

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

German prism

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1970) : German prism, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 05, Iss. 5, pp. 164-166, <https://doi.org/10.1007/BF02928739>

This Version is available at:

<https://hdl.handle.net/10419/138347>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

GERMAN PRISM

Merging of Hapag and Nord- deutscher Lloyd

The two largest German shipping companies, Hamburg-Amerika-Linie (Hapag) and Norddeutscher Lloyd (Bremen), intend to become consolidated corporations in the near future. According to informations published by both companies this merger will be recommended to the shareholders at the general meeting at the end of July after corresponding decisions taken by the executive and supervisory boards of the two corporations. The principal shareholders of both companies (Deutsche Bank, Dresdner Bank and Veritas Vermögensverwaltungsgesellschaft, München) have agreed to this merger.

It has further been stated that the merger is to be achieved through a new formation called Hapag-Lloyd AG. For this purpose assets and liabilities of both shipping companies are to be brought in the new corporation that will have a capital stock of DM 116 mn and head offices at Hamburg and Bremen. The new shipping company will dispose of a freighter fleet of 114 vessels and a total tonnage of more than 1.1 mn tons and will thus belong to the biggest European shipping companies.

Performances of Development Aid in 1969

The Federal Republic's total public and private net contributions for the benefit of developing countries and multilateral development aid organisations in 1969 correspond to a share of 1.48 p.c. in the GNP. The total of public aid, allocations of private organisations and other capital transfers above all of the private sector of the economy to less developed countries amounted to DM 8,893.4 mn as compared with DM 6,653.7 mn in 1968. Total net contributions consisted to 26.2 p.c. in public contributions, 2.2 p.c. in performances of private organisations and 71.6 p.c. in contributions made by private enterprise. The share of the individual items in the GNP amounts to 0.39 p.c. for public contributions, 0.03 p.c. for those of private organisations and 1.06 p.c. in the case of private enterprise.

Dr Eppler, the Federal Minister for Economic Cooperation, stated in this context: For the first time private transfers alone surpassed the target

of 1 p.c. of the GNP which the World Trade Conference at New Delhi demanded for public and private contributions taken together. Direct investments (including re-investments) also reached a record level of DM 920 mn. However, private direct investments in less developed countries are still below 30 p.c. of our total investments abroad. Almost three quarters of these barely 30 p.c. went to Latin American and South European developing nations. The Federal Republic's private direct investments in Asia and Africa undertaken since the end of World War II amounted to an average of DM 1 per head of the population. Thus the figures for 1969 cannot refute the statement of the Pearson Report that private capital transfer will never be able to substitute for government aid. Therefore in 1970 the Federal Republic will increase its liabilities for public aid by 11 p.c. as compared with 1969.

Fundamental Clarification of Tax on Cou- pons Required

Due to the high capital exports during the last months the Federal Ministry of Finance proposed to abolish the tax on coupons disputed for a long time now (Tax on earnings from securities, above all dividends, if the owners are foreigners). According to the Federal Ministry, the net yield on foreign capital investments in the Federal Republic would rise without this tax and capital imports would consequently increase. But it also sees the elimination of the tax on coupons as a contribution rendered in advance towards a future tax harmonisation within the Common Market. Consequently taxation at the domicile is to obviate all taxes deducted at source. The Advisory Council in the Federal Ministry of Finance does not agree with these reasons given by the Federal Ministry for the abolishment of the tax. Since capital movements depend mainly on (anticipated) differences in interest rates, obviously it is the interest rates that should be changed. This is a matter of monetary and credit policy. And the argument that the abrogation of the tax on coupons would contribute towards tax harmonisation in the EEC seems to the Council rather irrelevant, since this harmonisation is still far away. However, the Council also rejects the tax on coupons on tax systematic grounds. Whatever the reasons, a fundamental clarification of these taxes cannot be postponed any more. The present situation is evidence of this.

Severe Liquidity Losses of the Banks

The present monetary situation is characterised by a heavy strain on bank liquidity continuing for weeks already. The available liquidity reserves of the credit institutes that already at the end of the year had declined to less than DM 20 bn, continued decreasing in January and at the end of January the banks' liquidity ratio with 5.8 p.c. was smaller than at its lowest level during the restriction phase of 1965/66.

If the market influences foreseeable already now are not compensated for by opposing measures of the Federal Bank, a further decrease of bank liquidity is to be expected. Contractive influences will originate from cuts in Federal expenditure. Moreover, the development in foreign trade and payments should reduce liquidity even more rather than improve it. No doubt this liquidity shortage of the banks will also take effect on the economy and considerably slow down domestic monetary expansion. In the present economic situation and after the unusual monetary expansion in 1969 this is a very welcome development. In the monetary field, too, conditions are thus created that will enable an adaption of demand to real productive facilities and a limitation of price increases to an unavoidable minimum.

Government Intending to Concentrate Its Participations

The Federal Ministry of Finance is working on plans for concentrating Federal participations. In the Ministry these plans have made good progress but have not yet been coordinated with the other departments and also not within the government coalition. It remains to be seen whether the Free Democrats will be won over to agree to this plan. In Bonn this is thought possible only under the condition that this concentration of Federal participations is simultaneously linked with a transfer to private ownership.

The advocates of a concentration of Federal properties in a holding company believe that this way the Federal enterprises could be operated according to entrepreneurial conceptions better than is possible for the Ministry. Besides, the Federal Government anticipates considerable budgetary burdens caused by necessary increases of capital that in the next few years might reach a volume of DM 750 mn. Putting part of these participations into private owner-

ship within a holding company would take this burden off the Government. Moreover, the Government would even make a sales profit of approx. DM 300 mn.

Machine Building Anticipates 10 p.c. Growth Rate of Turnover

This year mechanical engineering expects—at a conservative estimate of the further development of demand—a turnover increase of at least 10 p.c. or, respectively, a real growth rate of production of approx. 6 p.c. This relative optimism concerning the near future is based on the existing big backlogs of orders in hand. After all, incoming orders exceeded the turnover until November, 1969, by a good 25 p.c. Present orders in hand will last for 9 months, so that a high level of employment is secured. However, the Association of Machine Builders states that another "cost explosion" will cause great difficulties for machinery exporters. Heavy burdens at home and the importing countries' policies are forcing the enterprises to produce more and more abroad. With reference to the export business the Association states that deliveries to Russia increased strongly while exports to the Balkans declined. The quota of transactions with the East-bloc is said to be 6.9 p.c.

Research Project: Demand for Buildings from 1970 to 1980

The Federal Ministry of Economics has given the Ifo-Institut für Wirtschaftsforschung (Institute for Economic Research), Munich, a research commission. Within the framework of a research project covering the development tendencies of demand for buildings the Institute is to investigate "the demand for buildings between 1970 and 1980 at a steady and adequate economic growth". The purpose of this investigation is to elaborate the fundamentals of the problem how demand for buildings must develop in the Federal Republic in order to correspond with the target of a steady and adequate economic growth in accordance with § 1 of the Law to Secure Stability and Economic Growth. The different projections and prognoses pertaining to building investments up to 1980, the investment plans of local authorities, of the German Council for Education and Training and of the Scientific Advisory Council will serve as basis for the ascertainment of the probable demand for buildings. The emphasis of this study will be on longer-term structural developments within the national economy.

Continued from page 163

In 1968, price increases were held within limits of 7 to 10 p.c.; the wholesale price index rose by 7.1 p.c. in the year, while the consumer price in Seoul registered an increase of 9.9 p.c. Although these rates might appear rather high to eyes accustomed to price movements in developed economies, in the historical context of the Korean economy, which had continuously undergone price rises ranging over 20 p.c. per annum, the increases noted for 1968 can be regarded as moderate and manageable. In 1968, the money supply increased by 25 p.c., considerably less than in 1967, when a 42 p.c. increase caused great concern. As a result, the Korean economy has achieved a high rate of growth under a declining trend of price increases. The economy will make all possible efforts to reduce the rates of price rises in years to come.

Recognizing the lagging of the agricultural sector and the widening of the gap between urban and rural incomes, the Government has determined to step up agricultural development in many directions and will continue with this policy in coming years.

Social Overhead Capital Facilities

In the field of social overhead capital facilities, the two major bottlenecks which threatened to impede Korea's economic growth—power and transportation—have been greatly relieved in 1968. The generating capacities of 917 MW as of the end of 1967 was increased to 1,629 MW by the end of June, 1969.

Expansion and modernization of transportation media and transport facilities have been receiving the utmost attention of the Government ever since the commencement of the First Five-Year Plan. Compared to the patterns of the efforts made during the First Five-Year Plan period, which placed the main emphasis on railroad modernization and network expansion, the present transport development emphasis is on the highway network. In 1968 a highway construction program was formulated. Under this program, the Seoul-Inchon highway—23.4 km in length—and a highway extending 38.6 km between Seoul and Osan (a part of 428 km Seoul-Pusan highway) were completed and opened to traffic in 1968. The remaining sections between Osan and Pusan will be finished by the end of June, 1970. Other highways are also under study to be finished by the middle of the 1970's. When completed, they will place the entire country within one-day travel-distance. In parallel with inland transportation, an increasing portion of capital expenditures is being used for coastal transportation. As a

result of these efforts, the total hauling capabilities of inland and coastal transportation have been greatly increased.

Foreign loans approved by the Government as of the end of June this year reached approximately \$2 bn, of which \$1.2 bn worth has arrived. As the requirements for foreign loans are ever increasing, the burden of foreign debt services has also been growing. Nevertheless, rapid expansion of merchandise exports together with service exports could put the burden in the level of less than 6 p.c. of the actual foreign exchange earnings in 1968. In the future, the Government will pursue a tight policy of foreign capital inducement which allows the annual ceiling of foreign debt service, including repayment of principal and interest, to be held within a reasonable portion of annual foreign exchange earnings.

The population of Korea increased from 25.4 mn in 1961 to 30.8 mn in 1968, with a moderately declining trend in the growth rate, from 2.9 p.c., to 2.3 p.c. per annum. This is, still, a rather high rate of population growth for a developing country like Korea. Therefore, the Government will continue the active implementation of family planning programs with a view to reducing population increases.

Along with the economic development, employment has expanded. In 1963, 7.950 mn were employed; in 1968 employment had risen to 9.621 mn. However, 5.1 p.c. of the labor force was still unemployed in 1968. There has been improvement in the employment structure. In 1963, employment in the mining and manufacturing industries represented only 8.6 p.c. of total employment, but in 1968 this increased to 14.0 p.c. This shows that partial employment in agriculture has been diminished by a transshift of labor force to industry.

Targets Aimed at

With careful management of measures designed to overcome major obstacles facing the Korean economy, and successful implementation of the Second Plan, Korea will be in a position where it can no longer be considered an under-developed economy. On completion of the Third Five-Year Plan, the GNP will reach a level of approximately \$13 bn in 1976—an impressive gain of more than two and a half times compared with \$5 bn of 1968's GNP. As a result, per capita GNP will reach a rate of \$350 in 1976. Persistent efforts by the Government and by the people in the coming years will continue to transform the country from an economy of an early „take-off“ stage to a self-supporting and, finally, to an advanced industrial economy in the late 1970s and in the early years of the 1980s.