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## France: Farewell to the snake

Intereconomics

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lems for the Federal Republic, considering its huge currency reserves.

Problems, however, could easily arise for other members of the OECD, especially those who had an adverse balance of current transactions before the oil crisis. According to an estimate of the OECD Secretariat, the total deficit of OECD members' balances of current transactions will reach an approximate US-\$ 40 bn in this year. As the greater part of the deficit certainly cannot be compensated — at least on a short term — by increased exports, several countries could be faced with serious payment problems. How these problems can best be solved is a matter upon which the Committee could not decide as opinions were quite diverse on this point. The possibilities ranged from only adjusting the foreign exchange rates to borrowing on the international capital market according to the French example.

However all these measures are realistic only if the oil producing countries invest their surpluses directly in or let them flow indirectly, e.g. through the Euro-dollar markets, into the industrial countries. In order to prevent distortions in the international monetary system, it would therefore be necessary to come to an understanding with the oil producing countries on their investment policy, as they too could not be interested in such disturbances. Such an agreement cannot be achieved either by bilateral arrangements or by group building: to a functioning international trade and monetary system all must be willing to contribute together. ogm.

### *Egypt*

## **Clearing the Suez Canal**

Provided the political détente in the Middle East continues, it may be assumed that the wreckage from the six-day war of 1967 will be cleared from the Suez Canal in six months' time at the latest and, the necessary repair work having been carried out, the Canal will be opened for shipping a few months later.

The news of the early reopening of the Suez Canal has given pleasure only to the Soviets who probably played a not insignificant part in bringing about this decision. For Soviet merchant ships of the Black Sea fleet the sea route to eastern Siberia will be about 40 p.c. shorter. Besides, there is the strategic importance of the Suez Canal: to the Soviets' Mediterranean fleet the Suez Canal will probably provide an easier outlet from the Mediterranean than the Straits of Gibraltar which could be easily blocked in a conflict.

The shipowners in western countries do not feel unqualified joy. They fear that the freight rates for liners and tramps of up to about 60,000 tdw, which can pass the Suez Canal, will fall substantially because with the Canal again in use they will be able to make more round voyages each year, so that there will be more tonnage available to satisfy an unchanged demand. If the freight rates for these vessels fall, those for the bigger ships, which are too large to pass through the Canal, will not remain unaffected because the markets are interdependent. As the orders for many of the larger vessels were placed on the assumption that the Suez Canal would remain closed for some time and the availability of tonnage would therefore remain constant, cuts in freight rates may cause financing difficulties. Besides, after the heavy pressure on freight rates in recent years western shipowners have no desire to see the rates so soon subjected to heavy pressure again. kw.

### *France*

## **Farewell to the Snake**

The currency snake has lost its head and tail. By relieving the French national bank of its duty of intervention for six months ahead France has opted out of the European currency club. The decision came as an utter surprise, for any departure from fixed exchange rates had been anathema to the men who make monetary policy in Paris. During the German solo floating two years ago Giscard d'Estaing had still said indignantly: "There is no fully effective international monetary system without fixed parities." The French Government is hopeful that its step, which is a disguised devaluation, will improve the defences of its currency reserves against speculative attacks, help exports and thus ensure a satisfactory employment position. The economy is to escape the damaging repercussions of the massive rise in crude oil prices.

This concern is perfectly understandable although all European states have to calculate with dearer oil. Not currency manipulations by individual states but common action would have been a sensible alternative. To the European Community the French side-step at this very moment must seem a dangerous blow, for France was one of the pillars of the central group on which the hopes for a common currency rested. The time-table set for European economic and monetary union will now have to be revised, at the very least; the efforts for integration have suffered a serious setback. In French eyes, it appears, national interests still take preference over an all-European policy even though such an attitude causes France more damage in the long run. zz.