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# Trends in World Trade

by Georg Koopmann, Hamburg\*

**The current problems of international trade can certainly not be solved by resorting to the arsenal of national trade policies. World-wide economic losses would be the inevitable result. Therefore the first set of tripartite talks between the "major trading powers", the USA, the EC and Japan, scheduled for October this year and dealing with mutual trade problems, will be a step in the right direction providing that these talks do not result in a defensive alliance against the trading interests of the developing countries.**

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World trade has experienced fundamental changes since the Second World War. Until the early seventies it expanded strongly and in the main without disturbances. Even beyond this point in time the volume of world trade was still on the increase (cf. Table 1). The average annual growth rate, however, between 1973 and 1979 only reached 4.6 %. Between 1967 and 1973, on the other hand, it was 10 %.

The development of international trade was also subject to more fluctuations than it had been in the past. For the first time since 1958, for example, the volume of world trade markedly decreased by 5 % in 1975, only to increase by 12 % in the following year, similar rates of increase having been registered only in 1968 and 1973.

In addition there has been an upsurge of prices in international trade. Whereas during the first two post-war decades price increases never went markedly beyond an annual 5 % (with the exception of the Korean war period) and were, over the period as a whole, balanced by reductions in prices, there has been no price fall since 1969. Only 1969, 1970 and 1976 reveal price increases less than 5 %. The average annual rate of price increase reached almost 15 % between 1969 and 1979.

In 1980 the volume of world trade only expanded 1.5 %, the rise being accompanied by an even faster increase in prices. For the current year an absolute decline has been predicted<sup>1</sup>. Prices will most probably continue increasing, though at a markedly lower rate than in previous years.

The deterioration in the development of world trade is more than just a reflection of the general economic

development, which reached a critical stage during the mid-70s. For, foreign trade, which at an earlier stage was way ahead of production, now hardly increases any faster than the total output of goods and services. There must therefore be additional causes.

Ever since exchange rates were floated in the spring of 1973, a reliable new framework of principles regulating the international monetary and financial relations has not been found. This is all the more serious since the world economy has been subject to additional strain due to the recycling of oil funds. Uncertainties and instabilities resulting from this situation, and not the exchange rate flexibility taken on its own, do not remain without influence on trade flows.

In addition to this there are increased attempts at avoiding the structural consequences of trade links by employing non-tariff restrictions. The basic idea behind this appears to be that it is "more important to preserve existing incomes and therefore employment than to increase total income"<sup>2</sup>. The trade-encouraging effects of the world-wide reductions of tariffs, which were appreciably enhanced in the 70s by the round of GATT negotiations in Tokyo, will thus to a large extent be offset or even reversed.

## Extensive Structural Changes

This neo-protectionism is partly a reaction to extensive structural changes in international trade. These can thus be viewed as one of the main reasons for the afore-mentioned general development trends.

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<sup>1</sup> Cf. GATT: International Trade 1980/81, Geneva 1981.

<sup>2</sup> Cf. S. Page: The Increased Use of Trade Controls by the Industrial Countries, in: INTERECONOMICS, No. 3, 1980, p. 149 ff.

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**Table 1**  
**Indicators of the Development of World Trade**  
**Since 1950**

	US-\$	Value	Indices <sup>1</sup>	
	bn		Price levels <sup>2</sup>	Volume
1950	60.8	7	36	20
1955	93.0	11	40	27
1960	128.3	15	40	36
1965	187.0	21	42	50
1970	313.9	36	46	76
1973	575.9	66	66	100
1974	840.8	96	93	105
1975	873.0	100	100	100
1976	990.6	113	102	112
1977	1,127.2	129	111	116
1978	1,301.7	149	122	122
1979	1,627.0	186	145	131
1980	2,003.2	229	174	133

<sup>1</sup>1975 = 100.

<sup>2</sup>Averages on dollar basis.

Sources: UN; own calculations.

International trade was over a long period dominated by the European and American industrialised countries (cf. Table 2). Their share of world exports which had already reached 55 % during the early 50s increased over the following three decades to 60 %. The main reason for this was the considerable expansion of trade in finished goods within this group of countries (cf. Table 3). At the start of the last decade it corresponded to almost half of total world trade.

This development received a big boost from the forced reductions of trade barriers in the then-existing EEC. This led to a vigorous expansion of intra-community trade without creating the much-feared trade diversion effects.

In contradiction to the suggestions of classic and neoclassic trade theories which proposed an international inter-sectoral division of labour, the industrialised countries' trade increasingly developed into an intra-industrial exchange of differentiated products. This facilitated adjustments induced by

foreign trade and went against protectionist moves, since increasingly not only the losers but also the beneficiaries of developments in international trade were to be found in the same branch of industry.

The trend towards intra-industrial trade between the European and American industrialised countries has in recent times continued. The dynamics of this development, however, has weakened. Apart from this there are now new competitors to the traditional industrialised countries and they are forging ahead into specific areas of production, thus strengthening again the inter-industrial component in world trade.

### The Japanese Challenge

The development of Japan's exports over the past years caused a particular stir. Whilst Western industrialised countries have tended to be losing ground in world trade, Japan has been improving its position. In 1950 this country was totally insignificant to world trade; its share of the world market was just over 1 %. Today Japan occupies with a share of just about 7 % the third position in the list of the top international trading nations behind the USA (11 %) and West Germany (10 %).

This development in the global shares of the world market, however, is not the main reason for Japan being asked to practise self-restraint and why imports from Japan are subject to tightened controls. The main reason is the heavy concentration of Japanese exports in certain sectors. In 1980, for example, a third of Japanese exports of manufactures went to 6 groups of products<sup>3</sup>. 13 groups of products alone accounted for half of the exports of manufactured goods. The British, German and French exports of manufactures on the other hand were almost twice as widely dispersed<sup>4</sup>.

<sup>3</sup> Group of products = 3-digit SITC group.

<sup>4</sup> In Great Britain's case, 10 groups of products corresponded to a third and 24 groups to a half of the country's total exports of manufactures in 1980. In West Germany and France the numbers were 12 and 25 product groups respectively.

**Table 2**  
**Shares of World Exports, 1950-1980**  
(in%)

	1950	1955	1960	1965	1970	1973	1974	1975	1976	1977	1978	1979	1980
Industrialised Countries	66.0	71.9	76.1	78.2	80.0	78.4	70.9	73.6	71.9	72.0	74.2	72.7	69.7
North America	21.8	21.7	20.4	19.1	18.9	16.8	15.6	16.0	15.5	14.4	14.5	14.6	14.2
Japan	1.3	2.2	3.2	4.5	6.2	6.4	6.6	6.4	6.8	7.1	7.5	6.3	6.5
Western Europe	32.1	36.0	38.9	40.9	42.4	43.2	38.7	40.0	38.9	39.5	41.3	41.3	38.9
Eastern Europe	6.1	8.2	10.3	10.7	9.9	9.2	7.8	9.0	8.6	8.8	8.7	8.4	7.9
Developing Countries	34.0	28.1	23.9	21.8	20.0	21.6	29.1	26.4	28.1	28.0	25.8	27.3	30.3
OPEC	6.6	6.6	6.1	6.0	5.7	7.2	14.9	13.0	13.9	13.4	11.2	12.7	14.8
NICs <sup>1</sup>	7.9	5.8	4.8	4.7	5.1	6.3	5.7	5.7	6.3	6.6	6.9	7.2	7.5

<sup>1</sup>Greece, Portugal, Spain, Yugoslavia, Brazil, Mexico, Hong Kong, Singapore, South Korea, Taiwan.

Sources: UN; IMF; OECD; BFA; Ifo; own calculations.

## INTERNATIONAL TRADE

Japanese firms have within a short period been able to establish themselves in internationally leading positions in exporting industries, which play a key part in the country's economy. This is particularly the case in shipbuilding, the motor industry and in entertainment electronics. Strong competition by Japan will have to be reckoned with in future not only from these branches of industry but also in the fields of precision and optical goods, iron, sheet and metal products, and textiles. This competition could, however, be considerably mitigated by the development of exchange rates, particularly considering that the competitiveness of the products in question is determined mainly by their prices.

Of greater importance is the fact that Japanese suppliers are increasingly competing in product fields known to be particularly technologically demanding, fields which have up to now been regarded as the domains of the traditional industrialised countries. Examples for this are data processing, micro-electronics, mechanical engineering and plant construction<sup>5</sup>.

### Need for an Offensive Strategy

The answer to the Japanese challenge, however, is not to be found in protectionism. This is the worst of all possible solutions. For this not only limits the range of choice and generally the benefits to consumers and to those firms which purchase intermediate inputs and

commercial goods in Japan. Eventually, the protected industries themselves will suffer if a considerable part of their sales is made via exports. For, their Japanese competitors can search for compensation in third countries, which do not place obstacles in the way of Japanese imports, or which at least do not discriminate against Japanese goods.

There are already signs of this. For example, the export figures available for the Japanese motor industry for 1981, an industry which was persuaded to practise "voluntary" self-restraint in North America and Western Europe, already reveal the contours of a new exporting strategy in which South East Asia, the Middle East, Africa and Latin America are the main target regions. The motor industry's market in these regions will probably expand at a faster rate than the world market. An average annual increase in demand of 10 % is, for example, predicted for the Middle East, the expected increase in world demand being 2 to 3 % per year<sup>6</sup>. It is more important in the long run for a firm to set up a strong initial position in these markets, particularly since these industries are oligopolistic in structure and strongly linked internationally, than to secure the domestic market by administrative means.

A more offensive strategy of adaptation would thus appear to be better than defensive protective measures, which, as experience has shown, are not in a position to regenerate the threatened industries. A

<sup>5</sup> Cf. H. L a u m e r: Wachsendes Ungleichgewicht im Japan-Handel der EG (An increasing imbalance in trade between Japan and the EC), in: Ifo-Schnelldienst, No. 11, 1981, p. 13.

<sup>6</sup> Cf.: Demand for cars "will grow by 32 % in decade", in: Financial Times, August 19, 1981.

**Table 3**  
**Exports of Manufactures by Regions, 1970-1979**

	1970	1973	1974	1975	1976	1977	1978	1979
	bn US-\$							
Industrialised Countries	184.4	326.9	432.5	468.8	524.8	597.6	719.3	857.5
North America	38.4	57.5	78.8	86.0	96.9	102.0	118.6	146.6
Japan	17.8	34.9	52.5	53.2	64.7	77.7	94.2	99.0
Western Europe	107.1	198.1	258.0	278.5	307.4	352.2	428.6	524.0
Eastern Europe	21.1	36.4	43.3	51.1	56.2	63.2	74.9	84.7
Developing Countries	16.1	34.0	46.5	45.4	58.4	68.5	86.9	109.2
OPEC	0.5	1.0	1.5	1.4	1.7	2.3	3.2	4.1
NICs	9.1	22.5	31.2	32.1	41.9	49.0	62.9	81.9
World	200.5	360.9	479.0	514.2	583.2	666.1	806.2	966.7
	%							
Industrialised Countries	92.0	90.6	90.3	91.2	90.0	89.7	89.2	88.7
North America	19.2	15.9	16.5	16.7	16.6	15.3	14.7	15.2
Japan	8.9	9.7	11.0	10.3	11.1	11.7	11.7	10.2
Western Europe	53.4	54.9	53.9	54.2	52.7	52.9	53.2	54.2
Eastern Europe	10.5	10.1	9.0	9.9	9.6	9.5	9.3	8.8
Developing Countries	8.0	9.4	9.7	8.8	10.0	10.3	10.8	11.3
OPEC	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4
NICs	4.5	6.2	6.5	6.2	7.2	7.4	7.8	8.5
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: GATT; UN; own calculations.

part of such a strategy would be to increasingly gain a footing in the Japanese market, the potential of which has as yet not nearly been exhausted. The (justified) demand for removal of the many non-tariff barriers to trade, which all make access to the market more difficult, is definitely not enough.

As opposed to Japan, the state-trading countries were hardly able to improve on their position in world trade. Following the Second World War they initially pursued the doctrine of a closed socialist economy, but this concept very soon yielded to one of reintegration into the world economy. In spite of this, however, this group of countries' share of international trade did not significantly exceed 10 % and exhibited in fact a slight downward trend during the last decade. The significance of East-West trade therefore, to the world market as a whole, has "not risen in the long run, despite economic and political expectations to the contrary"<sup>7</sup>.

<sup>7</sup> Cf. H.-W. Krelling, G. Hedtkamp: *Niedrigpreisimporte der Bundesrepublik Deutschland aus Staatshandelsländern* (Low-price imports from the state-trading countries by the Federal Republic of West Germany), Cologne, etc., 1981, p. 8.

### New Competitors on World Markets

Trade between industrialised and developing countries presents a different picture. During the post-colonial period the developing countries began by pursuing an industrialisation strategy based on import substitution and basically entailing a renunciation of the international economic division of labour. They continued to be suppliers of important raw materials, the prices of which showed a downward trend compared to the prices for imported goods and services required for industrialisation. Increased attempts at diversifying exports, however, began to bear fruit towards the end of the 60s.

Particularly those developing countries which were already at an advanced stage of their development and which today are on the verge of being industrialised countries were able to achieve such successes. In Brazil, for example, manufactures accounted for merely 20 % of total export earnings in 1968. In 1974 their share had increased to 40 % and by 1980 to almost 60 %<sup>8</sup>. Exports of industrial goods are thus becoming a

## PUBLICATIONS OF THE HWWA-INSTITUT FÜR WIRTSCHAFTSFORSCHUNG-HAMBURG

### NEW PUBLICATION

Eckhardt Wohlers, Diana Winkler

## GESAMTWIRTSCHAFTLICHE AUSWIRKUNGEN EINER ARBEITSZEITVERKÜRZUNG

- Empirische Analyse der Kosten- und Preiswirkungen einer Verkürzung der Wochenarbeitszeit -

(Macroeconomic Effects of a Reduction in Working Hours -  
Empirical Analysis of the Cost and Price Effects of a Reduction  
in Weekly Working Hours - )

This study, which was commissioned by the Minister for Economics and Technology in Hesse, presents a review of the problems connected with the reduction of working hours. The micro- and macroeconomic effects of such a measure are first examined theoretically. In the second part of the book the macroeconomic cost and price effects of a reduction in weekly working hours are estimated on the basis of certain assumptions regarding compensatory wage adjustment and the reaction of business. (In German.)

Large octavo, 143 pages, 1981, price paperbound DM 32,—

ISBN 3-87895-200-7

V E R L A G   W E L T A R C H I V   G M B H   -   H A M B U R G

supporting factor of ever-increasing importance to economic development, enabling these countries to cope with the additional burdens resulting from the increase in energy costs.

Compared to total world trade in manufactures, the share of the newly industrialising countries (NICs) is still very modest. However, between 1970 and 1979 it increased almost two-fold from 4.5 % to 8.5 %. In addition to this, the NICs have become much-feared competitors in various traditional industrial sectors characterised by standardized technologies and price-elastic goods. Frictions have been registered particularly in the textile and clothing industries, which still play a key role in most industrialised countries. These two industries account for anything from 5 % (Sweden) to 15 % (Italy and France) of total employment in industry<sup>9</sup>.

In future the NICs are expected to force their way into other segments of the world market, especially high-quality consumer durables and investment goods. This would affect the following groups of products<sup>10</sup>:

- ship-building products (Greece, South Korea, Spain, Taiwan, Yugoslavia);
- products related to road vehicle construction (Brazil, Mexico, South Korea, Spain);
- machine tools (Brazil);
- industrial plant and equipment (South Korea, Spain, Taiwan).

It is, however, doubtful whether the developing countries' industrial exports can develop the same dynamic impetus as the Japanese exports have done and this for two reasons:

- firstly, the NICs do not form the tip of an iceberg, but the main part of it<sup>11</sup>. 80 % of the total exports of manufactured goods by Third World countries are attributable to the NICs and there are not likely to be many countries joining this group in future;
- secondly, the preconditions prevailing in the NICs are more unfavourable than they were in Japan's case. Worth mentioning are above all the political and social

<sup>8</sup> Calculations based on: Banco do Brasil: Relatório, Cacex, various years.

<sup>9</sup> Calculations based on: UN: Yearbook of Industrial Statistics, New York 1980.

<sup>10</sup> Cf. K.-H. Oppenländer: Die Industrialisierung der Dritten Welt und die deutsche Wirtschaft (The industrialisation of the Third World and the West German Economy), in: Ifo-Schnelldienst, No. 20, 1980, p. 10.

<sup>11</sup> Cf. S. Woolcock: The Newly Industrialising Countries, Trade, and Adjustment in the OECD Economies, in: INTERECONOMICS, No. 1, 1981, p. 14.

instability factors, the limited domestic markets and the insufficient qualifications of the work force.

### Increasing Protectionism

Activities are, however, already being undertaken by Western industrialised countries in the form of measures related to trade policy to weaken the adjustment pressure caused by imports of manufactures from developing countries. The disputes connected with the Multifibre Arrangement up for renegotiation this year form an example of such attempts<sup>12</sup>. If the industrialised countries had their way, the increase in imports of textiles and clothing from Third World countries would be limited to the increase in domestic consumption in these countries which is estimated at the most at 1 % per year. In the Multi-Fibre Arrangement reached in 1973 and renewed in 1977, developing countries were still allowed 6 %. Imports from the NICs are to be subject to particularly tough restrictions.

The NICs also receive differential treatment in the new versions of the Generalised System of Preferences in which most of the industrialised countries grant customs-reduced or customs-exempt import quotas to developing countries for almost all industrial products and for a number of agricultural products. Particularly the USA, but also the EEC countries and Japan, are inclined to reduce preferences for the more advanced developing countries or to at least keep them at their present level. It is very doubtful whether this attitude is purely a result of trying to assist the least developed countries, particularly considering that the latter were frequently not in a position to take full advantage of the preferences granted to them.

Apart from this, *individual* protective measures against imports from Third World countries have lately been on the increase. The EEC countries assume a particularly inglorious role in this respect. On the one hand they are putting the pressure on within GATT to permit selective safeguards, which would contradict the principle of non-discrimination. On the other hand individual EC-countries – especially France, Italy and Great Britain – are making increased use of the safeguarding provisions contained in article 115 of the EEC Treaty. This enables member countries to exclude goods from third countries which are already traded freely within the Community from partaking of Community treatment should economic difficulties be impending, i. e. it enables them to impose customs duties and quantitative restrictions.

<sup>12</sup> Cf., in this issue, P.-G. Schmidt: The Multi-Fibre Arrangement – A Hydra of Protectionism?, p. 243 ff.

### Advantages of a Liberal Trade Policy

What all of this tends to forget are the advantages of a liberal trade policy:

□ in the long run it would create additional sales opportunities for firms from Western industrialised countries in the markets of the Third World since the importing *capacity* of developing countries will be increased through increased export proceeds and their import *requirements* also will substantially increase due to the growth and industrialisation process supported by such exports<sup>13</sup>. This is even more so if the production of parts and components is increasingly carried out in developing countries as part of an internationally integrated production set-up;

□ it facilitates a "graduation" of the developing countries. This means that the Third World countries can with continuing development gradually apply the GATT principle of reciprocity, i. e. they can gradually bring the level of protection for their domestic industries in line with the trading partner's level of protection;

□ it also serves the interests of Western firms carrying out direct investments in developing countries which, as experience has shown, contribute to securing incomes and jobs in the home countries; and

□ it is very often more effective as a form of development assistance than the traditional resource transfer. If cooperation with developing countries is to be taken seriously, then this instrument should not be discarded.

### The Role of the OPEC Countries

Along with the NICs, the OPEC countries have also made their mark on world trade. Whereas at the start of the 70s this group of countries only accounted for 5 % of the world's exports, they have today reached a share of 15 %. This is almost totally due to the drastic price increases for oil as can be substantiated by a comparison between the real and nominal development of oil's share in world trade and by a glance at the commodity structure of the OPEC exports:

□ at current prices, crude oil's share of world exports has raced from 6.8 % in 1973 to 12.7 % in 1979. If calculations are made based on constant prices, however, the same period reveals a decrease from 5.1 % to 3.4 % (cf. Table 4); and

<sup>13</sup> Calculations of the income elasticity of imports between 1973 and 1978 worked out at a value of 3.0 for the OPEC countries and 1.8 for the other developing countries. Cf. B. B a l a s s a : Trade in Manufactured Goods: Patterns of Change, in: World Development, Vol. 9, No. 3, 1981, p. 274. The increasing importance of the NICs as potential markets is confirmed by the "Euro-Report Volume B" by the Prognos AG, just published.

Table 4

### Share of Raw Materials and Manufactures in World Exports, 1970-1979 (in %)

Year	Raw materials total	Raw materials excl. crude oil	Crude oil	Manufactures
			nominal	
1970	37.7	32.2	5.5	62.3
1971	36.7	30.2	6.5	63.3
1972	36.3	29.8	6.5	63.7
1973	38.4	31.6	6.8	61.6
1974	44.2	30.6	13.6	55.8
1975	41.7	28.1	13.6	58.3
1976	41.8	27.8	14.0	58.2
1977	41.2	27.5	13.7	58.8
1978	38.2	26.2	12.0	61.8
1979	41.1	28.4	12.7	58.9
			real <sup>1</sup>	
1970	37.7	32.2	5.5	62.3
1971	36.1	30.5	5.6	63.9
1972	34.1	28.8	5.3	65.9
1973	31.6	26.5	5.1	68.4
1974	31.2	26.9	4.3	68.8
1975	32.1	27.7	4.4	67.9
1976	31.6	27.2	4.4	68.4
1977	30.9	26.6	4.3	69.1
1978	30.1	26.0	4.1	69.9
1979	32.0	28.6	3.4	68.0

<sup>1</sup>At 1970 prices.

Sources: GATT; UN; own calculations.

□ the structure of exports by OPEC countries shows a heavy bias towards crude oil and derivated products. These categories of goods account, on an average, for almost 95 % of the total exports of these countries.

A growing diversification of OPEC exports can, however, be reckoned with in future. The OPEC countries are pursuing development strategies intended to help them out of their dependence on oil exports. Efforts are being focused on raw material-based and energy-intensive manufacturing industries. Examples are the petrochemical industry and fertilizer production. In the long run OPEC countries have in these sectors good chances of establishing themselves successfully in the world market.

Above all, the big jump in oil revenues has made the OPEC markets attractive for Western firms. This situation is not likely to change much in future since the real price increases for oil are likely to continue and a lasting dependency, even if watered down a little, on oil as a source of energy and as a raw material can be expected. The present bearish mood on the international oil markets certainly does not indicate a change in the long-term trend of oil prices.

Tough competition has thus developed in the OPEC markets between Western industrialised countries. Up

to now Japanese firms have made the biggest inroads into these markets. Initially the biggest loser out in this respect was the USA. Lately, however, European firms, and particularly West German ones, have been losing ground, too. Under such conditions there is a large temptation to support one's own firms by means of financial aid, political concessions towards the OPEC countries and other measures distorting competition. Such policies, however, remain in practice ineffective for achieving the goal set, since they mutually cancel each other out. They would primarily induce an additional transfer of income and power to the OPEC countries, something which could hardly have been desired by its initiators.

#### Priority for Multilateral Arrangements

Neither can the unquestioned problems of international trade *generally* be solved by resorting to the arsenal of national trade policies. The inevitable results would be world-wide economic losses. Even the members of the Cambridge Economic Policy Group, which for years have been propounding a national protectionist course for safeguarding reflationary policies in the UK against external influences, point towards the potential danger of import restrictions being employed as a substitute for solving energy problems<sup>14</sup>.

Therefore multilateral arrangements should be given priority. In this sense the first set of tripartite talks between the "major trading powers", the USA, the EC and Japan, planned for October this year and dealing with mutual trade problems, will be a step in the right direction providing that these talks do not result in a defensive alliance against the trading interests of the developing countries. Certain proposals, however, in particular those put forward by Great Britain, advocating an extension of the application of GATT safeguarding provisions against *unfair* competition to the particularly *efficient* form of Japanese competition are rather disquieting. This would only lead to a substantial element of uncertainty entering into international trade relations.

This does not imply that world trade should be subject to a rigid set of regulations which allow no leeway whatsoever in cases of serious adjustment problems. In such cases trade *diplomacy* would, in contrast to fixed stipulations, assume an important function. It should, however, on balance move towards an *intensification* of the international division of labour, the positive welfare effects of which have been manifoldly demonstrated in the past.

<sup>14</sup> P. Atkinson et al.: World Trade and Finance: Prospects for the 1980s, in: Cambridge Economic Policy Review, Vol. 6, No. 3, December 1980, p. 6.

## PUBLICATIONS OF THE HWWA-INSTITUT FÜR WIRTSCHAFTSFORSCHUNG-HAMBURG

### NEW PUBLICATION

James E. Meade

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This booklet contains a slightly revised lecture which Professor James E. Meade, Nobel laureate in economics of 1977, gave at the invitation of the HWWA-Institut für Wirtschaftsforschung - Hamburg. The subject chosen by the author is highly topical. Within a general theoretical framework the essay deals with the question of how monetary, fiscal, and exchange-rate policies could be used in countries facing a budget-deficit or -surplus problem and a deficit or surplus problem on their balance of payments at the same time, and gives an outline of possible solutions, some of which demanding international cooperation.

Octavo, 34 pages, 1981, price DM 9,80

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