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# GERMAN PRISM

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## **Further Expansion of German Foreign Trade**

In the first six months of 1969 the Federal Republic's foreign trade has again increased vigorously and reached a volume of DM 101,500 mn. The result of the previous year's corresponding period has thus been surpassed by 20 p.c. In detail exports registered an increase by 17.2 p.c. to DM 54,100 mn vis-à-vis the previous year's corresponding period, while imports expanded by 23.5 p.c. to DM 47,400 mn. Accordingly, the German foreign trade balance showed an export surplus of DM 6,700 mn for the first six months of the current year.

The strong increase of imports into the Federal Republic is not surprising at all. The booming economic development linked with an extensive utilisation of production factors could not but cause a noticeable pressure to import. Quite unexpected, however, was the expansion of exports. They profited from the world business trend booming also in the first half of 1969. Related to economic growth, this world-wide boom has hardly any weak spots. In addition the average upward trend of prices abroad now as before surpassed that in the Federal Republic, per balance favouring German exports.

## **ERP Special Fund for Small and Medium- sized Firms**

The ERP Special Fund is concentrating particularly on the promotion of small and medium-sized enterprises. Up to 1969 (inclusively) this sector of the economy was provided with ERP loans on favourable interest terms to the tune of about DM 3,400 mn for the financing of investments.

Uppermost in this "middle-class" programme is the promotion of trade, handicrafts, small-scale enterprises, restaurants, and lodgings in all forms as well as medium-sized processing industries in areas adjoining the zonal border and in Federal rehabilitation areas and locations. DM 130 mn are earmarked for these purposes in the ERP Economic Plan for 1969. This sum was raised to approx. DM 200 mn by means of capital market funds. Until July 31, 1969, inclusively, 1,600 loans of a total amount of about DM 150 mn have already been promised.

A new credit programme for the promotion of regional and sectoral economic structures has been included in the ERP Financing Programme for 1969. This new programme serves the financing of investments in connection with the settlement and expansion of industrial enterprises in agricultural areas and is supposed to create new industrial jobs in areas so far mainly orientated towards farming. This credit programme, that covers a period of four years, provides ERP funds totalling DM 150 mn. DM 35 mn are earmarked for the current year.

## **44 p.c. of Labour Employed in Five Industrial Sectors**

The growing importance of the five big industrial sectors, mechanical engineering, electrical engineering, chemical industry, motor vehicle construction and the textile industry is last but not least reflected by the fact that their share in the total number of persons employed in industry rose from 40.8 p.c. (1960) to 44.4 p.c. (1968). The number of persons employed in mechanical engineering increased by 8.3 p.c. to 1.05 mn, in electrical engineering by 9.8 p.c. to 926,000 and in the chemical industry by 15.1 p.c. to 535,000. The highest growth rate of persons employed, i.e. by 27.6 p.c. to 507,000, registered motor vehicle production, while the number of labour in the textile industry decreased by 21.2 p.c. to 489,000.

## **West-Berlin's Eastern Exports Expanded Conspicuously**

After a mainly subdued development of Berlin's exports to the East-bloc between 1962 and 1965, a pronounced export expansion in the City's East-West trade could be noticed from 1966 on. Accordingly the share of exports to the East in total exports rose from 4.8 p.c. in 1965 to 6.9 p.c. in 1968, or in absolute terms to DM 145 mn. In the first four months of 1969 Berlin's exports to the East-bloc countries continued growing vigorously as compared with the previous year's corresponding period. Czechoslovakia with DM 42.8 mn was Berlin's most important partner as regards these exports, second was the Soviet Union with DM 40.3 mn. Among Berlin's most important export goods in its Eastern trade in 1968 were products of the non-ferrous

metal industry (28 p.c.), mechanical engineering (23 p.c.), electrical engineering (15 p.c.), the clothing industry (11 p.c.), the tobacco processing industry (8 p.c.) and chemicals (4.5 p.c.).

Berlin's (direct) imports from the communist countries amounted to about DM 80 mn in 1965. In 1968 Berlin purchased a bare 8 p.c. of its total imports from these countries. Since 1968 Poland is Berlin's most important supplier in its East-West trade. In 1968 the City bought goods to the value of DM 40.2 mn in Poland. Second was the Soviet Union with 16.0 mn.

### **Rearrangement of Ruhr Coal Mining Industry Concluded**

On August 15, 1969, four more enterprises declared, in the Federal Ministry for Economic Affairs, their accession to the basic agreement on the rearrangement of the Ruhr coal mining industry: Steinkohlenbergwerk Friedrich Heinrich AG, Steinkohlenbergwerk Heinrich Robert AG, Fried. Krupp Hüttenwerke AG, and Rheinstahl Bergbau AG. The basic agreement was signed by 19 enterprises of the Ruhr mining industry already on July 18, 1969. Regarding two other enterprises special solutions are being prepared, so that the mining property of 25 firms registering almost 94 p.c. of the Ruhr mining output will be united in Ruhrkohle AG. A further bare 4 p.c. of the Ruhr mining output will be operated by the Joint Company of the Aachen Coal Mining District. Only one mine with 2.7 p.c. of the total Ruhr output did not join Ruhrkohle AG.

Thus a comprehensive rearrangement has become reality. On the basis of the agreement the organisational and operational construction of Ruhrkohle AG will be carried through briskly.

### **Development of German-Roumanian Economic Relations**

This August the "Exhibition of the Economic Performances of the Socialist Republic of Roumania" took place in Bucharest. One of its guests was the Federal Minister for Economic Affairs, Schiller, who in talks with the Roumanian Minister of Foreign Trade, Burtica, had the opportunity to discuss German-Roumanian trade relations.

The volume of the exchange of goods between the Federal Republic of Germany and Roumania expanded exceptionally during the past years. Between 1963 and 1967 German imports from Roumania rose from approx. DM 220 mn to DM 350 mn, and in 1968 expanded again by 19 p.c. In the first half of 1969, however, the growth rate was only 8 p.c. In the period from 1963 to 1967 German export trebled from DM 290 mn to DM 960 mn, but in 1968 it declined by about 23 p.c.—

a trend that continued in the first half of 1969 (–21 p.c.).

Germany's main imports from Roumania are semi-finished manufactures, particularly fuels and lubricants, timber and sawed timber. In 1968 about 43 p.c. of Roumanian supplies to the Federal Republic consisted of semi-finished industrial goods. The share of farming products was about 29.5 p.c. They consisted mainly of fruit and vegetables, vegetable oils and fats as well as meat and meat products. A comparison of the structures of imports from Roumania in the first half of 1969 and of the previous year's corresponding period shows that agricultural supplies remained on about the same level while industrial imports rose from DM 135.7 mn in the first half of 1968 to DM 154.9 mn in the first six months of 1969. This growth rate of Roumanian deliveries was particularly reflected by iron and steel products, iron-, plate- and metalwares, non-ferrous metals and textiles.

In German exports the main group by far consists of machinery, followed by electro-technical products and chemical primary goods. Farming products play a very minor part in German exports.

### **Vigorous Growth Rate in the Con- sumption of Pri- mary Energy**

In the first half of 1969 the consumption of primary energy in the Federal Republic of Germany according to preliminary calculations of the "BP Benzin und Petroleum AG" reached the record level of 157.5 mn tons of hard coal units. Compared with the previous year's corresponding period (141.5 mn tons) consumption expanded by 16 mn tons or 11.3 p.c., while the growth rate for the first six months of 1968 was only about 6 p.c.

Mineral oil had a major share in this increase. In the first half of 1969 demand rose by 11.9 mn tons or 17 p.c. to 81.9 mn tons of hard coal units. The economic boom and a long winter favoured this trend. The same applies to growing demand in other energy sectors—thus e.g. with hard coal and its products. In particular the unexpectedly vigorous and lasting steel boom with its growing consumption of coke caused the consumption of hard coal to expand by 2.3 p.c. or about 1.1 mn tons of hard coal units to 49.6 mn tons vis-à-vis the preceding year's corresponding period.

Although no definite conclusions can be drawn from the first half year's results as regards the primary energy consumption for the whole of 1969, according to BP—under the assumption of a lasting boom—the final results will not be below 315 mn tons of hard coal units. Even if the growth rate of consumption should only be 22 mn tons of hard coal units, the record growth of 1968 would be reached again.

comes to public tenders the high German prices have often proved a handicap, and in a country like Greece where capital is scarce it is also not surprising that preference is frequently given to propositions offering more attractive conditions of payment over long periods. An obstacle which German industrialists find difficult to overcome is the Greek demand that they should accept Greek surplus goods, i.e. mostly farm produce, in payment.

It may be mentioned in conclusion that the Greeks have generally speaking proved to be conscientious payers. Even if they are more liable than other customers to ask for a prolongation of their bills of exchange, such wishes must not be regarded as signs of unwillingness or inability to pay. There have been few cases of actual default.

#### **... but the Deficit Keeps Mounting**

In the past five years, Greek imports from the Federal Republic have risen in value by 46.5 p.c. to 7,700 mn Drachmas, while its exports to the Federal Republic increased by only 39.5 p.c. to 2,700 mn Drachmas with the result that Greece's

deficit in its trade with the Federal Republic amounted to 5,000 mn Drachmas. German deliveries to Greece were therefore covered by purchases from Greece to the extent of only 35.7 p.c.

Products of the machine and electrical industries occupy the leading position among German deliveries; they are followed by motorcars and other manufactures of the metal and metal-working industries as well as by chemicals. Among Greek exports tobacco plays by far the most important role; in 1968, tobacco accounted for nearly 50 p.c. of the total value of Greek exports to the Federal Republic. Apart from tobacco, exports include other farm produce, in particular fruit, as well as mining products, minerals, hides and skins.

The assortment of goods involved in the German-Greek trade transactions clearly reflects the different stages of development of the two trading partners, underlining still further the above-mentioned need for a restructuring of Greece's export industry so as to enable the country to meet world market requirements. And to accelerate this restructuring direct foreign investments are urgently required.

## **PUBLICATIONS FROM THE HAMBURG INSTITUTE FOR INTERNATIONAL ECONOMICS**

### **IN PREPARATION:**

## **ZOLLPRÄFERENZEN FÜR ENTWICKLUNGSLÄNDER**

**(Tariff Preferences for Developing Countries)**

**by Ernst Niemeier**

The traditional export of raw materials involves but small growth chances still for the developing countries. But does the industrial nations' preferential treatment of industrial export products lead to an increased integration of the industrially less developed countries? This study shows by a juxtaposition of quantified static and dynamic effects of tariff preferences that the dynamic efficiency gains over-compensate by far the negative static effects of preferences.

Octavo, 250 pages, 1969, Price DM 34.—

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