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Latin American integration: Common Market further off?

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COMMENTS

UNIDO

Coordination of Development Aid

For years already the industrial nations have been striving to assist the developing countries in the rehabilitation of their economies. They are doing this by expanding their trade with young nations, by promoting industrial projects and by general financial aid. The results of these well-meant, but frequently rather carelessly prepared endeavours occasionally seem quite grotesque: Bagdad for instance got a modern railway station although a railway-line did not exist, Mossul a sugar-factory, lacking, however, any supply of sugar-beets. In Nineveh a university for 20,000 students was built—but professors were not available. And, finally, the new state-theater in Istanbul proved to be of little value as no actors and artists could be found.

Such examples of development aid without any coordination are sufficiently known.

The United Nations Industrial Development Organisation (UNIDO) intends to change this situation. Its Athens business meeting in December, lasting for three weeks, will try to straighten out development aid in the industrial sphere. This new attempt to work out a worldwide programme for the industrialisation of the developing countries is deserving of our consideration and support. The UNIDO-Conference at which all UN members as well as the competent bodies of OECD, UN and the International Bank for Reconstruction and Development (World Bank) should attend, might form the prologue to an effective coordination of development aid—provided that this new attempt does not get stuck in declamatory speeches and wordy confrontations.

It should be realised that the limited aid measures of the industrial donor countries can only then be applied most usefully, if they are coordinated sensibly and adjusted to the economic and social conditions of the receiving countries. re.

AMC

New Justification for Protection

The 70th Meeting of the American Mining Congress (AMC) took place in Denver in mid-September and once more seized the opportunity to emphasise its disapproval of international commodity agreements. In the opinion of the Congress, such agreements between governments, which might amount to a certain control of producers, are contrary to the principle of non-involvement and are not in the interests of the US economy.

In rejecting state intervention, however, the Congress is less than logical. It is simultaneously demanding the introduction in the USA of "flexible quantitative import restrictions or temporary levies on imports which could be applied when required to maintain an orderly and remunerative market". In addition, there are on AMC's list of desiderata, tariffs for those products into which the respective metals and minerals are processed.

The basis for these demands really appears somewhat strange; the assurance that these 'restraints' "would have a stabilising effect on trade and investment policies of foreign industries and governments" is not convincing. The unfortunate experiment with the split copper market ought to have shown sufficiently clearly that relative price stability on a partial market has little to do with stabilising the overall market.

To reject international commodity agreements, whilst justifying protection for a significant sector of the American economy because of its 'stabilising effect', could easily strain too far the confidence of developing countries, which rely to a great extent upon exports of these raw materials. Robert Hendricks, President of the Canadian company, Cominco Ltd., went as far as to say at the AMC Congress: "The very word 'protection' implies that the protected industry is inefficient and cannot stand up to open competition." sto.

Latin American Integration

Common Market Further Off?

The Conference at Asuncion (held from Aug. 28 to Sep. 1, 1967) was unable to breathe any fresh life into the plan to form a Common Market for all Latin America by 1985. But however disappointed one may be about the lack of progress in these negotiations, it should not be forgotten that there are considerable obstacles in the way of the planned integration; it will take time and, above all, patience for the partners to overcome these obstacles.

The Latin America Free Trade Association (ALALC), which has been in existence for 5 years, is still not as integrated as the two years older Central American Common Market (MCCA). During the planned transitional period, it has been possible to achieve a large degree of harmonisation in the external tariffs of MCCA members (Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua), whereas the ALALC countries

are still negotiating on mutual concessions to be made and are still postponing negotiations on a common external tariff. Between 1961 and 1966, trade between MCCA states has more than doubled and trade with third countries rose 20 per cent over the same period, whereas ALALC members' trade has not expanded nearly as much.

The economic and social differences between countries are much less in the MCCA than in ALALC, in which there are, on the one hand, certain small countries with a relatively low degree of development (Bolivia, Ecuador, Paraguay), who want their products to be free of all tariffs, and, on the other, large countries which are relatively developed industrially (Argentina, Brazil, Mexico), which are rather sceptical about the idea of a Common Market. Finally, the countries with too small a domestic market form another group (Chile, Colombia, Peru, Venezuela) and these would really prefer to create their own "Common Market" within the joint market.

Existing discrepancies in the economic structure, level of production, purchasing power, monetary and taxation systems and the insufficient transport networks will be difficult and slow to remove. li.

German Exports

Engineers to the Fore

The largest share of West Germany's exports is composed of deliveries of investment goods affecting the growth of the domestic economy. Apart from quality and prices, these exports depend to a great extent upon opportunities for financing. It is not rare for the German export trade to complain about what, in its eyes, is insufficient state support vis-à-vis international practice. Orders have often had to be abandoned because it was impossible to accept the conditions imposed by clients.

At a conference in Bad Godesberg, the Verein Beratender Ingenieure (Association of Consultant Engineers) recently put forward similar arguments. The Association pointed out that only 5-10 per cent of the total activity of consultant engineers is performed abroad. The situation is quite different in Britain, where the ratio is 100 : 75. In the opinion of the Association, one reason for this lack of work abroad for engineers is that the export of services by consulting engineers is not covered by HERMES under the state export credit insurance scheme. For this reason, the German state should consider whether it should, in future, engage in guarantees for consulting, since consultancy abroad by German engineers brings in its wake export orders for the economy.

The small scale of foreign business for consulting engineers is also due to the fact that the medium-sized and larger firms in West Germany anyhow have their own engineering divisions which prepare potential orders in their own departments. For this special activity firms do not get cover from the Federal Government. In this context, the proposal made by the Engineers' Association has certain things in its favour, for it would open up the way for sensible supplementation of, and/or co-operation with, independent consulting engineers and industry. Even though export orders do not follow directly upon such consultancy work, the greater volume of know-how transmitted to developing countries would be, in itself, a sensible aid to their development.

Finally, just because consulting engineers would be confronted with new technical problems in their activity abroad, this would promote technological and economic progress in West Germany. schi

Exhibitions

Poland in Hamburg

The first Polish Trade Exhibition is held from 30th October to 5th November in Hamburg; it is the largest function of this type to have been held on German territory. The highlight is the "Made in Poland" show, which gives an overall perspective of what exports Poland can offer.

With this exhibition, Poland has taken one more promising step towards gaining entry into the markets of Western industrial states. Poland already showed itself more progressive than the other COMECON countries when, in order to increase sales opportunities for its consumer goods, it decided to go in for advertising and commissioned a German agency to advertise the country's products. There are still considerable obstacles in the way of expanding Poland's trade. The main reason for the limited trade is less Poland's lack of desire to export than its extremely unilateral export structure. For 90 per cent of deliveries to West Germany are still raw materials and foodstuffs and last year the total value of these was DM 500 million. But the EEC arrangements make it very difficult to import such goods. Thus Poland is concerned in Hamburg to demonstrate the broad diversification of goods on offer and to investigate further sales opportunities. Information can be collected about the German market, the entrepreneurs' and consumers' wishes investigated with regard to price and quality and indications for the future orientation of export production taken home. In addition, "Made in Poland" cannot only give information to German consumers and entrepreneurs, but may point out the opportunities for increasing imports and greater co-operation. The exhibition will also allow Germans to find out about markets in Poland. With this double function, the trade exhibition will fulfill its basic target of expanding trade between the two countries. Only if both partners have greater export opportunities can trade be expanded on a permanent basis.

Without a doubt, the Polish Trade Exhibition is more than an experiment. An increasing number of Eastern bloc countries are interested in expanding their exports to the promising Western markets. They will soon have to follow Poland's example, regardless of politics. ke.