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Intereconomics

*Suggested Citation:* Klinner, Bernhard (1978) : Germany's trade with Latin America, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 13, Iss. 9/10, pp. 255-257, <https://doi.org/10.1007/BF02929251>

This Version is available at:

<https://hdl.handle.net/10419/139568>

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# Germany's Trade with Latin America

by Bernhard Klinner, Berlin \*

**This study analyses the development of the Federal Republic's foreign trade relations with 20 Latin American states within the 15 years from 1963 to 1977. It examines primarily the exchange of goods between the Federal Republic and the seven most important Latin American countries which on an average of the last 15 years accounted for more than 75 % of the German foreign trade with the Central and South American states.**

From 1963 to 1977 the share of the 20 Latin American nations in the Federal Republic's total foreign trade turnover (imports + exports) averaged more than 4 % — this is about equal to the 11 state trading countries' share in the German foreign trade during the same period. Developments however took different courses: while the Central and South American nations' share in the total German trade volume still averaged 5.7 % from 1963 to 1967, it declined to 4.4 % in the following five years and to 3.8 % on an average of the period between 1973 and 1977<sup>1</sup>. Not least can the declining importance of this group of states for the German trade be deduced from the differing dynamics of the trade flows: While the Federal Republic's trade turnover on an average increased more than threefold from 1973 to 1977 as against between 1963 and 1967, the German goods exchange with Latin America registered only a doubling during the same period — it thus increased even slightly less than the German trade with the two North American states, the United States and Canada.

As shown by Table 1 the Federal Republic's imports from Latin America of DM 4.4 bn on an average of the years 1963 to 1967 could be increased by 71 % to DM 7.6 bn on an average from 1973 to 1977. With that they rose considerably less than the German exports to this economic area, i.e. by 153 %. During 1976 and 1977 however German imports from the Central and South American states for the first time increased by 23.2 % and 18.8 % considerably more strongly than total German imports at 20.5 % and 5.9 % respectively. A look at the course of 1977 is even more impressive: While — as already mentioned — imports from Latin America could be raised by almost one-fifth vis-

à-vis the preceding year, German imports from North America declined by 2.6 %.

The increase of the German-Latin American exchange of goods — imports as well as exports — is mainly determined by the trade with Brazil. Here the average percental rate of change for the three examined five-year periods was above the average value as for the total German imports from Central and South America. During the last two years however a distinct change was to be noticed. While in 1976 and 1977 German imports from Latin America increased by 23.2 % and 18.8 %, the Federal Republic's imports from Brazil rose by only 9.2 % and 10.7 %.

If the overall development of German imports is being deduced from indices on the basis of 1963 = 100, it is becoming clear that the Federal Republic's imports from Brazil were in 1977 four and a half times as big as in 1963<sup>2</sup>, and thus increased most strongly ahead of Colombia and Argentina. German imports from Peru and Venezuela were declining steeply during the same period of 15 years: From 1963 to 1977 they decreased by more than 50 %.

The seven Latin American countries included in the present study participated on an average of the 15-year period from 1963 to 1977 at about 75 % in the Federal Republic's total imports from this region. More than 43 % fell to the share of Brazil, Argentina and Chile alone on an average of the years from 1963 to 1967, from 1968 to 1973 this share was about 49 % and on an average of the years 1973 to 1977 almost 51 % of German imports from Latin America came from these three states<sup>3</sup>. Details are shown by the following table (shares in %):

	1963-1967 *	1968-1972 *	1973-1977 *
Latin America	100.0	100.0	100.0
of which Brazil	17.1	22.2	29.9
Argentina	13.9	12.0	12.1
Chile	12.3	14.7	8.7
Colombia	6.9	7.4	9.2

\* Five-year averages.

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<sup>1</sup> For comparison: The share of North America (USA and Canada) in the German imports and exports declined (on an average) from 11.8 % in 1963-1967 to 11.0 % in 1968-1972 and to 8.1 % in 1973-1977.

<sup>2</sup> The Federal Republic's total imports also increased by 350 % between 1963 and 1977.

<sup>3</sup> In 1973-1977 Colombia took over the third place which had until then been occupied by Chile.

In contrast to the structure of goods of German total imports, the Federal Republic's imports from Latin American countries consist mainly of products of the SITC groups 0 and 1. While the share

**Table 1**  
**Germany's Foreign Trade**  
**with Selected Countries of Latin America**  
(Imports and Exports)

Partner-countries	Five-year averages	in	Annual	in	Annual
		DM bn	growth (%)	DM bn	growth (%)
	Imports			Exports	
Total	1963-67	64.9	7.5	72.5	10.5
	1968-72	107.5	13.0	124.7	11.4
	1973-77	193.4	13.1	232.2	13.5
	1977	235.2	5.9	273.6	6.6
America	1963-67	13.9	2.9	10.2	11.1
	1968-72	17.4	5.2	18.5	11.0
	1973-77	24.6	10.9	26.3	8.1
	1977	29.2	3.8	29.9	18.6
incl. Latin America	1963-67	4.4	0.9	3.5	4.9
	1968-72	5.1	4.6	5.2	8.0
	1973-77	7.6	12.7	8.8	12.0
	1977	9.8	18.8	9.5	8.3
of which Brazil	1963-67	0.8	5.1	0.5	11.0
	1968-72	1.1	12.5	1.3	19.7
	1973-77	2.3	13.7	2.8	10.1
	1977	2.7	10.7	2.2	-18.2
Venezuela	1963-67	0.4	-7.1	0.4	8.2
	1968-72	0.3	2.6	0.6	10.4
	1973-77	0.5	4.2	1.2	28.3
	1977	0.3	-47.6	2.3	67.9
Argentina	1963-67	0.6	-3.8	0.4	-3.1
	1968-72	0.6	10.2	0.7	10.4
	1973-77	0.9	13.0	0.9	10.3
	1977	1.3	46.2	1.0	13.9
Mexico	1963-67	0.2	-2.5	0.5	10.5
	1968-72	0.2	0.7	0.7	6.0
	1973-77	0.3	19.9	1.1	2.4
	1977	0.4	12.2	0.8	-30.1
Colombia	1963-67	0.3	0.4	0.2	1.9
	1968-72	0.4	7.7	0.3	10.0
	1973-77	0.7	24.9	0.4	14.0
	1977	1.2	40.1	0.4	39.4
Chile	1963-67	0.5	9.9	0.3	8.8
	1968-72	0.8	-1.2	0.3	-6.8
	1973-77	0.7	10.9	0.3	12.4
	1977	0.7	-8.8	0.4	63.9
Peru	1963-67	0.4	-0.5	0.3	7.8
	1968-72	0.5	0.5	0.3	-3.0
	1973-77	0.3	-7.7	0.4	7.3
	1977	0.2	7.2	0.3	-22.1
incl. North America	1963-67	9.4	4.0	6.7	15.0
	1968-72	12.3	5.9	13.3	12.5
	1973-77	17.0	10.2	17.6	7.1
	1977	19.4	-2.6	20.4	24.1
of which USA	1963-67	8.6	4.3	6.0	15.5
	1968-72	10.9	5.2	12.0	12.7
	1973-77	15.0	10.0	15.6	7.2
	1977	17.0	-3.1	18.2	26.3
Canada	1963-67	0.8	2.2	0.8	11.7
	1968-72	1.4	10.9	1.3	11.4
	1973-77	2.0	11.7	1.9	7.4
	1977	2.3	0.9	2.2	8.8

Sources: Statistisches Bundesamt Wiesbaden; author's own calculations.

of these groups of goods of an average of 45.1 % in the years from 1963 to 1967 declined to only 43.3 % on an average of the years from 1973 to 1977, the share of the food and feeding stuffs industry in the Federal Republic's total imports fell much more distinctly from 20.6 % to 14.1 % during the same period. While this share in total German imports remained almost unchanged also in the last three years, it increased strongly in imports from Latin America from about 38 % in 1975 to almost 44 % in 1976, and to more than 52 % in 1977.

In comparison with the other Latin American countries Mexico registers a much more favourable goods structure in its trade with the Federal Republic – the Mexican economy's relatively high degree of industrialisation is reflected in the exports of products of the primary and producer goods industries as well as the capital goods industry. Thus on an average of the years from 1973 to 1977 almost 10 % of German imports from this Central American country consisted of chemical products and almost 20 % of machines and vehicles<sup>4</sup>.

Table 1 shows that the Federal Republic of Germany increased its exports to Latin America from DM 3.5 bn on an average of the years from 1963 to 1967 by 153 % to DM 8.8 bn on an average of the period from 1973 to 1977. They thus increased much faster than German imports from these countries at 71 %. In this connection it is remarkable that – differently from imports – German exports to the Latin American area have obviously met with additional obstacles during the last three years. The competition of Japanese firms has enduring effects in this market.

Similar to imports Brazil plays also a major part in German exports to Latin America. While the German export volume amounted to about DM 0.5 bn on an average of the years from 1963 to 1967, it reached almost DM 2.8 bn on an average of the period from 1973 to 1977 and thus increased five and a half-fold. Total German exports to Latin America rose during this period only two and a half-fold. In this connection, however, it cannot be ignored that – similarly to Mexico – German supplies of goods to Brazil have been declining for three years already, i.e. since 1975. With Brazil the export volume of DM 2.2 bn registered in 1977 is by 42 % lower than that registered for 1974 of DM 3.9 bn.

During the past 15 years German enterprises' sales to Venezuela showed the strongest expansion, namely 657 %, followed by those to Brazil

<sup>4</sup> For comparison: On an average for 1973–1977, 1.9 % of the German imports from Latin America consisted of products falling under SITC group 5, another 2.5 % of products falling under group 7.

(354 %). The rates of change of the other 5 analysed Latin American countries remained below the 230 % average calculated for Latin America as a whole. Similarly to imports from Peru, exports to this country have been declining during this period: the 1977 export value of DM 264 mn was 13 % below the level of 1963.

On an average for the years 1963–1977 the 7 Central and South American states included in this analysis accounted for about 78 % of the Federal Republic's total exports to this region. During 1963–1967 three states – Brazil, Mexico and Argentina – absorbed on an average almost 42 % of the German exports to Latin America. The corresponding average for the next five-year period was nearly 52 % and between 1973 and 1977 more than 53 %<sup>5</sup>. Details are given in the following table (percentage shares):

	1963-1967 *	1968-1972 *	1973-1977 *
Latin America	100.0	100.0	100.0
of which Brazil	14.9	24.4	31.6
Mexico	13.8	13.4	12.0
Argentina	12.8	13.8	9.8
Venezuela	11.4	11.1	14.1

\* Five-year averages.

It is not surprising that over the whole 15-year period goods falling into SITC product groups 5 to 8 dominated the German exports to Latin America. Group 7 alone accounts for about half of the German deliveries into this economic area, one-fifth of the exports consists of products belonging to the groups 6 and 8.

While during 1963–1967 there emerged, on an average, a foreign trade deficit of almost DM 1 bn in the exchange of goods with the countries of Latin America, the Federal Republic registered an average surplus of about DM 1.2 bn in the five-year period 1973–1977. This surplus originated primarily from the trade with Venezuela, Mexico and Brazil. It has to be taken into consideration, however, that in 1977 the German surplus in the trade with Venezuela reached an extremely high level: while Venezuela's imports from the Federal Republic amounted to almost DM 2.3 bn, its exports to Germany were not higher than DM 275 mn, i.e., only 12 % of the country's imports from the Federal Republic were covered by corresponding exports. In other words: in 1977 Venezuela's imports from the Federal Republic were more than eight times higher than its exports to Germany.

As to Germany's trade relations with Brazil, in 1977 the Federal Republic's imports exceeded its

exports for the first time since 1970 – by nearly one fifth. This fact is traceable mainly to increased German purchases in SITC groups 0 and 1 which in 1977 reached DM 943 mn. This means an increase by two-thirds over the preceding year.

In 1977 exports of the Latin American states expanded by nearly 22 %, i.e. about twice as fast as their imports. Thus they were able to increase their low 1976 trade surplus (about DM 450 mn) to more than DM 10 bn in 1977. In the past year the Federal Republic had a share of slightly less than one-tenth in the total cross-frontier goods traffic of all Central and South American countries which amounted to almost DM 220 bn; as against that, Latin America accounted for no more than 4 % of Germany's foreign trade. It should further be mentioned that in 1977 about 14 % of Germany's foreign investments were made in Latin America. In the past 10 years they more than doubled to over DM 900 mn and reached on December 31, 1977 the cumulative level of DM 3.65 bn<sup>6</sup>. Two-thirds of the German foreign investments in Latin America in 1977 were made in Brazil. This country accounted for nearly one-fourth of the Federal Republic's exports to Latin America in 1977. This example demonstrates that investments abroad by German enterprises have a positive rather than a negative effect on the German economy.

As concerns an expansion of German trade with Latin America, there are mainly two opposing factors: Firstly, the fact that in the past five years the sub-continent's external indebtedness has more than doubled and is presently estimated at about US \$ 80 bn. More recently the Euro-Dollar Market has also to a larger extent been used as a source of credits to Latin American countries; with more than \$ 6 bn, US-lending to this group of countries is exceeded by almost one-third. Against the background of this exorbitantly high degree of indebtedness and the fact that until now it has not been possible to conclude a trade agreement between the European Community and the Central and South American countries<sup>7</sup>, an intensification of German trade with the Latin American states does not appear very likely in the short term. Nevertheless – and this applies not only to the Federal Republic of Germany – a market of 325 mn inhabitants will, in the medium and long term, remain of great interest. The agreement on the supply of nuclear power stations concluded between the Federal Republic and Brazil in 1975 could point out new ways in the trade relations between the Latin American countries and the Federal Republic of Germany.

<sup>6</sup> Since 1972.

<sup>5</sup> While Brazil always held the largest share, Argentina took over the second rank from Mexico in 1968–1972; in 1973–1977 Venezuela ranked second, Mexico third.

<sup>7</sup> There exist bilateral agreements only with Brazil, Mexico, Argentina and Uruguay.