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GERMAN PRISM

Church and Development Policy

The Lutheran Church in the Federal Republic emphasises increasingly problems of development policy. At Tübingen almost 1,000 members of the Organisation of Evangelical University Men in Germany discussed the present and the future orientation of development policy. Their majority advocated aid uninfluenced by vested interests in the donor countries and a taking into account the economic and social interests of the aid receiving countries. Leftist student groups, that among other things demanded the abolition of aid in its present form and the support of revolutionary groups, remained a minority. It seems, however, that these groups are not willing to give up their partly idealistic-utopian aims. They already obtained a first success, since the Lutheran General Synod discusses in the meantime whether it should place funds at the disposal of movements that oppose racism.

Trade Unions Support Government

The German Trade Unions Federation does not join the critics of German Economic Policy. According to its Chairman, Heinz Oskar Vetter, the living standard of German employed persons improved in the first year of Social-democratic leadership more than in any of the 15 preceding years. The trade unions' recent wage talks were successful in narrowing the gap between wages and other incomes. More wage demands are to be anticipated this year still. In spite of the concerted action and the trade unions' sympathies the Federal Minister of Economics will not find it easy to comply with the demands of the labour organisations and to slow down price increases simultaneously.

Infrastructure Becomes a Bottleneck

For 20 years the promotion of the private economy was in the focus of interest and growth considerations. Now the emphasis is shifting. It becomes increasingly clear that the infrastructure has grown too slowly. Limited admissions to universities, blocked streets and highways and the continuously increasing

soiling of the environment are but a few signals of a development that will demand large-scale future investments. The Society for Economic and Social Sciences—the Association for Social Policy, the most important organisation of German-speaking economists, proved at its meeting at Innsbruck that the German scientists are not willing to leave these problems to the trial and error of practical businessmen.

For four days 800 participants discussed basic problems of infrastructure planning in growing economies. Numerous papers and contributions proved that economic science makes efforts to cope with this task theoretically and politically. Although at Innsbruck no prescriptions were developed or recommendations made, in the very near future the first usable results of the increasing research work in this field will be available.

Aluminium Works Continue Expanding

VAW Vereinigte Aluminiumwerke completed the 2nd stage of their Oxyde-Works at Lünen. The production capacities of this factory increased from 240,000 tons to 340,000 tons annually. With that VAW disposes of a total annual capacity of 510,000 tons of aluminium-oxyde. A further capacity expansion of the whole enterprise by 130,000 tons a year is being planned to be reached until autumn 1971. With these higher capacities the company secures the coverage of the higher demand for oxyde of its aluminium foundries. Moreover, the increasing demand for aluminium and aluminium-hydroxyde is taken into account.

Large-Scale Enterprises Reveal Their Turnovers

The aversion of many large-scale enterprises to revealing their turnovers to the public is clearly declining. Rudolf August Oetker states his turnover to be DM 1.5 bn. The Quandt-Group calculates its concern's turnover at DM 5.85 bn. Excluding minority participations, the concern's turnover is to be estimated at DM 4.0 to 4.5 bn. Thus the Quandt-Group is not so far behind the biggest industrial "family concern", the Flick-Group, whose turnover amounted to DM 4.7 bn last year.

The reason for this voluntary revelation of turnover figures is to be found in the Publicity Law passed in the middle of 1969 obliging all large-scale enterprises to publish their annual statements of account within a period of three years. But also this way the complete truth will not be discovered, particularly due to the limitation of this obligation to the sector of German enterprises. The more the activities of German trusts are shifting to foreign countries, the more they are becoming "multinational", i.e. "world-enterprises", with a considerable part of their factories abroad, the weaker is the evidence of the firm's turnover figures in accordance with the provisions of the company law.

**Teaching
Programmes
for Electronic
Video Recorders**

In 1971 the so-called Electronic Video Recorders (EVR) will be available in the German market and will mainly serve instruction programmes aiming at offering education in the widest sense. Parties interested in these programmes are supposed to be economic enterprises, public authorities, schools, universities and establishments for further education. First test films have already been finished. The German producer firm will reach its full capacity in two or three years, since until this date a considerable increase of demand for such programmes is to be anticipated.

**Foreign Trade
with EEC-
Countries Passive
Again**

In the foreign trade with the other countries of the EEC the export surplus of the Federal Republic of Germany declined from DM 3.42 bn in 1967 to DM 1.8 bn in 1969. After in August 1970 even an import surplus of the FRG within the EEC of DM 153 mn had been registered, the still remaining export surplus went down to DM 100 mn in the months January to August 1970.

**Peace
Prize for
Alva and
Gunnar Myrdal**

On September 27, 1970, the 21st Peace Prize of the German Book-trade was awarded to Alva and Gunnar Myrdal. The Myrdals' manifold efforts for the sake of the Third World and peace have thus been appreciated also by German book-traders and publishers. This acknowledgement seems to be late, almost too late. For, the North-South conflict between industrialised and developing countries is intensify-

ing more and more. In contrast to the majority of other authors the Myrdals emphatically pointed out this development and its possible consequences. In their formal speeches they demanded action. Without much ado they lashed with sarcasm at the arms race between the East and the West, the ill-conceived development aid and the infection of the human environment.

**Consumption
of Oil Prod-
ucts Rising
Steeply**

Mineral oil consumption continues rising steeply in the Federal Republic of Germany. In the first half of 1970—including the refineries' own consumption—60.970 mn tons of mineral oil products have been consumed. This is 6.76 mn tons more than in the first half of 1969. The growth rate amounts to 12.5 p.c. and corresponds to that for the whole of 1969.

In the first half year light and heavy fuel oils alone participated with 2 mn tons each in the expansion of domestic sales by 6.2 mn tons in absolute terms. Gasoline for motors registered a consumption increase by about 620,000 tons and Diesel fuel an increase by about 400,000 tons as compared with the previous year's corresponding period. For 1970 a total consumption of approx. 122 mn tons is to be anticipated. With that consumption would surpass the advance estimates published at the end of March by 2 to 3 mn tons.

**Hoechst
Expanding
Business
in Portugal**

Expending DM 12.5 mn Hoechst Portuguesa S.A. P.L. will build its new headquarters at Mem Martins near Lisbon. For this purpose an area of almost 120,000 meters square has been acquired.

According to information published by Farbwerke Hoechst, Frankfurt, on Oct. 27, 1970, the firm's present headquarters are to be moved from Porto to the new site after the completion of the new administration building. Moreover, a pharmaceutical production plant with a power station is under construction on the same area. Simultaneously the capacity of the synthetics-dispersion plant of Resiquimica Lda will be increased from 3,600 to 5,400 tons annually.

Resiquimica is a 50 p.c. affiliate of Hoechst Portuguesa. Its production facilities are already in the new area. To the north of the whole complex the construction of a perlon-wire plant with an annual capacity of 600 tons is being planned. The central store of Hoechst Portuguesa will also be enlarged considerably.

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towards concentration has directly come in the wake of American investments.

The fact remains meanwhile that particularly in the European chemical industry there is an intensified process of concentration. Large units, equalling the American ones, have emerged. Apart from horizontally orientated large-scale mergers (Italy: Montecatini-Edison; Netherlands: KZO-AKU; France: Rhône-Poulenc—Péchiney-Saint-Gobain), activities by the big companies of the European chemical industry in acquiring companies by purchasing them outright deserve special attention. The intenseness in this direction is greater than outright purchases by the American concerns which are, in fact, often looked upon as of negative value. Several smaller European companies, in which EEC concerns as well as American ones showed an interest, finally went over into the possession of European companies.

The factors pointing at the necessity of having large units in the chemical industry are so multifarious that it can safely be assumed that the process of concentration would have become a feature also without the emergence of supplementary American competition. Driving forces in this direction were, for instance, the necessity of far-reaching and large-scale research and development programmes, the high cost of investments, larger plants necessary technically and commercially, complimentary production, the "must" of a well organised network of distribution and service and, last not least, the very existence of the EEC.

Effects on Competition

In spite of all this, there is no denying that the American competition brought about a speeding up of the process of concentration. The competitiveness of the American companies, which had previously served the European markets by way of export only, has improved considerably as a result of direct production. It can, however, not be stated with any degree of accuracy in how far this intensity of competition has been enhanced in the chemical industry as a result.

As a rule, the European companies have considerably enlarged their production programmes as a consequence of mergers so that there is now competition in a larger number of sectors. Part-monopolies or part-oligopolies have thus become rarer.

But mention must also be made of the fact that there have been many instances of co-operation and joint ventures between European and Amer-

ican companies. It seems safe to assume that this sort of thing also had its repercussions in some fields on the overall situation of competition.

Directly and indirectly the activities by the Americans have resulted in a not altogether insignificant stepping-up of chemical investments in the EEC. The bulk of America's investments in Europe has to be looked upon as additional investments. It can furthermore be assumed that the European companies have increased their own investment volume also because of the American competition. This is valid for rationalisation as well as expansion investments.

The share of American investments in total chemical investments within the EEC has gone up steadily during the 'sixties and, in 1967, was nearly 18 p.c. The financing of this package of investments was managed predominantly by way of retained profits and depreciation. At the same time, the share of the taking up of capital abroad also showed an upward trend, whilst the capital flow from the parent companies lost in importance. So far, there has not been any detrimental effect on facilities for the investment financing by European chemical companies on account of the intensified taking up of capital by American companies in Europe. There is no proof of advantages for American enterprises in the field of the financing of their projects.

Foreign Investments of Europeans

In any judgement on American chemical investments in Europe it is not to be overlooked that also the leading European companies, in their turn, do invest increasingly abroad. For all domestic chemical companies in industrial countries, the foreign and overseas markets become more and more important. Turnover abroad, and production abroad, grow faster than turnover at home, and the share of foreign investments by the chemical industries in total investments goes up all the time.

Among European chemical investments outside the country of a company's domicile, the American market is becoming an ever growing target. This two-way flow of capital can be explained only by bearing in mind that the motives of foreign investments are to be found less in natural or artificial competitive advantages but rather in the aspirations for expansion and the compulsion towards market-near production. Foreign investments are, therefore, no specifically American feature but lie in the very nature of the chemical industry. Quite clearly the trend of the chemical industry leads towards an "international chemical market" with "multi-national companies".