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## World trade: declining boom

Intereconomics

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# WORLD BUSINESS TRENDS

## World Trade: Declining Boom

The foreign trade values of all countries (excluding East-bloc states) according to first calculations increased by about 14 p.c. in 1970 as well as already in 1969. True, data adjusted for seasonal variation of OECD-countries, whose contribution to world trade amounts to more than 75 p.c. of the total, indicate that expansion has slowed down considerably for some time already. Above all the vigorously increasing demand in industrial countries with a particularly intensive foreign trade, namely in Western Europe and Japan, contributed to the expansion of world trade in 1970. Japan registered the highest import growth rate by far (+25 p.c.), followed at a distinct distance by the West European economies (+17 p.c.). In Northern America the comparatively small increase of imports (+9 p.c.) reflected clearly the effects of the economic recession. But adjusted for seasonal variation the United States' import expansion accelerated already in the second half of 1970, while in Japan and Western Europe it slowed down. This

is a reflection of changing world business trends.

### Strong Increase in Exports

In exports the dispersion of growth rates is much smaller than in imports. On the one hand, in 1970 Japan's leading position was much less distinct as regards exports (+21 p.c.). On the other hand, North America's export values expanded as vigorously as those in Western Europe (+16 p.c.). The deviations between the individual West European economies were also relatively limited. Above average increases in export values (+17 to +19 p.c., calculated in dollar) were achieved by Belgium, the Federal Republic of Germany, France, the Netherlands, Austria, and Sweden. Subaverage increases (+10 p.c. to +13 p.c.) were shown by Denmark, Britain, Italy, Norway, and Switzerland.

### Expansion of Foreign Trade in Developing Countries

The developing countries, too, participated considerably in the expansion of world trade. In

1970 their deliveries within the OECD-nations' foreign trade rose even more than in the preceding year (+13 p.c. as compared with +11 p.c.). The less developed countries' supplies from the OECD-area also accelerated again in 1970 (+14 p.c. as compared with +12 p.c.). In this context the growth rates in Africa and Latin America (+16 p.c. each) were considerably higher than in Asia (+9 p.c.), where particularly the Middle East countries increased their supplies from the OECD-area to a small extent only.

### Improved Balance of Payments Position

Since the LDCs' exports and imports vis-à-vis their most important trade partners expanded almost equally in 1970, their combined balance of trade deficit, that amounted in 1969 to \$3 bn (imports at fob-values) should not have changed much and thus remained within the scope of "normal" financial capabilities. The developing countries' currency reserves increased particularly quickly in 1970 (position as per September). This will hardly prevent this group of countries as a whole from slowing down its import increase owing to the slower growth of its export proceeds that is to be expected as a result of much depressed

Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1970				1971		
	March	June	September	December	March	March 26	April 16
HWWA-Index <sup>1</sup> (1952-1956 = 100) .....	110.8	110.5	108.4	108.0	109.2	109.6	110.0
Foodstuffs .....	101.7	102.3	103.4	106.7	107.1	107.2	106.6
Raw materials other than foodstuffs ...	115.1	114.5	110.8	108.6	110.3	110.8	111.7
Fuels .....	99.2	107.5	110.6	112.0	113.2	113.2	113.6
Raw materials for consumer goods ..	92.6	93.8	93.4	92.4	93.5	93.6	93.8
Raw materials for capital goods .....	146.3	135.5	122.8	116.2	118.6	120.0	121.8
Reuter's Index (18. 9. 1931 = 100) .....	565.5	559.3	560.6	549.0	532.8	533.6	533.8
Moody's Index (31. 12. 1931 = 100) ...	421.0	411.6	415.9	382.9	378.1	376.6	377.1

<sup>1</sup> Index compiled by the Hamburg Institute for International Economics.

raw material prices. But their reaction will be limited only in view of the available liquidity.

### **Development in 1971**

The development of world trade in the current year will be primarily determined by the change in business trends in the industrialised countries. Above all the declining demand expansion in Western Europe and Japan, from where in 1969 and 1970 the strongest impulses originated, will have damping effects on international trade. The animation of North Amer-

ican imports will not be able to oppose more than slightly these influences. Beyond that the LDCs should not increase their imports during the whole of 1970 at the same relatively high speed as reached in the previous year. Starting from the import values reached at the end of 1970, an expansion of world trade of about 10 p.c. is indicated for 1970. Adjusted for prices the slowing down should not be so marked, for in foreign trade a noticeable weakening of the upward trend in prices is to be anticipated.

US Government's decision to postpone for the time being the delivery of tin from stocks subsidies, tin prices should, to begin with, again be put under pressure. In the course of the year, however, the revival of tin consumption due to the increase in business activity mainly in the USA should have price stabilising effects. Because of this the expected light supply surplus for 1971 will probably not take place. On the contrary, tin could again become scarce at the end of the year. Price increases in the tin market should, however, remain within limits, since the US Government can revise at any time its decision whether or not to deliver tin from its stocks. It will probably intervene if tin is noted above £ 1,500 per ton for a longer period of time.

## **Raw Material Markets**

### **Increase of Tin Prices**

The announcement of the US-Government that it would not deliver for the time being from its stockpile and the demand increase in Penang have lead to a renewed price increase in the tin market during the past weeks. Before this tin prices had almost continuously declined due to the manufacturer's reluctance to buy, since they expected an oversupply and price decreases. At present, the cash price of tin is being noted in London with £ 1,490 per ton; that is £ 50 under the last peak price noted in early October 1970.

The year 1970 closed with a supply deficit of tin. World supply should have increased by 1.3 p.c. to 234,000 t, while it is assumed that consumption with 240,000 t has remained unchanged. Considering this supply deficit of after all 6,000 t it should have hardly come to this remarkable price decrease, if the possibility of a revival of sales from US stockpiles had not existed. The US Government had declared 22,800 t as surplus and at first planned sales of 6,000 t per year.

As soon as the price increasing trend as a result of the

After many years of endeavour the Tin Council succeeded in winning the membership of the Federal Republic of Germany and the USSR for the new tin agreement which becomes valid from July 1, 1971, onwards. The USA, on the other hand, is only prepared to continue to send an observer to the sessions of the Tin Council.

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