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# COMMENTS

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## EFTA

### Farewell Without Tears

EFTA's tenth annual report for the financial year of 1969/70 was recently published. In a few and, mostly, dry-as-dust words and a lot of figures, most of which were already well known, a self-satisfied picture of the past year's success is painted.

Trade within the area has grown again vigorously during 1969, and it expanded more rapidly than EFTA's trade with the outside world, but this cannot be considered surprising, under the preferential tariff system. Intra-area trade thus rose almost threefold over the last ten years, i.e. since the formation of EFTA, whilst trade with all the remaining countries simultaneously nearly doubled. It is, however, interesting that, in 1969, exports into the EEC area increased more strongly than those within EFTA. EFTA's report believes that the underlying cause for this development is the much faster growth of the EEC countries' GNP, compared with member states of EFTA. No doubt, this was one of the most important reasons, but an additional factor might be the rising attraction of EEC markets for EFTA countries, who consequently have oriented themselves in this direction.

For this reason, it seems strange that the EFTA Report says so little about centrifugal forces playing their part in this Trade Club, and also contains scant information about the Brussels talks. Only in an indirect manner, there is a pointer in the report that, during 1969/70, "new possibilities were opened up in Europe". The start of the Brussels negotiations is barely recorded, and little is said about EFTA's own future, and this in the form of expressing hope that "progress in reaching the second aim of EFTA, that of setting up a big European market, may be possible". On the other hand, such reticence is understandable in view of EFTA being aware of the fact that it stands on the threshold of its own self-liquidation. In this respect, it expresses the fond hope that "the free market which existed already within EFTA may remain secure as an important part of the enlarged EEC".

ogm.

## Norway

### Transitional Regulations

Economic expansion of 1969 has continued in Norway throughout the first half of 1970. The Norwegian government foresees that the growth rate of Norway's GNP at current prices will be main-

tained at almost 7 p.c. Prices have been rising only moderately, and even the introduction of the new 20 p.c. Tax on Value Added (TVA) has not undermined the economy's relative stability.

Encouraged by the strength of his country's economy, which gains added support through the fact, now proven beyond doubt, that big oil reserves await development in the Norwegian offshore, M. Strag, Norway's Foreign Minister, might begin negotiations with the EEC about Norwegian membership. These talks will be focussed on Norway's desire to obtain satisfactory solutions for its farming and deep sea fishing communities, which operate under unfavourable conditions because of adverse climatic and geographical factors. The Community of the Six has not shown much tact or skill in handling thorny problems by adopting a new set of Sea Fish Marketing Regulations immediately before starting its talks about accepting new member states, without beforehand listening to Norway's requests. The EEC-rules about residential settlement and capital movements are also important points on the agenda for the talks, especially because of Norway's scarcity of native capital and the structural weakness of its business entities.

It may already be stated that Norway must obtain transitional arrangements with EEC, in order to safeguard the continuation of its economic progress. On the other hand, the EEC will have to prevent candidates for membership from making exaggerated claims, which could only endanger the successful integration achieved in the past. Yet Norway's willingness to take part in economic and political integration cannot be doubted, and this augurs well for strenuous but fair negotiations between the Oslo Government and the EEC's Council of Ministers.

crm.

## German Democratic Republic

### Economic Agreement with Moscow

It took only one day after the signing of Bonn's Treaty on the Renunciation of Force with Moscow that the German Democratic Republic was also presented with a treaty of its own. The chairman of the two Planning Commissions, Gerhard Schürer and Nikolai Baibakov, put their signatures to an agreement between their two governments on 13th August. This was clearly overshadowed in importance by the treaty between West Germany and the Soviets, but its economic effects will

certainly be of the highest importance for the GDR during the next five years or so.

There is a protocol on coordinating economic development of the GDR with that of the Soviet Union for the period 1971–75, which provides for mutual exchanges valued at more than 100 bn in "hard-currency Mark" over that time. The Soviet Union will supply more raw materials, which the GDR needs urgently, as it is one of the least-favoured countries of the Soviet Bloc regarding natural resources of its own. East Berlin pledges itself to export more consumer goods to the Soviet Union. And also the share of machinery and industrial equipment in the GDR's total deliveries is to climb steeply to double their present percentual contribution.

The new trade treaty has been signed at a time when it can already be seen clearly that the GDR will hardly be able to fulfil the ambitious aims of its export plan for 1970 (+13.3 p.c.), notwithstanding the hectic efforts made at present to export more and more. From this endeavour it was mainly the Soviet Union which benefits, since the Soviet share in the GDR's foreign trade turnover stands at about 34 p.c. The new trade agreement will prove to be a heavy burden for the economy of the GDR, but the Soviet Union expects eagerly the consumer goods, machines, and plant equipment, "made in the GDR".

#### UNDP

### More Power to the Administrator

Sir Robert Jackson's report about the capacity of the UN's development system has resulted, unexpectedly quickly, into the Governing Council of the UN Development Programme producing its own proposals for reform. Among the main suggestions for such reforms are an increase in the authority of the UNDP Administrator, especially in his relations with the specialised agencies of the UN, and the intention to shift responsibility for planning of projects to individual countries. An important part is to be played, in this connection, by UNDP representatives in individual countries, who are the executive arm of the Administrator, and whose authority has been strengthened, since they have become Resident Directors. From now on, only the Administrator is to be entitled to make decisions and to commission the execution of the programme, in all its phases and regarding all its aspects.

There is no doubt that the aims of the new measures to be taken are beneficial, but it is quite surprising that the UN had waited so long in making such decisions and did not get down to them

many years ago. The troubles, for which Sir Robert, for many years chief adviser to Paul G. Hoffman, the former Administrator, cannot wholly escape responsibility, have never been a secret, so that it was not his report which disclosed them for the first time. And besides, even the best-conceived reforms will not do away with a problem, which is possibly the most difficult one — that of how much aid each developing country can usefully digest. But this side of the difficulties has been dealt with by the Jackson Report only superficially. And this leads to the dangerous illusion that a reform of administrative methods will be enough to boost the volume of technical aid by leaps and bounds. re.

*France*

### Education and Research

Certain types of public spending have a beneficial effect on economic growth and progress — this is now being increasingly acknowledged by policy makers of modern industrial nations, when they draw up government budgets. Preparations now being made for future State budgets in the Federal Republic, in the UK, and in Japan show prospective rates of increase for education, research, and technological development work which are above the average.

Medium-term finance plans which have recently been published by the French government prove that in France, too, the need for such increases is being seen. For the period 1971–75, provisional estimates for spending on education and training will for the first time be higher than those for defence. This is intended to meet the vast need for skilled labour, which exists in highly industrialised countries with an advanced technology, and to respond to the fact that such labour needs long periods of training, which have to be planned in advance in time and must be placed on a secure financial foundation. But also the provisional estimates for defence in 1971–75 will contain a high proportion of spending for research and development work, and of the proposed total outlay of F 93.5 bn, as much as 30 bn have been earmarked for nuclear armaments. The example of the United States has already shown that big spending by the military on research and development work of this kind also acts as one of the main agents of peaceful technical progress. In this way, government spending enhances the competitive strength of the national economy, and after some years have passed, the rising government revenue from the taxes collected from economic expansion make the whole process partly self-financing. rg.