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Africa: Trade fair in Nairobi

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COMMENTS

Germany

German—Iranian Oil Talks

Initial talks have been opened in Gelsenkirchen at the end of April between representatives of Veba Chemie AG and the Persian state oil corporation, the National Iranian Oil Company (NIOC), to examine, to what extent the Iranian Government's suggestion of close cooperation can be acted upon as far as possible through a real partnership extending "from the oil well to the filling station". Both sides stress that many problems will have to be cleared up before a start can be made on cooperation even on the lowest common denominator. But that negotiations already begin a few weeks after the Federal Cancellor's visit to Teheran indicates that both countries have a great interest in achieving cooperation. The Persians are not only counting on the Federal Republic as a partner in the oil business but expect increased cooperation to flow from this partnership in all economic fields.

Seen from the Federal Republic, cooperation with Iran would also have great advantages. It would alleviate the German dependence on crude oil from the main suppliers — Libya, Saudi Arabia and Algeria. German crude oil requirements have always been met, even during the numerous Middle East crises, thanks to close collaboration with the international oil groups. But the political tension in this region and the growing desire of the Arab countries for expropriation of the foreign oil companies and determination of crude oil tonnages to be produced make it advisable for the Federal Republic to look around for new sources of supply. One should not look solely to Persia: many new oil finds have been made in South America, and the North Sea lies outside the own front door. Germans have so far paid surprisingly little attention to their part of the North Sea shelf. The success which rewarded the British, Norwegians, Danes and Dutch in their drilling operations in this region should prompt more intensive efforts on the part of the Federal Republic. crm.

Bulgaria

Cooperation with Germany

The Todorov government wants to make an all-out effort in Bulgaria to achieve the breakthrough into the industrial age. With this aim in view, the industrial production is to receive special encouragement so that by the end of the Five-Year-Plan in 1975 industrial exports can be raised

to 90 p.c. of the Bulgarian export total. Whereas up to the present 80 p.c. of Bulgaria's industrial exports have been sent to COMECON countries, the aim now is to stop the regressive trend of trade with the West.

In recent months Sofia has made special efforts to activate its contacts with West German business circles. Trade with the Federal Republic, which declined from DM 236.8 mn in 1970 to DM 226.3 mn in 1971, is to be enlarged with the help of cooperation contracts. In this way it is hoped to raise the technical level of Bulgaria's industrial products; for Bulgaria's state enterprises will have to improve the quality of their products if the efforts to extend their western business are to succeed. In the past the differences in quality have been a great handicap for Bulgarian goods trying to compete in western markets.

It is not yet clear how a positive influence on quality can be brought to bear from the German view in the projected negotiations on industrial cooperation. The instances of German-Bulgarian cooperation currently in progress are mostly in the nature of international sub-contracting, with the German partners supplying the know-how and part of the raw materials. They are also to take care of the marketing side but exercise no influence on the quality of the products during their manufacture. To make the cooperation relations attractive for both partners, the technical conditions of production and cooperation will have to be modified. bw.

Africa

Trade Fair in Nairobi

Tribute will certainly be paid to Mr. R. Gardiner, the executive secretary of the UN Economic Commission for Africa, and the African states for organising the first Technology Transfer Fair in the continent. Developing countries have here for the first time taken the initiative and responded to the demands of the industrial countries that they should themselves take the initiative. In February 1972 they followed it up with another commendable measure: 37 African states held their first all-African trade fair in Nairobi, which attracted nearly 200,000 visitors. The event was intended to give an impetus to intra-African trade and to slacken the close links with the industrial countries in the interest of commerce between the developing countries. The Nairobi fair was conceived on the pattern of the big industrial and consumer goods fairs being held in most indus-

trial countries, and exhibitors as well as organisers expected it to result in correspondingly large turnover figures and numerous business contracts. These expectations have not been fully borne out.

Further steps of a similar kind will not — that much is already certain — at once yield the desired results as long as African states intent on industrialisation entrench themselves behind high tariff barriers and impede exchanges of goods amongst themselves. Substantial improvements in the communication between the individual states are also needed to fructify commerce between them. Fairs like the one in Nairobi will not manifest their value for trade exchanges until the movement of goods and services can proceed "normally", unimpeded by the obstacles prevailing now. This will not happen for some considerable time yet. For the time being the first all-African fair in Nairobi remains therefore a noteworthy initiative which however will not necessarily give quick results. mk.

USA

Connally's Maxims

Economists have always believed that countries with a chronic balance of payments deficit should take measures to eliminate them. For small countries that may still be true today. But to large countries, the US Secretary of Finance Connally instructed us recently, this economic maxim no longer applies. His surprising contribution to economic science is a recipe for the removal of balance of payments deficits, not by measures and sacrifices of the country in question, but by "automatic discipline" on the part of the countries with persistent balance of payments surpluses. They are told to transfer a third or even half of their surpluses to the International Monetary Fund which will pass on these funds free of interest or at low interest rates to the countries in deficit. Among the latter the USA occupies the foremost place as it has had a chronic balance of payments deficit for a number of years. The suggested procedure would elegantly do away with its normal consequences.

It is another economic theorem that countries with persistent balance of payments surpluses should take measures to balance their payments. This may perhaps still hold good for big countries — but not for small countries, Connally enlightens us further. For if large countries — such as the USA — show balance of payments deficits, its small partners should put up with trade deficits and reduce their export potential. This is not to be done exclusively for the benefit of exports

from the big countries, but from a sense of brotherly concern for the well-being of the smaller countries. For the capacities released, Connally suggests further, could be employed inside these countries in the social sphere and in the fight against pollution. kw.

Hungary

Compensation Deals Unprofitable

One can hear again and again from firms doing business with COMECON countries that in very many cases the German exporter can secure orders only if he is prepared to accept products of which the country or foreign trade corporation in question wants to get rid. But what good are tomato pulp or textiles to a machinery maker? Not knowing the trade, he cannot easily find his way through what are mostly difficult markets. And so, being intent on selling his machines, he offers the compensation goods to contacts in touch with knowledgeable food importers or textile wholesalers who are interested in buying such goods on favourable terms, which means at attractive prices. The Chambers of Commerce in the Federal Republic have used their contacts to get business deals settled which could otherwise probably never have been carried through.

The fact however remains: The machinery exporter wants to sell his own product and therefore has in addition to sell some other merchandise which has been more or less forced on him and will not attract a would-be buyer unless offered at an interesting discount. The exporter must take this into account when costing his own export goods. The eastern foreign trade corporation may claim as a "success" that the coupling of two deals enabled it to export something extra but cannot escape the fact that it has paid for the machines a higher price than necessary. An honest calculation would show the compensation deal to be an unremunerative transaction, unremunerative also in that the deal may spoil the market price of products exported in the normal way.

The Hungarian Government has woken up to this fact. As Deputy Foreign Trade Minister Dr Szalai made clear during a recent visit to the Federal Republic, Budapest does not encourage compensation deals and does not look on them even with tacit approval. They are, he said, "unremunerative" and, from the balance of payments point of view, "dishonest"; one was only deceiving oneself with such deals. The Hungarians are so far alone in appreciating this fact. It is time for other eastern countries as well to draw the consequences. ja.