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COMMENTS

Germany

Another DM Revaluation

The latest DM revaluation — by 5 p.c. on June 29 — was preceded by hectic movements in the foreign exchange markets. They began with the dollar steadily moving downwards and reached a climax with a speculative flight into the DM. Owners of dollars whose confidence has been shaken by Watergate and the US trade deficit chose the usual escape route into the DM which thus again became the strongest currency in the European joint float. To keep in the 2.25 p.c. margin for fluctuations against other joint float currencies, the Federal Bank had to purchase foreign currencies to the amount of DM 4 bn in the past few days before the revaluation. The consequential inflation of the internal money volume threatened to frustrate the efforts for stabilisation in the Federal Republic of Germany.

Faced with such a situation, the Federal Government had only a choice between two alternatives to counter the massive threat to domestic stability: one was to withdraw from the joint float, i.e. to let the DM find its own exchange rate level; the other one was yet another revaluation. Having regard to the foreign-political importance of forming a European economic and monetary union, the Federal Government really had no choice but to decide in favour of the second alternative.

The notion that joint floating offers guaranteed protection against dollar speculation has been exploded by the recent developments. The only difference from previous monetary crises was that the familiar train of events did not take place directly between the US \$ and the DM but took a detour via the currencies of the joint float partners. As long as even progress in the sphere of harmonisation of economic policies in the European Community remains a pipedream, it must be expected that further DM revaluations will follow each other at relatively short intervals. ch.

Australia

Restrictive Trade Policy

Australia's development from a colonial agricultural country to one with a highly developed economy and a diversified production structure is remarkable in that the metamorphosis took a relatively short time. Not so long ago the country was closely integrated with the finely tuned economic mechanism of the British Empire. The great changes in Australia's position within the world

economy did not come about without some friction. The last change of government is only an example. Unlike the Labour Party of New Zealand, the Australian Labour Party has been pursuing an aggressive economic policy.

Most important for Australia's changed standing in the world market has been the expansion of its manufacturing industry. The government in Canberra considered the dependence on foreign supplies of goods to be dangerous and provided an exceptional measure of support and encouragement for the building up of industrial production in the country. For the most part this was done behind an — economically highly questionable — barrier of massive and in part prohibitive protective tariffs.

It may be questioned whether Australia has to go on with this policy and indeed whether the country can do so. It is after all a fact that the enormous distance separating it from the leading industrial countries and the high transport costs resulting from it put Australia geographically and, one may say, naturally in a special position which need not be buttressed further by tariff walls against world market competitors to create a protected zone of relatively high cost production. It would therefore be welcome if the Australian in the interests of world trade would see fit to adopt a more liberal attitude. iwe.

UNIDO

Technology for the Third World

The fourth world conference of UNIDO, the United Nations Industrial Development Organization, on July 4–11, was the first meeting of a UN organisation in West Berlin. This world conference, which was held in cooperation with the Deutsche Stiftung für internationale Entwicklung (German Foundation for International Development) and Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation), was attended by representatives of 125 institutions for the financing of industrial development in 59 countries, amongst them a delegation from the USSR.

In his address to the conference Dr Eppler, the Federal Minister for Economic Cooperation, announced new Federal Government initiatives for development aid concentrating on industrial production processes. The Federal Government will start by setting up an Institute for Technology in Developing Countries which is to act as a primer for technological research. It is to collaborate with international organisations which are working in the field of technology transfer.

For the developing countries new plants and technologies are crucial prerequisites of political, economic and social advance. It is Dr Eppler's view that the capital-intensive production processes of the West lend themselves in rare instances only to use in developing countries. The latter should rather develop technologies of their own, albeit with assistance by the West, because only labour-intensive methods which require a minimum of capital can give them a real chance. This "adapted" technology had at first been deprecated as neocolonialism. It may be recorded as a positive development that these original suspicions have meanwhile largely disappeared.

After its admission to the UN the Federal Republic will have to face up to development policy issues more often. The establishment of this new technological institute must therefore be regarded as no more than a beginning. Many responsible tasks will devolve upon the Federal Republic in the numerous committees at UN headquarters.

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Roumania

Cooperation with Germany

Nicolae Ceausescu was the first head of state of a communist country to pay Bonn a visit. Economic interests determined this visit in late June. The Federal Republic has been cooperating more actively than any other western country with this nation of twenty millions which has also shown political courage, as is brought out most clearly by the fact that with a 10 p.c. share in Roumania's foreign trade it ranks second among its trade partners, behind the Soviet Union; among the countries of the western world it is holding the first place. It is not likely to be forgotten in Bonn that Roumania, as the first Warsaw Pact country to do so, in 1967 established full diplomatic relations with the Federal Republic, a step which provoked harsh criticism from the socialist brothers.

The Roumanian guest was therefore a very welcome visitor, and his state visit began under most auspicious circumstances. As a socialist pioneer of the East-West détente he is a guarantor of good economic as well as political cooperation. Unlike Brezhnev on his recent visit, Ceausescu was in no position to tempt West German industrialists with supplies of natural gas and electric power, but he made up for that by offering generous terms for cooperation agreements with capitalist firms. Western enterprises may acquire shareholdings of up to 49 p.c. in "joint corporations" in Roumania. Protection for the foreign minority partner, tax preferences, generous treatment for profit transfers and prospects of cooperation in third markets are among the major points

in favour of such agreements. In the circumstances Ceausescu had no difficulty to convince German firms willing to cooperate of the advantages of such cooperation, and he was able to sign the first such agreements. In future capitalist firms with know-how and capital and socialist enterprises with raw materials and cheap labour might together help to let Ceausescu's dream of a strong socialist industrial state come true on Roumanian soil.

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OAU

Gloomy Forecasts

When the Organization of African Unity held its tenth meeting in Addis Ababa in May 1973, some observers were reminded of an Old Boys' reunion. Many of the attending heads of state and delegates had met on various occasions in previous years, and the subjects before the conference had not changed: support for the liberation movements in Guinea and Mozambique, settlement of inter-state boundary disputes, and measures for the reinforcement of economic independence. Acute and pressing problems were, as usual, pushed aside or relegated to the background. The aim on this tenth anniversary was more than ever to present a symbol of unity to the outside world. Hence the frontier dispute between Ethiopia and Somalia was swept under the table. Uganda's Prime Minister Idi Amin, who on other occasions is dreaded or looked at askance, won general acclaim when he preached joint militant efforts against the last white colonies. There was no break, not even for humanitarian measures, from the policy of passing in silence over major problems.

Although six million human beings, stricken by years of drought in West and Central Africa, must fear for their lives, a proposal to solve this problem which the OAU's administrative secretary general, Mr Nzo Ekgangadi, had submitted was not put on the agenda. In a report on the situation he had proposed joint research programmes for the timely discovery and prevention of drought disasters, joint compilation and examination of all water reserves in Africa and establishment of regional food stores for long-term redress. It proved impossible to implement these plans, lack of money being only one of the reasons.

Against this background the verbose and repetitive demands for African unity and solidarity have a hollow ring. As elsewhere, it is evidently impossible even to start to agree on a common policy for water and food supplies. That is why pessimists believe that the OAU has still a long way to go before even its simplest plans will come to fruition.

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