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It is after all common knowledge that it is impossible to give a general answer to the question of what constitutes the best foreign trade policy and what combination of means is the most likely to succeed, for the problems to solve differ from country to country. Nor is the following statement new, but its truth is very often ignored:

Recommendations concerning foreign trade policy are by themselves insufficient to solve the problems confronting the developing countries; efforts in the field of foreign trade policy must be sensibly supported by measures at home, that is to say they must be harmonised with each particular country's monetary, financial and budgetary policy, with its policy of employment and production and its income policy.

World Business Trends

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Western Europe: Check to Business Activity

So far in 1967 the West European economic trend was largely characterised by a check to economic activity. Although the Federal Republic of Germany alone experienced a distinctive recession, only Italy and Norway, on the other hand, showed a vigorous growth rate still. In almost all countries a retarding expansion of demand affected investments as well as consumption. However, welcome stimulations of production and creation of incomes in Western Europe originated from the development of goods trade with economic areas outside Europe.

So much the more remarkable is the cyclical stagnation of West European industrial production now lasting since the beginning of 1966. First this had been only a reflection of declining production in the Federal Republic and Britain, the most important economies. In the current year, however, industrial production in almost all countries—with the already mentioned exceptions—reflected more or less distinctly the cyclical slackness of the market. Therefore in the first half of 1967 the previous year's corresponding volume of production was not surpassed anywhere in Western Europe as a whole. The unusualness of such a stagnation is shown best by the fact that in the sixties West European industrial production never rose less than by 4 per cent annually.

The expansion of productive capacity continuing also with de-

clining investment activities—although at a lower rate—in this situation necessarily resulted in a generally reduced utilisation of capacity in Western Europe, i.e. in a declining productivity of the capital employed. Simultaneously the growth of labour productivity—without a reduction of labour employed—would have come to a stop. The available data reveal that therefore in several countries the entrepreneurs proceeded to a reduction of weekly working hours. But above all the number of persons employed in industry has been reduced.

This kind of reaction is by no means an unusual tendency in Western Europe, but also formerly it was as a rule one of the reliable indicators of an easing of cyclical conditions. Conspicuous, however, is the large volume of reductions in the number of employees. According to the latest data available—in the main for labour in industry as a whole—the number of persons employed with 7.7 per cent declined most in the Federal Republic of Germany, but after all the reductions reached between 3.5 and 5.6 per cent in the Netherlands, Austria, Britain and Sweden. It was less pronounced in France and Switzerland with 1.2 and 1.8 per cent, respectively. In Norway and Italy, on the other hand, the diverging business trends became apparent by the fact that they were the only countries still showing an increase in the number of persons employed in industry.

The discharges of persons employed in industry permitted a considerably improved supply of labour in all other economic sectors. Therefore in almost all countries the total vacancies for workers—taking into consideration the usual seasonal influences—declined in the course of 1967, and according to most recent data were frequently considerably smaller than a year ago. This applies e.g. to the Federal Republic of Germany, Britain, the Netherlands and Sweden. In this connection, it is true, not only the increased availability of labour had its consequences, but in part also the relatively hesitating labour management in non-industrial sectors, that in view of the force of the recession also felt strongly the decrease in demand.

Since spring in most of the West European countries only the usual seasonal stimulation prevented an increase of unemployment under these circumstances. During the summer-months the unemployment ratio adjusted for seasonal variation amounted to between 2 and 3 per cent in the Federal Republic and the Netherlands—for years distinguished by over-employment—and in Britain. For structural reasons alone this ratio was higher in Belgium and Italy. Thus full employment is jeopardised in important West European countries, as the "traditional" 3 per cent limit is hardly a recognised standard anymore.

The change in the labour market became particularly noticeable as regards the employment of foreign

Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1966		1967				
	September	December	March	June	September	Sep. 22	Oct. 6
HWWA-Index 1 (1952-1956 = 100)	92.5	92.4	91.9	92.2	90.9	91.5	91.9
Foodstuffs	84.2	84.5	84.0	86.8	84.9	85.9	86.3
Raw materials other than foodstuffs ...	96.4	96.1	95.7	94.8	93.8	94.1	94.6
Fuels	95.4	95.2	95.1	95.1	95.7	96.1	96.2
Raw materials for consumer goods ..	93.8	92.4	92.1	91.7	89.5	89.4	89.5
Raw materials for capital goods	99.6	99.6	98.8	96.6	94.7	95.4	96.6
Reuter's Index (18. 9. 1931 = 100)	428.9	423.6	425.8	445.2	418.3	421.6	423.4
Moody's Index (31. 12. 1931 = 100)	382.7	374.4	366.2	373.8	363.9	364.2	362.7

¹ Index compiled by the Hamburg Institute for International Economics.

labour. Mid-1967 in the Federal Republic their number was by 22 per cent smaller than a year ago. In France the net-immigration of Algerian labour decreased by 29 per cent in the first half of 1967, the admission of other foreigners by 18 per cent. In Switzerland, too, the number of permissions to reside for foreigners decreased by 5 per cent between January and July. This restraint of all important West European immigration states made the recession also noticeable in

the labour markets of Italy and the less industrialised emigration countries.

For some time already the indications of a cyclical change for the better are increasing. But it will take some time still until the labour market will be influenced. In the coming winter unemployment will therefore be comparatively high still in a number of countries. This seasonally conditioned development should not be misinterpreted from cyclical aspects.

to 66 million tons. The excess of unsold sugar—18.2 million tons at the end of the sugar year 1966/67—therefore has remained almost unchanged.

The large international stocks burden of course the free sugar market considerably, as anyway only 15 per cent of all sugar transactions are effected here. Added to this the producers recently sold again large quantities of sugar to the intermediary trade. The sugar producers hitherto could not agree on a more cautious sales policy, which would contribute to a quicker recovery of sugar prices. First it had been Brazil, now it is the Dominican Republic, that by uncontrolled sales frustrated all efforts for a higher price level.

Hitherto the discord between the producers obstructed the negotiation of a new international sugar agreement. After, at the beginning of June, a conference of the UNCTAD Advisory Committee on Sugar Problems, which was to prepare a new agreement, ended without obtaining any results, the convoking of another conference is anticipated not until next spring. So far, however, it has not been possible to gain the cooperation of Cuba. But without Cuba's membership an international sugar agreement could serve its purpose but incompletely.

Raw Material Markets

Price Fluctuations in the Sugar Market

After in May and June, 1967, the New York sugar price at more than 3.00 c/lb had reached its highest level for two years, a considerable price decline followed. In mid-May the world-contract-price at the New York Exchange was about 1.56 c/lb. During the last days the quotation advanced to more than 2.00 c/lb.

This summer's temporary price increase was, on the one hand, a result of Cuban sugar purchases in the free world market, intended to cover formerly occurred liabilities, and, on the other hand, a consequence of the war in the Near East. The high prices in the last

few days should have been caused mainly by the recently revised estimates of the European sugar-beet crop, showing a less favourable picture. The United States' increased demand in the world market has also price supporting effects.

But the normalisation of supply-demand relations in the sugar market is still very limited. Thus the price increase will proceed but rather slowly. Although consumption rose by 4.3 per cent to 65.8 million tons in the last season, production, on the other hand, registered a higher growth rate even. It increased by 4.8 per cent

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