

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Comments

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1972) : Comments, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 1, pp. 4-5, <https://doi.org/10.1007/BF02929139>

This Version is available at:

<https://hdl.handle.net/10419/138571>

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COMMENTS

USSR-USA

A New Production Contest

By 1975 industry and agriculture in the Soviet Union are to exceed the output levels which the USA has now reached. That is the target set for the Soviet economy in the new Five-Year-Plan for 1971/75 which Premier Kosygin recently put before the Supreme Soviet. Long-term treaties with western countries were mentioned as being highly important for expanding production.

To catch up by 1975 with the US economy of today is certainly somewhat less ambitious an undertaking than the project, which Khrushchev launched in 1961, of overtaking the USA in per-capita production by 1970. The chances of success however are no greater now than they were in Khrushchev's days. The GNP of the USSR at \$ 600 bn amounts to no more than 60 p.c. of the US-GNP, so that industrial production would have to grow at an annual rate of about 20 p.c. in order to hit the target, and that is improbable. But the problems facing the Soviet economy have little to do with plant capacities and means of stepping up output. The Soviet Union is lagging behind the USA chiefly because of the imbalance of the economic structure, the immobility of central planning and the technological obsolescence of much of the production plant. Such faults cannot be overcome in four or five years.

Kosygin's announcement is thus merely an attempt to spur on Soviet industry and agriculture by holding out the prospect of a higher standard of living. It also shows a desire on the part of the USSR to collaborate with western countries on a larger scale. For only with the aid of western know-how, it is being realised also in the Soviet Union, is there any real hope for reducing the lag behind the USA. kw.

Developing Countries

The UNCTAD-Study

On the occasion of the UNCTAD-Conference at Geneva between Dec. 1 and Dec. 14, 1971, the UNCTAD-Secretariate has published a study of the effects of the monetary crisis on the LDCs' economy and foreign trade. This study offers for the first time precise figures about the effects on LDCs of the US-Import surtax and the monetary measures taken by many governments. These countries' exports should annually decline by at

least \$ 500 mn as long as this surcharge is in force. Losses caused by parity adjustments will result for LDCs even in case no slowing down of world trade occurs. Thus the devaluation of the dollar-component in the currency reserves of 19 representative LDCs has led to losses of between 2.2 p.c. and 7.6 p.c., i.e. corresponding to a sum total of about \$ 400 mn (purchasing power in 1969). Assuming a similar development in all the other LDCs the total loss of their currency reserves would amount to about \$ 950 mn.

In spite of all its seriously negative aspects the crisis also offers two positive possibilities to the LDCs. First, the new organisation of the world monetary system could better take development targets into consideration than Bretton Woods did. Secondly, the socialist countries in Europe and Asia could cooperate in the establishment of the new structure. This structure must be a trade and payments system not depending on the permanent deficits in the US-balance of payments.

Since fear is the beginning of wisdom, the fear of a trade war, of an economic depression has prompted the western governments to find a compromise without wasting time. Since the Rome meeting of the Group of Ten a monetary armistice appeared nearer than ever. The final deal was made after Nixon met with the French President Pompidou. This solution will be only a provisional one to begin with, but time has been gained for establishing a stable world monetary system paying due attention to the LDCs problems. hg.

GATT

Meagre Results

After a fortnight of meetings the 27th session of GATT took an unusual end. For the first time in its history the delegations were unable to reach agreement on the formulation of a joint final statement, let alone decisions about world trade problems and long-term tasks of GATT.

Unresolved remained thus the questions connected with current restrictions on trade. The only achievement was a general, vague and not even mandatory declaration of principle pointing out the existing dangers and uncertainties in international trade relations and stressing the existence of opportunities for constructive action in the sphere of trade policy. What these opportunities are and how they should be used

was left undecided — at least, no agreement was reached about them. It was made clear however in this context that the present dilemma of trade policy is caused and overshadowed by the monetary events and background.

Nevertheless it is deplorable that the long-term tasks of GATT were submerged in such an atmosphere of mutual negation and an agreement on further action was unattainable. While the majority of delegations wanted to tackle the most urgent problems of the world trade in industrial and agricultural products and intensify the preparations for a comprehensive liberalisation round in 1972 already, the EEC, Great Britain and Eire insisted on letting the preparations for new negotiations run on within the present framework. They want the acute difficulties to be overcome first; and have the Americans yield on trade policy next. In other words, no advance will be made before international monetary policy has been put on a safe foundation. The problems involved here are outside GATT's sphere of competence. This made the failure in Geneva unavoidable.

ogm.

Chile

Allende's Economic Difficulties

Fidel Castro's visit to Chile has been a personal triumph for the exotic guest from Havana. After 12 years in isolation he has at last been able to prove on the South American mainland that his charisma still holds among the masses. But for Chile's President Dr Allende the thrill of the visit was also a welcome change at the end of his first year in office which saw many fiercely-fought conflicts.

The dispute with the mighty USA which followed the nationalisation of the US-owned copper mines was the outstanding event in foreign politics. But also in the field of domestic policy the Government was assailed from two sides — by the strong opposition which would like the brake to be applied to the socialisation process, and by the ultra-left wing of his coalition which wants the reforms to be speeded up. Besides, there are economic difficulties since domestic production has not risen as expected. Part of the reason for this is that many businessmen have taken themselves and their money out of the country. Export proceeds have been lagging behind expectations because the price of copper has fallen further in the world markets, but imports have been rising sharply at the same time. Wage increases of up to 50 p.c., decided upon while prices were frozen, made consumption boom in a way with which the domestic supply of goods alone could not cope.

The negative trend of the balance of trade has resulted in foreign currency losses. Their size has been noted with concern by many experts. The Chilean experiment has thus entered a phase which must be described as extremely critical. Allende cannot expect considerable western support after his nationalisation measures. Eastern willingness to accept more substantial commitments in South America may also be assumed to have abated since the Cuban fiasco. A great deal will therefore depend on the future course of the copper price; for the Allende Government can hardly hope to carry out its costly reforms unless export earnings increase. If Allende however fails to carry through his reforms and stimulate growth and prosperity, his proclaimed forward march to Chilean socialism may come to a sudden end this year already.

crm.

EEC

The "Special Case" of Norway

The accession negotiations of the EEC with Denmark and Norway have been proving somewhat complicated. Neither country shows much enthusiasm for a commitment to hand over political functions to supranational institutions even before there has been any economic integration. Opinions may well differ about the justification of such reluctance.

The reasons however which make the Norwegians fight so stubbornly for the interests of their national fishing industry merit understanding. For more is at stake here than the defence of narrowly interpreted sectional interests of one particular industry. At stake is the security of the economic basis of an especially important group of men in face of merciless competition inside a large, economically integrated area. In the northern regions of Norway fishing is the principal means of livelihood. If fishermen there are to be exposed from one day to the next to European competitors who treat fishing as a large-scale industry instead of a family occupation, they will be ruined. Alternative means of employment do not yet exist for the jobless in this northernmost outpost of Europe, so that the population would be forced to leave their homeland, sparsely populated though it is, for the South.

If the EEC has any regard for a sensible regional policy which seeks to prevent the depopulation of remote areas, it must shield the fishermen of northern Norway against ruinous competition until such time as equally worthwhile jobs have been created for them in the North. Without temporary protection and without establishment of new industries in the North the EEC runs the risk of creating another Sicily.

ro.