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FRG-China: Normal relations imminent

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COMMENTS

USA-USSR

Negotiations about a Trade Agreement

The trade between the USSR and the USA is still of modest proportions. US exports account for \$ 161 mn and US imports for \$ 57 mn out of the Soviet Union's total trade of over \$4 bn (in 1971) with capitalist countries. The position is now to be changed; since July 20 a joint trade commission, set up during the Moscow summit meeting in May, has been at work negotiating a general trade agreement between the USA and the USSR which is to be accomplished by the end of this year.

The difficulties in the way of reaching such an agreement are not new. There is first and foremost the crucial one of settling the issue of the debts arising from US supplies of armaments and other goods to the Soviet Union in World War II. On the solution of this question depends whether the USA will concede the principal Soviet demand — most-favoured-nation treatment for imports from the USSR. Until now Soviet exports to the USA have been subject to the 1930 tariffs; they have been excluded from all the later tariff cuts for other countries.

Compared with these two issues, finance of US deliveries to the USSR and the US export embargo on strategic goods seem to present fairly moderate problems. The embargo lists have been progressively shortened, and this trend is likely to continue in future. As for the terms of finance, the USA will have to accept the conditions governing similar transactions between the USSR and other western countries if it wants to do business with the Soviet Union.

That the USA has this wish is not in doubt. For American industry has no desire to leave the large Soviet market to the countries of western Europe. The Soviet Union for its part will have to make concessions to the USA because it has a real need of know-how in the form of data processing plant to be imported from the USA.

kw.

FRG-China

Normal Relations Imminent

The Chinese leaders availed themselves of the opportunity of the visit of Gerhard Schroeder, the Chairman of the Foreign Affairs Committee of the Lower House of the German Parliament, to their country to let the Federal Republic know that China is ready to open diplomatic relations without reservations or prior conditions and interested in "normal" contacts with the FRG. China has

thus used a politician of the opposition to put the Federal Government under time pressure. For the Federal Government will have to let official steps follow Schroeder's unofficial contacts if its objective of starting talks with all socialist states is not to lose credibility.

A disappointment however is in store for those observers—and there seem to be many such in the Federal Republic—who expect a German-Chinese rapprochement and establishment of diplomatic relations before the end of this year to lead to a substantial upsurge in economic interchanges with China. In the economic sphere China has in recent years intensified its efforts to achieve as much as possible by relying on its own resources and to attain self-sufficiency. China will deviate from this policy just as little as possible in future.

The Chinese motives for the departure from the self-sought isolation from the western countries including the FRG are to be found in the political sphere. Moscow's influence in the western countries is to be curtailed, however small it may be now. And the violence of the reactions from Moscow, and also from East Berlin, shows plainly that this intention is fully appreciated. It can be easily understood, on the other hand, that the Federal Government, which is setting out on a course of normalisation with Moscow and talks with East Berlin, feels less joy about the Chinese advances than an opposition leader like Schroeder who derives publicity from his trip to China. bw.

USA

New-found Realism

The American Federal Banks' intervention in support of the dollar has been watched keenly in the world. Many people regarded the operations in the foreign exchange market as nothing short of a sensation because it was the first instance in the history of the Bretton Woods system of the USA taking action to support its own currency in the market. Though the time chosen for the American support purchases may cause surprise, the measure as such is certainly not at all devoid of logic. It is a link in the evolutionary chain of the dollar's passage from its former position as the world's anchor currency and unchallenged reserve medium to that of one currency among many. Seen as a whole, this process may involve a loss of status for the dollar, but the latest step of the Federal Banks will do something to refurbish its image. In any case, the dollar's prestige can hardly sink lower than it is now.