

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

Article — Digitized Version

Grain shipments: Ivan's bread

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1975) : Grain shipments: Ivan's bread, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 10, Iss. 9, pp. 264-,
<https://doi.org/10.1007/BF02929282>

This Version is available at:

<https://hdl.handle.net/10419/139253>

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COMMENTS

Grain Shipments

Ivan's Bread

Once again, Soviet buyers have been roaming the USA in order to purchase large quantities of grain. US farmers will again receive high prices; the Kremlin circumvents a food bottleneck offensive to its subjects, and the US Administration may be able to save on, otherwise mandatory, subsidies. Within certain limits drawn by the size of the US grain harvest and by the expectations of other countries, such transactions may be eminently sensible. But they may become irrational by growing to the same order as in 1972, when they induced drastic price increases for meat, poultry, and dairy products.

The dreary repetition of Soviet harvest failures poses a number of questions. Why are only the US, Canada, and Australia the whole world's granaries, and why are the Soviet Union and Poland not able to participate in feeding a hungry human race, especially in developing countries? Before the revolution of 1917 Russia had been one of the major grain exporters! When the Soviet rulers again hold wide-spread droughts to be responsible for the repeated grain deficit, this cannot be more than part of the truth because, since Soviet farming has been collectivized, chronic food deficits have been the perennial curse of this country. Under Stalin, the Soviet population had to go hungry, but since the era of Krushchov the Kremlin began to cover its demand in world markets, being enabled to do so by its rising economic power and by successful gold mining. But this has burdened other nations, which are poorer, with food deficits or with the compulsion to pay higher prices — if they are able to do so.

Should collective farming suddenly become successful, or if the Soviets would base their farming operations on the same private initiative as is done by North America and Australia, its problems would disappear, and the situation of other hungry populations would take a decisive turn to the better. hg

Petro-Dollars

Recycling by the Arabs?

As late as the end of 1974, there was a glut of prognostication which promised the Arab states virtually inexhaustible wealth. However, since then, it has been necessary to revise the predicted figures severely, because a mild winter and the

slackness of economic activities by industrialized nations were cutting energy consumption down to much less than the expected level, which enforced restrictions on crude oil output. In addition, the oil-producing nations displayed a capacity for absorbing funds that was much more massive than estimated till about early 1974.

These influences made it clear that a number of OPEC governments have obviously been too ambitious in their development plans and financial commitments. For example, Iran had to scrap its widely publicized support action for PanAm. Other Arab states are trying to obtain their first, or increased credits from the Euro-currency market. While all the oil exporters, taken together, had mobilized total Euro-credits of only about US-\$ 740 mn in 1974, Euro-currency market experts have indicated that Algeria alone will try to obtain credits totalling US-\$ 1 bn up to the end of the current year. But in the same market, Iraq has already been canvassing for credits of US-\$ 500 mn.

If this trend persists in the future or even becomes more marked, the question of recycling Petro-dollars may become again a topical problem within OPEC. There is no dearth of proposals to that effect: in early 1975, discussions were initiated about the creation of an Arab currency fund for pooling Petro-dollars to channel them from there to Arab states in the form of credits. This might lead to a shrinkage in the volume of Euro-currency dealings, and it may cause the need for widening the scope of existing institutions for financing the oil-induced deficits in the balances of payments of industrialized and developing countries. ge

Iran—West Germany

New Impulses

The recent visit of the Federal Minister for Economic Affairs, Friderichs, in Teheran was not undertaken for the sake of preparing the ground for major business contracts; its more modest purpose was the mutual exchange of views on the chances and handicaps of German-Iranian economic relations. The euphoric expectations, to which the investment conference of April 1974 had given rise, have vanished meanwhile. Bargains could only be made by the big enterprises which have already been operating in Iran for years. In order to support the newcomers and smaller firms which have been disappointed so far, the German-Iranian Chamber of Commerce was for-