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The socialist international: No attractions for LDCs

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COMMENTS

Pollution Control

Conflicts between Rich and Poor

The Stockholm conference on the environment was overshadowed by the antagonism between rich and poor which, as one was recently reminded at Santiago, is only too familiar a feature of international economic relations. The industrial nations urged that all producing countries should operate production and consumption processes which conserve the environment. The LDCs, on the other hand, would have liked nothing better than to put the blame for all pollution past and present on the rich nations alone and ask for compensation.

No country can reasonably resist the request of the industrial nations, for unless their demand is fulfilled it is impossible to ensure an adequate quality of life for the inhabitants of our earth. As it can easily be proved that the LDCs are causing quite a bit of pollution themselves, the question arises whether compensation payments by the industrial states to LDCs are justified. Compensation claims by LDCs cannot solely be based on such pollution as has occurred and is still occurring, and which must undoubtedly be attributed to a large extent to the industrial nations because they own most of the industrial capacity. If production is to proceed with due regard to the conservation of the environment, a price will have to be paid for it through loss of economic growth. Losses of growth however are bound to hurt the countries of the Third World incomparably harder than the industrial nations. For this reason the LDCs should not be denied compensation in return for subjecting their own production to the self-restraint implied in an environmental policy. ro.

Europe

EBIC Looks After the Multinationals

Not only the American but the European banks have the financing problems of their international enterprises at heart. The six European banks which have combined forces in the EBIC Group, the European Banks International Company SA, — Amsterdam-Rotterdam Bank (Netherlands), Deutsche Bank (Germany), Midland Bank (UK), Société Générale des Banques (Belgium), Creditanstalt-Bankverein (Austria), and Société Générale (France) — are demonstrating their interest in a specific way by introducing the "Ebicredit". By this means the EBIC banks enable the parents of international enterprises to borrow money

directly from the local branch of an EBIC member for use by their subsidiaries in anyone of the countries of the EBIC group.

Credit lines are opened by the local EBIC branches for the parent while payment is made by the EBIC partner banks direct to the subsidiaries abroad in national currency. The credits carry local rates of interest. The institute offering the credit gives a guarantee to the partner bank which pays it out. In this way international corporations can obtain investment credits as well as loans to provide working capital of between DM 0.5 and 10 mn. The special advantage of this arrangement is that it avoids complications and saves time.

That the "Ebicredit" will be popular with international corporations seems certain. The figures of direct investment integration in Europe certainly suggest it. The proportional share of the rising total of British direct investment abroad which has gone to the EEC has increased from 7.4 p.c. (£ 218 mn) in 1960 to 12.0 p.c. (£ 733 mn) in 1969. The German international enterprises have raised their share of direct investments in Europe from 38.5 p.c. (DM 1.5 bn) in 1961 to 56.9 p.c. (DM 12.0 bn) in 1970. In view of the banking potential supporting the group — sum total of balance-sheets DM 140 bn, 9000 branches, 150000 employees — it may be expected that the international corporations will soon prove the popularity of this new credit facility by making active use of it. rmb.

The Socialist International

No Attractions for LDCs

At no time since its reestablishment in 1951 has the Socialist International been in a position to give the course of contemporary history a new direction. During its 12th congress in Vienna at the end of June it looked at times as if the Socialist International was no longer even aware of contemporary history. The only relief came from Federal Chancellor Brandt's trenchant speech on the global tasks of the future and the proposal of the leader of the Labour Party, Harold Wilson, to evolve a socialist strategy for the Third World and to deal with the problem of industrial development and protection of the environment in separate commissions. It is due to these two that the International did not confine itself to electing a chairman and deputy chairmen and airing the European Social Democrats' own problems.

In view of their understanding of themselves it is not surprising that the Socialist International is predominantly composed of Social Democratic parties of Europe and that 23 of its 57 members only were represented in Vienna. The intensive efforts, pursued over recent years, to win countries of the Third World as new members are however unlikely to meet with much success as long as the International continues to be an instrument in the hands of selfish Europeans. Impassioned debates on such problems as ceiling prices for butter or quality assessment of red wines cannot evoke a response from the billions of starving people in the Third World. The Social Democratic ideas of the International will not develop into a genuine alternative to the concepts of men like Allende, Castro and Mao, which today have many more followers, unless it turns its attention to other, more important problems and evolves its own solutions for them. kw.

Great Britain

Dissolution of Sterling Bloc?

When the British Government announced that it would let the pound sterling float to thwart the speculators, most observers in the industrialised countries saw this as the beginning of another monetary crisis only a few months after a tolerable compromise had been adopted in Washington. There were all the external signs of an international crisis: Weekend conferences in Brussels, Tokyo and Washington, closure of foreign exchange markets in most industrial countries, and measures against free dealings in foreign currencies.

Once again not a single word was said in these hours about the less developed countries (LDCs). The sterling crisis however hits them quite as hard as did the dollar crisis, and perhaps even harder. For there still exists a sterling bloc with facilities which many former British colonies are using for making and receiving payments. Besides, many LDCs are still holding considerable sterling balances. These are depreciating as a result of the floating, and this is a heavy blow for them because most countries of the Third World are in any case lacking adequate currency reserves.

This being the case, it did not come as a surprise that the Indian Government closed the foreign exchange markets immediately sterling began to float and Ceylon announced its withdrawal from the sterling bloc, thus breaking one of the last remaining links with the former mother country. This reaction appears to be welcome to Great Britain as its own problems are difficult enough

and the liquidation of the sterling bloc commitments would not occasion any grief. For the LDCs this attitude is hard to bear because it hampers their efforts to find firm ground in the international monetary system. They are the more disappointed because it was only a few weeks ago, at the UNCTAD in Santiago, that the industrial countries assured them that international monetary crises were in future to be solved only by measures which are also approved by the LDCs. mk.

Germany

Crisis in Bonn

The sterling crisis did not only lead to another crumbling of the fragile edifice of the international currency system but also to a crisis in Bonn. After violent controversies within the Government about the method of screening the Federal Republic against unwanted inflows of foreign exchange the variant of dirigism prevailed against the liberal conception.

Opponents in this discussion were the President of the German Federal Bank, Karl Klasen, and the Federal Minister of Economics and Finance, Karl Schiller. Klasen asserted himself and after tug-of-war Schiller resigned. According to Schiller a dangerous path has been adopted with the introduction of exchange controls.

This, however, was not the only reason persuading Schiller to go out of office. In his letter of resignation addressed to Federal Chancellor Brandt — incidentally another paper reaching the public in a rather obscure manner — he settled accounts with his opponents in the Government. The reproaches that the Government obscure consciously the financial crisis, were not the harshest ones in the letter.

Nobody, however, can be happy about this development. Neither are Schiller's endeavours to style himself as a martyr of unprincipled politics justified, nor is the opposition's gratification in its comments on the events. To Schiller's detriment, the impression was too strong that his weak position in the struggle for a favourable place on the ticket for the forthcoming elections and the lack of promises of a post in another possible government formed by the Social Democrats and the Free Democrats also played a role for his decision. And the opposition is in an unfavourable position as long as it is unable to offer a convincing economic alternative. Nevertheless its election chances should have improved now, for the impression of a crumbling government afflicted with feeble leadership qualities can hardly be camouflaged by Willy Brandt's image of a statesman. ogm.