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Spain: Dynamic expansion

Intereconomics

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which has resulted from inexcusable mistakes in land cultivation. The Sahara could not have spread outwards as it did had not all conceivable ecological rules been violated in the dry savannas and steppes. Overgrazing, overcropping, scorching of the vegetation and deforestation have played havoc with the environment.

There is thus the more reason to welcome the initiatives by several scientists and the UN's agricultural agency, the FAO, in particular to devise strategies for the longer term. Various means are available to prevent the Sahara spreading farther: the herds of animals in the Sahel could be reduced, wells be drilled, new oases created, vegetation regenerated. The good results obtained in this way in Mauretania should encourage the industrialised countries to give more financial and technical aid, for its benefits would be of world-wide significance: drastic atmospheric changes could follow if further large areas of Africa turn into desert. iwe.

Spain

Dynamic Expansion

Following the sharp recession of 1970 Spain has for several years experienced a marked expansion, which seems to rule out a relapse into the former economic apathy. With a growth rate of 8 p.c. in 1973 Spain is comparing favourably with other European countries. No wonder then that Spain has become very attractive for foreign investors. In 1972 investments totalling 41.6 bn pesetas were officially sanctioned, compared with 25 bn in 1971 and 1.1 bn in 1967. In the year just ended the trend has continued, thanks to two especially large investment projects. British Leyland will build a new engine factory near Pamplona, and Ford is planning a 400,000 cars a year plant near Valencia.

Substantial revenues are derived from tourism, which by the end of August had yielded about US \$ 1.8 bn — 22 p.c. more than at the corresponding time of the preceding year — and from the remittances of guest workers, which still play a major role in the balance of payments.

With expansion proceeding at such a fast pace it has been impossible to avoid a high rate of inflation — 12 p.c. compared with wage increases of 19 p.c. A relatively steep upsurge of prices will be accepted in the next year or two so as not to retard economic growth. In the past two months however the inflation has been slowed by a — not very strictly enforced — price stop on a number of essential goods including, e.g., the price of petrol which was not allowed to go up before the beginning of 1974 and then only by 20 p.c.

The present crisis situation in the world economy is not causing any immediate anxiety because for the time being oil is not in short supply. Spain is however taking precautions and working vigorously on an extensive nuclear power programme. Atomic stations are to supply one-third of all the electricity required in the early eighties: Iberduero, the leading electricity group, will have over 20 nuclear power stations in operation by then. Foreign investors may find good opportunities in this field too. hg.

EC

Multinational Enterprises

That the multinational corporations are exerting an increasingly strong influence on the economic, social and political life of the countries in which they operate is a fact, that can no longer be ignored in Brussels. Like the United Nations, the World Trade Conference (UNCTAD III), the International Labour Conference and the OECD before it, the EC Commission has had to concern itself with the multinational enterprises.

The multinational corporations have by now grown to such dimensions and spread their activities over such large areas as to arouse doubts about the effectiveness of the measures, which are traditionally applied by public authorities in this field. An aggravating factor is that the trade unions, which would be a counter-weight to the multinational enterprises, have so far been unable to achieve a corresponding degree of cohesion and international integration. As a consequence there is no constraint on these groups to prevent a negative impact of their commercial policies on employment and competition. There is, besides, the problem of tax evasion and currency speculation.

The problems inherent in the existence of multinational enterprises can, as the Commission has correctly observed, only be resolved if the public authorities create counter-weights on a Community level and on an international scale. Needed for this purpose is a plexus of interlinking legal instruments that is sufficiently dense to prevent operations which the Community deems undesirable. As the multinational enterprises are however capable of an useful contribution to the realisation of the Community's economic and social objectives, they should in principle not be subjected to discrimination, but only to stricter control. The Commission has forwarded pertaining recommendations to the Council of Ministers. It is now up to the Council to make speedily suitable decisions so as to lessen the advantages, which the multinational enterprises enjoy over mono-national firms and trade unions by virtue of their international status. kw.