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EC: The wine dispute

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COMMENTS

Development Policy

CDU Party Congress in Bonn

At the beginning of September the Christian Democratic Union, the German Opposition Party, held a special Congress on Development Policy in Bonn. Among the prominent foreign guests were Raúl Prebisch, adviser to the United Nations, Maurice J. Williams of the OECD, and Reza Fallah, Director of the National Iranian Oil Company and adviser to the Shah. The Federal Ministry for Economic Cooperation should have taken cognizance of the conference's results with high satisfaction for several reasons.

Firstly, the Congress supported the Ministry's opinion that Development Policies must begin at home, where the public has to be enlightened about the fact that development policy helps setting up new conditions for effective international cooperation with developing countries, which serves fundamental interests of the Federal Republic itself. Secondly, the Federal Government was criticized by the Congress for cutting the West German budget for development aid, although the promise to spend 0.7 p.c. of the GNP on public aid has not nearly been fulfilled so far. Development aid, the critics urged, should not be made dependent on cyclical trends in the industrialized countries. This, however, corresponds perfectly to what the Ministry itself always said. And thirdly, the Federal Government could only be gratified by the praise of its economic and development policies expressed by the foreign speakers at the CDU conference.

Moreover, it was remarkable that the conference agreed clearly and unequivocally on the need to transplant some industries to developing countries. That the CDU dared to suggest such industries and name them (the textile and shoe industries and farming) is likely to have some political after-effects later. Many may have been attracted, at first sight, by the CDU's demand to adopt the German concept of "social market economy" as a guiding ideal for reconstructing the world economy, but its introduction may founder on obstacles, many of which will not only be of a "practical" nature, as long as conditions for economic development are spread unevenly over the world. ogm

West Germany

Relaxation of Arms Sales?

The West German press is discussing the question whether or not the Federal Republic should relax arms sales. Since 1971 the Government has allowed weapons deliveries only to NATO allies and,

with special permission, to Japan, Sweden, Switzerland, New Zealand and Australia. For some time, and for very good reasons, it has been the Government's policy not to encourage the development of an arms sector in industry. Quite apart from the moral problems inherent in this kind of business, that unfortunately do not carry much weight anyway in our world as it is, the Government feared that a loosening of export controls might tempt the armament manufacturers to expand their capacities and thus to become economically and politically a powerful factor again. Besides, in a flourishing world economy Germany had enough other industrial products to offer and as a nation heavily dependent on world markets Germany so far preferred to avoid the partisanship implicit in arms contracts.

On the other hand the weapons manufacturers have good arguments, too. Thus e.g. it does not make sense to invest enormous sums in research and development of new weapon systems and then bar their export that could pay for this investment. Large arms exports allow progressively more modern weapons to be developed and lower the unit costs for the supplier's own army. And does it make sense to obstruct arms sales but usually to approve the export of complete weapons and ammunition producing plants?

In addition there is NATO's demand for a standardisation of arms and equipment that can only be achieved through a concerted development and production of armaments. Therefore about 60 p.c. of the monies the Federal Republic is currently spending on arms is flowing into multinational projects — with Britain, Italy and most obviously with France. All of them hold a point of view that is much more liberal than that of West Germany which cannot hinder them to include jointly developed and produced weapons into their export drive. Therefore it is important for such project that the partners have similar export philosophies — whether they like it or not. hg

EC

The Wine Dispute

As the European farm ministers were not able to reach a solution about a new market regulation for wine on the mid-September meeting of the EC Farm Council in Brussels, the European integration is again under discussion. The EC was in need of an agreement on ways to staunch the flood of very cheap Italian wine into the French market. What the Commission was not able to accomplish, the French Government achieved by bending common market rules by a unilateral

action for curbing imports of wine. After talks with the French winegrowers the French Prime Minister, Jacques Chirac, saw no other solution than to impose an import tax on Italian wine. The tax will amount to 11.3 centimes per litre of 10 degree table wine, with the amount of tax rising according to alcoholic content.

Chirac sees no reason why the French measures should be illegal; Italy itself took a similar way last year concerning beef imports. Nevertheless, European farm ministers regard this measure as a threat to the common agricultural policy. Still a common front against France could not be accomplished. So the Italian Government resorted to discussing own measures against imports of cattle, corn, and milk from France.

Although the situation seems to be quite difficult a solution in this case will probably again be just a matter of time. One gets used to the European phenomenon that in those fields where national pressure groups represent a great political power, a common agreement can often be reached only after a certain period of tug-of-war. The general problem of unilateral actions within an economic community, however, remains. Other member nations might be tempted by the French move to take comparable measures to protect certain products. Indeed, no good way to perform a union. iwe

Cyclical Policies

Equal Steps of National Programmes

On occasion of the annual meeting of IMF and World Bank the industrialized nations, particularly the US, the Federal Republic of Germany, and Japan, were called upon to slacken their deflationary policies in view of worldwide high unemployment, low utilization of productive capacities, and declining output, and to stimulate demand – the more so since the fight against inflation seems to have been somewhat successful. The US, Germany, and France had already adopted expansionary programmes and thus met corresponding demands to a far-reaching extent; now the Netherlands and Japan followed suit by switching over to vigorous efforts to stimulate economic activity. The makers of economic policies thus have taken the consequences resulting from a hitherto unknown experience: in the present situation, which is characterized by an involuntary cyclical synchronization, the economic problems are the same everywhere, and there is not much use in waiting for help from outside; neither is it possible to stimulate one's own economy at the others' expense. It has been comprehended that the worldwide recession can only be overcome by a harmonisation of domestic counter-cyclical policies.

Because of their cumulative effect the chances for a success of the programmes may be assessed as favourable. A change in the American cyclical climate, for which there are first indications, will have a positive impact on Japan which entertains a flourishing exchange of goods with the US. The forceful measures taken in France to stimulate business activity, on the other hand, should promote primarily intra-EC trade. However, it will be of utmost importance to the world economy that the individual countries, after their synchronous sliding into the recession, will now also jointly participate in the upswing. zz

Africa

Tanzam Railway Completed

China's biggest development aid project in Africa has been completed. 18 months before the promised date, Chinese-African mixed construction gangs reached Kapiri Mposhi in Zambia, the rail junction where the new Tanzam Line reaches the old-established Zambian rail network. Passenger and goods traffic over the whole length of about 1,600 miles, which is the distance from Tanzania's ocean port of Dar es Salaam to the Zambian Copper Belt, will soon be opened.

Both Tanzania and Zambia are justified in expecting, from the operations of the new railway, substantial economic benefits. For Tanzania it means additional revenue and the opening-up of a wide belt of land on both sides of the rail tracks. For landlocked Zambia it will be a decisive traffic artery to the sea, at least as long as the political situation in Angola remains uncertain. In the ports of Angola, Mozambique, and Tanzania huge stocks of raw materials, machinery, and other investment goods bound for Zambia have been accumulating and are immobilized through the civil war in Angola or through the hopeless congestion of ports. The lack of these essential goods has caused some thorny problems for Zambia. Several manufacturing plants had to be closed, and more difficulties are likely to crop up as time passes. Recently there have also been difficulties in dispatching goods via Kenya's main port of Mombasa.

Rail transport, compared with road haulage that, so far, has been the only means of connecting Dar es Salaam with Zambia, will offer considerable savings in freight costs. But one difficult obstacle has still to be removed: Dar es Salaam is not only one of the most expensive but also one of the slowest ports on the East African coast. Whether, and to what extent the new facilities for carrying away quickly and more cheaply bulk goods from Dar es Salaam may also help to dissolve the port's congestion and to increase its handling speed remains to be seen. ch