

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

East-West trade: Fusion of EEC and EFTA

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : East-West trade: Fusion of EEC and EFTA, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 2, pp. 32-, <https://doi.org/10.1007/BF02930573>

This Version is available at:

<https://hdl.handle.net/10419/137689>

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COMMENTS

East-West Trade

Fusion of EEC and EFTA

Just recently, the movement towards an intensification of East-West trade has emanated not solely from the West, but has been vigorously reciprocated by the East.

Efforts towards liberalisation made by these centralised economies of the East-bloc have meant, first, that market economy influences have become apparent in production which tend towards a more flexible buying and selling policy on foreign markets. This means that such states no longer consider foreign trade to be a mere "stop-gap", but that this is assuming an important function in the changing economic system and that the latter—whilst basically accepting the idea of planning—is aiming at much more decentralisation and greater freedom of decision.

In future, Eastern bloc countries will become serious competitors, particularly in the clothing industry, precision engineering and optical sectors, and Western industrial countries would be well-advised to recognise this in good time so as to gain what advantage they can from such changes.

Not least, it is essential that there should be a very rapid fusion of EEC and EFTA. If Western European countries wish to participate—without political resentment and more or less on equal terms—in this intensified East-West trade, it is imperative that the relatively closely-knit COMECON should be confronted, on a supra-regional level, with a unified economic bloc composed of both EEC and EFTA.

li.

The Crisis in Rhodesia

Dubious Sanctions

The Security Council's decision to boycott Rhodesia is the first time since its inception that the United Nations has applied economic sanctions against any country. However, the implementation of this decision will take effect only gradually, since it will probably take some time before all participant countries have taken whatever legal steps are necessary to impose restrictions upon foreign trade; these are expected to affect about one half of Rhodesia's exports.

However, it is already obvious that this decision means that the line the United Nations has taken is not certain at all to achieve its purpose. Experience of similar boycotts has always shown that the an-

ticipated effects of such measures can be greatly decreased by opening up new channels of trade and new markets. Participation in such measures always means that conflicts spread, although it would be preferable to confine them, since just because there are ways of circumventing such sanctions it must be assumed that the boycott will, of necessity, be extended to yet other countries if the intention really is to enforce effectively the initial boycott decision. In the case of Rhodesia this risk affects mainly Portugal and South Africa.

Apart from this pragmatical aspect, the US decision is also being contested under international law. Thus, those countries which are not directly affected by the political problems of the Rhodesian conflict should start thinking that any over-sedulous acceptance and observance of the sanctions adopted might lead to uncontrollable developments and should therefore indulge in precise deliberations how far they wish to be involved in this conflict and what degree of expansion is acceptable in view of the interests of those directly or indirectly involved.

dw.

Foreign Labour

The Reverse of the Medal

Times are changing. Formerly the integration of foreign labour—the so-called "guest workers"—into the West German economy was welcomed by all parties concerned. When full employment was reached in 1958 and income and demand increased furthermore there were two alternatives to expand production—either by raising capital intensity and productivity by rationalisation or by importing foreign labour. In micro-economic view the second way often proved the more profitable one and in macro-economic view the employment of foreign labour seemed to be an adequate measure to reach the targets of the "magic pentagon" of economic policy, especially the aim of short-term stabilisation. By increasing the supply foreign labour diminished the tensions of the German labour market expressed by a permanent wage pressure. So the employment of foreigners worked at least in the direction of price stability. This effect was completed by the damping effect which the above-average propensity to save of the foreign workers has on the demand for consumer goods. And, last not least, the mostly mediterranean home countries favoured part-time emigration because of the diminution of unemployment and the transfers which effect their balances of payments positively. Nowadays, however, while the German economy has to endure a slight recession, the