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China: Foreign trade concentrated on west

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COMMENTS

Maritime Law

The Case of Iceland — A Precedent?

In order to justify its decision of October 15 to allow no more foreign fishing-vessels within a 200-mile radius, Iceland's Government employed economic as well as ecological arguments. In view of the island's lack of natural resources the 200,000 inhabitants are indeed heavily dependent on imports and thus on foreign exchange earnings. 80 p.c. of the latter, however, originate from fishery and every fourth Icelander derives his income from fishing or related industries, which in the other countries affected by Iceland's step play a rather marginal role from the overall economic point of view. Moreover, it must be admitted that Iceland is right in that deep-sea fishery in its present form will sooner or later exhaust the supply of fish.

This, however, does not mean that the arbitrary extension of Iceland's fishing limits should be accepted by the international community. For, if Iceland gets through with its ignoring international law, it must be feared that imitators will follow suit, not only in the field of fishery. The utilisation of the resources of the seas — among them mineral oil and ores — involves massive economic interests. Other countries, among them the USA, strive for the establishment of a 200-mile economic zone which gives them the exclusive right to exploit all maritime resources. Iceland's example could provide them with an excuse to proceed on their own without waiting for the results of next year's international conference on the law of the sea. If Iceland does not meet with strong and successful resistance, a total anarchy in maritime law is very likely to come about in the near future. ch.

Common Market

Expensive Community

Once again the EC and particularly the agricultural market have slithered into one of those troughs which after such peaks like the Hague and Paris summits of 1969 and 1972, evidently seem to be unavoidable.

What is at stake in these differences of opinion? The EC Commission had originally submitted a draft budget for 1976, providing in comparison with 1975 for an increase of roughly 29 p.c. or about 8 bn units of account. Federal Chancellor Schmidt who spoke of an "enormous misdirection of resources" was by no means alone in his criticism and the Commission's proposal was generally con-

sidered to be excessive. The German proposal to strike off 970 mn units was however not accepted, but 590 mn units were eventually cut. The German efforts to reduce the costs of the farm programme by 390 mn units proved unsuccessful, much to the annoyance of the Federal Chancellor who justly regards the whole system with its surpluses which are subsequently sold at a loss as "half-witted".

The unanimous rejection of the German proposal, to cut the expenditure for the farm programme had been expected in Bonn; it had been put forward merely as a warning signal, pointing to the need for speedy reforms. The debate ended with the unanimous adoption of a compromise proposal, providing that, pending final adoptions of the budget in December, every possibility of making additional cuts and introducing improvements in the Community's policies is studied. Moreover, the Commission's spending is in future to come under closer scrutiny. Whether this scrutiny is to be exercised by an accounts committee as Prime Minister Wilson would have it or a savings commissioner as Chancellor Schmidt would prefer, remains to be seen.

It is possible, however, to regard the matter of cost from a higher point of view — a view that should not be ignored. Opposition on principle to any increase in the EC budget would prevent any further progress of the Community; it would hit especially hard the sectors which have already been affected and which, when all is said and done, give the Community its true meaning. hg.

China

Foreign Trade Concentrated on West

China is in the last year of its fourth Five-Year Plan and the Chinese think that during the present year they must lay the foundation for the success of the next Five-Year Plan. It is of the greatest importance to China to get its industrial production, in fact its entire national economy, into gear if country wants to modernize from top to bottom its industry, agriculture, defence as well as its scientific and technological research before this century has run its course.

That the Chinese are energetically pursuing this aim, is evident from the steadily increasing number of contacts they have with the West. The German Minister of Economics Friderichs thinks he has discerned a reversal of Chinese trade policy which, according to him, is now surprisingly pointing in the direction of Europe. He believes that the Chi-

nese will reserve for the Federal Republic a firm place as supplier of the most modern technology, particularly in the field of heavy machinery. Hitherto it has been Japan that occupied the number-one position. Friderichs is however of the opinion that nowadays the EC with its many multifarious possibilities has China's full attention especially with what the Community has to offer in the way of power plants of all kinds. The chances for Germany and other European countries to expand their export trade with China are thus good but only in the medium-term future, for despite its great technological needs China steadfastly refuses to borrow. On the other hand foreign exchange is scarce as was clearly demonstrated on the occasion of "Technogerma", the German industrial fair in Peking.

Since then there are some signs pointing to a possible change of attitude. According to American sources, the Bank of China is said to have publicly declared its willingness to permit forward transactions even in dollars. The practical consequence of this is that henceforth business with China will be possible also in all other convertible currencies. The Americans believe after these first hesitant financial steps, the Chinese may soon find a way into the international capital market. Without international capital, China's industry, having grown to its present size, would be unable to maintain its growth rate. Thus China's appearance on the international capital market would be an event which could only be generally welcomed, economically as well as politically. hg.

OPEC

After the Price Increase

After four days of bargaining in Vienna, the Oil Ministers of OPEC managed to agree on a 10 p.c. price rise. This increase, great though it is, represents none the less a compromise in which the moderates have been more successful than such political activists as Iraq and Libya who were trying to hold out for 35 p.c. And yet the result caused at first disappointment and indignation in the West where it is thought that the increase endangers the hoped-for upswing in world economic activity. At the same time, these arguments may also come in handy as a good excuse for any failure of the economic recovery prophesied for the coming year to materialise.

The first excitement has by now given way to a more sober view of the new oil situation and a little more allowance is made for the fact that a good many industrial prices have also risen appreciably in the past year. The hardest hit are most

certainly the countries of the Third World. Moreover, being chronically short of foreign exchange, they lack the advantage industrial countries enjoy of participating in the recycling of the oil billions. Thus it is evident that the Vienna decision accords ill with the role in which OPEC sees itself — the role of Third World champion.

One further point: Neither in the matter of linking the oil prices to the SDRs, nor on the tiresome problem of indexation was the Vienna meeting able to come to a decision. It would be rash, however, to interpret this fact as a sign of weakness of the Cartel. The meeting may have revealed considerable differences of opinion among its members on political and economical principles, but there can be no question of the Cartel breaking up or down.

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Technology Transfer

A Self-evident Truth

At the end of September the Licensing Executive Society (LES) held a conference in Basle to discuss a code of conduct concerning technological transfers. Once again opinions differed greatly between representatives of the UNIDO and Western companies, especially the representative of ITT. The reason for this divergence of opinion is that Western firms look at the problem from the viewpoint of private business whereas UNIDO regard it with the interests of the developing countries. The representative of UNIDO pointed out that for developing countries the transfer of licenses was not only too costly but was in addition tied to unduly restrictive conditions in regard to competition and sales; price regulations, allocation of shares in the market for the goods produced under license and unreasonably strict patent provisions impeded developing countries in the use of the technologies. This argumentation is as reasonable as that of the licensors who emphasize that research expenditure and property rights must have their price so that fresh money may be invested in more research.

At the end of the conference, all members agreed that the present drafts for a code of conduct should be regarded as merely provisional because they were too complicated and inflexible. The question only is whether in view of the widely divergent views held a simpler code would do the job. In conclusion, the conference members stated as their unanimous opinion that the transfer of technology was no panacea of development policy especially as the exploitation of know-how was a function of the level of technical and educational infrastructures of the developing countries. What a truism!

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