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South America: The Andine Pact

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COMMENTS

UNCTAD

Nothing new from Geneva

The quarrels continue between UNCTAD and the sub-committee for development, which has been newly formed by the Economic and Social Council of the United Nations (ECOSOC). The main difficulty the UNCTAD Council had to face in Geneva during its 8th meeting was to decide to whom to pass on its final much watered-down report. For the states of the Eastern Bloc refused to submit it to ECOSOC as they regard the membership of the Federal Republic of Germany to that body as illegal.

Once again political animosities were being enacted in Geneva on the stage of development policy, and this to the detriment of the developing countries! For as long as one is not prepared to concentrate on purely factual problems, elaborately staged meetings like those in Geneva are likely to produce embarrassingly disappointing results. What found general approval in the end is summarised in the sentence that UNCTAD would continue in its endeavour to accelerate economic development by formulating and practising a new policy orientated towards the development of trade. Fine words indeed, but hardly in conformity with reality. So far no progress has been made in the planning of the second development decade, not to mention any re-orientation of policy. The Geneva meeting remained content with rehashing the old worn-out meaningless formulas like expansion of trade, strengthening of international cooperation or special help for the economically weakest countries. The only new thing is the decision to work on the assumption of a minimum growth of 6 p.c. in the GNP. But judging by the experiences with a 5 p.c. target during the first development decade and by the strategic measures taken to reach that target, the new 6 p.c. objective would seem to be a pipedream. ke.

Hungary

Obstacles to Reform

Hungary introduced the "new economic mechanism" in 1968. It was intended to lead—similarly to what was happening in the CSSR—to a "socialist market economy" by way of a reorganisation of the entire economy. But the Hungarian reforms suffered a set-back as a result of the occupation of the CSSR. For psychological reasons, Budapest will now be compelled to carry

out the transformation more slowly and with greater care than had at first been intended.

Weighty economic reasons also make it desirable that the pace of the reform should be slowed down. For despite official declarations that the implementation of the initial economic reforms were not attended by any complications, it is no longer possible to overlook the fact that difficulties of adjustment have caused in many sectors of the economy tendencies towards stagnation—difficulties which in the near future could lead to further increases in structural unemployment and accentuate the trend towards inflation.

And this even though Budapest has so far undertaken none of the major structural changes. Pride of place occupy always the sectors of heavy industry which are disproportionately large in relation to the rest of the economy. This one-sided orientation is liable to reduce the market outlets of these industries still further. Whether the Hungarians will succeed in their intention to minimise these difficulties by changes in the COMECON remains at least doubtful. What also worries the reformers is the country's energy structure. The Hungarian economy which depends to such a large extent on energy is constantly exposed to the threat of rising prices for Soviet raw materials. The neutral observer is therefore at some pains to understand why the Hungarians have abandoned the plan to build together with the CSSR a hydro-electric plant on the Danube. This project would have materially improved the country's energy structure. Have the Russians by any chance put their foot down, here as well? ogm.

South America

The Andine Pact

The progress made recently by the Latin-American Free Trade Association (LAFTA) was disappointing. Because of this Colombia, Ecuador, Peru, Bolivia and Chile concluded on May 25, 1969 in Cartagena (Colombia) the "Andine Pact" on the lines of the Central American Common Market. Venezuela has reserved itself the right to adhere to the Pact possibly later. But even without Venezuela the newly created Common Market covers an area of 1.75 mn square miles with a population of roughly 46 mn inhabitants.

The success achieved by some economic unions must not obscure the fact that the move of these countries towards integration is no panacea for all their economic troubles. The effectiveness

of the "Andine" Customs Union depends on whether the individual countries concerned are willing to subordinate their national interests to the interests of the Community. Adherence by Venezuela would therefore be desirable, for its rich oil resources could solve the energy problem of the partner-countries. Colombia and Chile will at first have to make concessions to the three less developed countries, Ecuador, Peru and Bolivia in order to make it easier for them to adjust themselves to the new conditions. But equally important for the success of the Customs Union is whether the industrial countries have confidence in the political stability and economic progress of these countries and contribute much more than they have done hitherto towards their much too narrow capital base. Efforts by the "Andine" countries alone are not enough. The industrial countries must at long last comprehend that the mentality of the developing countries differs completely from their own. They must learn to adjust themselves to entirely new conditions. The present conflict between the USA and Peru is an example of what one finds all too frequently — clumsiness on the part of the industrial country and sensitiveness on the part of the developing country.

crm.

Sudan

Big Tasks Ahead

The civil government was overthrown in Khartoum on May 25. The inner-political reason for the forcible change of government was dissatisfaction with the constantly rising number of unsolved internal problems. According to UN-statistics, the number of South Sudanese alone killed so far by government troops in the civil war is said to be 600 000, and still the war is going on. In the economic field, the consequences of neglect of the past years are becoming ever more apparent. The ten-year plan which was worked out in 1961/62 envisaged a 63 p.c. increase in the GNP and a 23 p.c. increase in the income per head of population. What utopian figures, how infinitely far removed from reality!

The problems of the Sudan arise as in many other developing countries from its one-sided economic structure. The Sudan is today still an agricultural country. Its main product is cotton of which 95 p.c. must be sold abroad, representing as it does roughly 50 p.c. of the country's volume of exports. The Sudanese therefore depend to a large extent for the state of their export trade and their incomes on the annually fluctuating yields of the cotton crop. What is needed is the creation of industries which are geared to the resources of the country. What hinders the economic development of the Sudan is its inadequate communications system. Its only harbour, Port Sudan, is constantly over-

loaded, jeopardising the supply of the hinterland with vital consumption goods and raw materials. The financial and balance-of-payments situation is extremely critical. What the Sudan therefore stands in need of is a realistic economic policy, supported by generous development aid from the industrial countries. Politically, the new ruling group, led by Djaafar Mohammed el Niman is clearly leftist, that is to say pro-socialist and anti-Israeli. The first actions of the new regime in the field of foreign policy—surely overestimated—are hardly of a nature to encourage Western donor-countries to adhere to their present commitments or to increase them even further. But it is doubtful in how far the Sudan will be able to do without this aid or replace it by deliveries from the East.

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Malaysia

Talking of the Devil

For twelve years Malaya and subsequently the Federation of Malaysia enlarged by the incorporation of North Borneo enjoyed the reputation of being a model of orderly development while its leader, Prince Tunku Abdul Rahman, was regarded as a far-seeing statesman. Malays and Chinese appeared to have agreed to live in peace. The ruling "establishment" consisted of Malays, Chinese and upper-class Indians who had studied in Cambridge and Oxford and understood each other—in English—perfectly, until a new generation had grown up.

Led by the pan-Malayan Islamic party, the Malayan villagers constantly threatened as they are by unemployment, rose against their local Sultans and Chinese capitalists. The young Chinese, too, had in the meantime developed an entirely new patriotic consciousness of their independent state. They are now clamouring for political responsibility.

Purely numerically, these Chinese also play a big role. Together with the 10 p.c. Indian minority, their 38 p.c. share in the total population nearly equals the 52 p.c. made up by Malays. If a feeling of violent animosity should develop against them, if persecution should uproot them from the Malaysian soil and make them again homeless, the damage to the state could be incalculable because in Asiatic communism ideology plays a lesser role than social alienation. Here Peking would stand a much better chance—than it did in Indonesia with its weak Chinese minority—to gain a strong foothold. True, the Chinese opposition parties are as yet progressively but by no means communistically inclined. The government, before putting the blame for the unfortunate disorders in the well-tried manner on "communist saboteurs" should bear one thing in mind: Talk of the devil and you may soon make that gentleman's unwelcome acquaintance.

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