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## Expansion of world trade continuing

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ects are selected and, above all, that such projects are clearly and properly planned, and given the circumstances described in developing countries with regard to insufficient employment for youth and the acute deficiency of development funds, it can be anticipated that the mobilised and hitherto underemployed youth will be able to make, in their proper fields, a considerable direct contribution to the national product. In this way heavy initial investment for organisation will ultimately be offset by a considerable real profit.

Nevertheless, it is most unlikely that direct profits will ever fully cover expenditure. However, if we recapitulate once again the aims of youth services with regard to their share in national, civic, general and professional training, the evaluation of their productive economic contribution changes. It is difficult to express in terms of money the results of such an investment in education and training. However, it has already become very clear to us in Germany that these types of investment must also be counted as paying investments, both for the individual and for the community.<sup>16</sup> In the same way, if we consider the

<sup>16</sup> See on this subject recently: H. Berg: *Ökonomische Grundlagen der Bildungsplanung* (Economic Bases of Education Planning), Berlin 1965.

advantages that developing countries could derive from efficient communal education directed at developing national awareness and responsibility, the prevention of illiteracy, improvement of professional training and, above all, the creation of a reliable wish to develop the economy—taken together, these amount to considerable positive contributions in economic terms. Indeed, the qualitative results of a youth labour service, which find their quantitative expression only at a later date in the form of a more rapidly and smoothly growing national product, will be far in excess of the tangible net value added by the organisation.

Of course, the economic contribution of youth services to development must not be overestimated. It would be quite wrong—indeed fatal—were one to assume that the establishment of such organisations could solve the problem of unemployment in the long term. It can be stated, however, that all in all, a youth service organisation—provided it is organised in a reasonable and rational manner and provided it is not made use of for purely ideological or prestige purposes—can be expected to make a positive contribution to the economic, social and political development of any country.

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## **World Business Trends**

### **Expansion of World Trade Continuing**

In 1965 world trade has vigorously expanded. Measured against export data of all countries—except East-bloc states—it increased by about 8% according to an initial calculation made by the International Monetary Fund. However, the growth rate was considerably smaller than in 1964 when it reached more than 12%. This decline clearly reflected a slowing down of international economic growth. In the second half of 1965 the expansion rate of world trade was again somewhat higher than before. In part this should be attributed to the consequences of the American dock strike in 1965, but over and above this in several countries import requirements have again increased more rapidly.

Last year's declining tendency of world trade expansion was mitigated by an accelerated import increase in North America (+15% after +10% in 1964), where economic growth was continuing without restraint. In all other important economic areas, however,

imports were rising more slowly. Above all the slowing down of business activities in West European countries (+8% after +12%) had its consequences as more than 50% of world imports—including the intra-European exchange of goods—fall to the share of these countries. Even more pronounced was the slowing down of the import increase in Japan (+3% after +18%) as a consequence of sluggishness in this country's economy. But also in primary producing countries, for which only fragmentary data are available, imports in 1965 seem to have increased less (approximately +4 to 5% after +11%).

Slagging demand affected the individual economies' exports very differently. The relative losses were particularly heavy in North America. In 1965 exports of the United States and Canada increased by a total of a bare 4% only (after +15% in 1964). In Japan, on the other hand, the export boom has even increased again

(+27% after +22%), while the European countries experienced a slight slowing down only (+11% after +12%). Besides, this had been solely caused by the development of the intra-European exchange of goods while exports to the rest of the world even rose at a considerably higher speed. As against that export proceeds of primary producing countries obviously increased considerably less (approximately +4 to 5% after +10%).

In 1965 the primary producing countries' export development was prejudiced by the fact that their export prices did not continue their upward trend of the two previous years. Besides, also their export volume obviously increased at a somewhat smaller rate. Anyway, from January to September, 1965, it was about 4% above that of the preceding year's corresponding period, after in 1964 the increase had amounted to approximately 5%. This slowing down may well be explained with the development of raw material consumption. Obviously the influences of cautious stocking that temporarily played a role in some

countries (e.g. Japan, Italy, France) have been offset by warring influences in other countries.

The developing countries which—apart from Australia, New Zealand and South Africa—are identical with the primary producing countries, also in the past year did not maintain their share in world exports. The same applies to imports. Last year they were apparently rising considerably slower than in 1964. According to estimates of the International Monetary Fund that, however, appear to be too low—as compared with the industrial countries' corresponding export data—the developing countries' imports have been rising by no more than 3% (after + 9%) in 1965.

Such reaction is all the more surprising as by the end of 1965 the developing countries' monetary reserves had reached their highest level since 1956. Certainly in the meantime also import values have climbed by about 40% and current liabilities for the service of capital have increased, so

that the liquidity required for normal payment transactions must be higher. However, as measured against the low level of currency reserves in autumn 1962, their present size (+ 28%) should allow the developing countries a certain scope for their import policies.

However, in view of the restraint practised already in 1965, it is quite improbable that the developing countries' improved liquidity will influence import decisions more strongly during the current year. In this respect the development of export proceeds is of much greater importance. As far as they are determined by raw material consumption, the anticipated production in industrial countries does not suggest major changes in the trend, although Japan would increase its raw material purchases rapidly as business continues to improve. And since raw material prices—as long as the Vietnam conflict is going on—at least will not decline, in 1966 the developing countries' export proceeds should increase again at somewhat higher rate.

from the strike in the Chilean copper mine of "El Teniente".

In spite of considerable troubles in the mining of copper ores, in 1965 production of refined copper had again been higher than consumption. In 1965, with a growth rate of merely 2.6% (1963: + 6.3%, 1964: + 11.2%) the Western world's increase of consumption has slowed down considerably. Altogether 4.98 million tons of refined copper have been consumed. As against this the production upswing has decreased less. In 1965 5.06 million tons of refined copper, i.e. 5.6% more than in the previous year (1963: + 1.6%, 1964 + 7.4%) have been produced. While in 1964 there had been still a production deficit of 60,000 tons in the Western world, in 1965 production surpassed consumption by about 80,000 tons. However, as the processing industries made provident purchases due to the events in Chile, effective demand was much higher than consumption. Although this excessive demand was partially covered by copper released from American stockpile, it could not be prevented that ever recurring surges of demand led to high price increases.

In 1966 the Western world's consumption is supposed to rise to 5.1 million tons. Considering an annual capacity of copper refineries of 5.6 million tons it should be possible to overcome the copper shortage, particularly since another 200,000 tons of copper are to be released from American stockpile. It would be necessary, though, that no further loss of production will occur in the course of the year. Only then would demand become normal again and copper prices decline to a lower level.

## Raw Material Markets

### Peak Level of Copper Prices

Last year copper prices fluctuated extremely, the basic trend, however, was clearly a favourable one. In 1965 the annual average price was 34% above the 1964 level. In the first quarter of 1966 copper prices continued to rise vigorously. Currently at the London metal exchange the price of prompt wire bars at 745 £/lgt surpasses the previous year's level by 57%. The fixed producer price however, is a mere 336 £/lgt.

Already in 1965 bullish price increases in the copper market had been caused by strikes in important production areas disturbing the supply situation considerably. Moreover, Rhodesia's declaration of independence has caused worries that copper production in neighbouring Zambia might be involved. Since the beginning of 1966 another loss of production of 30,000 tons of copper has resulted

Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1965				1966		
	February	May	August	November	February	4. 3.	18. 3.
HWHA-Index <sup>1</sup> (1952—1956 = 100) ....	95.8	96.8	94.1	95.3	98.8	99.0	98.9
Foodstuffs .....	88.0	87.1	83.8	85.1	86.9	86.6	85.8
Raw materials other than foodstuffs ...	99.6	101.4	99.0	100.2	104.6	105.0	105.2
Fuels .....	96.4	95.7	95.4	95.6	95.6	95.4	95.9
Raw materials for consumer goods ..	89.8	90.1	91.0	92.1	92.7	93.8	94.5
Raw materials for capital goods .....	109.4	114.7	108.1	110.4	121.6	122.2	121.8
Reuter's Index (18. 9. 1931 = 100) .....	458.2	459.7	445.1	447.6	472.0	470.4	468.3
Moody's Index (31. 12. 1931 = 100) ....	371.4	382.8	391.9	392.5	414.5	407.9	401.3

<sup>1</sup> Index compiled by the Hamburg Institute for International Economics.