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# GERMAN PRISM

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## **Composition of the West German Export Surplus**

In the first seven months of the current year the Federal Republic's export surplus was smaller by DM 903 mn than in the previous year's corresponding period. This is mainly a result of the smaller export surplus vis-à-vis the United States and Canada declining by DM 762 mn (to DM 197 mn) and vis-à-vis the EEC-countries decreasing by DM 610 (to 1,414 mn). In trade with the EFTA-nations, Asia and the East-bloc the export surplus has increased. In trade with the African states the foreign trade deficit rose by DM 281 mn to DM 2,213 mn.

## **Hamburg's Container Terminal Expanding**

At the moment, containers are the talk of Hamburg! On October 21, this year's container exhibition has been opened in the exhibition park "Planten un Blomen" on 30,000 square-meters. 155 firms from 13 countries have sent their products to Hamburg. This exhibition is the greatest special show of the world.

We take this as an occasion to point to Hamburg's highly modernised container facilities, which have been—and will be—steadily extended and improved.

Early in September the second construction stage of the container terminal at Burchardkai has been finished and is now operating. The completion of this sector enables the Department for Economic Affairs and Transport of the Free and Hanseatic City of Hamburg to offer an 860 metres long quay for four container ships and an acreage of 240,000 squaremetres suited for container operations. After completion of the second stage the third construction stage has been started. This sector comprises the building of a quay measuring 600 metres in length for the fifth and sixth container berth and the preparation of a handling area of 299,400 squaremetres. All facilities are also equipped for conventional transhipments of general cargo.

In the container terminal Hamburg a total of 18 to 20 berths—depending on the size of the vessels—can thus be built for container ships at quays of a total length of 4,200 metres together with areas suited for container operations totalling 1.75 mn squaremetres. A possible future demand for container operation facilities surpassing this capacity could be satisfied, too, since in the harbour extension area a long-term reserve acreage of about the same size is available. The problem of approaches to this area is solved by an already existing port.

## **7th Overseas Import Exhibition "Partner des Fortschritts"**

The 7th Overseas Import Exhibition "Partner des Fortschritts" ("Partners of Progress") ended in Berlin on September 28. Most of the 476 (1968: 225) exhibitors from 53 countries in Asia, Africa and Latin America as well as importers could—as compared with the previous year—frequently book more orders and make numerous new business contacts.

Among the most successful exhibitors is the People's Republic of China, that with more than 30 separate contracts could sell textiles and tinned asparagus to the value of DM 4.5 mn. Good results have been also achieved by the exhibitors from the Republic of Korea who also concluded contracts for the delivery of textiles and handicraft products valued at DM 4.5 mn, or by Pakistan firms which sold cotton textiles to the value of DM 1.7 mn. Five Brazilian firms made contracts for the delivery of furniture, jewelry and finery, as well as buckram valued at DM 1.4 mn.

The organiser's abundant efforts (ADB Ausstellungs-Dienst, Berlin) to promote the trade-character of the Overseas Import Exhibition by consultation services have obviously been successful. For, in the aggregate the exhibitors offered a considerably wider range of goods that above all was increasingly oriented towards German and European market conditions. It is particularly noticeable that on this exhibition apart from trade

between overseas producers as well as exporters and German as well as foreign importers, exhibitors between themselves also concluded trade agreements and made promising contacts.

### **Slackening Exports to France Anticipated**

Almost half of the German enterprises are expecting a considerable deterioration of their export transactions with France. This is the result of a survey of the German-French Chamber of Commerce in Paris. According to this survey the devaluation of the Franc as well as rising wages and prices in the Federal Republic endanger Germany's position in its most important export market. Export prices should increase by 15 p.c. Two thirds of the German enterprises do not see any chance of balancing their disadvantages in the price sector by other competitive measures. The French Government's check to economic activity will cut down French demand for German goods. The Chamber of Commerce stated that 45 p.c. of the firms questioned—i.e. enterprises in the sectors of consumer goods and of capital goods—are anticipating a considerable deterioration of their position in the French market. In the opinion of the German-French Chamber of Commerce two thirds of all German mechanical engineering firms working in France are expecting a considerably impaired market position, while one third does not expect particular difficulties. The future prospects of the chemical industry seem to be quite similar, while those of the electrical industry are judged to be somewhat more favourable.

### **The Federal Republic's Foreign Trade with COMECON-Countries**

The exchange of commodities between the Federal Republic of Germany and the COMECON-nations could be strongly expanded in the first half of the current year. It has risen from DM 3.5 bn to DM 4.1 bn or by 17 p.c. as compared with the previous year's corresponding period. Considerable differences occurred, however, between the Federal Republic's imports from these countries and its deliveries to them: While West German exports to the COMECON-countries expanded by about DM 400 mn to DM 2.4 bn and thus registered a higher growth rate (19 p.c.) than West Germany's total exports in this period (17 p.c.), the growth of the Federal Republic's supplies from this area with 12 p.c. remained conspicuously below the growth rate of its total imports (24 p.c.).

This disequilibrium is of major importance for the COMECON-states' economic development as a whole. For, their import capacity is limited by the level of their exports. Although at present the Federal Republic absorbs 21 p.c. of the East-bloc nations' Western exports, it is believed that this trade constituting but 4 p.c. of West German total foreign trade could be extended still. To what extent these efforts might succeed does not depend alone on the signing of trade agreements but above all presupposes a better diversification of the COMECON-countries' export offer. As long as this is limited mainly to foodstuffs, raw materials and semi-finished products, the "big leap" ahead is not to be anticipated.

### **Almost One More Million of Motor Vehicles**

On July 1, 1969, the Federal Republic's number of motor vehicles (including cars not registered temporarily) exceeded the previous year's corresponding level by 0.95 mn (6.6 p.c.). Together with a further decline in the number of motorcycles and scooters—small as it is anyhow, and one third of it not registered—the number of cars and vans rose by 902,000 (7.7 p.c.). The number of trucks (3.9 p.c.) and tractors (3.8 p.c.) increased at a considerably smaller rate.

### **High Rates of Growth in the Electrical Industry**

The Berlin Association of Electrical Engineering states in its semi-annual report that during the first six months of the current year the negative consequences of the recession of 1966/67 have completely been overcome. There is a continuing upward trend and the hopes harboured at the beginning of the year should certainly be exceeded even. A number of capacities could be better utilised if the required manpower would not be missing.

The Berlin electrical industry's values of goods delivered has reached DM 1.76 bn in the first half of the year and with that has increased by 21 p.c. in terms of money. Since in 1969 the price index has been rising by only 0.8 points, the rate of growth in real terms achieved a value of fully 20 p.c. Export deliveries with 22.7 p.c. increased somewhat more still, so that the export quota rose by 21 p.c. The growth rate of production values with 22.4 p.c. surpassed even that of turnovers. With that the growth rate of 21.6 p.c. registered by the West German electrical industry has been surpassed rather considerably.

The main cause for the failure of a number of these public corporations to reach capacity output quickly has been the difficulty of materials supply. Some of the corporations have done well but the majority have been troubled since their inception by premature investment, ill-conceived technical facilities and weak management. Added to these difficulties, there have been strong political pressures for excessively low selling prices. The Government has failed to establish firm guidelines for the public corporations and its attitude towards the private sector remains equivocal.

The private sector produces a large variety of light consumer goods required in the domestic market and also makes a minor contribution to exports in the form of such items as batteries and biscuits. As import quotas have been most restrictive for luxuries, a large number of the new factories which have been brought into production are in the inessential category. They are, in addition, generally large users of imported materials so that the net saving of foreign exchange has been small and this, in turn, led to restrictions on the importation of materials and some factories have consequently worked at less than full capacity. The initial impetus to local investment has therefore been spent, and it is possible that many of these new factories can never hope to become fully competitive with foreign production.

The Government has therefore decided that new industrial projects must draw their inputs more from the existing or developing sectors of the economy than from imports; and priority is now given to investment in projects designed for the production of capital and intermediate goods, especially those of the heavier industries.

### **Expansion of Exports**

Ceylon's prospects depend heavily on the expansion of export earnings. The prospects for greatly increasing these earnings are not, however, encouraging. The island's exports are almost entirely primary commodities, lacking diversity, of which tea is likely to remain by far the most important. The area under tea cannot, however, be greatly expanded while replanting with higher yielding stock is costly and the response to the increased use of fertilisers may soon reach its technical limit. There is, moreover, little point in rapidly increasing production when demand is relatively inelastic. In the case of rubber, the situation is even more unfavourable since demand for the natural product is increasingly subject to inroads made by advances in synthetic alternatives while the relative cost of production in Ceylon is high and is likely to become even higher. With declining prices, the margin of

profit will remain extremely narrow and may disappear altogether. The position with regard to coconut products is less unfavourable but the scope for exports of manufactures is severely restricted. Favourable prospects exist, however, for fish and there is a slender hope of finding oil.

While, on the whole, it is difficult to envisage from current trends any worthwhile increase in export income within the next decade, the need for imports will more than proportionately increase. With the introduction of import controls, it has been possible for the Government to reduce the rate of less essential consumer imports. These, however, form a relatively small part of total requirements. Industrialisation requires a sharp increase in imports of machinery, fuel and materials. Restraining these imports seriously defers the structural development of the economy and, combined with restrictions on imports of consumer goods, adds to inflationary pressures. Imports could be maintained at an adequately increasing level, despite relatively stagnant export earnings, if high levels of foreign exchange reserves existed; but they do not.

### **Transformation of Production Structure**

As there seems to be no reason to anticipate a strong improvement in the response of foreign investors—at least in terms of the capital involved—Ceylon's problems of economic development appear to resolve themselves into a series of interlocking vicious circles which can only be broken by the massive application of external aid. Fortunately aid has been stepped up. The most important fact for Ceylon's economy is that the existing narrow base of physical production is clearly inadequate to substantially raise the island's standard of living in the face of the decelerating but still fairly rapid increase in population (now 12 million) or even to remedy the sizeable extent of unemployment and underemployment which already exists.

Even with adequate external assistance, there can be no real solution to the fundamental economic problems of Ceylon without an effective transformation of the structure of productive capacity. A reduction in the large import bill for rice and other foods by extending the margin of cultivation to the island's less fertile land and, more particularly, by increasing yields from existing acreages is both possible and desirable but would eventually be contained by physical limits if not earlier restricted by unremunerative cost. The relatively rapid expansion of the service sector over the past decade lacks a sufficiently mature physical base, and may be interpreted as much as a regression to a less developed form of economic organisation as an unusual anticipation of an industrially advanced society. In the final analysis it is to industrialisation that a concept of cumulative expansion is most applicable.