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with the network of inland waterways is most urgent. A North-South canal is in the planning stage that will begin upstream of the barrage at Geesthacht and end in the Midland Canal in the vicinity of Brunswick. Also bigger vessels could travel on this canal. Moreover, the connection with Central, South, and Western Europe would not only be shortened but also become cheaper.

In the long run an improvement of the connection with the Baltic will also become necessary, for already now the North-East Canal is hopelessly overburdened.

For some time already an outer port is under consideration—in the vicinity of Brunsbüttel—that will save the ships the 60 kilometres long approach on the Elbe.

After such a modernisation Hamburg's peripheral location between the three economic blocs might prove to be advantageous in the long run. In the course of a general loosening-up of economic- and power blocs an increasing exchange of goods may become possible and in this case Hamburg offers the best approach to the three large European economic blocs.

World Business Trends

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Western Europe Expanding Most Slowly

The economic trend in most West European economies has continued to be differentiated in the current year. Above all in the field of demand the position of decisive factors has been very different in individual countries. This is limiting the indicative value of a comprehensive consideration for the West European economic area. It is, however, remarkable that for approx. two years—and in spite of a radical regional shift in the crucial points of expansion—West European industrial expansion is growing at an almost unchanged speed, as the forces of acceleration and those of retardation always nearly balanced. It is true, though, that at present the growth of production (first half of 1966: + 4 % as compared with the previous year) is weaker than on a longer-term average (1960 to 1965: + 5.2 % annually).

In the first six months by far the strongest expansion of industrial production (excluding building) has taken place in Italy and France (+ 11 % and + 8 %, respectively). After in both countries the recession had been overcome already in 1965, in the current year their economies are rapidly expanding. In the Federal Republic of Germany and in Britain, on the other hand, the growth of industrial production has been only a slow one in the first half-year

(+ 3 % and + 2 %, respectively). Taking seasonal variations into consideration production has even declined in Britain in the last months. Also among the smaller West European industrial nations there have been considerable differences. While e.g. production expanded strongly in the Netherlands, in Sweden it even lagged behind the previous year's result.

An analysis by branches of activity shows—in spite of a different economic situation—certain common features in the individual countries. Thus the mining output has been declining in some of the most important producer countries, namely Britain, the Federal Republic of Germany and France. Furthermore in the first half of 1966 these countries' steel industries did not reach, or just reached, respectively, the previous year's corresponding volume. Merely Italy which is showing a considerable production increase, is an exception.

On the other hand, the output of the chemical industry rose above average in all four of the large West European industrial states, although there is a big difference between the two extremes, i.e. Italy and Britain. Apart from this structurally favoured branch also production of the textile industry increased generally above aver-

age. The exceptionally high growth rates in Italy and France (+ 17 %) are to be explained by the previous year's low level. These extraordinary fluctuations are mainly a result of different arrangements for carrying stocks.

In the United States industrial production is currently expanding much faster than in West Europe. In the first half of 1966 it surpassed by 9 % its previous year's corresponding level. Above all the quickly expanding production of capital goods and armament supplies (+ 18 %) has contributed to this development. The production of consumer goods rose in a considerably smaller degree (+ 5 %). During the past years the United States had maintained its advantage in production over Western Europe also without additional demand for military purposes. While between 1955 and 1960 the United States' industrial output increased by only 13 %, and the West European one, on the other hand, by 31 %, between 1960 and 1965 the speed of expansion in the United States at 32 % was even higher as against + 29 % in Western Europe. In this period a growth-conscious economic policy had already mobilised unutilised resources to such a considerable extent that the fast increase of defence expenditure beginning a year ago could cause tensions in the American economy.

In Japan, too, industrial production is rising at a noticeably higher

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

Index and commodity group	1965		1966				
	August	November	February	May	August	26. 8.	9. 9.
HWWA-Index ¹ (1952—1956 = 100) ...	94.1	95.3	98.8	96.9	93.5	92.6	92.4
Foodstuffs	83.8	85.1	86.9	85.3	85.1	84.6	84.5
Raw materials other than foodstuffs ...	99.0	100.2	104.6	102.5	97.6	96.4	96.2
Fuels	95.4	95.6	95.6	95.5	95.4	95.4	95.4
Raw materials for consumer goods ..	91.0	92.7	92.7	96.3	95.2	95.1	94.1
Raw materials for capital goods	108.1	110.4	121.6	113.8	101.8	98.7	98.7
Reuter's Index (Sep. 18, 1931 = 100) ...	445.1	447.6	472.0	463.3	443.0	432.0	426.8
Moody's Index (Dec. 31, 1931 = 100) ...	391.0	392.5	414.5	397.4	394.3	390.2	387.6

¹ Index compiled by the Hamburg Institute for International Economics.

rate than in Western Europe as the expansive forces are clearly dominating again since the turn of the year. In the first six months of 1966 the production volume was bigger by 7% than a year ago. It is true, the growth rates of former years (1960 to 1965: + 74%), i.e. + 12% annually on an average) are not yet obtained again. But the development during the last months, allowing for seasonal variations, is indicating a considerable acceleration of the expansion rate which is above all a result of a recovering domestic demand.

In the second half of 1966 no fundamental change in the pattern of economic forces is to be anticipated in the Western world. Production will continue accelerating most in industrial areas outside Europe, i.e. in the United States and in Japan. Although in Western Europe Italy and France will continue their economic expansion briskly, the continuing slowing down of economic activity in Federal Germany and the stagnation in Britain are impeding an acceleration of economic growth in Western Europe as a whole.

On the other hand, comparatively large stocks, stored mainly by major consumers at a time of lower cocoa prices, are tending to keep down prices. Although world stocks have decreased considerably during the current season, they should still amount to 380,000 tons this September when the season 1965/66 is ending. Besides it is not sure whether the pronounced increase of consumption, that is last not least a result of the preceding cheap cocoa supplies, will continue. In the United States the quantity of ground cocoa-beans in the first half of 1966 surpassed the previous year's result by 6.5%.

Raw Material Markets

Price Fluctuations in the Cocoa Market

The upward trend in prices to be observed in the cocoa market, that had begun in August last year, did not continue during the last months. Since mid-April the New York loco-price of Ghana-cocoa for instance has been fluctuating considerably between 23.75 c/lb and 28.25 c/lb. After the most recent price reduction Ghana-cocoa is currently quoted at 25.80 c/lb in New York.

The growing uncertainty about the future development of the supply and demand situation in the cocoa market is the background of price fluctuations. According to

latest prognoses also in the coming season of 1966/67 crops in West Africa and Brazil are supposed to be below average. If consumption continues increasing as hitherto, a production deficit as considerable as in the current season would result. However, it is not yet an assured fact that cocoa crops will be bad in 1966/67. Therefore cocoa is only temporarily offered more cautiously or is in stronger demand for speculative reasons, respectively. This is the cause of upward movement in prices. For the time being it is only certain that the intermediate crop in Africa has been very bad.

For all these reasons the producing countries did not abandon their efforts for achieving a stabilisation agreement in order to be secured against slumps in the market. However, the New York cocoa-conference of May/June has ended without success. The producer and consumer countries could not agree on maximum prices, basic quotas and the buffer-pool planned for May 1, 1966. As regards minimum prices, the producers had asked for a price of 21 c/lb, while the United States were prepared to concede 18 c or 19 c at most. However, the conference members voiced the opinion that at least the foundations for further discussion have been established and another conference could be called in before the end of this year.

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