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## NIEO: The need for an economic détente

Intereconomics

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# COMMENTS

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NIEO

## The Need for an Economic Détente

The German Press has paid scant attention to the recent trip to India of Egon Bahr, the Federal Minister for Economic Cooperation, where he used a small celebration on the occasion of the twentieth anniversary of the German-Indian Chamber of Commerce to reaffirm the attitude of the Federal Republic regarding the demand for a new international economic order (NIEO). In this context, the Minister criticized the price policies of OPEC. These — he stated — lead to new international inflation and to worldwide *dirigisme* and immobilism, which made especially the poorer countries suffer. For example, the new situation had reduced the development aid of many industrialized countries. In order to assure "joint prosperity", according to Minister Bahr, economic détente was needed, which could help to stabilize economic relations in the monetary field and in the field of trade.

Time and place for these remarks were well-chosen: India's voice still carries great political weight in the ranks of developing countries. There is practically no country which, like India, feels the effects of changes in world trade as fast and as clearly, and there are only a few countries which have to grapple with similarly complex political and economic problems. As to the time in which Bahr's observations were made: the representatives of developing countries are about now being convened in Manila in order to decide about their plan of action for the forthcoming UNCTAD conference in Nairobi. February is also the month during which industrialized and developing countries start their deliberations in committees of the Conference for Economic Cooperation, where the desirable forms of a new world economic order will be discussed. It will be interesting to observe the kind of resonance which Minister Bahr's unambiguous words will find in these deliberating bodies.

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Mineral Oil

## Iran at the Turning Point?

The recent announcement of a reduction of the price for Iranian crude oil gave once more rise to speculations concerning an imminent collapse of the OPEC cartel. This kind of speculations, however, does not seem very realistic, at least with regard to the foreseeable future. For, firstly, there were already examples of substantial price reductions by individual OPEC members which led to

an increase of the latter's petroleum sales without seriously jeopardizing the existence of the cartel. After all, too much is at stake for the oil countries to allow themselves to do without their decisive instrument of power. And, secondly, the price reduction by 9.5 cents per barrel of Iranian oil appears very modest indeed if compared with the drastic price increases of the last years.

Yet, the news from Teheran comes surprisingly enough since basically it means a climb-down — though a marginal one — from the uncompromising policy of high prices that had so far been pursued by Iran. After all, among the oil exporters it had been the Shah who, in the past, had always fought most emphatically for higher and higher petroleum prices, his main reason being the ambitious development plans which were to provide Iran within a very short period with the economic standard of today's industrial countries.

This has meanwhile proved a miscalculation. In the last year oil sales and proceeds, which account for about 90 p.c. of Iran's export earnings, fell significantly instead of growing further as had been expected. Consequently, many of the planned major development projects had already to be adjusted downwards or even totally abandoned. The main cause for the decline in demand was — besides the extraordinarily mild winter which could not be anticipated — the world recession. This recession, however, had to a significant degree been caused by the oil price explosion. Now the notion may gain ground also in Iran that in the longer run it does not pay to neglect the mutual dependencies between the participants in our closely interrelated world economic system.

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Japan

## Enticing Arms Trade

In 1967, the then Japanese Prime Minister, Eisaku Sato, issued guidelines for the trade with arms, which stated that armaments must not be delivered to certain countries. Armaments industry is fighting against these guidelines and, from its own point of view, for good reasons. It argues that arms exports, *inter alia*, are promoting the export of industrial equipment to developing countries. The industrialists complain that they have been prevented from concluding a number of large international contracts because Japan, in contrast to its competitors, is forbidden to export arms. These competitors, e.g. the US, the Soviet Union, France, and the UK, frequently offer package deals for both armaments and industrial plants. It is