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# GERMAN PRISM

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## **50th Anniversary of InternorGa Hamburg — March 25-31**

Between March 25 and March 31, the International Gastronomic Exhibition "InternorGa Hamburg" will open its doors for the 50th time. 800 exhibitors from 16 countries will expose their products on an area of 48,500 squaremeters. The emphasis of this trade fair will be on the hotel and gastronomic industry. Growing competition and manpower shortage are the problems of this industry which have to be solved. Rationalisation, mechanisation and the introduction of computers are necessary in order to maintain the high standards of the past. Therefore, many new machines will be presented at the exhibition, which during the last years has gained very much in importance, specially for the hotel and gastronomic industry of Northern Germany.

## **Tax Receipts in the FRG not as High as Expected**

In 1970 the Federal and Lands tax receipts—without transfers to the communities—reached DM136.9 bn. This sum is higher by DM11.9 bn than in 1969, but lower by DM 5 bn than predicted at the beginning of the year. The receipts from taxes on wages exceeded in 1970 the value of 1969 by DM 8 bn, and were also higher by DM 0.5 bn than predicted. But the receipts from income and corporation taxes decreased by DM 3.2 bn in 1970, compared with 1969, and also failed the expected value by DM 5.7 bn.

## **Improved Con- ditions for German Shipyards and Shipping Industry**

The situation of German shipyards is again improving. The merchant shipping tonnage being built in the shipyards of the Federal Republic of Germany has increased from 1.24 mn GRT 1969 to 2.02 mn GRT 1970. The Federal Republic has therefore reached a world market share of 9.4 p.c. Only Japan's shipbuilding industry has with 29.9 p.c. a higher share in the international market. It seems as though the severe incursion as a consequence of the DM-revaluation in 1969 has been overcome.

The competitive position of the German shipping industry seems also to be improving. Due to the Federal Government's measures to aid this in-

dustry which have been approved by Parliament, the special depreciation allowances for merchant ships can amount to 50 p.c. of newly incurred or increased losses. The second demand by the shipowners' association that subsidies for the building of new ships should be increased from 10 to 15 p.c. of the costs of acquisition, has not been accepted by Government and Parliament. Although conditions for the German shipping industry will improve during 1971, as in the past the industry will receive again less state assistance than its foreign competitors.

## **Siemens AG: High Volume of Foreign Investments**

In the business year 1969/1970, Siemens AG increased its turnover by 22 p.c. to DM 12.65 bn. For 1970/1971 the company is expecting another increase in turnover of about 10 to 15 p.c. to 14 or DM 14.5 bn. The very high volume of incoming orders will again be reached during 1970/71.

Siemens invested DM 1 bn in 1969/70, 200 mn of which were foreign investments. For 1970/71, DM 900 mn are to be invested. Again a very high volume of foreign investments (DM 180 mn) is planned, due to labour shortage in the Federal Republic and the growing importance of foreign markets for the company.

Although wage costs increased by 13 p.c. during the last business year, the rentability of Siemens remained high. The Chairman of the Board of Management, Dr Gerd Tacke, expects a decline in business activity for the future. But the electrical industry in his view will continue to remain a growth industry, and Siemens a growing company within this industry.

## **Competitive Difficulties of Large-scale Plant Constructors**

The 40 machine-building companies and engineering firms that founded the working group "Gropa Anlagebau" two years ago, have now presented their demands for the improvement of the international competitive position of the large-scale plant construction industry.

Due to the high share of exports of this industry (65 p.c.), its international competitive position is of great relevance. The increase in turnover of the large-scale plant construction industry was

with only 17.6 p.c. slower between 1965 and 1969 than the turnover increase of the investment goods industry as a whole (+30.6 p.c.). In the opinion of the working group this was mainly due to the insufficient export financing assistance of the Federal Republic. The governments of the other major countries competing on this market—USA, Great Britain, Italy and Japan—grant assistance on a larger scale. The usual rate of interest granted by these governments lies between 5.5 and 7 p.c. When one acknowledges the fact that the interest rate demanded by the Federal government is about 9 to 10 p.c., in the opinion of the working group the competitive disadvantages of German firms become obvious. It is therefore demanding lower interest rates and the abolition of all other state measures that endanger the competitive position of this industry.

### **German-British Chamber of Industry and Commerce**

A German-British Chamber of Industry and Commerce will be founded in London. This chamber is to promote the economic and trade ties between the two countries. To this purpose

it will build up a trade information service and compile economic data to be used by its members. As all the other 29 official foreign chambers, it will be organised as a "mixed" chamber, in which German and British firms, organisations and personalities will have a seat and a vote. Firms from both countries, which are interested in participating at the constituting session in spring 1971 or in becoming a member, should contact the London office of the Central Association of German Chambers of Industry and Commerce, 25, Victoria Street, London S.W. 1.

### **Development of Electrical Energy during 1970**

The trend in business activity is reflected by the development in the electric manufacturing industry during 1970. While gross consumption of electrical energy increased in 1970—as compared with 1969—by 8 p.c. to 251 bn KWh, the increase in gross consumption of the first half was with 10 p.c. much higher than it was in the second half-year with 6 p.c. This was mainly due to the cooling-off in business activity and to the mild weather in November and December 1970 vis-à-vis 1969.

National power stations produced 243 bn KWh. The share of production of state supply installations was 67 p.c., the share of power stations of mining companies and other industrial plants

was 31 p.c., while the share of the Bundesbahn was 2 p.c. 8 bn KWh were imported mainly from Austria and Switzerland.

### **Increased Trade Volume between the FRG and Poland**

The People's Republic of Poland has undergone a process of rapid industrialisation during the last years. Despite its internal problems that became visible during the last months,

economic relations with foreign countries have been increasing.

The trade agreement between the People's Republic of Poland and the Federal Republic of Germany, signed on October 15, 1970, and valid until December 31, 1974, aims to increase the yearly trade volume and to achieve a structural improvement in the exchange structure. While the exchange volume between the Federal Republic and the East European countries increased by 11 p.c. during the period between January and September 1970, it increased by 30.2 p.c. between the FRG and Poland. The export value to Poland amounted to DM 612 mn in 1969, while the FRG's import value from Poland reached DM 532 mn. In the first half of 1970, exports to Poland increased by 26 p.c., while the rate of growth of imports was 28 p.c., vis-à-vis the corresponding values of the year before.

For the Federal Republic, Poland ranks third among the eastern trade partners, behind the Soviet Union and Czechoslovakia. On the other hand, the Federal Republic is the second most important western trading partner behind Great Britain.

### **Criticism of Monetary Union by German Industrial Institute**

The German Industrial Institute (Deutsches Industrie-Institut) in Cologne is concerned about the economic effects to be anticipated as a result of the EEC-agreement of February 9, 1971, on the establishment of a monetary union in the EEC. Speaking on behalf of German industry, it criticises the failure to pass a monetary union's development plan for the next ten years. In 1973 new negotiations will have to take place probably between ten rather than six members, so that the chances to arrive at a compromise acceptable to all will be even less. Due to the fact that the necessary economic and political prerequisites to a true monetary union are not yet given, the Institute fears that the Federal Republic will of necessity have to import foreign inflation because of the lack of price discipline in most other EEC-member countries.

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inconvertible. As a result, the availability of foreign currencies is a very important criterion in a COMECON member's decision to purchase goods from a foreign country.

U.S. firms usually quote prices to prospective COMECON customers in U.S. dollars with goods delivered to the West/East border. While only for the Soviet Union is the letter of credit a usual instrument of payment, in the other COMECON countries the U.S. firm is as a rule prepared to engage in the much more unusual arrangements such as barter, switches or sourcing. (The latter is an arrangement where an East European producer would make parts for a U.S. subsidiary operation which is shipping a finished article.)

Another obstacle that American firms will find in the pricing area with COMECON is the strictly limited credit facilities that can be obtained in the United States. The EXIM Bank is barred from extending loans, guarantees, or insurance to any government furnishing aid to North Vietnam. Neither can loans be made to any government which is in default on its obligations to the United States. Consequently, many U.S. firms interested in selling to Eastern Europe are being driven overseas to do it. There they can benefit from the more liberal credit-insurance facilities available for European-produced goods.

### **Increase in Competition**

Inasmuch as restraints on international trade are restraints on competition, with trade liberalization between EEC member countries, competition in this area is bound to increase. Producers who used to sell primarily to their national market, can now sell to other members. The renewed strength of the European producer is evidenced by modernized plants, generally strong financial

resources, extensive R & D (research and development), and more and more mergers.

A second source of competition has been the growth of international selling because with the formation of the EEC the doors were opened to new "foreign" competitors. In each national market, the number of sellers increased relatively more than the number of buyers or the latter's purchasing power.

A third source has been the entry of firms from outside the EEC, including the new or expanded activity of U.S. manufacturers which constitutes the major foreign element. These firms have frequently found that other American competitors are among their chief rivals in Europe. Nevertheless, the major increase in competition for U.S. firms is the new strength and sophistication of European firms. In addition to price competition, there is non-price competition in the form of cartels or collusive practices. (The effect of the Rome Treaty on competition is felt to be rather insignificant since most American firms act in accordance with U.S. antitrust laws and find this to be a sufficient guarantee of proper conduct in the context of the "Rules of Competition" in the Treaty.)

When attempting to sell to the COMECON area, the U.S. firm producing only in the United States faces substantial competition from European-based producers. Increasingly keen competition is being experienced from Italian, French and West German firms, while Japan remains a tough contender for the Soviet market.

In the face of the present bilateral trading systems of the COMECON countries it is not simple for the U.S. to obtain a competitive share of East Europe's growing imports. So long as the COMECON area depends largely on its internal trade and remains outside such international institutions as GATT, opposition toward normal contacts with the West continues.

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