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Slow growth of world trade

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The Federal Government has repeatedly stressed its good will and intention to improve and strengthen relations with states of a different social order in the East and Southeast of our continent in many respects and to initiate and establish new relationships where this seems advisable. The cultivation of the trade relationships with the majority of these countries over many years has certainly done valuable preparatory work in this field.

World Business Trends

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Slow Growth of World Trade

World trade continued to increase during the first months of the current year. In the first quarter of 1967 foreign trade turnovers of all countries (without the East-bloc states) were 6 to 7 % above those of the previous year. This rate of expansion is again somewhat lower than that in the fourth quarter of 1966. However, above all a comparison with the growth rate of 10 % for the whole of 1966 is showing clearly that the slowing down of economic growth in most Western industrial countries is already proving to be a major obstacle to the expansion of world trade. The differing developments of business activities in individual states and regions found their expression in these countries' foreign trade relations, although the growth rates did not always immediately give a proper impression of the most recent tendencies.

Thus in the first quarter of 1967 imports of the United States were still considerably higher than in the previous year's corresponding period (+ 12.3 %). This, however, was in fact only a reflection of the cyclical increase of foreign supplies till autumn 1966, while import values taking the usual seasonal variations into consideration are sluggish since that time. As against that the United States' exports (first quarter of 1967: + 8.9 %) also after a similar adjustment showed a distinct increase in the first months of this year. The balance of trade surpluses, that from the beginning to the end of 1966 continuously decreased, have therefore grown again since the turn of the year. The American balance of payments has been somewhat relieved from this side in any case.

The expansion of world trade is being kept in check particularly by sluggish demand in Western Europe. In this group of countries on which—including trade between its members—more than half of world imports are concentrated, the import values of the first months of 1967 were only slightly above those a year ago (first quarter: + 2.5 %). This result is to be attributed above all to the decrease in imports of the Federal Republic of Germany (— 9.1 %), but also in several other countries imports dropped or, respectively, increased hardly, e.g. in Belgium, the Netherlands, Austria, Sweden, and Spain. In Britain (+ 4,2 %) the abolition of the specific duty on imports still had its after-effects. On the other hand, the high growth rate of imports in Norway (+ 18.7 %), Italy (+ 12.8 %) and France (+ 12.0) is an obvious result of the vigorous expansion of demand—lasting in the case of France till the turn of the year at any rate.

Contrary to imports the West European countries' exports continued to show a comparatively pronounced growth (first quarter 1967: + 8 %), as exports to areas outside Europe increased at a higher rate still. This was the case in particular for deliveries to East-bloc states (Jan./Feb.: + 33 %) and Japan (+ 38 %). The extraordinarily rapid growth of Japanese demand reflects clearly the still unabated cyclical upswing in this country. Since simultaneously the expansion of exports slowed down, Japan's balance of trade became adverse again recently (imports January to April: + 21 %, exports: + 10 %).

According to available export data of the industrial nations, imports of raw material producing countries also continued to grow considerably during the current year. For one thing higher demand in advanced raw material producing countries, particularly in South Africa, contributed to this development (imports in the first quarter: + 32 %). But also in the group of developing countries the relatively vigorous growth of imports apparently continued, a trend that set in already in the course of the previous year (imports 1966: + 7 %). As regards the financing of their import requirements these countries at present should profit from the fact that an increasing number of industrial countries is intensifying their export drive due to their deteriorated employment situation.

As the developing countries' exports (1966: + 6.5 %) are rising noticeably more slowly already since the middle of last year, their aggregate trade balance is marked by a tendency to deficits. Measured by the industrial countries' foreign trade data this development continued in the beginning of 1967. The increase of export proceeds in developing countries is slowed down not only by the effects of the recession on the processing and storing of raw materials in the most important industrial countries, but also by the fall in prices connected with

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

Index and commodity group	1966			1967			
	May	Aug.	Nov.	Feb.	May	June 2	June 16
HWWA-Index [1] (1952—1956 = 100)	**96.9**	**93.5**	**92.4**	**92.6**	**92.6**	**93.2**	**92.1**
Foodstuffs	85.3	85.1	83.8	85.0	87.8	89.2	86.7
Raw materials other than foodstuffs ...	102.5	97.6	96.5	96.3	94.9	95.1	94.7
Fuels	95.5	95.4	95.6	95.2	95.0	95.1	95.1
Raw materials for consumer goods ..	96.3	95.2	91.2	92.6	91.7	91.7	91.9
Raw materials for capital goods	113.8	101.8	101.5	99.9	96.9	97.5	96.1
Reuter's Index (18. 9. 1931 = 100)	**463.3**	**443.0**	**425.3**	**432.5**	**438.6**	**448.7**	**443,0**
Moody's Index (31. 12. 1931 = 100)	**397.4**	**394.3**	**369.0**	**369.1**	**372.7**	**377.8**	**372,9**

[1] Index compiled by the Hamburg Institute for International Economics.

this development. At unchanged prices of import goods the international exchange of goods in real terms has noticeably deteriorated to the disadvantage of the developing countries.

The sluggish business prospects in industrial countries do not permit us to anticipate already this year an accelerated expansion of world trade worth mentioning. Imports of most industrial countries will rather increase but slowly—the most important exceptions being Italy and Japan—although contractive influences—caused by the changed arrangements for carrying stocks—will abate in part. Under these circumstances the raw material producing countries will hardly be able to avoid a deterioration of their balances of payments unless their import increase would again be checked persistently or the industrial countries would be prepared for increased capital aid.

Raw Material Markets

Different Tendencies of Coffee Prices

World market prices of the different sorts of coffee during the last months showed differing tendencies. While the prices of Brazil coffee remained relatively stable—after a slight fall they now reached the level of the beginning of the year—mild sorts (mainly of Columbian and Central American origin) showed a strong price decline, so that for these sorts several cuts of export quotas had to be introduced. In contrast to this the export quota for the Robusta sorts was raised by 2.5 %, i.e. 400,000 bags, because prices exceeded the fixed limit. It is, however, very doubtful, whether the African producers are able to supply this additional quantity, as damages done by the weather have had considerable impacts on plantations.

This development mainly reflects the demand situation in the United States, the biggest coffee consumer. There, a shift in demand to the cheaper Robusta coffee can be noticed, as the consumption of soluble coffee, for the production of which Robusta coffee is most suitable, is steadily rising. Of late, also US imports of coffee are generally rising remarkably. This must be traced back to small US stocks and the expectation that world production 1966/67 and also 1967/68 will decrease.

According to estimates of the US-Department of Agriculture world production of the current season will amount to 63 million bags (1965/66: 81 million bags), of which 47 million bags will be exportable (last season 66 million bags), so that the foreseeable demand of 48 million bags cannot be met completely. The production decline results from a very much lower crop in Brazil (20 million bags exportable compared with 37 million bags 1965/66). Also the 1967/68 crops in Brazil will hardly be higher, as the measures to reduce coffee cultivation in favour of different agricultural products will probably show their effects.

After this season there will be a slight fall of world stocks, which had grown to 87 million bags at the end of 1965/66. These are, however, still large enough to prevent a fundamental change of tendencies of price development. For, although the International Coffee Organisation fixes the annual export quotas and thus world supply, considerable additional quantities are channelled by long circuits into the consumer countries ("tourist-coffee"). So for instance the assembly of the executive committee of the ICO discussed sanctions against countries exporting above their quotas. Also the admission of Singapore to the Coffee Organisation was under discussion. Its membership would put an end to the frequent trade of "tourist-coffee" via this port.

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