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EEC. The Northern Europeans are free traders on principle. Up to now tendencies towards free trade have additionally been promoted by the fact that in all of the four Northern countries business trends and activities have developed so favourably as never before.

The Northern countries appear as commercial entity, as a "bloc" in the Kennedy Round. It is out of the question that they will pull their weight and use their importance as foreign trade partners. We can only wait and see whether the North will succeed in carrying through its commercial wishes and demands vis-à-vis its big partners.

## ***World Business Trends***

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### ***World Economy***

In the last year world trade expanded vigorously again. According to hitherto available data of the International Monetary Fund the foreign trade turnovers of all countries (excluding East-bloc states) rose by a good 9%, i.e. to about the same extent as in 1965. However, in the course of the year the slowing down of international economic growth setting in within Western Europe as well as in North America also influenced noticeably the development of world trade. Thus the growth rate of world imports decreased from 10.8 % in the first half of 1966 to 9.5 % in the third quarter and to scarcely 7 % in the last three months of the year.

Decisive for this slowing down was the reduced import demand in the West European economies. In the first half of 1966 their import values increased by 10.7% vis-à-vis the previous year's corresponding period, in the second half, however, by merely 6.0%. In particular the Federal Republic's import reduction contributed to this development. Simultaneously in North America a trend towards a similar development as in Western Europe set in. The growth rate of import values decreased from 20.4 % to 16.0 %. Here, however, distorting influences of the dock workers' strike at the beginning of 1965 might have contributed to this trend. As against that Japan's imports recovered vigorously in the course of the last year (first half: + 11.8 %, second half: + 21.5 %). According to hitherto available but still incomplete data the imports of overseas raw

material producing countries—with approx. + 4 % in 1966 after + 7 % in 1965—were smaller than in the previous year and much weaker than those of the industrial countries.

Since the reduction of demand originated above all from West European countries, due to the close international interdependence in this area, it was clearly reflected in the intra-European exchange of goods (OECD-countries). Its growth rate decreased from 10.8 % in the first half of 1966 to 7.2 % in the second half (up to November). As against that the advance of West European exports to the rest of the world accelerated even from + 9.2 % to + 11.5 %. Also in North America the unfavourable development of sales in Western Europe contributed considerably to a reduced growth of exports from + 15.2 % in the first half to + 9.4 % in the second half of 1966. In Japan, on the other hand, to which the European market is not of decisive importance, the expansion of exports simultaneously accelerated still (from 12.8 % to 18.2 %). Also the overseas raw material countries whose total exports should have increased somewhat in 1966 (+ 6 %), in the second half of 1966 obviously experienced first repercussions of the slackening demand in Western Europe.

Foreign trade fluctuations of raw material countries are always particularly strong in the developed ones of these economies, in Australia, New Zealand and South Africa. As regards exports this is above all a result of the high share of wool, whose production,

demand and prices show considerable fluctuations. Thus in this group of countries a reduction of export values by 2.0 % in 1965 was followed by an advance by 7.8 % in 1966. Imports experienced even more pronounced fluctuations: an increase by 13.4 % in 1965 was followed by a contraction of 3.3 % in the last year. This reflects the rapid change of business trends and economic policy, that is frequently initiated just by this export development.

Foreign trade of the other overseas raw material countries, which are identical with the developing countries outside Europe, is developing much more continuously if only due to the big number of economies comprised in this group and the different determinants of exports and imports. Just here the data hitherto available for the last year are still very fragmentary. All the same, the industrial nations' (OECD) corresponding imports indicate that in 1966 the developing countries were able to increase their total exports somewhat more than in 1965 (+ 6 %), without, however, being able to maintain their share in world trade.

In 1966 the developing countries' total imports—as measured against the corresponding exports of industrial nations—should have grown to the same extent as in the previous year (i.e. also by about 6 %). It is, however, remarkable that here in the course of the year a vigorous acceleration prevailed after an at first relatively moderate growth. From July to November the industrial countries' deliveries surpassed the previous year's corresponding values by

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

Index and commodity group	1966				1967		
	Feb.	May	Aug.	Nov.	Feb.	Feb. 17	March 3
<b>HWHA-Index 1 (1952-1956 = 100) ....</b>	<b>98.8</b>	<b>96.9</b>	<b>93.5</b>	<b>92.4</b>	<b>92.6</b>	<b>92.5</b>	<b>92.2</b>
Foodstuffs .....	86.9	85.3	85.1	83.8	85.0	85.1	84.1
Raw materials other than foodstuffs ...	104.6	102.5	97.6	96.5	96.3	96.0	96.1
Fuels .....	95.6	95.5	95.4	95.6	95.2	95.2	95.1
Raw materials for consumer goods ..	92.7	96.3	95.2	91.2	92.6	92.5	92.6
Raw materials for capital goods .....	121.6	113.8	101.8	101.5	99.9	99.2	99.4
<b>Renter's Index (18. 9. 1931 = 100) .....</b>	<b>472.0</b>	<b>463.3</b>	<b>443.0</b>	<b>425.3</b>	<b>432.5</b>	<b>432.4</b>	<b>429.1</b>
<b>Moody's Index (31. 12. 1931 = 100) ....</b>	<b>414.5</b>	<b>397.4</b>	<b>394.3</b>	<b>369.0</b>	<b>369.1</b>	<b>368.8</b>	<b>366.9</b>

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

11%. With that the developing countries' balance of trade, that in 1966 on the whole showed an unchanged small deficit (fob values) as compared with the previous year, seem to show a more pronounced deficit again.

Therefore it is no accident that the continuous growth of the developing countries' currency reserves, by mid-1966 was followed

up by a slight reduction. Although for the time being the liquidity of the developing countries permits a continuation of their import increase, at least the latter's limitations are becoming visible. Thus from this side a more pronounced compensation for the damping effects—to which world trade will be subjected due to the recession in numerous industrial states in the current year—cannot be anticipated.

second half of 1966 processors wanted to keep their stocks as small as possible. Under these circumstances even in view of a temporary stagnation of world production (January-September 1966: 1.685 million lgt; January-September 1965: 1.695 million lgt) a further price decline was inevitable, particularly because early in 1966 world stocks had grown to 812,500 lgt.

## Raw Material Markets

### Lasting Slump in the Rubber Market

Prices in international natural rubber markets continued declining during the last months, after in autumn 1966—due to the announcement of the North American General Services Administration (GSA) to restrict rubber sales—a temporary upward trend could be observed. On February 17, 1967, the standard quality was quoted at only 20.55 cts/lb on the New York Rubber Exchange. Thus the rubber price has fallen by 28.5% since the beginning of the downward movement in May 1965.

At first the strong production increase in 1964 and 1965 and the steadily growing sales out of the American stockpiles formed the background of the price fall in the rubber markets. The price decline would have been even more dis-

tinct if world consumption had not risen acceleratedly during the last years. Thus still in 1966 for instance consumption increase is supposed to have amounted to approx. 160,000 lgt (1965: +92,000 lgt).

Since spring 1966, however, demand of rubber processors has fallen noticeably. Consumption increase declined from one month to the other as compared with the previous year, because expansion of industrial production was slowing down in the western world. Above all during the last months production stagnations have occurred in the motor industry, the most important rubber consumer. Demand reluctance in the rubber markets became more noticeable by the fact that because of worldwide credit restrictions in the

In 1967 the price weakness in the rubber markets must be expected to continue. Due to slowed down cyclical expansion in the western industrial countries rubber consumption will only increase by 60,000 lgt to 2.580 million lgt according to an estimation of the International Rubber Study Group. In contrast to this in 1967 with 2.575 million lgt natural rubber supply by production and stockpile releases will be 130,000 lgt higher than in 1966. Even under the assumption that in the consumer countries stocks will be increased by 20,000 lgt demand will show only a slight surplus of 25,000 lgt. This can easily be met by the many times larger rubber stocks of producer countries. In addition the production capacities for synthetic rubber have been widened more than consumption and producers therefore have to endeavour constantly to substitute synthetic for natural rubber.

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