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Foreign trade: Private initiatives in East-West trade

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COMMENTS

Vietnam

A Power Poker

Individuals as well as nations often have to pay very dearly for illusions. If ever the US Administration really believed in its Vietnamisation policy, it has now something to think about. But the powers-that-be probably always knew better. As long as the good old domino-theory prevailed and the spirit of a crusade dominated, the Vietnam war seemed to make sense. However, for years already—since it was realised that China is not going to pocket all its border areas and that Vietnamese nationalism is too fierce ever to submit the country to another super-power—the question for the USA has been how to disentangle from the dirty war without burdening itself with the blame for forsaking a trusting ally and so losing face and international creditability.

Now a bewildered world watches the recent events in Vietnam: the offensive of the North and the retaliatory measures of the USA, which has concentrated a huge naval and air power in this far corner of the Pacific, is bombing North Vietnam and its supply lines with China and mined Haiphong Harbour and the other ports which handled major supplies of weapons, oil and food for the enemy. Knowing that the present offensive will—at least in the short run—hardly be influenced to such an extent as to justify the political risks President Nixon is taking in this election year, there seems to be one obvious reason only for this strategy. It is to be found in the poker game between the super-powers, to whom Vietnam is no more than a secondary issue. After the North Vietnamese offensive was unexpectedly successful, Nixon had to take a chance in order to improve his position at the Moscow conference table. This play seems to have paid off, since the Russian reactions so far are very restrained indeed. They seem to be very anxious not to risk the President's Moscow trip. But considering the suffering and misery brought upon the wretched people of Vietnam, one can only keep fingers crossed and hope for the best. hg.

Germany

Implementation of the "Ostpolitik"

Although the treaties of Moscow and Warsaw passed the Bundestag on May 17, neither the coalition nor the opposition can be happy about the final outcome of this long and strenuous ratification debate. Federal Chancellor Brandt learned that in future he can only count on 248 of 496 deputies and thus has no longer the support of a majority in Parliament. On the other hand, Barzel, who does not have a majority either,

learned that he is not undisputed as the Opposition Leader. For notwithstanding his pledge for ratification, after a Parliament resolution which emphasised the *modus-vivendi*-character of the treaties was jointly formulated, the Opposition opted for vote abstention.

Because of the importance of the treaties not only for the future relationship between the Federal Republic and the Socialist countries but also for the general détente process between East and West, it would have been better if a larger Bundstag majority had voted for them. But one should not forget that in democratic countries it is not unusual to make important decisions with very narrow majorities. It is now in the interest of all concerned to concentrate on the possibilities the treaties offer for the normalisation and improvement of overall relations.

The question most discussed in Bonn is, what will happen next. Now that the controversial eastern treaties have finally been ratified, the logical way out would be to have a general election at the earliest possible date. Some politicians argue that there is no guarantee that this would lead to a larger majority on either side. Due to the complicated German voting system this is a risk. But this risk is inherent in all elections, i.e. also in 1973. Others fear that the election campaign would bring the strongest confrontation ever known in the Federal Republic. However, this would not necessarily be a disadvantage, since it could help to clarify the alternatives of the different issues urgently to be discussed. Under the present constitution the dissolution of Parliament is most complicated. It is therefore necessary that both Brandt and Barzel get together again and agree upon the best Parliament dissolution procedure. crm.

Foreign Trade

Private Initiatives in East-West Trade

Organisations and companies of renown in a number of western countries which take an interest in the development of economic relations between East and West are about to issue a joint statement on East-West trade. A preparatory conference was held in Paris for this purpose in April. The US Committee for Economic Development (CED), the British Political and Economic Planning (PEP), the German Association for Economic and Social Development (CEPES) and corresponding institutions and associations in France, Italy, Sweden and Japan first came out in support of the liberalisation and intensification of East-West relations in 1965 when they adopted a joint resolution. At that time the American delegation — conforming to the political relationship of

the USA to most of the socialist states in 1965 — took a more reserved view of liberalisation than Japan and the European groups.

It is at least partly because the political landscape has changed that today US firms in particular show an interest in demonstrating their willingness to engage in an intensive East-West trade by issuing a statement conjointly with the other countries, which have in the meantime acquired a relatively large stake in the East-West business. US industry attaches importance to such a statement for drawing attention to the fact that the US Administration is now also dealing differently with East-West trade in a political and legal respect.

Although the statement drawn up in Paris has not yet been published, reference may be made here already to its constructive approach. The document may be expected to contain proposals for the removal of the difficulties impeding particularly the economic relations between East and West. It is in any case to be welcomed that private institutions in important industrial countries of the West — as well as their Governments with whom they seem to have secured agreement — are making active efforts to indicate possible ways for negotiations and arrangements. In the end it may be possible to replace the bilateral method by the multilateral principle. zb.

Great Britain

No more "Stop-and-Go"?

In the atmosphere of elation about the massive tax cuts in Great Britain, which the Chancellor of the Exchequer announced recently, a remark on monetary policy which Mr Barber made in his budget speech received little attention, although it augurs a notable change in the economic policy of the Tories. Mindful of past experience, of balance of payments considerations again and again setting an early end to phases of expansion, he told the Commons that "it is neither necessary nor desirable to distort domestic economies in order to maintain unrealistic exchange rates". The Chancellor of the Exchequer may count on general assent for his view that there is little point in maintaining and defending a fixed exchange rate for its own sake. Nevertheless, there is an uneasy feeling that the brakes will have to be applied after a while to stop a strong expansion resulting from the policy of massive demand stimulation which has now been pursued for over a year — and this for two reasons. One is that British accession to the Common Market will limit the British Government's freedom of action in the sphere of monetary policy; after entry into the first stage of economic and monetary union, revaluation and devaluation of exchange rates

will not be ruled out in principle, but they will be more difficult. The other one is that even with full freedom of policy in regard to exchange rates, the "stop-and-go era" can hardly be said to be definitely a matter of the past. Sooner or later the upward trend of prices and costs would in such conditions still exert enough pressure on the central bank and the public authorities to force the economic policy makers to apply the brakes. The only reason why such measures have not been brought to bear directly on inflationary developments in the past is, after all, that the restrictive policy, while described as "balance of payments-orientated", coincidentally tended to curb one of the causes of the external disequilibrium, namely, the fact that prices rose faster than in the outside world. wt.

EEC

Harmonisation of Immigration Policies

Differences of opinion certainly exist in the Labour Party about the value and benefits of the European Communities to Great Britain, but the party is agreed that, if Britain soon becomes a member with all the rights and duties which membership implies, the other members will have to help solve many a problem which has hitherto been of concern to Britain alone. The Labour Party has the Asians in mind who lived in East Africa and after independence were considered *personae non gratae* by the Africans, especially if they retained British colonial citizenship. Though British subjects, they were not received with open arms in the United Kingdom either.

A Labour Party commission has recently published a report — entitled "Citizenship, Immigration and Integration" — which dealt with the conditions for immigration into the UK and suggested a better solution for the displaced persons, in particular — i.e. a revision of the Commonwealth Immigrants Act, 1968: United Kingdom citizens of overseas origin who no longer possess colonial, dual or other nationality should be granted the right of free entry into Great Britain on the same basis as other UK citizens. The "Green Paper" furthermore makes the point — which attracted special interest in the British press — that these UK citizens would be free to move in the territory of the European Communities and might choose the Netherlands and the Federal Republic as offering especially attractive prospects for future settlement. Whether all Europeans concerned fully realise the possible consequences is impossible to find out at present. For this reason it would be better if all present and future EEC-members would once more confer about the subject and adopt a joint resolution in the spirit of the Labour report. ja.