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USA: New-found realism

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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.

The USA appears to have come to grips with the fact that the value of a currency is not founded in the political and economic greatness of the past, however glorious that past has been. It is the reality of today which counts. And in reality the USA today is one economic giant among several, although still by far the most powerful of all. And the value of a currency is not a function of size however huge but of economic solidity sustained by a purposeful economic policy. If a more flexible approach in monetary policy is in future accompanied by a more vigorous economic policy such as has long been missing but would restore stability to the domestic scene, America will demonstrate that it can still practise a virtue with which Anglo-Saxons have often been credited: to act realistically when it matters. ro.

Japan

The Year of the Rat

With the Year of the Rat the Far Eastern zodiac in 1972 entered a new duodenary while Japan is facing the prospect of profound changes in its foreign and domestic policies. The USA's progressive withdrawal from Asia and rapprochement with China have altered Japan's foreign political horizon quite drastically. In its domestic politics a new epoch has opened now that Premier Kakuei Tanaka has assumed office: A younger generation is taking over from the old men who by their immense efforts transformed a prostrate country into an economic world power.

It is to be assumed on grounds of structural, oecological and foreign trade policy that the "Japanese miracle" has come up against its limits. At the same time increasing importance must be attached to the fact that Japan's infrastructure and social services are lagging behind the other developed countries and the damage to the environment has already proceeded beyond what can be tolerated. In foreign trade matters Japan is meeting stiffening resistance from its western trading partners, especially from the USA which will no longer put up with a \$ 3-4 bn deficit.

Although the American-Japanese economic conference at the end of July did not attain its short-term objective of cutting the US deficit in the current year already to less than \$ 3 bn, the important concessions made by the Japanese, especially in the sphere of distribution, must not be overlooked. In future Japan will have supermarkets and chain stores which are wholly owned by foreign interests. President Nixon should concede that the first revaluation of 1971 could not yet have made itself fully felt rather than exert maximum pressure for another one on the

new Japanese Premier at their proposed summit meeting on August 31. Tanaka is known to be an advocate of vast state-financed infrastructural and social programmes which would divert investments from the private to the public sector and thereby probably give economic growth a new direction. This in turn would give corresponding relief to Japan's trading partners who at present regard Japan's exports as a threat to themselves. hg.

Bolivia

Development Volunteers' Affair

The military government in Bolivia temporarily arrested 12 German development volunteers and expelled three. The accusation levelled against them by the Bolivian authorities was, put in innocuous terms, contact with oppositional elements. Evidence of any concrete action however could be supplied only against one of them, the representative of the German Development Service (DED). He helped the oppositional head of Santa Cruz University to flee the country when the present President, Hugo Bantzer, assumed power.

As a result of these events, a fierce controversy has broken out in the FRG, despite the summer recess, about the role of the DED. In the view of the opposition parties, the episode has revealed that the DED has turned into "a refuge for programmed left revolutionaries" and so the opposition has urged the Minister for Economic Cooperation, Eppler, to draw the conclusions from the Bolivian mishap by taking action to ensure that development volunteers confine themselves to the tasks assigned to them and refrain from meddling in the political affairs of the country in which they work.

The controversy has made clear that the situation of the German Development Service harbours the seeds of conflict, for it is questionable whether it is still possible, or even desirable, to find totally apolitical development volunteers. Doing the work which falls on him, the development volunteer cannot in the long term avoid thinking in political terms. On the contrary, when confronted with the specific conditions in the host country, political thoughts are practically forced on him. It would be difficult to find in this present generation a development volunteer ready to divert his eyes from the politics of his host country. Young men who elect to do practical development aid are not just specialists but responding to a (political) call. German development policy should see its prime task in safeguarding the security of the voluntary workers and not in trying to make them abjure all political thoughts. schw.