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Differentiated development of export prices

Intereconomics

GERMAN PRISM

Berlin as an Example for Development Planning

16 leading municipal officers from 13 African and Asian states as well as from Australia arrived on April 16 for two and a half weeks in the Federal Republic of Germany, in order to study the German development planning through some project examples. The programme was organised by the Public Administration's central department of the German Foundation for Development Aid.

After a ten-day visit in Berlin, during which a total-school project, the city restoration, the head-office of traffic regulation and the air-port expansion were studied, the group travelled for eight days to Bavaria and visited there a project for industrial settlement as well as some building schemes. In Munich, information about the planning of the Olympic Games stood in the focus of attention. The visit was part of a seminary about comparing administration, arranged by the International Local Authority, The Hague.

Differentiated Development of Export Prices

For the development of the balance of trade and the balance of payments the changes in the costs of living are less relevant than above all the formation of export prices. The export prices of the Federal Republic of Germany have increased slightly by 3 p.c. between 1961 and 1966. During the year of the recession and also until the middle of 1968, the German corporations tried to deviate stronger towards the export markets, due to the insufficient domestic demand, through admissions in the export prices (1967: –1 p.c.; Jan.-Sept. 1968: –2 p.c.), in order to secure a somewhat satisfactory occupation of their capacities.

The German export successes are naturally in no way only due to the price reductions; they are rather to be retraced generally to more intensive selling efforts of the firms on the world markets and more favourable sales situations in important partner countries. The export efforts were seconded additionally through changes in the price relations to other countries; since while the German export prices declined during 1967/68, strong increases in the export prices were registered specially in the USA, Canada and Switzerland.

The export prices of these countries lie today by 3 to 8 p.c. over the standing registered in 1966 and by 10 to 28 p.c. over the level of 1961.

Until 1967, France, too, had registered very high export price increases. The intensified subsidising of exports then led to a certain calming down. The export prices of Great Britain went up by 16 p.c. from 1961 until autumn 1967. Then a decrease by 11 p.c. of the export prices followed, due to the 14.3 p.c. devaluation of the pound – calculated in dollars. This trend has in the meantime been again substituted by a considerable price increase. Besides the Federal Republic of Germany, whose export prices show today about the same standing as in 1961 (the year of the DM-revaluation), other important foreign trade countries also displayed remarkably stable or even decreasing export prices. This applies specially to Italy and Japan.

Compared with these countries, the German export economy suffered competitive disadvantages through the foreign trade tax measures of November, 1968. The export index increased on the whole by 3 p.c. from November, 1968, to February, 1969. Also when increasing costs are taken into consideration, it can be followed that corporations have passed on the 4 p.c. export tax by at least one half to the customers.

Promotion of Direct Investment in Foreign Countries

The Federal Ministry of Finance has developed an immediate programme to promote direct investment of German corporations in foreign countries. In the present phase, characterised by efforts to stabilise business activity, the promotion of these investments is given special relevance as a means to reduce the pressure on the balance of payments. But the securing of a long-term and stable volume of exports by the German economy speaks also in favour of direct investment.

The programme contains among others the following immediate credit policy measures: An instant capital increase for the German Development Corporation (DEG) by DM 40 to 50 mn; foun-