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Alarming Decline of Trade with Eastern Asia

German exports to Eastern Asia are facing an uncertain future. This is the conclusion arrived at by Ostasiatischer Verein (Eastern-Asian Association) on the basis of an analysis of German trade with Eastern Asia in the first half of 1971. The Association calls it an alarming fact that for the first time since 1962 German exports to Eastern Asia had to register an actual fall vis-à-vis the previous year's corresponding period. The Association's formerly expressed apprehensions that German export trade's competitiveness in East-Asian markets would deteriorate considerably due to the DM-revaluation of October, 1969, have proven their justification and are now also shown by statistics. The Association anticipates an even worse result for the whole year, because the floating of the DM-exchange rate since May will have additionally negative effects on German exports to this area only in the second half of the year.

With exports valued at DM 2,673 mn (—DM 38.0 mn or —1.4 p.c. vis-à-vis the preceding year) and continuously above average increasing imports to the value of DM 2,711 mn (+DM 340.0 mn or +14.3 p.c.) in the first half of 1971, German trade with Eastern Asia showed a trade balance deficit of DM 38.0 mn for the first time since 1955. Last year the export surplus still amounted to DM 340 mn.

Export Pattern FRG-USA: Air- craft, Vehicles, Office Machines

In the first half of 1971 the Federal Republic's exports to the USA increased by 20 p.c. — almost double as quickly as German exports to all the other countries together. Already in 1970 German exports to the USA valued at DM 11.3 bn amounted to almost 10 p.c. of total exports of goods. The export pattern of 1970 was as follows: exactly 98.3 p.c. fell to the share of industrial manufactures, the rest of 1.7 p.c. were food products. The lion's share of industrial goods was made up by finished goods (79.1 p.c.) and primary products (12.5 p.c.). The share of semi-finished products is 4.0 p.c., that of raw materials is completely negligible.

Within the group of finished products motor vehicles and aircraft obtained the biggest turnover with DM 4.6 bn or 41.0 p.c. of total exports of goods. Further important groups of goods: electro-technical products (4.4 p.c.), textile machines (3.4 p.c.), other machinery (3.1 p.c.), ma-

chine tools (2.3 p.c.), precision instruments and optical goods (2.6 p.c.). Measured by total exports of each economic sector, exports to the USA are of relatively greatest importance to the motor vehicle and aircraft industries as well as to office machines (in each case just over 10.0 p.c. of total turnover). Exports to the USA are also an important factor for industries producing precision instruments and optical goods, for here the share of US exports in their total turnover amounts to 5.0 p.c.

Annuity In- surance: Reform Laws Using up Surpluses

The surpluses of the pension insurance fund hoped for until 1985 will be completely used up by the Federal Government's reform projects effecting state expenditure (flexible retirement age, minimum income pensions and baby year for women pensions). If these measures will become operative as provided for in 1973, the expected reserves for 1985 of the pension insurance fund of DM 132.4 bn (i.e. 14.3 months' expenditure) will drop to 35.4 bn (i.e. expenditure for 3.6 months), only little more than the legal minimum reserve fund (DM 29.4 bn, the expenditure for 3 months). Thus there is a risk that the premium rate in the eighties, contrary to the assertions of the Federal Labour Ministry, must be raised to more than 18.0 p.c. if cyclical developments are unfavourable. Moreover, the calculations show that the Employees' Insurance Fund will have to make equalisation payments to the Labourers' Insurance Fund not only from 1980 but already from 1976 on, since otherwise the reserves of the latter would drop below the sum needed for two months' payments. The new estimate is based on the assumption that from 1973 on all insured with at least 35 policy years will get their old-age pensions already at the age of 63 years—and this without the justified actuarial reduction of their pensions.

Development of West German Foreign Trade

The Federal Republic's foreign trade has continued growing vigorously in the first half of 1971. Exports as well as imports have been rising by 12.0 p.c. as compared with the periods January to June, 1970. Exports have reached a total value of DM 66.9 bn, imports one of DM 60.0 bn.

A regional analysis of the Federal Republic's foreign trade, available, however, only until May

(incl.), 1971, indicates in part remarkable deviations from the overall trend. The share of the EEC-partners in the German foreign trade total again expanded slightly. In the first five months of 1971 exports to EEC-countries rose by 13.0 p.c. to DM 22.6 bn vis-à-vis the previous year's corresponding period. This constituted a share of 40.8 p.c. in total exports. Simultaneously imports from the Common Market increased by 16.4 p.c. to also DM 22.6 bn, constituting 45.7 p.c. of total imports.

The exchange of goods with EFTA-countries has continued losing ground within the Federal Republic's total foreign trade. During the first five months of 1971 exports to EFTA-nations rose by 9.4 p.c. vis-à-vis the previous year's corresponding period to DM 12.3 bn, whilst Germany's imports from EFTA increased by only 3.1 p.c. to DM 6.9 bn. With that 22.2 p.c. of West German exports and 13.9 p.c. of imports fell to the share of EFTA. The Federal Republic's active balance in its trade with EFTA rose from DM 4.5 bn to 5.4 bn.

High Investment in Bayer — Participations Abroad

The efforts for expanding the contribution of manufacturing and marketing companies abroad to turnover and proceeds of the Bayer-Group are proven by the continuously rising capital expenditure on participations abroad. Thus capital expenditure abroad of Bayer AG, its German subsidiaries and Bayforin amounted to DM 187.6 mn at the end of 1960. This sum includes only expenditure on the acquisition of stocks, or, respectively, shares in foreign companies. Ten years later, at the end of 1970, these investments reached DM 845.0 mn, of which DM 331.1 mn fell to the share of Bayer AG and DM 511.9 mn to that of Bayforin. Direct foreign investment of Bayer AG and its German affiliates constituted a rising proportion of the Group's total capital expenditure.

DIHT Opposing Abuse of Freedom of Trade

In the interest of respectable firms and of all customers, DIHT, Deutscher Industrie- und Handelstag (Central Association of German Chambers of Industry and Commerce) demands a "sharper weapon" against misuses of the freedom of trade. A preventive measure against economic criminality would be the possibility of prohibiting businessmen to carry on their trade as soon as their unreliability has been proven. It should be possible to extend this pro-

hibition to related, possibly even all trades. Even the formal notice given by such a man of giving up his trade should not impede the continuation of the procedure aiming at prohibiting a businessman from carrying on his trade.

DIHT is of the opinion that the impending change of the regulation of § 35 of the Industrial Code dealing with granting an injunction should be formulated more strictly. Any form of unreliability in business, e.g. the repeated application of unfair methods of competition, or the non-payment of social insurance contributions for labour should suffice to grant an injunction, even if only in the abstract there could be a risk for customers or employed persons.

Business with Chile Getting More Difficult

Due to the economic problems caused by the Escudo-devaluation involving above all those German enterprises in Chile which are operating with hard-currency credits, the German-Chilian Chamber of Industry and Commerce has filed a petition to the President of the Central Bank in Santiago de Chile. This petition is referring to the fact that the majority of Chilian and German debtors residing in Chile will not be able to carry out the agreed redemption and interest payments. The Federal Republic is a very important trade partner of Chile, second only to the USA. Germany buys the largest quantity of Chilian copper and, on the other hand, supplies machinery, industrial plants and equipments that are important to Chile's mining, agriculture and industry.

Almost 2.0 Tons of Mineral Oil per Head

In 1970 the Federal Republic consumed 114.4 mn tons of mineral oil products, almost 2 tons per head of the population. Including exports, large-scale bunkers for shipping, self-consumption of refineries, total mineral oil demand amounted to 137.5 mn tons in 1970. ESSO AG published these figures and points out the fact that 25 years ago West Germany consumed 1.0 mn tons of oil only.

Light fuel oil had the biggest share in consumption with 43.6 mn tons, 54.0 p.c. of which serve as energy source of private households, but also industry and trades are using it. Thus e.g. dairies and cheese-dairies are still using 100,000 tons of light fuel oil. Heavy fuel oil holding the second place with 26.3 mn tons covered mainly the demand of industry and of power stations, while breweries required 300,000 tons.