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COMMENTS

20 Years of ECE

A Bridge of the Future

The 22nd meeting of the Economic Commission for Europe (ECE), held in Geneva from 11th to 29th April, co-incided with the 20th anniversary celebrations of this United Nations regional committee. Thirty nations from East and West Europe and the USA are members of the Commission, which was set up on 28th March, 1947, as an experiment. ECE has survived the critical years of the "Cold War", it has resisted political tensions between East and West European nations and, at 20, has reached what is, for an international organisation, a ripe old age. This, in itself, may be a reason for celebration.

ECE's objective is not only to exchange ideas on economic policy and economic development in member countries, but also to promote economic and technical co-operation. In the purely technical field some encouraging successes have been achieved based on the establishment of a regular, systematic exchange of information on new production techniques and the joint investigation of their economic aspects.

Thus far, however, co-operation in the spheres of trade and investment has been insignificant. Contacts inside ECE have certainly facilitated the solution of bi-lateral trade problems between East and West European nations, but it has not been possible to progress towards a multi-lateral system in East-West trade. Political factors, difference of socio-economic structure and the non-convertibility of East European currencies have hitherto remained insurmountable obstacles.

It is to be hoped that ECE's channels of communication will be expanded and that it will achieve substantial success in its endeavours to procure agreement and co-operation so that its function as a bridge to the future can be extended. re.

Indonesia

Economic Survival

Indonesia—the most outstanding example of a developing country aided by the Eastern bloc—has gone to pieces under its "guided economy". In principle, a planned economy on communist lines is not inferior to a free market economy; Sukarno's "guided economy" was, however, a planned economy without planning, a conglomeration of insufficiently thought out—and, in part, irreconcilable—arbitrarily manipulated economic theses. Highflown phrases, intended to glorify

the State and its Head, took the place of meaningful economic policy. But the failure of this experiment in development should not lead to Indonesia's exclusion from any future assistance; on the contrary, it gives Western nations a chance to put into practice their ideas on economically significant development aid. The economic policy of those now in power gives at least some grounds for hope. Economic reconstruction is to take place in four stages. A period of restoration is to follow upon the first phase of economic "survival"; this period of restoration will give way, in its turn, to a phase of consolidation. Finally, the last phase will create the basis for continued economic development in the future.

Considerable energy has gone into the introduction of the first phase. Negotiations have taken place with Western creditor nations on the consolidation of Indonesia's foreign debt, the economy has been "decontrolled" step by step and freed from red tape, the budget has come closer to being in balance and subsidies for State enterprises have been considerably reduced.

It is only natural that there should have been some "frictional loss" in getting the policies of the "new order" under way. The re-introduction of market elements and the strengthening of the private economy have increased the number of unemployed and prices of essential goods have risen. All this should be a sufficient incentive for Western industrialised countries to gain a new ally by proffering aid swiftly. li.

USA — Business Prospects

Recession in spite of Vietnam?

For the first time, after a period of growth in American economy which has lasted for six years, the business outlook for the beginning of 1967 is giving cause for worry. Officially and privately voiced opinions on the business prospects vary between consolidation as aspired to and the onset of a recession. Indeed, the symptoms of an acute relaxation are not to be ignored; it is true that in the first quarter of 1967 the United States' GNP rose by \$ 5,000 million to \$ 764,300 million, but this was a purely nominal increase, entirely offset by an inflation rate of 2.8%. Among the weaker sectors of American business were, in particular, industrial investment for plant and equipment, expenditure upon private sector residential building and the demand for consumer durables, whereas—surprisingly—total private consumption rose sharply and export development was also satisfactory.

It is still uncertain whether, or to what extent, the replenishment of the very considerably shrunken stocks is stimulating demand.

In the present phase of the business cycle, particular attention is being paid to the volume of public spending, especially to the expenditure upon armaments for the war in Vietnam, as a demand factor affecting the American domestic market. According to the latest information from the Department of Defence, armaments expenditure for Vietnam in the first six months of 1967 will exceed that for the previous year by \$ 3,000 million and will reach a new peak at ca. \$ 22,500 million. For the fiscal year of 1967 this will mean an amount of ca. \$ 42,000 million, a rise of 64 % compared with 1965.

It should be noted, however, that in spite of its absolute volume, defence expenditure is currently running at only 8.5 % of the GNP and is thus relatively low (1944: 42 %; 1952: 13.5 %; 1961: 9 %). It is thus not true that the American boom is dependent upon the Vietnamese war, even though it is often asserted to be, and it is therefore not to be anticipated that the \$ 3,000 million rise in armament orders in 1967 will, on its own, cause any change in the business outlook. In order to achieve the 4 % increase in the American GNP planned, it looks as if other politico-economic measures will also be needed. The most important of these is the planned re-introduction of investment incentives based on tax concessions, but budgetary measures will also be required, although the planned alteration of the income tax structure is still under discussion. hch.

Punta del Este

Action Now

On 14th April, 1967, in Punta del Este the summit conference of the Organisation of American States (OAS) came to an end. The main outcome of this conference—which was beset with lively propaganda—was the "Declaration of American Presidents". This declaration in programme form, in which all the States except Ecuador joined, could indeed become a milestone in the history of the American sub-continent. Point 1 of the statement announces the creation of a common market for the whole of Latin America over the period 1970-1985. The Latin American Free Trade Zone (ALALC) and the Central American Common Market (MCC) are to be the starting points for the large-scale economic integration of South America.

The joint statement made at Punta del Este is, in the first place, a success of the United States. It eliminates from the outset the risks of regional solutions of the integration problem, such as EEC and EFTA will have to deal with in the near future. However, the statement by American Presidents is only a first step, although an important one, on the long road towards the economic development of Latin

America. The realisation of targets such as the modernisation of agriculture, more rapid industrialisation, a more rational foreign trade structure, improved training facilities and intensification of joint projects will depend mainly upon the concerted and earnest efforts made by the actual nations of Latin America. The assistance of advanced industrial nations—in particular the partnership of the United States—can make a valuable, not to say indispensable, contribution. Up to now, it is true, Washington has not agreed to the decrease in tariffs and increased development aid requested by the countries of Latin America. The US Government has only promised a benevolent examination of concessions in trade relations and gave hopes of an intensification of development aid. The United States will have to make the initial step easier for its South American partners before the first enthusiasm of Punta del Este has vanished. ke.

UNCTAD

Stabilising Commodity Markets

The talks to be held from 9th to 26th May by the Raw Materials Committee of the World Trade Conference mean that our interest will once more be focussed upon a sector of economic policy where numerous questions are still awaiting a solution. Although the problems inherent in international raw material policy are being dealt with on a more intensive basis than ever before, no rapid agreement upon outstanding questions is to be anticipated.

The aims of the World Trade Conference—the improvement of the economic position of developing countries—is the overriding theme of every discussion. It is agreed that exports of raw materials from developing countries should show a "reasonable return to producers", to quote from the Havana Charter. To achieve this it is essential for raw material markets to be stabilised. It is in discussing the measures necessary to achieve this aim that differences of opinion occur in evaluating the advantages of free or organised international trade—even between the industrial nations of the West.

The establishment of efficient study groups for individual raw materials or the drawing up of effective international agreements is certainly not a simple task, particularly when the measures necessary to achieve stabilisation might increase the risk of substitution for certain raw materials or might be contributory towards certain long-term structural changes being sacrificed to short-term benefits in developing countries. But in the interests both of developing and industrialised countries it is essential to intensify our efforts to give concrete form to international co-operation in the raw material sector. We may then be able to avoid a repetition of the well-known phrase: "we have talked too long, done too little and all of it too late". sto.