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Unctad: Stabilising commodity markets

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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.