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Iran-West Germany: New impulses

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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-

mally opened on the occasion of Herr Friderichs' visit. An impetus for German-Iranian economic relations is also being expected from the second session of the Economic Commission.

Admittedly, the mutual economic relations which have been enlivened in April 1974 have already, to a certain extent, yielded fruit for the Federal Republic: in contrast with total German exports, which during the first three months of this year showed a substantial decline, the exports to Iran increased by roughly one third. Nevertheless, they could have taken an even more favourable development. Too many major projects have meanwhile been suspended, e.g. the German-Iranian export refinery at Bushir. It has also not been decided yet whether the German industry will, within the framework of the German-Iranian-Soviet triangular cooperation, supply the pipes needed for the Iranian pipeline to the Soviet border. Taken altogether, there should be many possibilities for the German industry to enter into business relations with the Iran. An indispensable prerequisite, however, would be the serious intention to participate in the responsibility for the development of the Iran. This means that, above all, more German direct investments will have to be made.

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USA

"Unfashionable" Nuclear Energy?

At first sight, it seems that atomic energy has lost its decisive share as an energy form. The famous American AEC (Atom Energy Commission) has been replaced by ERDA (Energy Research and Development Administration). But in fact, nuclear energy will maintain its importance in the work of the new government agency, because ERDA has become the operator of major nuclear centres, including Oakridge, Hanford, Livermore, Mercury, and Los Alamos. Yet it cannot be gainsaid that the US has started, much earlier and on a much wider scope than Europe, to steer research into the fields of many new forms of energy, notably solar energy, to develop alternatives to atomic power. On the whole, the US appears to slow down decisively its march into a nuclear future. Orders for about 100 nuclear power stations have been withdrawn or postponed for many years. In existing atomic power centres there have been, after all, a number of accidents, characterized as "near misses", which have made decision makers less sure of themselves.

Such happenings should teach a lesson to other nations, especially to some developing countries, not to overlook the signs from the US, and to

examine whether nuclear energy is really suitable for being awarded top development priority. After all, by 1980, alone in the EC, there will exist about 30,000 cu.metres of atomic waste products per year, and by the year 2000, this quantity will have grown in the same areas to an estimated 2 mn cu.metres.

In the last analysis, nobody seems to know as yet fully how dangerous dumped radioactive wastes really are. In this context, it seems to make sense to turn to the development of less threatening alternatives. Notably, in developing countries with long unbroken periods of strong sunshine, it appears clear that utilization of solar energy is too good an offer to be rejected out of hand. iwe

South America

Looking for Remedies against Inflation

There are already a great number of South American republics that suffer from three-digit annual inflation rates. The sorry record, at almost 1000 p.c., is held by Chile, closely followed by Uruguay and Paraguay.

The fundamental cause of such inflation is — according to Professor Milton Friedman, who recently visited Chile — an enormous deficit in government spending since the state finances the major part of its expenditure by printing new banknotes. Moreover, all the three countries named maintain a formidably overgrown civil service, which battens on the production of the working part of the population that is, anyway, a minor part of the total. About half of public spending is already deficit-financed. On the other hand, the pitifully small capital funds that have been saved by the population are being destroyed by the galloping inflation. All the governments discussed here have introduced restriction measures in order to master hyperinflation, but their effects have so far been puny. The only visible ones were highly damaging reactions to the changed economic data, including unemployment, industrial strife, and grey markets.

The three countries now all intend to emulate the Brazilian model. Thanks to foreign capital aid, domestic capital accumulation, and successful small-scale devaluations of the national currency, Brazil has sailed into an unprecedented economic boom the like of which has never been seen before in Latin America. To what extent the three pauper countries will be able to follow Brazil's example must, however, be questioned in view of their ruinous starting position and of the prevailing world recession.

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