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In order to counterbalance industrial branches with a weak expansion rate, the extension and new settlement of growth industries is to be recommended. Already in the last years a comprehensive set of instruments of regional policy measures has been devel-

oped in order to continue promoting Hamburg's function as an industrial centre. But also in future the city's position and importance will be decisively based on inter-regional and overseas business connections.

World Business Trends

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Strong Growth of World Trade

The strong expansion of world trade has continued in the first half of 1966. Foreign trade turnovers in the western world were by 11% higher than during the corresponding time of the previous year. Granted, the growth rate declined considerably from the first to the second quarter of 1966, but essentially this is only a question of "statistical repercussions" of the dockers' strike in the USA in early 1965.

The increase in import demand was above average in the industrial nations. Most striking was the increase in imports in the USA (+ 21%) in the first half of 1966, this applies also in case of previous year's strike influences being excluded. With increasing utilisation of domestic resources the rapid expansion of demand was above all for the benefit of foreign suppliers. In Japan, on the other hand, imports (+ 12%) were stimulated again at the beginning of the recovery phase already. Imports in the West European countries (+ 11%) continued to increase only a little more slowly. However, imports in overseas developing countries increased considerably more slightly (according to first calculations of the World Monetary Fund by approx. 5%; in the developed primary producing countries Australia and South Africa they even decreased.

In West Europe a distinct differentiation was prevalent. Apart from some small economies with an extraordinarily great increase in imports—namely Spain, Yugoslavia and Austria—imports in-

creased considerably, due to the continuing recovery, in Italy and France (first half of 1966: + 18%, and + 15%, respectively). In the Netherlands and Belgium the growth was also considerable, whereas the Federal Republic of Germany and the United Kingdom (+ 8% and + 6%, respectively) remained below average. The same applies to all Scandinavian countries and Switzerland.

The strong increase in imports in the industrial countries stimulated especially the exchange between the industrial countries themselves. This intensification of their mutual interdependence occurred not only in the West European but also in intercontinental trade between the highly industrialised economies. In the first half of 1966 the increase in exports in West Europe (+ 10%) and in Japan (+ 13%) was considerably influenced by this. Due to the previous year's dockers' strike the USA (+ 14%) offer a very distorted picture; adjusted, exports rose only slowly. The brisk import demand of industrial countries was also in favour of the raw material countries. In the first half of 1966 their exports obviously increased more than on the annual average 1965 (according to first estimates by 8 to 9%).

In the first half of 1966 the industrial countries increased their imports from commodity countries more strongly than their exports to them. Consequently the balance of trade deficit (imports cif) of the industrial countries as a whole was

considerably bigger than in the previous year's corresponding period. In particular the decrease of the export surplus in the USA as well as the increase in the import surplus in West Europe contributed to this. Only in Japan there was no noteworthy change. The reverse of this development in the industrial countries was most conspicuous in the extraordinary trade balance improvement in the developed primary producing countries. But obviously the overseas developing countries, too, have increased their export surplus.

Despite the relatively favourable development of their export incomes the overseas developing countries increased their imports only at the same moderate rate as in 1965. The corresponding deliveries of West Europe have increased particularly slightly (OECD-countries, first half of 1966: + 1% in comparison with the previous year). True, the trade balance is merely one determinant factor among others, of the balance of payments, but its favourable development has decisively influenced the balance of payments of the developing countries in general, for according to available data this group of countries has again increased its currency reserves. Apart from the unequal distribution it must not be ignored that the liabilities of the developing countries from the service of their growing debts vis-à-vis the industrial countries and international organisations have constantly grown; thus in view of the unstable export situation increased maintaining of reserves seems to be necessary.

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

Index and commodity group	1965		1966				
	September	December	March	June	September	23. 9.	7. 10.
HWWA-Index ¹ (1952—1956 = 100)	94.8	96.4	99.0	96.2	92.5	92.1	92.5
Foodstuffs	84.6	86.9	86.2	84.3	84.2	83.7	83.8
Raw materials other than foodstuffs ...	99.7	101.0	105.1	102.0	96.4	96.2	96.7
Fuels	95.4	95.6	95.6	95.7	95.4	95.4	95.5
Raw materials for consumer goods ..	91.3	90.9	94.5	96.2	93.8	92.8	91.4
Raw materials for capital goods	109.6	113.3	121.9	112.7	99.6	99.7	101.7
Reuter's Index (Sep. 18, 1931 = 100) ...	448.5	457.5	469.6	463.1	428.9	426.4	428.2
Moody's Index (Dec. 31, 1931 = 100) ...	383.8	407.2	402.8	402.8	382.7	378.4	374.1

¹ Index compiled by the Hamburg Institute for International Economics.

Also in the second half of 1966 world trade will get strong impulses from the rapid expansion in the USA and Japan, in West Europe from the steady upswing in France and Italy. However, demand in the Federal Republic of Germany and above all in the United Kingdom, the two most important importing countries after the USA, will rise

only slightly. For the primary producing countries these partial weaknesses could somewhat affect sales and prices of their products. But even if thus the increase of their export incomes were again retarded, increased currency reserves in their function as a "liquidity buffer" should allow a continuation of the moderate import growth.

tion growth (+ 11 %) was twice as large as production growth (+ 6.8 %). In view of the still very big world stocks (at the end of April 1966: 767,500 lgt), however, also the increase in world consumption could not prevent the price decline, just as little as the intensified purchases of China and the Soviet Union to be expected for the current year.

Raw Material Markets

Caoutchouc Prices on 12-Year Bottom

In September caoutchouc prices at the London Exchange and the New York Exchange fell to their deepest level within the last 12 years. Since the beginning of this year the decline in prices amounts to 12 %.

This general slump had several reasons. Shortage in demand during the holidays is likely to have been decisive for this trend so that there was a certain surplus in prompt caoutchouc. Generally, however, the reconciliation between Indonesia and Malaysia and—in connection with this—the conclusion of a trade agreement between Indonesia and Singapore played the major role. It is assumed that by this more caoutchouc will reach the free world market. Finally it

becomes effective, too, that high interests and credit restrictions prevent the consumer countries from taking in large stocks and promote "living from hand to mouth". Competition of synthetic caoutchouc is still considerable. In the first half of 1966 Japan for instance exported 82 % more synthetic caoutchouc than at the time of comparison of 1965.

There are factors which could check the slump in the caoutchouc market, but it seems that their influence is not great enough. So neither the worsening of the Vietnam war nor the weakness of the Pound proved to be a price support. The statistical situation was rather consolidated during the first months of this year. Until April consump-

Under these circumstances one can understand the market's negative reaction to the announcement of the American stockpile authorities according to which in the fiscal year 1966/67 (March 21st, 1966, till the end of March 1967) deliveries will be increased by 50,000 lgt to 170,000 lgt.

In this connection it makes practically no difference to the world market that the stockpile deliveries are only allowed to be sold within the United States; for this results in a decreased demand of the USA in other international markets. This decision of the USA is in contrast to the wishes of the producer countries, which had pleaded for a maintenance at least of the hitherto existing volume of deliveries or even a reduction, which would have been much more in accordance with the market situation. For thus the oversupply will continue the pressure on prices in the caoutchouc market.

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