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OECD: Signal for a dialogue

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-marketters. 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

the raw material-producing developing countries are not.

After the exchanges of views in the Agency and within the scope of OECD the industrial nations are thus willing to have talks with the developing countries not only on oil but about other raw materials, food production, development aid for the poorest countries and the whole complex of relations between industrial nations and Third World countries as well. In dispute is still the procedure to be adopted. While the developing countries still insist on a comprehensive conference, the OECD countries are opposed to such a mammoth meeting which would deal with all matters together and at the same time. They want the dialogue to take place in all appropriate and competent bodies. This of course is in line with established US policy. That the response from the oil states was muted is understandable in the circumstances, for the preparatory conference in Paris had failed on this very point of the joint discussion of energy and raw material questions. The hope in the OECD Council of Ministers that its consultations provide a basis for a resumption of the dialogue started last April thus appears to be somewhat premature. zz.

Angola

Another Congo?

About 3,000 people have been killed and over 7,000 injured since the Portuguese withdrawal from Angola, reports the Red Cross. They were the victims of rival "liberation movements" between which Portugal, intent on staying neutral whatever the circumstances, has been trying desperately to mediate. The discord is most acute between the marxist Popular Movement for the Liberation of Angola (MPLA) which is supported by Moscow and the National Front for the Liberation of Angola (FNLA) which has the backing of Zaire, a generous supplier of arms. The Chinese-trained FNLA is at the moment the strongest group. Its leader, Holden Roberto, leans towards the West and is in this respect at one with the leader of the National Union for the Independence of Angola (Unita), Jonas Savimbi, who has until recently prudently kept out of the fighting as far as possible and been steering a middle course in the belief that it is impossible to build a new Angola without White cooperation.

It is not very likely however that Savimbi will succeed once more in reconciling the MPLA and FNLA as he did when the interim Government was set up, the less so as his organisation has more recently also become involved in the clashes. Angola could very easily become the scene of a repetition of the bloody turmoil seen in the Congo

in the sixties, for the conditions are similar: The black population is split between hostile tribes and political fractions, and there are rich natural resources of iron and manganese ore, uranium, copper, diamonds and mineral oils. Behind the warring groups stand greedy "protectors". The Red Fleet is casting its shadow over the MPLA; Luanda would make a convenient naval base. Behind the FNLA stands Zaire's Mobutu, the most powerful dictator in Africa and a man who has the greatest objections to a Soviet presence on his borders. Angola will be submerged in a bloody civil war and have to pay an exorbitant price for what it once acclaimed as "liberation" if the rival "liberation organisations" do not at the last hour achieve a compromise. hg.

Peru

Large Foreign Credits Needed

After over six years of rule by army officers Peru can, in some respects, present a quite respectable record of success. Production has risen by slightly over 5 p.c. a year on average. The land reform which is to be completed by the end of 1975 has provided a new livelihood for about 175,000 Indian families through the redistribution of the land and successful establishment of agricultural communities. The time when 0.4 p.c. of all landowners owned nearly 75 p.c. of the cultivable land seems to be over.

Given the magnitude of the problems which had to be tackled, it is not surprising that the Government has not achieved all its aims. It is certainly a matter for regret that the creation of employment is one of those which have not been attained: 30 p.c. of the population only, it is estimated, have steady work, and one reason for this is probably that the financial resources available for the achievement of the development plan targets for the mines, basic industries and oil production are not large enough to have a real impact on employment. The list of projects which Peru has submitted to the World Bank's advisory committee involves loans, i.e. external financial means, of \$ 3.5 bn of which 38 p.c. is to go to industry and 29 p.c. into the mining sector.

While foreign finance is wanted by Peru, there is a risk of increasing external indebtedness. In view of the extensive development projects to be undertaken in the coming years Peru is bound to run up heavy trade deficits in the future. It is to be hoped that employment will benefit from these negative aspects of development and the prices will not rise at much more than the present — under South American conditions acceptable — 20 p.c. so that the benefits of increased prosperity for the individual will not be jeopardized. iwe.