

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

Article — Digitized Version

UN maritime conference: Agreement still a long way off

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1975) : UN maritime conference: Agreement still a long way off, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 10, Iss. 6, pp. 168-169, <https://doi.org/10.1007/BF02928857>

This Version is available at:

<https://hdl.handle.net/10419/139208>

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COMMENTS

PR China

An Oil Power in the Far East

It looks as if the oil power of the future will be neither in the Near East nor in the Middle East but in the Far East. If the experts are to be believed, China's oil reserves on shore and on the sea-shelf in its territorial waters may be larger than all the known oil deposits of the Middle East together, and the OPEC may very soon be up against a serious and powerful competitor.

China's oil industry underwent a tremendous upsurge in recent years. Utterly dependent upon Soviet oil right up to the sixties, the People's Republic has succeeded in a very short time indeed in meeting its requirements of oil products from its own production. And there is still enough oil left for exports as petroleum is as yet playing only a modest role as an energy source in China. The People's Republic is on the point of balancing its foreign payments in the face of growing import demands by bringing its mineral oil into play as an export factor. Since 1973 China has figured as an oil exporter.

For the time being however the expansion of the crude oil output — and especially of the oil processing industry — must be kept in narrow limits. There is a shortage of transport and the distances to be covered are great. Transport is the main bottleneck in China's foreign trade. Of storage facilities, pipelines, crude steel for their construction, wharves and loading facilities there is also a shortage, and the enlargement of the refining capacity has not kept pace with crude oil production. The industrialized countries of the West could find here a rewarding outlet for their technology although they must not lose sight of the Chinese predilection for autarky. The export opportunities in the oil sector cannot be turned to account unless and until China retreats from the emphatically asserted maxim of self-reliance. Besides, its own consumption will increase gradually and more crude will be processed into intermediate and finished products inside the country. Peking will also want to make use of its oil as a political weapon for strengthening its position in the countries of the Third World. zz.

Latin America

New Impulses for Integration?

President Echeverría of Mexico and President Pérez of Venezuela appealed to their colleagues in the other Latin American countries in March to increase the efforts for integration. All are to cooperate in setting up a new economic organisation for Latin America, the Sistema Económico

Latino Americano (SELA), which is to serve as a new instrument for the integration of Latin America and to help to energize the free trade area of the Asociación Latino Americana de Libre Comercio (ALALC) and to invigorate the Andes Pact.

It must be asked whether new impulses for existing organisations can be expected at all from the creation of yet another organisation and whether there is not a danger of fragmentation of effort. The objectives, and especially also the competencies, of SELA must be subjected to a closer examination in order to answer these questions. Its sponsors would like SELA to concern itself with the promotion of development programmes and projects, the establishment of multinational Latin American enterprises for the increased and improved utilization of local raw materials under Latin American control, the creation of financial institutions for the development of the area, and the safeguarding of prices and markets for Latin American raw materials, possibly through contacts with international organisations. The intention seems to be to use SELA primarily for practical operations rather than for global integration measures. If the cooperation is effectively confined to this practical sphere, there will be less danger of a clash between different ideas about integration.

If SELA comes into being, it may indeed provide an impetus for more efficient efforts to vitalize ALALC and the Andes Pact. If it does not, the Latin American countries will still be left with relations of mutual cooperation, and as the recent developments in the relations between Mexico and Venezuela show, this would in itself be a considerable success. iwe.

UN Maritime Conference

Agreement Still a Long Way off

After eight weeks of discussions the third session of the United Nations Conference on the Law of the Sea ended on May 10 without having reached its aim of passing a comprehensive convention. There were so many difficulties that the actual phase of negotiations could not even be started with. In view of the poor progress that was achieved in Geneva it can hardly be expected that the fourth session, which is to take place in New York in the spring of 1976, will bring a final agreement; so a fifth meeting may prove necessary.

The outcome of the conference is confined to informal single negotiating texts which were worked out by three commissions as a basis for coming negotiations. In 304 articles the texts deal with the exploitation of the resources of the high

seas, the extension of the existing territorial waters and the establishment of economic zones, as well as with questions of pollution and maritime exploration. The papers lack official character and are in no way binding to the delegations to the conference. In view of the great number of participating countries and the heavily conflicting economic, political, and strategic interests involved it does not seem very likely that the texts, as they are, will meet with immediate acceptance from all parties.

In contrast to other international conferences, this time the front-lines are running right across the traditional groupings of capitalist and socialist or industrialised and developing countries. The majorities change depending on the particular issue under discussion and the way the interests of the individual countries are touched in every single case. Thus concessions will be needed from all sides in order to bring together the required two-thirds majority for the convention as a whole. Otherwise more and more governments might lose patience and decide to look after their interests on their own account. ch.

Currency Snake

Switzerland Stays Outside

The "mini-snake", that relict of an abortive EC sortie in the direction of the Economic and Monetary Union, has lately again enjoyed more popularity. Apart from France's return to the snake, Austria and Switzerland tried to gain admission to the currency ring. The present partners in this intervention system on the other hand seem to be in no particular hurry to enlarge their circle, and the talks with Switzerland have in the meantime been broken off without having yielded any results.

The reason for the failure of the negotiations must be looked for in the Swiss capital transactions with foreign countries which have exerted a perpetual revaluation pressure on the Swiss franc in recent months. Switzerland has resorted to extensive controls over capital transfers and intervened in the foreign currency markets in order to hold the franc at par with the snake currencies and to protect the Swiss export industries and tourism against major setbacks. By admitting Switzerland to their currency ring — that apparently was the intention — the other members would shoulder part of the burden of intervening in the currency markets. The snake countries on their side considered the upvaluation of the snake currencies which would have followed unacceptable. Hence they demanded that Switzerland should revalue the franc substantially before linking up with the snake — which was of course exactly what the Swiss wanted to avoid by joining.

This being the situation, the talks were bound to end in deadlock. The outcome is that the snake has been preserved from what would have been a severe strain; and this is to be welcomed for, whatever the advantages of floating, the system of fixed exchange rates has proved its merits, at least in its present form. There is certainly no point in enlarging it precipitately. kb.

Portugal

Quo Vadis?

No more than a year ago the dictatorship in Portugal was overthrown by an oligarchal conspiracy. There was reason to fear that the Portuguese people, having lost the feel for democracy, would tumble from one extreme into the other, the more so as the Communist Left was better organized and financed than the other parties, had control over the news media and possessed powerful friends in the AMF. In the election the Portuguese however showed a surprising measure of political maturity and moderation. The Communists attracted less than 13 p.c. of the vote.

Although the Socialist Party has proved to be a people's party latest developments seem to indicate that the Communists may be the final winners. But nevertheless, in what direction Portugal will ultimately move, is yet to be decided. The road is to point to socialism, but the AMF are neither sure of or agreed on the future political structure. General Haig in his address to the WEU voiced his opinion that Portugal after its revolution is now on the path of evolution. The West German Government seems to believe the same, too.

Portugal is one of the poorest and most backward countries and the development of the economy its greatest worry. According to the latest OECD statistics the per-capita GNP is about \$ 760 — Sweden's is \$ 4,410. Turkey is the only country in a comparable position which is even worse off. The crucial question for the AMF is therefore not whether Portugal should stay in NATO or not — as a matter of fact they would prefer continued membership — but how to get over the country's poverty and set it on a propitious economic course. The USA and the EC should not trouble about military aspects but ponder how they can help this poor country on its way. If they succeed in this, the NATO problem will solve itself.

Initial steps have been taken and are encouraging. The EC countries decided in favour of economic aid for Portugal to promote the Portuguese efforts for a democratic development. Industrial investments, technical assistance and trade concessions in the Common Market are under discussion. "A stitch in times saves nine". It would be a pity if the Communists could again steal a march on the Democrats. hg.