outside the USA. Simultaneously it could import most of its raw materials and food at lower cost from the Eastern countries. In order to counter these possible developments the Nixon Administration will have to show much more consideration and tact, for, after all, the main victim of its new trade policy is not its enemy but its ally and friend. hg.