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OPEC: After the price increase

Intereconomics

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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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