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GERMAN PRISM

Smaller Growth Rate of Investment in 1971

The industrial investment climate is characterised by the fact that the growth rate of the processing industry's gross capital investments is stated to be 5 p.c. only. In the preceding year it had been 22 p.c. and in 1969 even 36 p.c. According to the plan-figures given by those entrepreneurs that participate in the investment test of the Institute for Economic Research—IFO—it has to be expected that the 8 p.c. growth rate of investments in the food and beverages processing industries will be higher than that of the capital goods industry with 7 p.c. The share of investments aiming at capacity expansion should decline from 53 p.c. in the preceding year to 43 p.c. in 1971. On the other hand, the proportion of rationalisation investments is expected to rise from 37 p.c. to 41 p.c. and that of investments in replacement purchases from 10 p.c. to 16 p.c.

German Unilever Group: Subsidiary Companies

Early in 1971 the approx. 80 German subsidiaries of the Dutch-British Unilever concern will be concentrated in the holding company Deutsche Unilever GmbH. The German Unilever Group is ranking first among the German food processing concerns with 38,000 persons employed and a turnover of about DM 3.5 bn. Most important to the firm is the food sector, and here Margarine-Union GmbH in Hamburg is the concern's main firm. Unilever controls 75 p.c. of the German margarine market, but also in the German fish processing industry and in the frozen food business Unilever's market share is remarkable. Furthermore, the German Unilever Group is successful in trade, in the packing material industry and in the production of detergents.

German-French Cooperation in Lower Saxony

On December 7, 1970, the European Investment Bank granted Preussag AG a loan of DM 40 mn. This loan is earmarked for the financing of a zinc electrolytic refiner at Norden-

ham/Lower Saxony. The construction of the elec-

trolytic refiner will be carried through by Preussag in cooperation with the French Société Minière et Métallurgique de Penarroya S.A. Production facilities with an annual capacity of 100,000 tons of zinc are to be built. Both partners anticipate that this capacity will guarantee a corresponding cost reduction and increased competitiveness of the new plant in the EEC.

The Federal Ministry of Economics has ordered an expert opinion on the competitiveness of the German shipbuilding industry. This expertise will be made by the "Arbeitsgemeinschaft Werftgutachten 1970". The following firms are members of the working group: Deutsche Revisions- und Treuhand Aktiengesellschaft Treu-

Expertise on the Competitive- ness of German Shipyards

arbeit, Kienbaum Unternehmensberatung GmbH and Knight Wegenstein GmbH. All of these firms have experience with shipbuilding problems and shall analyse the terms of competition and the probable development in the international shipbuilding market as well as the situation of the German shipyards. Furthermore, the possibilities and limitations of an improvement in the German shipyards' competitive position through self-help and government measures are to be investigated thoroughly. In this context the effect of private and public measures on the regional economy, the labour market and the social situation shall be taken into consideration.

Development of Berlin's Economy Slowing down

According to the German Institute for Economic Research (DIW), Berlin, the Berlin economy must anticipate a smaller growth rate. In 1971 a continued decline of demand in Western Germany should be expected. Due to the close links between West Berlin's economy and the Federal Republic the same applies to Berlin. For the current year, DIW therefore anticipates a nominal growth rate of 11.5 p.c. to about DM 26 bn of West Berlin's GNP, and in real terms it should amount to 4.5 p.c. With that the economic growth of the Federal area as a whole will just be reached only. With regard to the importance of a continuously favourable development of immigration and the general de-

velopment of immigration and the general de-

crease of the propensity to invest, the Institute points out that the structural improvements due to the Berlin Promotion Law of last summer had come just in time under economic policy aspects.

2,500

**Courses for
Instructors
in 1971**

In 1970, 81 Chambers of Industry and Commerce in the Federal Republic of Germany made 2,500 arrangements for the training of instructors. According to data published by the Association of German Chambers of Industry and Commerce (DIHT) these arrangements comprised lectures, information days, short-term courses and instructors' seminars lasting longer than 60 hours. The methods, contents and forms of this promotion of instructors are increasingly imitated and further developed by entrepreneurs and associations. In this context the special conditions of firms and economic sectors are also taken into consideration.

**Retail Trade
Pessimistic
about
the Future**

According to the President of the General Association of German Retail Trade, Fritz Conzen, the year 1971 will bring two developments for retail trade: a cooling down of the economic climate and continuously increasing costs. Therefore Herr Conzen expects a turnover growth rate of 8 p.c. for the about 400,000 German retail firms. On the other hand, in his opinion prices will have to increase by approx. 4 p.c. owing to higher cost prices, higher fees and charges and above all increasing salaries and wages.

Moreover, he emphasised that—although trade needs trade fairs and exhibitions in order to become acquainted with new assortments—the growing number of exhibitions make excessive demands above all on the owners of small and medium-size trade firms. Herr Conzen warned against an inflation of trade fairs and exhibitions that might bring hard times for some of their organisers.

**Energy Con-
sumption Rose
Considerably
also in 1971**

In spite of a distinctly weakening economic trend in the second half of 1970, energy consumption increased vigorously. According to data published by BP, Benzin und Petroleum AG, Hamburg, consumption of primary energy rose from 320.7 mn hard coal units (SKE)

by 21.3 mn to 342.0 mn SKE, corresponding to a growth rate of 6.6 p.c. Although growth rates in 1968 (8.1 p.c.) and 1969 (9.0 p.c.) were higher, in view of the easing of cyclical conditions and high purchase prices the growth in 1970 was considerable.

In 1970, too, mineral oil contributed most to the consumption increase. Oil increased its share in total primary energy consumption from 51.8 p.c. (1969) to 53.7 p.c. (1970). Moreover, the increase in the consumption of natural gas was considerable. The proportion of lignite and hard coal declined from 41.0 p.c. to 37.4 p.c.

**Indian Eco-
nomic Dele-
gation in the
Federal Republic**

An Indian economic delegation visited the Federal Republic of Germany from January 11 to 21, 1971. The delegation consisted of 12 Indian economists and was led by the President of the Indian Association of Chambers of Industry and Commerce (FICCI), P.C. Kothari. The visitors were mainly concerned with an increase of Indian exports to the Federal Republic and further investments by the German industry.

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What has happened to the Trade Act of 1970 is a deviation from U.S. trade normalcy having been improvised chiefly as a device to bring the intransigent Japanese textile dealers to the negotiating table in order to arrive at a voluntary agreement of the American textile market. How did this Bill come about in the first place? Probably, it was a delayed reaction to continued discriminatory practices against U.S. imports by many nations insisting on a "take all — give nothing" policy. Non-tariff obstruction to U.S. exports has been a complaint of long standing, and added to this the importation of textiles growing at 20 to 30 p.c. annually, triggered a major reaction. It is unlikely that growing unemployment, even in the textile industry, played a significant role in the coming on of the Bill, but it is now exerting a growing impact on Congress in the same direction.

The original Bill carried strong escape clauses to be administered by the President so that the mandatory aspects, also of countervailing and anti-dumping duties, were reduced. The Senate Finance Committee, however, eliminated these provisions making the Bill stronger and tying it up in its entirety with Domestic Welfare Reform and Social Security payments. A strong group of Senators has been doing everything to prevent the Bill from reaching enactment with the result that on December 22, 1970, this Conglomeration Bill died. However, it is expected that a modified version of the Bill will be fought over in the next Congress.

Principal Purpose of the Bill

The European alarm about the Bill somewhat misjudges its direction, the principal purpose of it being aimed at low-wage costs imports from Asia. The Quota Bill probably brought back the shadows of the tragic thirties when the Smoot-Hawley-Act of 1930 reversed previous efforts toward lower tariffs. Actually, that Act had nothing to do with the quotas and not even increased duties excessively—from an average of 44 p.c. on dutiables to 50 p.c. Retaliation and boycott, however, did follow then and it remained reserved to France to take the historic first step in imposing quotas—as administrative device—to exclude U.S. wheat exports.

Assuming that this much opposed Mills Bill or a similar one were to become law, in one form or another at some future date, what would be the damage to imports? Chairman Mills spoke of \$500 mn total import reductions annually as a result of the bill; other experts calculated that

it might affect 7 p.c. of the dollar value of imports if all proposed restrictions on textiles, shoes, etc. were to become law (affecting \$500 mn of Common Market exports to the U.S.). Secretary Stans of the Commerce Department continues to emphasize that the Quota Bill is designed exclusively to delay the flood of certain imports in order to prevent a disruption of the market. Otherwise, present job losses in the textile industry estimated at 100,000 annually, would continue for several years. As soon as the U.S. textile industry has a better chance, he argues, to adjust itself to new conditions, the quota would be eased or removed in its entirety.

Conclusions

In summary, the present Trade Bill seems to represent a stronger move of the Senate Finance Committee relative to that of the House, but not a conservative one. Senator Goldwater, for example, is fighting against this bill. The President clearly visualizes the potential international consequences of a threatening trade war and continues all efforts to soften the blow. Specifically, he rejects quotas on shoes and objects to the changed escape clause in the modified bill. Contrary to the earlier House Bill provisions, the Senate Finance Committee refused to repeal the "American Selling Price System" and eliminated the Administration-backed proposals of Tax Incentives for Exports (DISC). The President, however, agrees with those proponents of the bill who reiterate that the intent of its textile section is to encourage a negotiated agreement with Japan. Whatever this "quota deviation" means, it should not be assumed that the U.S. is "going protectionist" now. In fact, the government supports the recent recommendations of the International Chamber of Commerce to start a new round of trade liberalization after the European Economic Community has successfully concluded its basic negotiations for expansion. The objectives of the "President's Commission on World Trade" and of the "Emergency Committee for American Trade" are very similar, too. Considering all facts surrounding the proposed trade legislation, no real American quota system is in the making. Furthermore, a passage of this or any similar bill in the next Congress, unless much watered down, is not too likely, and the veto of the President yet a good possibility. At worst, any provision written into this law will be only a temporary experience and even in this case we would be dealing not with rigid but flexibly growing quotas according to the speed with which the U.S. economy can adjust itself to these new international trading conditions by greater mobility of domestic capital and labor.