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Japan: Enticing arms trade

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COMMENTS

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

believed that also Japan could increase, in this way, its exports of industrial plants and equipment. As the representative of numerous companies which manufacture arms, the Defence Production Committee also demands, after the pattern followed by the UK, France and West Germany, joint arms development programmes with other industrialized countries.

Thus, the Japanese Government is exposed to mounting pressure which is increasingly difficult to resist because the country suffers badly from the recession both in its home and foreign markets and, because it lacks raw materials, is strongly dependent on its exports. On the other hand, if the arms embargo should be loosened, there will be internal trouble, because both the opposition and parts of the ruling Liberal Democratic Party are determined to resist this with determination. Though the Government maintains that it will keep the guidelines in being, what good is all idealism if economic pressures grow too strong and the country could no longer pay for its vital raw material imports? For there is a rule: "First one must eat, then comes morality." hg

ASEAN

Integration instead of Confrontation

Since most states of South East Asia have shifted over to the Socialist Camp, the remaining pro-Western countries of the ASEAN Pact are strengthening their political and economic cooperation. Though their alliance dates already from 1967, all of them had so far followed their own, often opposed aims and can therefore start with their co-operation from almost zero now.

The first thing that will have to be done is to cut away the existing confusion of administrations. There have been so far a number of partly intersecting committees which worked out a multitude of projects, most of which was put into operation. In addition to political questions, the coming summit conference of ASEAN states on the island of Bali is to deliberate especially about closer economic cooperation. In the foreground, there probably will be the formulation of a unified policy on farming, in order to stabilize prices and thus to secure the most important source of income and exports. It will also be important to look for new sales outlets and the creation of an ASEAN merchant fleet of its own.

The need and usefulness of closer joint operations in their foreign trade policies for ASEAN countries seem convincing, because all ASEAN states have been strongly affected by the decline

of commodity prices and the rise in prices for industrial products. A common commodity and marketing policy possibly reaching to the formation of cartels for selected products promises to be successful, especially because some of the raw materials produced by the five ASEAN states claim a high share in total world trade turnover. Particularly the oilfields of Indonesia and Malaysia strengthen those countries' economic potential. It is now their task to transform this potential into cash and into political influence on the stage of the world. zz

Atomic Energy

Guidelines for Nuclear Exports

Not least under the impression of India's nuclear tests, the main supply countries of nuclear material, nuclear plants and technology have agreed in London on "Guidelines for nuclear exports for peaceful purposes to non-atomic arms states". Though this is not binding in international law, an exchange of notes on January 27 has put these guidelines in force onesidedly by all signatory powers.

It is notable for these guidelines that the so-called "trigger list", containing all the plants and parts of plants which are to trigger security measures does not only refer to "sensitive plants" but also restricts the transfer of knowhow. It seems clear that any uncontrolled sale of technology is to be prevented by reporting all transfers of chemical, physical, and similar process techniques to a recipient country which does not belong to the signatory states to the International Atomic Energy Organisation (IAEO), in the same way as all the other items on the "trigger list", for its control. Whether this way of operation will be efficacious, remains to be seen because, for example, the exchange of scientific experiences is very difficult to control in many cases.

From the point of view of economic policy, it appears to be important that, since these guidelines are in force, a kind of competitive equality, though within certain limits, has been set up between the seven signatory states. Looking back, the international excitement, especially in the US, caused by the German-Brazilian nuclear energy agreement, seems now difficult to understand because the control measures incorporated in it go further, in part, than the guidelines which have now been agreed. It may be surmised that competitive envy was the decisive motive for the protest. The new London agreement gives reason to hope that now an unbridled and uncontrolled dissemination of fissionable material can be prevented. iwe