

How German Economy Affects the European Community

by Safi Omar

We can see Germany's unrestrained control of Europe specially in recent times. In 1991, when the English-speaking world sank into recession, continental Europe (was) kept afloat by the boom in Germany's domestic demand. When Germany shakes the whole of Europe shakes with it and there is no denying that.

ARE you scared of Germany? This is not the way discussion about the European Community's future usually begins in polite society. And yet it is the (too often hidden) question that lies behind the current push for a more federal Europe. Why are the Europeans so scared of the Germans? There are many reasons behind it. Starting in 1871, the Germans have been the cause of three major wars in continental Europe. The Germans have been seen as the aggressive people in Europe and their dominance is seen as a cause of worry for all of Europe. That is happening now is not war but something quite similar and something the whole world fears. Germany has become the dominant economic power in Europe; Germany is Europe's powerhouse.

After World War II, Germany was in a shambles, physically and economically. The morale of the German people diminished just like Hitler's empire had vanished against the supreme power of the Allies. As if that was not enough, the country was divided into two parts East and West, so that another Hitler, if born, could not lead the German people into the condition they were in just before and after World War II. So, the East went to the communists, while the West went under the influence of the Western powers. Who could have thought, at that time, that even divided, the Germans (West) could perform such an economic feat and once again be the leaders of Europe.

When the new Germany was formed, after World War II, the Germans acted cleverly. They knew that they were under the "nuclear umbrella" of the US

and, in case of any foreign hostilities, would be protected. Just like the Japanese, they concentrated on rebuilding their infra-structure and the economy as a whole, and avoided foreign entanglements. They were careful as to what they did or said, specially in foreign matters. They were quiet and they were waiting for the right moment, the moment when the whole world would be aware of their economic capabilities.

And they did manage to make the whole world aware of their capabilities. By the 70s and the 80s, Germany was far ahead of the rest of the European region. They were having trade surpluses, while the rest of the European countries were suffering deficits. In the 80s, Germany (West) was the only European nation (western Europe) to have a trade surplus with the United States. With the growth of their economy, the currency (mark) also became powerful and strong against the other major currencies of the world. The trade surpluses and the German Bundesbank's strict measures also were major players in bringing the mark to such a powerful position. With a strong currency to back them the Germans could control Europe. That was when they realized that they could step out of World War II's shadows and bluntly assert their power.

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1991, when the English-speaking world sank into recession, continental Europe (was) kept afloat by the boom in Germany's domestic demand. When Germany shakes the whole of Europe shakes with it and there is no denying that. It is the sole capacity of the German economy that can keep the rest of the Community members afloat. In that year (1991), Holland and Belgium exported goods worth 15 per cent and 13 per cent, respectively, of their GDP to Germany, as opposed to 3-4 per cent of France, Italy and Britain. The consequent result was a 2.2 per cent growth in the GNP of both countries, while the rest of the countries mentioned had growth rates of 1.3 per cent, 1.4 per cent (France and Italy) and Britain had a negative growth of -1.8 per cent. This shows the importance of trade with the Germans in the Community. Therefore, even a mild recession in Germany could have disastrous effects on the rest of Europe. Germany is like the heart of Europe, if it fails the rest just follows suit.

Another indication of the extent of the German sphere of influence was the effect of the rise in the interest rate by the Bundesbank. The Bundesbank, worried about the swollen budget deficit and rising inflation rates in the country, raised the interest rate in the economy. The other members of the European exchange-rate mechanism, just to keep their currencies firm

against the D-mark, had to cut their own interest rates and, therefore, curb their growth rates. This sort of reaction is understandable in countries like Belgium, the Netherlands and Denmark, whose currencies are directly tied to the mark and had to fall into line on this occasion; but allegedly more independent members of the European Monetary System (EMS), like Italy and France, were also shaken. This shows the effects of Germany's monetary policy on the Europeans because of their economic might. A good reassurance to the thoughts of a Dutch official, who said, "It's clear that (in this case, at least) the Germans don't give a damn about European Unity."

The sense of power produced by the sight of other Europeans doing what Germany wants when Germany shouts orders, has led Germany to assert its power in the foreign affairs too. Since most of Europe cannot do without the Germans and their economy, they have no choice but to listen to them when it comes to foreign affairs. When Croatia and Slovenia broke away from Yugoslavia, none of the other members of the Community had any intention of recognizing them. Germany on the other hand, pressurized by the Croatian population in Germany needed to recognize the breakaway states. Therefore, Germany declared that it would recognize the states and take up the cause in the EC. This surprised all of

the other members of the Community, but they could not do much about it. Bonn had already twisted several arms and was unlikely to back down from the threats to unilaterally back the republics if the EC declined.

Why suddenly this air of assertiveness about the Germans? After World War II, it was the Germans who needed the help. When, in 1957, the Treaty of Rome was formed, the goal was to anchor Germany to the former Allied powers, bringing it under political control. Now the Euros, led by the French, are trying to harness German economic power. Why this sudden change in attitude in the Germans? Well, for one thing, the Germans are feeling left out in the major decisions of the world foreign affairs. Chancellor Helmut Kohl feels let out when there is a Security Council meeting because Germany has not yet been made a member of the body. It is only understandable on his part to feel in such a manner. During the Gulf War, Germany, along with Japan, had to foot a majority of the expenses of the Allied army, although Germany had been totally against any offensive. If Germany can bear the expenses, should it not have atleast some say in the matter? To quote from The Economist, "as the UN's say grows, Germany's absence from its top body will look even odder". Also, Germany is in a fix. They do not know which path

to follow: be aggressive or not. When they are not (as in the case of the Gulf War), the western world shouts at them for being too passive. On the other hand, when they are aggressive, as was the case during Kohl's pressure for fast reunification of the two Germanies, the western world said Germany was "donning Kaiser Wilhelm's spiked helmet". Therefore, we can see that the German attitude is that, they rather be shouted upon being aggressive than being passive, since they are "the EC's largest and richest member".

In conclusion, I would like to say that, observing the recent trend of the Germans and the growing dependence of the Europeans on the Germans, their policies and their economy, Germany has no other choice but to act assertive. Even in the recent trade war between the US and the EC, Germany is playing a major part in it. The French, who were very stubborn in the beginning and who were being the spoilsports of the whole deal, are being pressurized by the Germans to resolve the problem. Feeling the pressure from the Germans, the French are giving some leeway and showing signs of coming to a compromise with the US. The French realize that good French-German relationship is far more important to them than a French-US relationship. So we can safely say that as long as the Germans steer the ship properly the rest of continental Europe will sail along smoothly.

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Resource Availability is Not the Only Thing

On the face of it, the trimming of the Fourth Five Year Plan (FFYP) looks to be a realistic move. It is better to slim the plan than to have undisbursed and unutilised funds from donor countries and agencies piled up in the process. But at the same time the need for such a revision cannot but be considered a strong disapproval of the original exercise that went into the making of the plan. After all, when the issue is as important as Five Year Plan, lapses in home-work by the government are rather undesirable. However, the saving grace is that it has any way thought of remedial measures — albeit at a time when the FFYP is halfway through its implementation. If the step can somehow offset failure of the first half, it will surely deserve unreserved appreciation.

The key question, however, is if the move will be able to maintain or even step up the growth rate which unfortunately is lagging behind those of a number of South Asian countries. Admittedly, the lower resource flow alone was not responsible for compelling the government to go for the revision, but that an abnormal fall in growth rate also has given the planners a few sleepless nights should, of necessity, go recorded. The projected fall in the resource flow is estimated at 7,000 crore down from 42,000 crore. But the revision of the plan and the recasting of the programmes it will call for will be indeed monumental. And this is despite the assurances that the sectors with higher absorption capacity and higher growth potentials will receive priority in terms of allocation of fund. Naturally, disruption in the envisioned sustained growth will be a major failure of the democratic government.

No less worrying is the fact that this new development will send a wrong signal to the donors that we are unable to use their assistance. If the plan is trimmed, new proposals for financial help will also have to be sized up accordingly. Since the major portion of our budget and FFYP is aid-dependent — internal resource mobilisation is too small to finance projects and programmes — we have no other option but to ensure efficient and timely use of funds received from foreign sources. The first two years' (1990-91 and 1991-92) growth rates of 3.60 per cent and 3.99 per cent fall far short of the targeted annual growth rate of five per cent during the plan period and also serve as a poor commentary on the use of funds. It would have been appropriate if the Finance Minister explained what exactly has gone wrong and where. Information made available to the media on the performance of the government regarding fund utilisation just on the eve of the parliamentary session has offered an opportunity for both the ruling party and the opposition to take up the issue with all seriousness for debate in the House. The Prime Minister and the Finance Minister should take the opportunity not only of discussing implementation of the plan during the first two years but also the government measures to set things right during the remaining period of the current FYP.

On the other hand, the opposition will be welcomed to outline its plan for efficient use of fund and also alternative ideas and proposals for overcoming the current policy flaws. The fact that the Awami League announced its economic programmes with a dominant tilt towards market economy should prompt it to suggest some remedies. But this exercise should desirably be worked out meticulously with more facts and figures than rhetorics much the same way the largest opposition party shaped its economic policy. Industrial investment and sick industries should figure prominently in the policy frame. If the government is blameable for inept handling of fund, it is the opposition that stands to cash in on the lapses but not until the latter shows where things have gone wrong and also what alternative it can offer instead.

Short-range Radios for Ferries

A report carried by the UNB yesterday and published in The Daily Star revealed the precarious state of the communication facilities of our river transport. According to the news received, all night ferries came to a halt from 2 am to 9 am on Sunday morning due to problems of visibility. This affected a total of 8,000 passengers. The fact is that river navigation will suffer from occasional disruption from heavy fog while consequent visibility problem is expected during the winter season. What however is alarming is that 2,000 passengers were stranded midstream for over 7 hours because the affected ferry did not know the level of visibility enroute. The story goes that BIWTC ferry, Shahjahan, from Nagarbari Ghat, was forced to lay anchor in the middle of river Jamuna with about 2,000 travellers on board when fog reduced visibility to zero.

The question is what sort of communication facilities did the ferry have that it had to find out about heavy fog only in the midway of its journey? In this day and age of modern communication is there no facility available to these ferries to know about the weather condition on the very river that they are regularly plying, especially when the distance they are usually covering is not more than a few kilometres? This raises the bigger question of what communication facilities does BIWTC and the private launch services depend on for their day to day service. Day-time navigation is visual. But night time services must be equipped with some sort of wireless communication that can aid the navigation. The Sunday's incident reveals how vulnerable the passengers are and how easily night-time accidents can occur.

There are many drawbacks from which our river communication suffers. Carrying excess passengers, launches not being equipped with life jackets and rescue boats, and not having fitness checks, etc. To this alarming list, we are now likely to add absence of night-time navigational facilities. This is particularly regrettable when the cost of short-range communication equipment is not much at all. We would like to draw the attention of the concerned ministry and of the specific department responsible for safety in river transport, to investigate the issue thoroughly and make a comprehensive survey of the state of night communication facilities of all boats and ferries that ply at night. We hope such a move by the authorities will go a long way in improving safety for passengers using launches and ferries during the night.

The dramatic growth of Japan's overseas direct investment in Asia over the last decade has given rise to fears of Japanese domination of the area and elimination of other foreign competition. But Japan's economic dominance of East Asia is as natural as the influence of the United States over Canada and Mexico. There is nothing ominous or threatening about Japan's growing direct investments in the old and new economic Dragons of East Asia, particularly since two-thirds of Japanese direct investment is in its major overseas markets, the United States and Europe. Some Western critics have created a fictitious monster in characterizing Japan as a conspiratorial power out to dominate (if not eliminate) its US competition. Japan's bubble economy has collapsed, creating a host of new problems for Tokyo, and China's growing entrepreneurialism may create new economic leadership in East Asia as the information economy accelerates.

The US economy, on the other hand, is not in decline, but rather in transition — from the old, industrial age to the new information economy. While Japan and East Asia may dominate the production of hardware, America still leads in the development of software, without which most hardware is totally useless. Though Asia may continue to show signs of Japanese economic dominance, it seems clear that the United States will lead the new century. US political and cultural principles — freedom liberty, and justice — still prevail over Japan's more insular cultural values of loyalty, duty, and obligation. Many Asian political leaders have commented publicly that they want the United States to play a critical counterpart role to help blunt Japan's dominance of the region. This may generate some beneficial fallout for US firms as competition for public-sector contracts intensifies in places such as Thailand, Taiwan, and Indonesia, though Japan's trade, investment, loan, and foreign aid priorities in the region give Tokyo the kind of economic leverage that Washington lacks.

To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

English language

Sir, I felt drawn to the letter captioned "English language" that appeared in your esteemed daily recently.

I, of course, share the concern expressed by the letter writer, although I am obliged to feel that the issue has an obvious socio-cultural dimension. In immediate term, the letter, however, directly relates to the linguistic 'battle' that rages across the shores of the Atlantic since long.

Even while casually browsing any American journal, a reader almost instantaneously is on a language fare that is distinctly different from the King's English. They take all sorts of liberties while using English in writing, inventing crisp, handy expressions, often twisting the meaning of many an old word. It has an exclusive American flavour and fur about it. The accent-difference of the two people — American and British — also is no less conspicuous while English remains the lingua franca for both of them. It only goes to prove that in a given cultural matrix a language grows as part of it and acquires its distinct character. The tradition-bound Britons surely resent and resist the new-fangled intrusion of Americanism into the cloistered precincts of the King's English and its audible projection, the Oxford accent.

The Reality of Japan's Influence in East Asia

by Steven B Schlosstein

entrepreneurial genius, a racial and ethnic diversity, and an ability to attract huge numbers of bright and talented immigrants from all over the world.

In manufacturing — a perceived weak spot in the US economy — American firms have been strengthening their competitiveness. The US merchandise trade deficit has been consistently dropping since 1987, when it peaked at \$150,000 million. Since then the US share of global manufactured exports has been rising. The increased US competitiveness has been achieved through increased productivity, which has meant fewer jobs in lower value-added industries. But jobs are increasing in higher value-added, higher-productivity computer integrated manufacturing and in an ever-widening circle of value-added services (data processing, software development, accounting, insurance).

Ambulance

Sir, This is a follow-up note in continuation of my letter on 'Al-Markazul Islami' ambulance matter which was published in your columns earlier. The case of exempting taxes on the ambulance received by Al-Markazul Islami as donation from a Saudi businessman is now under process at the National Board of Revenue (NBR). It is sincerely expected that the NBR will settle the matter at the earliest thereby facilitating release of the ambulance from the Port in the greater welfare of our distressed people.

Meanwhile, I would like to affirm one fact that as far as I have been briefed, Al-Markazul

hardware manufacturing, but America still dominates in the creation of basic software.

American firms need to recognize the perils of a "national economic strategy" and "industrial policy." Industrial policy is a bad idea whose time may well be coming in Washington. Volumes have been written on the subject. Corporate leaders in declining industries demand it. Many politicians now embrace it. But in some guises, it is nothing more than protectionism revisited.

Government can best help by creating attractive incentives (like sound money, low tax rates, and a pro-growth regulatory environment), and then get out of the way so business can do what it does best: create jobs, bring high-quality products and services to those who need them as quickly and as efficiently as possible — and make a reasonable return in the process. Creating bigger bureaucracies,

legislating more public-sector programmes, or mandating specific performance criteria (i.e., stricter regulation) are all counterproductive in a faster-moving, decentralized, unpredictable, chaotic information economy. These policies may serve only to accelerate the "decline" of high-skill, high-wage jobs in the US market.

US firms should realize that the market trend toward globalisation has brought with it an interim period in which trade and investment patterns have tended to move in bloc form. There are three major trading blocs in evolution: a North American free trade zone; a European zone (including Africa and the Middle East); and an East Asian zone, in which Japan is the dominant player (Japan alone constitutes 75% of Asia's total GNP). While US firms may have some innate advantages stemming from the North American Free Trade Agreement (NAFTA) that could favour Mexico as an investment target, there are other market

considerations in East Asia — such as access, presence, and partnerships — that American firms should keep in mind. US firms should also remember that "global market" strategies often demand more than simply "going it alone." Strategic alliances, joint ventures, capital participations, supplier contracts and joint research projects all have merit depending on the market, the product, or the service. In a region like East Asia that is dominated by a major economic power, US firms can create new relationships and new alliances (such as IBM-Toshiba-Siemens) that enable them to enhance their competitive positions as the region continues to chalk up faster-than-average growth rates. US software superiority teamed with superior Asian hardware skills is but one successful strategic combination in the early of the new global economy.

(Washington Economic Reports)

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OPINION

Rights for Women

Congratulations to the editorial "Equal and Unified Rights for Women" published in The Daily Star on November 23. Only on the balance of the good works, and only on the principle "do to the other people that you would them to unto you" that the "rights for women" can be safe-guarded. However, during the future formulation of law the following observations could be considered:

- 1) All the children of a family — whether son or daughter — shall have equal share to the paternal and maternal properties after the death of parents; (will system in favour of a child/children ought to be considered out side the law of equal rights); a) The properties inherited by the daughter from her parents cannot be transferred to any one, not even to the husband of the girl after marriage in any circumstance; nor the property can be sold out after marriage even for the treatment of girl without prior order of the court of law. The law court, before issuing such order, shall call up all the co-share holders of the same paternal/maternal property to put up objection if any. b) On death of the girl, if unmarried, the property shall be equally shared by her brother/brothers and sister/sisters and/or their children; c) On the death of the girl after marriage without leaving any issue, the whole property shall be transferred to the brothers/sister, brothers/sisters and/or their children; d) If the husband dies without any issue and the wife does not leave the home of the dead husband and she adopts any child/children, the wife shall be the legal guardian of the child/children who will inherit all the present and the future properties of the

dead husband, as has been described herein above in case of child/children; d) If the husband dies without any issue and the wife lives in the home of the dead husband and marries again and continues to live, the wife will inherit one-fourth of the first husband's property; the balance immovable property of the dead husband, excluding the home and movable properties, shall be transferred to the legal owner/owners of the first husband (father/mother/brother/br others/sister/sisters and the child/children thereof). So will it be if the subsequent husband-/husbands shall die.

- 3) The Hindu law does not allow any divorce, so it is at par both for the man and woman; a) The Hindu law does not allow inheritance of the immovable properties, and hence the dowry system is there; and in case of the death of the husband, the wife is entitled to live on the property of the husband as long as she lives etc. (In India the law has been amended?)
- 4) The law of divorce as observed in the western countries is quite different, since the law does not allow polygamy/polyandry and the alimony is decided by the law court.
- 5) The "fundamental rights" and "equal rights for all citizens" of the country as contained in the constitution of the country, have deeper meaning than it is written in the editorial. The editorial would have been greatly different had it avoided the "sensitive" words and phrases.

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