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GERMAN PRISM

Opinion of the Council of Experts

According to the forecast of the Council of Experts on Economic Development, growth will slow down in the course of the current year. On an annual average the GNP in real terms will grow by 4.5 p.c. in 1970, after in 1969 it increased by 7.5 p.c. At the same time, the price level of private consumption will rise by 3 p.c. after 2.5 p.c. in 1969. The increase of net incomes, important for the distribution of incomes, according to the Annual Expert Opinion in 1970 will shift again in favour of the wage and salary earners. After in 1968 in nominal terms they received only 5.3 p.c. more than in the preceding year—but entrepreneurs and property owners (excluding the State) 23.7 p.c.—in 1969 their net income has probably grown by 10.5 p.c. and in 1970 will rise by 12.0 p.c. Income from entrepreneurial activities and property will grow by 7.5 p.c. in 1970 after a 7 p.c. increase in 1969.

Moreover, the experts conjure up the danger of an accumulating inflationary process for the current year. Employers and employed, the Federal Government and the Federal Bank within the framework of the „concerted action“ are to make joint efforts to avoid another recession that nobody wants by applying a “strategy of preventive income securing”.

Appointment of the Federal Bank's Presidency

On January 1, 1970, Dr Karl Klasen and Dr Otmar Emminger will take over the office of President and Vice-President, respectively, of the German Federal Bank for the coming eight years. The tug-of-war for the succession to Karl Blessing and Dr Heinrich Tröger has thus ended. The composition of the Federal Bank's new Presidency is considered an optimum solution. Dr Klasen, former President of Landeszentralbank Hamburg and speaker of Deutsche Bank, knows everything about the banking business and was very successful in this branch. His Vice-President, Dr Emminger, has been member of the Federal Bank's Directorate since 1953 and obtained international recognition as an expert for currency problems.

This connection of experiences with commercial banks and international currency policy indicates

that concerning the appointment of the Federal Bank's Presidency the coalition partners SPD and FDP ignored the rules of proportion. The President of the Federal Bank is a member of the Social Democrats and is supported by a Vice-President who sympathises with the Christian Democratic Union, i.e. the opposition. Nevertheless, both men will see to it that the Central Bank will be equal to its work—irrespective of their political opinions. There is no doubt about it, for Dr Klasen as well as Dr Emminger will defend the independent position of the Federal Bank.

Production Increases Below Average

The industrial production increase, usual in September, with a growth rate of 10 p.c. from August to September lagged behind the long-term average (1959-1969: 11.5 p.c.). The growth rate of production in the capital goods industry at +20.4 p.c. was slightly higher than the long-term average (+20 p.c.). The increase was considerably more favourable in building and civil engineering at +5.9 p.c. vis-à-vis +4.2 p.c. in the past ten years. In the foodstuffs and luxuries producing industries the development was particularly unfavourable at -0.2 p.c. (1969).

Hamburg Harbour Stronghold of Liner Traffic

Hamburg is the biggest German seaport and at the same time Germany's most important harbour handling general cargo. Moreover, with more than 290 services to more than 1,100 ports all over the world it is also the largest German liner port. If for once we do not count the mostly international joint services as units but consider the participating shipping companies individually, 94 West German services are outnumbered by 255 foreign ones.

In most cases Hamburg offers the biggest number of departures among the German ports. Regarding Central America, West India, Africa and Australia Hamburg partly offers more than double the departures than the port next in size. In the case of Asia the figure is 150 p.c.

For the transport of containers according to latest figures Hamburg offers monthly 72 departures of full container ships and other units to Euro-

pean ports. On every weekday one or two ships navigate the "traditional" container route to the American east coast. 22 times a month Canada and the Lakes can be reached from Hamburg and about every two days a container departs for the American west coast. Even for the Australian route every four days a departure for containers is available already now.

Berlin's Exhibition Programme for 1970

In the next year, too, the ADB Exhibition Service Berlin will organise several exhibitions in the Europa-Center and the exhibition area at the radio-tower. The first exhibition will be the special display "Electronic Equipment from Poland" in February, 1970. In March the 9th Sample Exhibition Berlin "Export Goods from the USSR" will continue the series of import exhibitions. In September the 10th sample exhibition will take place dealing with Czechoslovakia.

From March 14 to 22 ADB arranges the "4th International Bourse of Tourism". From April 17 to 21 the "Interchic" will take place again together with the fashion show "Berliner Durchreise". The autumn exhibition of Interchic will last from October 11 to 15. The exhibition programme of ADB contains also the 8th overseas import exhibition "Partners of Progress" taking place in the area at the radio-tower from August 25 to 31.

Expansion of Plastics- and Rubber Processing Machinery

While during the last ten years the Federal Republic's total machinery production approximately doubled, production of plastics- and rubber processing machinery more than quadrupled in terms of value. According to data published by the Association of German Engineering Companies (VDMA) in 1969 this sector's value of production has reached about DM 1.5 bn. As compared with 1968 this is an increase by about one third. The value of exports should be around DM 800 mn, i.e. 55 p.c. of production. With that the Federal Republic holds the first place in world exports of this industrial sector. The United States, France, Britain, Italy and the Netherlands are among the important markets. The extraordinarily expansive development of this industrial sector corresponds to the growth that the plastics-processing industry was able to achieve in Western Germany. In the case of rubber-processing machinery the favourable

economic trend in the automotive industry was very stimulating. Orders in hand on average will last for 9 months until late summer of 1970.

Soviet Union Orders Large-sized Tubes

In the name of Mannesmann AG Röhrenwerke and Thyssenröhren-Werke, Mannesmann-Export GmbH provisionally signed an order for 1.2 mn tons of large-sized tubes with the Soviet Promsyrioimport. The tubes have an outside diameter of 1,420 mm and their thickness reaches from 17 to 20 mm. They will be used for the construction of a natural gas line. Delivery will be taken up in July 1970 and end in December 1972. The final signing of the agreement is to be effected after the conclusion of a credit contract which at present is being negotiated between a German banking syndicate and the Soviet Foreign Trade Bank.

Moreover, Mannesmann-Export GmbH booked another order for more than 100,000 tons of large-sized tubes with a diameter of 1,020 mm and a thickness of 14 mm for a Soviet natural gas line. These tubes are to be supplied in the first half of 1970. Altogether this is the largest single order for tubes that the German steel tube industry ever received.

Favourable Annual Balances of In- dustrial Joint Stock Cies

According to the Federal Statistical Office the annual balance sheets for 1968 of 885 joint stock companies indicate a growing total output and an improving profitability. As compared with 1967, these companies' total output increased by DM 12.8 bn (+8.0 p.c.) to DM 174.2 bn. The highest growth rates were registered by motor vehicle construction (+16.7 p.c.), the chemical industry (+11.2 p.c.) and the electrical industry (+9.3 p.c.).

Due to a considerably improved profitability taxes depending on profits also rose by DM 2.0 bn (+40.7 p.c.) to DM 6.9 bn. After addition of DM 2.0 bn to reserves, a profit of DM 3.9 bn (+15.2 p.c.) remained as shown in the balance. True, only 36.5 p.c. of gross profits on sales of all industrial joint stock companies registered were shown by three major economic sectors—power production, chemical industry and motor vehicle construction—but 57.1 p.c. of taxes depending on profits and 56.5 p.c. of profits as shown in the balance fell to their share. The average dividend amounted to 13.6 p.c. (1967: 13.1 p.c.).

renting public land and port facilities. These opportunities have increased with the advent of containerisation of general cargo, and there are good organisational reasons for permitting the whole transport chain to be co-ordinated. At the same time, since the social costs and benefits of port activities are so important, public control of the major part of investment decisions seems essential.

Many port authorities face a particular problem in the accelerating changeover from labour- to mechanical-handling of cargo in ports. The containerisation of general cargo is intensifying the trend in industrialised overseas trading countries. In high-wage countries the substitution of mechanical cargo-handling methods for labour-intensive methods reduces the long-run average total cost of cargo-handling, as well as speeding up rates of cargo-handling and ship turnaround. But at the same time technological change in port operations is causing a severe social problem of the re-employment of port labour, even though retained labour is likely to achieve higher wages and acquire increased skills.

Government Planning

Against the background of the total annual flow of a country's oceanborne trade, it is the sum of the activities of all the country's ports that is important to an optimum allocation of the country's resources to the port transport industry. There may even be simple programming problems—traffic congestion in some ports and under-utilisation of facilities in others. The rise and fall of the economic importance and operational efficiency of ports will be influenced by technical changes in shipping and cargo-handling and by changes in the volume and composition of trade flows. The effects are unlikely to be uniform among the ports. In such a situation there is an important role for the central government to play in co-ordinating investment activities among the ports and maximising the operational efficiencies of all the ports and the social benefits which are gained from speedy and lower-cost cargo transport.

Among several areas in which government planning may be beneficial, e.g. eliminating unnecessary competition, allocating capital funds optimally under capital rationing, uniform pricing procedures, one may pick just two for comment. The effects of redundancy in dock labour and of seasonal trade and traffic may, to some extent, be overcome by increasing the mobility of labour between ports. This policy was introduced by State authorities in some Australian ports with a limited amount of success. Providing the distances and social immobility are not too great, co-ordination of stevedoring requirements in this way can equalise the demand and supply of

labour services more easily. The second point concerns the relationship between port development and road, rail and urban development in the port's hinterland. In some cases, where port hinterlands overlap, there can appear a competitive element. Hinterland development is out of the control of port authorities, but the careful planning of inland transport, which is under government control, can strongly affect port performance. The co-operation of road and rail authorities in locating container depots and creating container services inland is a good example.

While most of these facets of development apply to ports in developing countries, there are some particular problems involved. Technological change in shipping and cargo-handling is encouraging the substitution of capital for labour in port operations, but this shift in factor proportions is not suitable for developing countries short of capital, whose comparative resource advantage lies in the supply of relatively cheap labour. In countries which are short of capital, it is not easy to rank capital-intensive port developments high in investment priorities when cheap labour is readily available, albeit at lower operating efficiency. It is this structure of factor availability that is causing hesitation among port authorities in developing countries to invest in elaborate container facilities. The Port of Singapore is one exception, but a large part of its trade is intermediate trade in manufactures, very suitable to containerisation, and since the economy is very open, speed and low costs of its international trade are of great importance.

The composition of ocean-borne trade of many developing countries is not altogether suitable for unit and container transport. Exports are mostly bulk, and although imports contain a higher proportion of general cargo (like manufactures) suitable for containerisation, the imbalance of general cargo trade decreases the advantages of introducing container ships into the trade.

For most developing countries, the penetration of export markets, reducing shipment costs and speeding export deliveries are more important than cost gains on the import side. Yet the gains from unitising general cargo would be weighted more towards foreign exporters than home exporters with the present composition of trade.

Inland road and rail transport is characteristically underdeveloped in developing countries. Development plans place emphasis on encouraging export trade and thus port-orientated trade, and are likely to rank port investment high. But in most developing countries the port terminal link in the total transport chain is not the only weak one. For this reason the World Bank has emphasised the importance of total country or regional transport planning in its technical assistance programme.