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Interesting development of agricultural foreign trade

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GERMAN PRISM

Dropping Market Shares in the EFTA-Area

The Federal Republic is losing market shares in the EFTA-area. The Ifo-Institute, Munich, states that the growth rate of West German exports to the EFTA-countries is lagging behind the expansion of West German total exports since the commercial splitting-up of Europe into two blocs. With a growth rate of 52 per cent between 1960 and 1967 the Federal Republic's exchange of goods with the EFTA shows a smaller expansion than total turnover with 82 per cent and goods trade with EEC-countries with 133 per cent. From January to October, 1968, exports to the EFTA-area rose by 7 per cent only as compared with the previous year's corresponding period. Nevertheless Germany's traditionally high export surpluses in its trade with the EFTA were rising until the end of the year. In 1967 only 24 per cent of West German total exports were sold in the EFTA-area, while 37 per cent were absorbed by the EEC. In the 'fifties the shares of the two economic blocs were almost equal with 28 to 29 per cent, respectively. Above all Sweden, which at that time imported more German products than Italy and temporarily even more than France, has lost much of its importance as a trade partner.

The Ifo-Institute takes the view that there is not too close a connection between the EFTA-nations' tariff discriminations and the volume of market losses suffered by the German export trade. Therefore a remarkable improvement of the market position may not be expected of the coming into force of the tariff reductions of the Kennedy Round from 1972 on.

Vigorous Business Expansion of the German De- velopment Company

The property in the form of participations owned by the German Development Company (Deutsche Entwicklungsgesellschaft: DEG) according to information published by its management has risen in 1968 by 50 per cent in terms of value. With an increase by 21 per cent, new DEG commitments and payments reaching DM 16 mn, the expired business year has been the Company's most successful one since its foundation.

DEG was founded by the Federal Government at the end of 1962, and being an institute holding participations, it is its purpose to promote private

business initiatives for German investments in developing countries. Today, in its 7th business year, DEG is participating directly and indirectly in 144 projects. Promises to finance (nominee shareholdings and loans) amounting so far to DM 86 mn made possible total investments valued at about DM 900 mn. According to DEG the effects on their labour markets are of considerable importance to the overall economy of the countries where investments are made. Of the 57 direct participations 47 companies started production before the end of 1968. The other ten are still being organised. In contrast to the traditional financing institutes DEG is a true partner for private investors in developing countries, i.e. with regard to shaping, execution and taking care of investment projects. Experienced experts of DEG with special knowledge of details are assisting the German enterprises in planning, financing, organising accounting systems and marketing as well as for instance in the selection of a suitable management.

Interesting Development of Agricultural Foreign Trade

In the last quarter the Federal Republic's foreign trade with products of the food and feedingstuffs industry has been experiencing an interesting development. According to recently available data referring in each case to the financial year 1967/68 (running from July 1 to June 30), imports of food and feedingstuffs did not share in the expansion of trade with industrial goods. In terms of value they declined by 1.8 per cent, in terms of volume by 6 per cent. In the last financial year the Federal Republic imported food and feedingstuffs to the tune of DM 16.56 billion. With that the share of these goods in total imports has fallen from 24 to 22 per cent. In imports relating to food and feedingstuffs a trend is obviously continuing that could be noticed for two years already. In the Federal area the degree of self-sufficiency increases and thus future import requirements will be gradually receding. After the record crop of 1968 a decline of agricultural imports for 1969 may be forecasted already today.

In spite of the general drop of agrarian imports the EEC-partners' exports to the Federal Republic increased. It is quite possible that after the almost complete elimination of tariff barriers within the Community in July, 1968, this kind of trade will continue expanding, and agricultural imports from other parts of the world will decline even more. Already today the deliveries of food and feeding-

stuffs from EEC-countries have reached a value of DM 6.4 billion and thus amount to 40 per cent of agrarian imports.

Last year, however, German agricultural imports developed quite differently. Thus e.g. 8 per cent more grain (2.4 mn tons of maize, 1.8 mn tons of wheat, 2.1 mn tons of oil cake) have been imported than in the preceding year. The most important item in terms of value was coffee to the tune of DM 1,059 mn. Important is also the import of non-processed tobacco to the value of DM 788 mn. Two thirds of the voluminous imports of fresh fruits valued at DM 1,028 mn came from the EEC. Now as before meat imports are quite considerable. They reached a value of DM 1,080 mn. In contrast to agrarian imports, German exports in this field expanded strongly. After a vigorous growth lasting for years it reached a volume of DM 2.7 billion, i.e. a further increase by 20 per cent. At present its share in total German exports amounts to 3 per cent.

1969: Satisfactory Growth Rate without Exaggeration

The on a whole superior economic results in 1968 are, so to speak, the crop of a seed sown in 1967 by a determined and purposeful economic policy. The data registering the

success must, however, be judged against the background of the preceding "economic drought" in 1967, as e.g. the growth rate of the GNP in real terms of approx. 6.9 per cent after no increase at all in the previous year. The small price increase rate with an annual average of 1.5 per cent (as measured by the cost of living price index) was also a late result of the recession. Obviously the repeated increase of the external contribution by DM 2 billion proved to be a permanent consequence of the recession: Exports and imports of goods and services registered a favourable balance of DM 18 billion. The continuing trend towards the formation of high surpluses in the field of foreign trade and payments—in view of the increasing utilisation of capacities and manpower at home—could only be explained with a lasting improvement of the German economy's international competitiveness. The development of costs and prices diverging between the Federal Republic and its most important trade partners is supporting this view.

The "quasi" revaluation of the D-Mark in November by changing the tax relief or burden, respectively, of export or import goods, respectively, will have dampening effects on economic growth and price developments. The loss of production gains together with the effects of the French and British "quasi" devaluation should, within the period of one year, amount to a good 1 per cent of the GNP growth rate in real terms (measured by prices of 1954). Starting from the assumption that without the quasi-revaluation the

GNP in real terms would have grown by 4 to 5 per cent, a rather moderate growth rate would have to be anticipated under the changed conditions. However, Government promotion measures, above all structural aids and the renunciation of originally planned restrictive measures are to support the favourable economic trend.

Under these circumstances the Hamburg Institute for International Economics expects a cyclical development for 1969 that will enable a satisfactory growth rate without the risk of exaggerations. If anyway an increase of the consumer-price level by 2 per cent annually has to be anticipated, this can be explained to a large extent by the trend of food prices and rents. The external contribution with DM 13 billion will remain a relatively high one.

Demand for Mineral Oil Surpasses 100 mn tons

In 1968 the Federal Republic's demand for mineral oil surpassed the level of 100 mn tons for the first time. It amounted to 109.6 mn tons, i.e. 11.9 mn tons or about 12 per cent more than in the preceding year.

According to a compilation made by Esso-AG in 1968, the domestic market consumed 90.5 mn tons of mineral oil products (1967: 81.5). In addition, there were the refineries' own consumption of 6.1 (5.2) mn tons; 1.4 (1.1) mn tons demand of the armed forces; 3.8 (3.4) mn tons supplies for large-scale bunkering, and 7.8 (6.5) mn tons of exports.

In 1968 consumption of light fuel oils registered the highest growth rate. Vis-à-vis the preceding year it rose by about 13 per cent to 31.5 mn tons. The same year consumption of heavy fuel oil increased by 7 per cent to 21.4 mn tons. The consumption of gasoline in 1968 reached a growth rate of only little more than 4 per cent as compared with the previous year's rate of 5.4 per cent, and climbed from 12.2 to 12.7 mn tons.

A volume of 83.5 mn tons of crude oil, i.e. 16 per cent more than in 1967, was imported to cover the demand. Libya's share rose again from 31 to almost 43 per cent. Supplies from the Middle East (Persian Gulf) dropped only from 42 to 39 per cent in spite of the still necessary transport around the Cape. Crude oil supplied by Venezuela and the United States amounted to approx. 4 per cent (vis-à-vis hardly 6 per cent), and the USSR covered about 5 per cent of the demand. Imports of finished oil products rose by 6 per cent from 19.4 mn tons to 20.6 mn tons in 1968.

The same year the West German stocks of crude oil and finished products continued growing by more than 10 per cent from 13.2 to 14.6 mn tons. Domestic production amounted to almost 8 mn tons in 1968.