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## South America: Looking for remedies against inflation

Intereconomics

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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 The famous American AEC (Atom Energy Commission) has been replaced by ERDA (Energy Research and Development Administration).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 Orders for about 100 nuclear power stations have been withdrawn or postponed for many years.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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