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EC-referendum: No reason for enthusiasm

Intereconomics

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COMMENTS

Federal Republic

Mixed Feelings

The present economic situation in the Federal Republic is being viewed with somewhat mixed feelings. Ever since the spring there have been predictions, hopes and hankerings about a recovery or rather a tendency towards a recovery. Any indicator, however insignificant, which might suggest that the bottom has been reached and passed is eagerly seized upon and blazoned about – especially by the politicians in the government camp.

The number of the jobless is still above the million mark, corresponding to an unemployment rate of over 4 p.c., and the professional economic augurs are postponing their hopes for a business upturn to ever later dates.

The political conditions for a revival of the economy in the Federal Republic are not bad – rather the reverse. It is only the uncertainty created by the unemployment which is causing private savings to rise to unimagined heights and keeps the demand from the domestic consumer from reviving. Meanwhile export demand, which pulled the economy of the Federal Republic out of previous cyclical troughs is still going down. In the first quarter of 1975 exports were 4 p.c. lower, in current money terms, than in the corresponding quarter of the previous year, and the volume of exports may have been nearly 12 p.c. lower – the worst quarterly export result in the history of the Federal Republic.

Bearing in mind that almost one in every five jobs now (in 1970 it was still one in seven) depends upon the prospects for exports, either directly or through other industries, the concern in the Federal Republic about the present economic situation in the world, and especially insofar as it affects major trading partners, is understandable. However, just as the Federal Republic is on the look-out for signs of economic recovery in partner countries, so the latter are scanning the horizon of the Federal Republic. Let us hope – once again – that there will soon be a spark to start the engine firing. ogm.

EC-Referendum

No Reason for Enthusiasm

The die is cast: after many tos and fros the British people relieved the politicians of their responsibility by voting with an unexpectedly clear majority for continuation of the country's membership in the European Community. Immediately the hope was expressed in Brussels and other European capitals that – after all decisions had been obstructed for two and a half year – the British would in future cooperate constructively and with full force in the European bodies.

For the time being there is, however, no reason for any exaggerated enthusiasm because of the unambiguous result of the referendum. True, the Labour representatives will at last occupy their seats in the European Parliament and the British trade unions are going to participate in the Brussels Economic and Social Committees. However, vigorous support of the plans to transform the existing economic community into an economic and monetary union and finally into a political union, cannot even be expected from the British pro-marketeers. For, during the pre-referendum campaign they had carefully avoided, as far as possible, even to mention, much less to speak in favour of, any objectives concerning further integration. Obviously even the British advocates of an EC-membership want the Community as it is now rather than as it could be one day. So it seems as if all that can be hoped for the near future is that Britain will not be too much of a brake on the rest of the nine. ch.

OECD

Signal for a Dialogue

When the International Energy Agency and OECD Council of Ministers at the recent meeting in Paris came out in favour of maximum international cooperation, their intention was to give the developing countries a signal that despite the miserable failure of the preparatory meeting to the "Energy Conference" they wanted to resume the dialogue with the Third World. At that conference the USA had still refused to deal with other raw materials in conjunction with the energy complex, as Algeria, speaking for the OPEC, had demanded. By offering to cooperate with the oil producing countries and going some way towards meeting the wishes of the developing countries Kissinger now indicated that all issues in dispute were negotiable.

The OECD has expressed its views on measures of raw material policy with similar caution. The OECD Ministers concede that the existing order could and should be improved to the advantage of the developing countries, but have warned against following a blind impulse to establish a new economic world order because to overthrow the existing system would in the end do far more harm to the developing than to the industrial countries. They revealed the general OECD line: Price indexation is rejected, but international mechanisms to stabilize the export earnings of