

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

EEC: Ineffectual stabilisation conference

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1972) : EEC: Ineffectual stabilisation conference, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 12, pp. 360-, <https://doi.org/10.1007/BF02927482>

This Version is available at:

<https://hdl.handle.net/10419/138741>

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COMMENTS

Germany

A Vote for Brandt

For the observers of the German election on November 19 there were quite a few surprises: First, the tight race between Herr Brandt and Herr Barzel which had been forecasted did not take place. Second, not only did the Liberal Democratic Party—FDP—under the leadership of Herr Scheel gain votes and Bundestag seats (8.4 p.c. of total votes, 42 seats)—which had been generally expected—, but also Herr Brandt's Social Democratic Party—SPD—(45.9 p.c., 230 seats)—which came as a surprise even to its leaders. Third, the loser of this election is the candidate for Chancellor of the Christian Democratic Union—CDU—and the Bavarian Christian Social Union—CSU—, Herr Barzel, whose opposition against the "Ostpolitik" of the SPD/FDP coalition, attacks on the past economic policy that secured employment at the cost of an inflation rate of over 6 p.c., and law-and-order-preaching did not lead to an increase, but to a decline in voters' support (44.8 p.c., 224 seats).

The victory of the old and new coalition government does not mean that the Federal Republic of Germany is a country without problems. On the contrary, there are several matters which need solution during the next few years. In the field of foreign policy the establishment of a *modus vivendi* with the German Democratic Republic and the normalisation policy towards the East will continue to be difficult. The same applies for the future development of the EEC and the strained relations with the USA, Japan and the developing countries. But the most difficult task should be the trimming of the price increase from an intolerable 6 p.c. to less than 5 p.c. This will only be possible if government, trade unions and industry are willing to work out a strategy for stability. No doubt such a strategy will demand sacrifices from all

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EEC

Ineffectual Stabilisation Conference

The scepticism about the results of the summit meeting in Paris of the heads of state and government of the enlarged EEC was substantiated only ten days later in one important field. The attempt by the European Economics and Finance Ministers to implement their mandate from the summit conference and decide on effective and concrete Community measures against the progress of inflation has largely failed.

Agreement was reached only on guidelines for budget and credit policies, which are within the

competence of the individual states. These policies are to be applied in such a way that between the end of this year and the end of 1973 price rises in the EEC are held to a rate of 4 p.c., but exemptions have been granted to countries suffering from underemployment. It is not difficult to foresee already now that Britain, Italy, Eire, Belgium, Luxembourg and, possibly, also the Netherlands will avoid imposing a restrictive stabilisation policy by claiming exemption on this ground. Hence a second package—the tariff and agricultural measures on which the Commission and the Federal Republic were insisting—seemed to be all the more important. Action on these fields, which are unquestionably within the competence of the Community, however failed in the face of French opposition; the French regarded voluntary tariff cuts ahead of the GATT conference due next year as inopportune.

The latest Council meeting has thus demonstrated once more that for the time being the member states cannot be committed to a common stabilisation policy. Economic conditions in the individual countries differ too widely, and their economic policies are correspondingly also differing as far as the order of priorities for the various objectives is concerned. Countries with underemployment and structural problems have other things to worry about apart from stabilisation.

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Raw Materials

The International Cocoa Agreement

The United Nations cocoa conference ended in Geneva at the end of October with the adoption of an international cocoa agreement. It is based on an export quota system linked with a buffer pool mechanism, and the quotas are to be adjusted as the situation in the market changes. To supervise the agreement, an International Cocoa Council has been set up, which is to include producing as well as consuming countries.

It is the aim and purpose of the agreement to stabilise the cocoa market in general. Exceptionally wide fluctuations of cocoa prices, which are detrimental to the long term interests of producers and consumers alike, are to be prevented. The success of the agreement however is in jeopardy because the United States have not joined and the Federal Republic of Germany has substantial reservations. In the view of the German delegation it could not join an agreement which takes in no more than about 70 p.c. of world consumption. As the USA, with about 25 p.c. of the world total, wants to stay outside, the agreement lacks, in Bonn's view, a large enough basis.