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The Billion Dollar Misunderstanding

The firms in western industrialized states which invest abroad and especially in development plan countries can heave a sigh of relief. They need no longer be afraid of controls, restrictions or even expropriation — at least not if Third World governments listen to State President Boumedienne of Algeria. On the contrary: direct investments fulfil almost all the developing countries' wishes, giving them urgently needed capital, technical know-how which they cannot generate themselves and in addition a considerable measure of influence on the investing countries. How else is one to interpret Boumedienne's warning to his Arab friends not to invest their surplus billions with the industrialized nations of the West because it would reduce them to dependence upon them? Until recently the argument always went the other way.

However, the industrialized countries also seem no longer to be sure of the cause which they used to defend with great eloquence. They have also prudently changed their posture. Now that the oil billions are beginning to flow back to their industries in the form of shareholdings it is their turn to fear dependence upon others. That has been the case in the Federal Republic in particular because its economic and political stability makes it a favourite for investments.

Reacting to a few spectacular instances — e.g. Daimler-Benz Krupp — economic and financial circles have been hectically busy discussing models which can prevent Middle Eastern po-

tentates from gaining controlling positions in the German economy without cutting off the inflow of their monies. They do not want to do without the money but wish to remain masters in their own house. It would of course be simplest if the oil exporting countries would use their revenues to purchase industrial products. But what can a country like Kuwait buy seeing that the blissful population of this sheikhdom has already got everything?

What then is to be done? Are industry, banks and government to try to reach a kind of gentlemen's agreement to make sales of shares to foreigners more transparent and find a way of looking for joint solutions in the event of undesirable purchases or share-offerings involving considerations of national security? Undesirable transfers of shares cannot be ruled out altogether in this way. Besides, German bankers surmise that foreign colleagues who would not be tied by such agreements might pocket the fat commissions for negotiating such deals.

The issue of preference shares or other voting restrictions is also being discussed but the captains of industry are here standing in their own way: understandably they do not want to lose the dominant influence in the enterprises under their control. Defensive measures of this kind can besides be eluded by interposing some figurehead.

The state is left as the final resort. Allegedly the problem can only be solved through compulsory registration and licens-

ing. True, the Federal Republic is certainly not alone in wishing to get a grip on the flow-back of the oil billions. In Japan for instance foreign investors are traditionally seen as invaders and acquisitions of shares are still subject to strict controls and, above a certain limit, licences although the OECD liberalization code was accepted as early as 1964 and great changes were foreshadowed. Germany's western neighbour, France — although a member of the EC — has also woven a dense screen against excessive foreign influence. Even such liberal countries as Great Britain and Sweden curtailed the freedom of capital movements long ago and what has been discussed in the USA since 1974 borders on Japanese methods.

But how does all this affect our free economic order? What about the principle of free movement of capital which has always been praised alongside the principle of the free movement of goods and has supposedly given so many impulses to growth in the Federal Republic for which reason it is recommended to the developing countries by the very same people who are now complaining?

It is seen once more that big business likes the role of advocate for the market economy only as long as it benefits from it. In other situations it appeals, together with the press media, to national interest and for governmental action to ward off otherwise unavoidable harm to state and society.

Or does racial discrimination come into it? *Manfred Holthus*