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German Investments Abroad Rising

In the first half of 1972 German private investments abroad climbed by a net amount of DM 1.2 bn and with that have reached a level of about DM 25 bn since 1952. Of this total DM 13.1 bn have been invested in European industrial countries. For the first time France is now heading the list with DM 2.8 bn, followed by Belgium/Luxemburg (2.76) and Switzerland (2.71). In the USA and Canada German investments also exceed DM 2 bn in each country.

About DM 7 bn or about 28 p.c. of German foreign investments fall to the share of LDCs. So far the lion's share of DM 3.55 bn has been for the benefit of Latin America. More than DM 20 bn of German total investments abroad of DM 25 bn have been spent on industrial projects, mainly in the chemical, electrotechnical, automotive and engineering industries. The service trade has so far contributed only a total of DM 3.8 bn, but in the first half of 1972 alone it invested with DM 610 mn for the first time more than industry. This development is a result mainly of the increased commitment abroad of banks and insurance companies.

Formation of a Federal Crude Oil Reserve

The planned formation of a Federal crude oil reserve until 1975 is not thought to be guaranteed at all in Bonn. The firm in charge, *Industrieverwaltungsgesellschaft*, Bad Godesberg, will complete the cavern construction programme near Wilhelmshaven as planned in spite of budget cuts. But in Bonn it now is being doubted that the Federal Government is still prepared to provide already in 1974 and 1975 the required DM 700 to 730 mn of budgetary funds for the purchasing of this Federal Reserve.

For quite some time already the Federal Government is negotiating with Iranian Oil Company (NIOC) the acquisition of 10 mn tons of crude oil. But in the meantime the supply position of the oil purchasing countries has become so strong that Iran does not stick to the original offer and demands payment in cash for the whole supply. In Bonn, however, the budgetary situation has worsened so that it is not known anymore if even the originally planned first instalment of 30 p.c. or DM 210 mn can be provided in 1974 and 1975.

The Federal Government is under time pressure in so far as in 1975 new price negotiations are to be expected between the mineral oil companies and the oil producing countries united in OPEC, which will probably lead to further price increases.

Dropping Profits in the German Metal-using Industries

The metal-using industries' wage negotiations of 1973 are already looming ahead. Comments of the trade union and the employers are increasing. While the Metal-using Industry Trade Union notices an improvement in the iron and steel industry, *Gesamtmetall*, the employers' organisation, points out e.g. under the heading "German Enterprises Nearing Their End" that the average profits of the German metal-using industry are lower than those of comparable foreign enterprises. This is the conclusion arrived at by "Deutsche Gesellschaft für Anlageberatung" (German Company for Investment Advisory Service).

The above mentioned study also revealed that the basic capital resources of the German metal-using industry are considerably lower than in America or Britain. In the German electrical industry and the engineering industry the share of ownership capital has dropped to less than 30 p.c. In America and Britain, on the other hand, the enterprises could obtain 50 to 75 p.c. of the funds required for financing from their own capital. "Gesellschaft für Anlageberatung" arrives at the conclusion that the German enterprises may have reached the limits of indebtedness.

Opening of Enlarged Esso-Refinery in Hamburg

On October 18, 1972, the new installations of the enlarged Esso-refinery Hamburg have been put into operation. Esso-refinery Hamburg has been modernised and enlarged after several years of planning and construction activities. The capital expenditure for this purpose amounted to DM 235 mn. The annual through-put capacity of this company's oldest refinery existing since 1929 has been increased from hitherto 3.6 mn tons to 5.5 mn tons. It is thus Northern Germany's biggest refinery. Its processing installations are computer controlled, which applies also to the refinery's mixing stations and tanking field.

More than 10 p.c. of investments are made for avoiding water and air pollution. A special optical symbol of the extensive installations for environment protection is a new 165 metres high concrete chimney, the highest construction of any industrial works in Hamburg. Together with its refineries in Cologne, Karlsruhe and Ingolstadt Esso AG disposes of an annual refinery capacity for more than 35 mn tons of crude oil in the Federal Republic's four centres of mineral oil processing.

Agricultural Programme for German Farmers

January 1, 1973 will bring about drastic changes in the German agricultural structure policy. The juxtaposition of promotion measures taken by the Federal Government and the Federal Lands will be integrated into a community programme (improvement of the agricultural structure and protection of the coast). For this purpose public authorities will provide DM 2 bn in 1973. Of this sum total the Federal Government will contribute 60 p.c.

The most important measure in this connection will be the promotion programme for individual farms which is centred on cheaper interest rates. In future agricultural cooperation is also to be promoted in order to support the development towards larger farm units, a trend that can be noticed for years already. Beyond that higher contributions are to be paid for the introduction of bookkeeping into agricultural enterprises.

These are some of the most important issues which the Federal Government and the Lands have agreed on in the Planning Committee. In addition, future agrarian promotion measures within the European Community have also to be adjusted to Brussels guidelines.

Improved Assistance for German Shipyards

At its cabinet meeting of October 17, the Federal Government decided to extend the 7th Shipyard-Aid-Programme by further DM 1.5 bn. This 7th Programme so far has already promoted a volume of orders to the tune of DM 3.9 bn for ships earmarked for export which are to be delivered between 1973 and 1975. For this purpose the Federal Government had provided DM 304 mn of budgetary appropriations as lost contributions and DM 290 mn ERP-credits. But

the Cabinet did not yet pass a resolution on the financing of the now approved capital increase by DM 1.5 bn. Independent bodies recommended, as e.g. in the expert opinion on shipyards of March 1972, an increase of DM 2.1 bn. Obviously for budgetary considerations the Cabinet decision proposed by the Federal Minister of Economics and Finance has fallen short of these recommendations.

The aid programme is supposed to enable German shipyards to offer internationally customary credit conditions for exports. The most important ship-exporting countries concluded an export credit agreement in 1969, that in its version of January 1, 1971, provides the following: an 8 years period of credits for 80 p.c. of the sum total of the order at a 7.5 p.c. annual rate of interest. Since contrary to their competitors the German shipyards cannot offer these conditions with means provided by the capital market, the Federal Government steps in with the shipyard-aid-programme.

Necessity of Domestic Stabilisation Policy

The responsibility for stability is an internal one, for national measures are of the same importance as international agreements on fighting inflation. This is the opinion of the President of the Central Association of German Chambers of Commerce and Industry (DIHT), Herr Otto Wolff von Amerongen, which he expressed at the 25th anniversary meeting of the Association of Junior Managers in the German Economy. According to him the transfer of certain problems of stability onto the international level must not lead to passivity in the national sphere. There can be no use for any kind of alibi policy.

Since the opportunity offered by the weakness of the business trend in 1971/72 was missed, what matters now is the foundation of a basis for a financial stability policy. Usable financial planning procedures for governmental units must now be instituted on a realistic basis. It would be wrong to maintain that the economy is opposed to reforms. Quite the contrary, the economy welcomes reforms, particularly if they deal with government expenditure on investment purposes. They must, however, be undertaken on a solidly calculated financial basis. In order to obtain again economic growth together with price stability, the trade unions must abandon wage policies which are not in conformity with stability.