

ECONOMIC COMMISSION FOR EUROPE



LOOKING BACK AND PEERING FORWARD

**A SHORT HISTORY OF THE UNITED NATIONS ECONOMIC
COMMISSION FOR EUROPE, 1947-2007**

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**UNITED NATIONS
New York and Geneva, 2007**

NOTE

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ECE/INF/2007/4

FOREWORD

This is an account of the United Nations Economic Commission of Europe, its evolution over six decades and its significant, but often unsung, contributions to European cooperation. This is not a comprehensive history. Instead, we have tried to provide a broad overview of the main strands of the story, spending more time on those moments and activities that we think have played an important part in shaping the culture and the character of the institution. Institutions do acquire a certain character from their origins, from the people who work in them, and from the ways in which they deal with various problems, sometimes successfully, sometimes not.

This is a short history, and the time available to us was also short. This means that we have had to neglect certain activities and skim over others, but this in no way reflects a judgement as to their importance. Just as important, if not more so, are the values it upheld in the pursuit of its objectives during the years when its membership was deeply and bitterly divided on ideological grounds, most notably treating all participants as equals and with an unwavering respect for their different values and preferences. One of the most important lessons we draw from the activities of the ECE during the long years of the cold war is that countries so divided can still be persuaded to sit together and reach agreement on practical solutions to problems affecting them all. That must be a salutary and optimistic conclusion for those parts of the world that are still wracked by mutual distrust and deep-seated conflict.

Both of us, and our children, belong to those fortunate generations who have never had to face the prospect of being killed on a European battlefield. Whatever else one may complain about in the modern world that is surely something for which we must be very grateful. The carnage of World War II laid the foundations of the peace but it was the generation that survived the war who were determined to preserve the peace and they set about constructing an institutional architecture that would enable them to do so. The United Nations, the Bretton Woods Organizations, the European Coal and Steel Community, and its subsequent evolution towards the European Union, are all well known. But the ECE was also part of the post-war architecture and one of its major contributions was to keep alive the idea of a larger Europe that transcended the divisions of the cold war and to have done so at a time when many thought their disappearance was not only unlikely but also even undesirable.

The ECE has continued to support these ideals and, looking to the future, it is clear to us that the ECE still has the capacity to contribute to the cohesion of the region and to provide some of the international public goods that are needed to face some of the global and regional challenges of tomorrow. This potential will be better realized if the ECE is fully appreciated and exploited by its member States.

There is still a great deal of work to do on the history of ECE. We have not been able to explore the diplomatic archives, and those of the east should be particularly rewarding in revealing how the communist regimes regarded and approached this institution, for a long time their only formal bridge to the west. There is interesting work here for doctoral students. We have relied mainly on published and unpublished ECE documents, on the relatively small secondary literature, on private conversations with some of the former members of the secretariat who joined in or soon after 1947, and on our own experience as staff members of the institution. We have concluded our study with some reflections on the possible future of ECE and although we hope they will not offend too many people, being the institutional heirs of Gunnar Myrdal we shall be disappointed if everyone agrees with them.

We were honoured to receive an invitation from the Executive Secretary of ECE, Marek Belka, to write this history for the sixtieth anniversary of ECE. He gave us *carte blanche* to write as we wished and neither he nor his colleagues saw the text before it was sent to the printer. His trust in us is greatly appreciated and we hope he does not regret it.

This essay draws on, and is influenced by, our contributions to *Unity and Diversity in Development Ideas: Perspectives from the UN Regional Commissions*, published in 2004 by Indiana University Press in the series of the United Nations Intellectual History Project. This project has been conducted independently of the United Nations by Louis Emmerij, Richard Jolly and Thomas Weiss at the Ralph Bunch Institute for International Studies of the City University of New York. We are grateful to both Indiana University Press and the directors of the UNIHP for allowing us to use the two chapters we contributed to this book.*

We are grateful to Jean Michel Jakobowicz, the information officer of the ECE, who, has been pushing the idea of a history of the ECE since the mid 1990s, and to all of those in the secretariat, particularly Agnès Jouenne who responded to our requests for information and documents. Finally, a very special thanks to Alison Mangin; this book would not have appeared had she not done all that it takes to format and finalize so that the text actually could get to the press and out again.

Finally, we have in many ways drawn on our close relationship with many former and present members of the ECE secretariat and although we do not expect them to agree with everything we say, they are, after all, an independent-minded body of women and men, we would like to dedicate this book to them.

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Geneva, April 2007

* Yves Berthelot, (editor), *Unity and Diversity of Development: The Regional Commission Experience*, Bloomington: Indiana University Press, 2004, and Yves Berthelot and Paul Rayment, *The ECE: A Bridge between East and West*, loc. cit.

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ABBREVIATIONS

AGC	Accord européen sur les grandes lignes internationales de chemin de fer <i>[European Agreement on Main International Railway Lines]</i>
AGN	Accord européen sur les grandes voies navigables d'importance internationale <i>[European Agreement on Main Inland Waterways of International Importance]</i>
AGR	Accord européen sur les grandes routes de trafic international <i>[European Agreement on Main International Traffic Arteries]</i>
AGTC	Accord européen sur les grandes lignes de transport combiné et les installations connexes <i>[European Agreement on Important Combined Transport Lines and Related Installations]</i>
ASEAN	Association of Southeast Asian Nations
CCEET	Centre for Cooperation with European Economies in Transition
CEPU	Central European Payment Union
CES	Conference of European Statisticians
CIB	Centre International du Bâtiment <i>[International Committee for Building Research]</i>
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
COCOM	Coordinating Committee for Multilateral Export Controls
CPSU	Communist Party of the Soviet Union
CSCE	Conference on Security and Cooperation in Europe
ECA	Economic Commission for Africa
ECAFE	Economic Commission for Asia and the Far East
ECE/UNECE	Economic Commission for Europe
ECITO	European Central Inland Transport Organization
ECLA	Economic Commission for Latin America, later ECLAC Economic Commission for Latin America and the Caribbean
ECO	European Coal Organization
ECOSOC	Economic and Social Council
ECSC	European Coal and Steel Community
ECWA	Economic Commission for Western Asia, later ESCWA Economic and Social Commission for Western Asia
EEC	European Economic Community
EECE	Emergency Economic Committee for Europe
EFTA	European Free Trade Association
EMU	European Monetary Union
EPU	European Payments Union
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCOR	Economic and Social Council Official Records
ESCWA	Economic and Social Commission for Western Asia

EU	European Union
EURATOM	European Atomic Energy Community
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FOB	free on board
FRG	Federal Republic of Germany
G7	The Group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, and the United States)
G77	The Group of 77 developing countries
G8	The Group of 7, plus the Russian Federation
GA	General Assembly
GAOR	General Assembly Official Records
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GDR	German Democratic Republic
GEF	Global Environment Facility
GNP	gross national product
GSP	General System of Preferences
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Organization
IMF	International Monetary Fund
IRU	International Road Union
ISO	International Standardization Organization
ITO	International Trade Organization
LRTAP	Long-range Transboundary Air Pollution
MIT	Massachusetts Institute of Technology, Cambridge
MPS	Material Product System
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NIEO	new international economic order
NNP	net national produce
NOx	nitrogen oxides
OECD	Organisation for Economic Co-operation and Development
OEEC	Organization for European Economic Cooperation
OEP	overall economic perspective
OPEC	Organization of Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
R and D	research and development
REBIS	Regional Balkans Infrastructure Study
SALT	Strategic Arms Limitation Talks
SEA	Senior Economic Advisers to ECE Governments
SECI	Southeast Europe Cooperative Initiative
SNA	United Nations System of National Accounts and Supporting Tables
SPECA	Special Programme for the Economies of Central Asia
SSR	Soviet Socialist Republic
TEM	Trans European North-South

TEN-STAC	Scenarios, Traffic Forecasts and Analysis of Corridors on the Trans-European Transport Network
TER	Trans European Railways
THE PEP	Pan-European Programme on Transport and Health
TINA	Transport Infrastructure Needs Assessment
TIR	Transport International Routier [International Road Transport]
TIRS	Transport Infrastructure Regional Study in the Balkans
UN	United Nations
UN/EDIFACT	United Nations Electronic Data Interchange for Administration, Commerce and Transport
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNIHP	United Nations Intellectual History Project
UNODC	UN Office on Drugs and Crime
UNRRA	United Nations Relief and Rehabilitation Administration
UNSM	United Nations Standard Messages
UNTDDED	United Nations Trade Data Elements Directory
US/USA	United States of America
USSR	Union of the Soviet Socialist Republics
WB	World Bank
WHO	World Health Organization
WMO	World Meteorological Organization
WTO	World Trade Organization
WWI	World War I
WWII	World War II

CHAPTER 1

A BRIDGE BETWEEN EAST AND WEST

When the Second World War (WWII) ended in Europe on 8 May 1945 the continent was in a devastated state. More than 50 million people had died, five times more than in the First World War (WWI)¹ and there were more than 11 million displaced persons, 10 times more than after WWI, needing food, shelter and medical attention.² The material destruction was far greater and more extensive than at the end of WWI: many of the great cities of Europe had suffered considerable damage; towns and villages throughout the continent were in ruins; road, rail and other physical infrastructures had suffered large-scale destruction and disruption; much of the merchant shipping fleet had been lost; and there were serious shortages of food and raw materials. Networks of international trade had been broken or disrupted and virtually everywhere trade and capital movements were subject to direct government controls.

An unprecedented aspect of WWII was the extent to which the civilian population was directly affected, accounting for perhaps half of all casualties – far higher than in any previous conflict. “Policies on genocide were but the most extreme forms of a war which targeted civilians and the very structure of pre-war society. Reconstruction after 1945 was, therefore, a very different enterprise from that of the 1920s: this time there could be no thought of going back.”³ But what was the way forward? Stalin declared, “This war is not as in the past. Whoever occupies a territory also imposes on it his own social system. Everyone imposes his own system as far as his army can reach. It cannot be otherwise.”⁴ As a result, Europe – and consequently the membership of the United Nations Economic Commission for Europe (ECE) – divided into two blocs, on the one hand liberal democracies with market-based economies and on the other communist People’s democracies with centrally planned economies – a division that was to prevail for more than forty years.

ORIGINS: CONTRASTING LESSONS FROM TWO POST-WAR PERIODS

In 1945 Western Europe was a collection of highly regulated economies, mainly but not entirely the result of wartime planning, and so policymakers were faced not only with the tasks of reconstruction but of re-conversion to market-based economies that would avoid the failures of inter-war capitalism. There were fears that the post-war expectations of the population would be higher than the capacity of the system to satisfy them, thereby increasing the risks of social unrest and political instability. All this was set against the background of increasing East-West tensions. The tasks and prospects of reconstruction after WWII looked far worse than those prevailing after WWI, and yet not only was the recovery much faster than most people expected but it led to the “Golden Age” of the 1950s and 1960s, whereas that after 1918 ended in the depression of the 1930s.

What was different about 1945 in contrast to 1918? One reason for the rapid recovery was that the damage to productive capacity from bombing was actually less than expected: in fact, capacity at the end of the war was greater than at the start⁵ and, despite the tremendous loss of life, the West European labour force was as large as it was pre-war. But, the potential for recovery is one thing, its realization is another and it was here that the different mind-set of policymakers and their advisers in 1945 was a key influence. In 1918 Europe’s leaders were mostly anxious to re-establish the world that existed before 1914; they looked back to a “Golden Age” – and to the gold standard. In general, policies were focused almost entirely on financial stability, and this priority implied restrictive fiscal and monetary policies, balanced budgets and constraints on government spending. Wartime controls were rapidly abandoned leading to sharp increases in prices, an early example of what, in the 1990s, would be called “shock therapy.” As suggested above, no one in 1945 wanted to return to the pre-war situation; in fact, avoiding the failures of inter-war capitalism was seen as crucial for restoring and maintaining liberal democracy and the market economy. Most policymakers in Western Europe in 1945 probably followed Keynes in believing that while the decentralized market economy provided the best foundation for democratic and dynamic societies, government action to reduce poverty and unemployment was necessary to maintain support for such a system. Consequently, macro-economic policy gave priority to economic growth and the reduction of unemployment. Investment was encouraged by tax and other incentives, and the commitment to full employment encouraged the corporate sector to look beyond the short-run fluctuations in the business cycle. In moving from wartime controls to a peacetime market economy, West European governments were much more gradualist than their predecessors in 1918. This helped to avoid the inflationary spiral that occurred after WWI, but it was also an implicit

recognition of the need to avoid severe shocks to the population and to build a consensus for the new post-war economic and political system.⁶ Indeed the search for a more consensual basis for economic policymaking is one of the key differences between the two post-war periods: in contrast to the 1920s, the aftermath of WWII saw considerable efforts throughout Western Europe to introduce institutions and practices that would encourage wage moderation and preserve the social peace (the welfare state itself, co-determination, indicative planning, et cetera). Although it is difficult to quantify the impact of such measures, many judge them to have made a key contribution to the economic performance of the 1950s and 1960s.⁷

There were also major differences in approach to the international economy in the two post-war periods. As was the case with domestic policies, attitudes were shaped by the perception that the economic failures of the inter-war years had been a major factor behind the slide into the disaster of WWII. “The 1944 Bretton Woods conference and the institutions it spawned represented an effort by the allied governments to create post-war structures that would help to prevent a repetition of the global economic catastrophe and the ‘beggarthy-neighbour’ policies of the 1930s.”⁸ The revolutionary idea, embodied in the Articles of Agreement of the International Monetary Fund (IMF), was that “because exchange rates were matters of international interest, they should be subject to international scrutiny and normally to international agreement.”⁹ Although the Havana Conference, held between 21 November 1947 and 24 March 1948, failed to establish the International Trade Organization (ITO), it elaborated the General Agreements on Tariffs and Trade (GATT) that guided international trade relations for more than 40 years and provided a framework of rules for the conduct of trade and for negotiating further trade liberalization.

This boost to international institutions and international cooperation in both economic and political affairs owed a great deal to the United States (US) that played – and sustained – a very active role both in building the overall post-war international institutional framework and in supporting the recovery of Western Europe. Follies, such as the Morgenthau plan for the “pastoralization” of Germany, had been abandoned by the end of the war and overtaken by a conviction that European economic recovery was essential to the long-term interests of the United States and, as Keynes had argued in 1919,¹⁰ that recovery would be compromised if German industry were suppressed. In contrast, for the Soviet Union, which had borne the brunt of the battle against Nazi Germany, the economic recovery of Germany was seen as a threat and thus East-West tensions turned into another struggle over Germany. In 1945-46, the Soviet Union did its best to block moves for German recovery and, in the territory occupied by the Soviet army, it stripped German industry of its physical assets as reparations. Instead of trying to punish a vanquished state with demands for heavy reparations, a policy that had failed in the 1920s, the Western allies sought to pursue their objectives by creating a “united states” of Europe, which would reconcile German recovery with the security needs of its West European

neighbours. Originally it was hoped that a return to free trade and multilateral settlement within the framework of the new Bretton Woods institutions would suffice to get a sustained European recovery under way, and the rapid recovery of industrial output in 1946 supported such hopes. But a series of European dollar crises, the premature enforcement of Sterling convertibility in 1947, and fears in the winter of 1946-47 that the immediate post-war pick-up in activity might be running out of steam led to the introduction of the Marshall Plan.

In recent years there has been much revisionist questioning of how far the Marshall Plan was responsible for the post-war recovery. It was in fact already clear to Nicholas Kaldor and his team in the research division of the ECE that when Marshall aid arrived a strong European recovery was already under way as a result of domestic efforts,¹¹ but the assistance helped to ensure that it could continue without being prematurely checked by balance of payments constraints and by the social consequences of difficult economic adjustments. Policymakers at the time certainly regarded Marshall Aid as a key support for their efforts to get a sustained recovery under way with popular support. The strong commitment of the United States of America to European recovery helped to boost business confidence and expectations, not least in Germany, and thus to encourage the growth of fixed investment (which was much stronger than in the aftermath of WWI). The Marshall Plan was also important in insisting on cooperation among the European recipients of Marshall Aid in its distribution, in developing regional projects and, through the European Payments Union (EPU), in liberalizing their trade and payments in a gradual but purposeful manner. In contrast to the lack of cooperation among the European states in the 1920s, the Marshall Plan played an important role in promoting the process of close interaction and cooperation, which has characterized the European region ever since, and to which the ECE has made a significant contribution. Just over 50 years later the ECE secretariat would return to the Marshall Plan and draw some salutary lessons for helping the countries of Eastern Europe in their transition from centrally planned to market economies.

These, very briefly, are some of the salient features of the world in which the ECE was created in 1947 and some of the broad lines of thinking about economic policy that were shared by most of the economists who joined the secretariat of the new institution and by many of the delegations taking part in its early inter-governmental meetings and working groups. The subsequent sixty years have witnessed unprecedented rates of economic growth in Europe and although these have been accompanied by many new problems, there is no question that Europeans today are very much better off than their parents and grandparents were in 1947. Gross domestic product (GDP) has more than trebled in the west and doubled in the east, with the latter now set to catch up with the former at a much faster rate than in the years before 1989. The international economy has changed fundamentally, from a world of fixed exchange rates, widespread capital controls and restricted international trade to one of floating exchange

rates, free capital movements and largely open economies. These developments have in turn undermined some of the original functions of the international economic organizations set up as part of the post-war settlement and in 2006 there were a growing number of calls for radical reform of the entire international institutional architecture and for changes in the rules governing international economic relations.

The transformation of Europe over these sixty years was shaped by a number of influences that have also had a significant impact on the rest of the world. Three key developments have marked this period: the cold war, the withdrawal of European countries from their colonies, and the persistent if not always steady process of European integration. The cold war not only divided Europe but it greatly affected the economic, institutional and political development of the two sides, each heavily influenced by one of the two super-powers. After forty years or more, the collapse of the eastern bloc led to liberal democracy and the market economy, subject to institutional variations and different levels of social constraint, becoming the model for the region as a whole. Nevertheless, the reconciliation of these two historical experiences still presents a number of important challenges in the years ahead. The process of decolonization, especially by France and Britain, has involved a change in Europe's view of its own identity and of its relationship to the rest of the world. That is still evolving, both in respect of subsequent shifts in the global balance of economic power and in relation to specific issues such as immigration and the expansion of ethnic minorities within the region. The process of European integration, closely related to, indeed entwined with, these developments, has been driven by a variety of motives, ranging from the necessity for cooperation on a range of practical issues, familiar to the various technical committees of the ECE, to more idealistic visions of a closer political union of the countries of the region. That process has rarely been smooth or without opposition and there remain differences over ultimate goals. Nevertheless, there is little support for stopping or reversing the process and thus the murderous nationalism of the first half of the twentieth century has been replaced by a more peaceful convergence of economic and political interests and by deeply embedded systems of consultation and cooperation in which the ECE has played at times a vital and always a constructive role. Nevertheless, despite all these considerable changes in the region and in the context of policymaking, most of the fundamental issues and questions remain the same, whether the concern is with the problems of reconstruction or transition from planned to market economies, with environmental degradation or the tensions created by globalization. How should change be managed and the costs of adjustment be distributed? How far should domestic economies adjust to the dictates of the international economy? Can government intervention improve the prospects for growth and employment or should it be kept to a minimum? How should the international monetary system be managed? The answers given to such questions will vary with circumstances and context, with shifts in ideology, and with the changing influence of different groups of Keynes's "academic scribblers". The responses of the 1950s and 1960s gave way under the pressure of

different problems to the monetarism and neo-liberalism of the 1980s and 1990s, and now the latter are under increasing attack for their inadequacies in dealing with the problems of chronic inequality, economic underdevelopment, and global warming.

THE EMERGENCE OF COOPERATION IN A DIVIDED EUROPE

Against this general background of new ideas and policy approaches, the immediate problems in Europe in 1945 were urgent and practical, and the priorities clear: to provide food, clothing, shelter and medical care to large numbers of suffering people, to rebuild houses and infrastructure, especially transport and energy, and to remove the obstacles to a recovery of production and international trade. The United Nations Relief and Rehabilitation Administration (UNRRA) provided humanitarian relief, without discrimination, an effort described by one historian as “the biggest piece of first aid in history.”¹² To confront the immediate problems of economic dislocation (and, by extension, the risks of social unrest) three intergovernmental bodies were set up, outside the framework of the United Nations, on the initiative of the United States and Britain. These were: the Emergency Economic Committee for Europe (EECE), the European Coal Organization (ECO), and the European Central Inland Transport Organization (ECITO).¹³ Known as the “E-organizations,” their main tasks were to organize the supply and equitable distribution of basic materials, especially coal, and remove bottlenecks in the transport system. Membership of the three organizations was open to all European countries except the defeated powers and Spain, but the Soviet Union only participated to a limited extent in ECITO. Poland and Czechoslovakia, however, were active participants in ECO and ECITO. ECITO had a broader mandate than the other two: it was to address production and distribution problems in a wide range of sectors including agriculture, timber, and machinery, and also to discuss and make recommendations concerning reconstruction and policies for longer-run development.

Debates on a mandate: rationale and politics

The “E-organizations” did useful work that contributed towards the “surprisingly rapid recovery of industrial production in the eighteen months following the cessation of hostilities,”¹⁴ but they had little time to grapple with the larger economic policy questions facing the region. By the end of 1945 it was clear that a different organizational structure was needed to address the longer-run problems of reconstruction and economic development in Europe. No doubt there

were many who recalled that the various institutions for economic cooperation established after WWI had failed to tackle the major problems of reconstruction, with serious consequences for the economic development of the region as a whole. Such concerns led the Polish Minister of Labour and Social Welfare, Jan Stanczyk, to submit a resolution to the first session of the General Assembly in February 1946 concerning the “Reconstruction of Countries Members of the United Nations Devastated by War.” Stanczyk stressed that reconstruction had to be addressed as a problem in its own right – it could not be handled through the humanitarian programme of UNRRA nor would it be brought about simply through the restoration of international trade and financial networks, as proposed by the Bretton Woods institutions. He also argued that the reconstruction of the ruined countries was beyond the resources of most of them and it was not simply a matter for them alone but “a problem of [the] world economy.”¹⁵ A new approach was therefore needed to better organize and accelerate the process. This proved to be the first step towards the founding of the ECE thirteen months later. In December 1946, Resolution 46(I), *Economic Reconstruction of Devastated Areas*, adopted unanimously by the General Assembly, recommended “that, in order to give effective aid to the countries devastated by war, the Economic and Social Council, at its next session, give prompt and favourable consideration to the establishment of an Economic Commission for Europe and an Economic Commission for Asia and the Far East.” Resolution 36(IV) of the Economic and Social Council created the ECE on the 28th March 1947. (See Annex I)

The creation of regional institutions within the United Nations to handle the problems of war-torn countries had an economic, institutional and practical rationale. The economic argument lay in the conviction that cooperation between the countries of a region could benefit them all and help to prevent a repetition of the “beggar-my-neighbour” and other non-cooperative policies of the 1930s. Such cooperation was to be conceived in a long-term perspective, as underlined by a report of the Nuclear Economic and Employment Commission to the United Nations Economic and Social Council (ECOSOC). The “basic task of reconstruction is combined in most countries with programmes designed to modernize the structure of industry and to modify the character of the economic system. ... The short-run process of primary reconstruction is thus overlaid by a process of secondary reconstruction which has long-range aims. ... Reconstruction, both in the narrower and wider sense of the term, merges into the general problem of the economic basis on which a new and lasting peace may be built.”¹⁶ The need to integrate urgent, short-term measures in a long-term strategic framework is remarkably close in concept and tone to the analysis of the ECE secretariat in response to the collapse of Communism in Eastern Europe in 1989 and to the prospects for an economic revival in the Balkans after the Kosovo conflict of 1998.¹⁷

The argument that wherever international cooperation and policy coordination are required, policies should be formulated at a level that internalizes the externalities or spill-

over effects of particular policies or problems provides the institutional rationale. The optimal level of cooperation will not necessarily coincide with existing institutions or structures, but regional approaches are more likely in practice to be closer to the optimum than top-down global initiatives or simultaneous and multiple bilateral negotiations. Nevertheless Canada, Australia and New Zealand were opposed to the creation of the ECE on institutional grounds. They argued that “the San Francisco Conference had expressed itself – wisely and after ripe reflection – in favour of functional rather than regional organizations”¹⁸ and wondered if it was appropriate to create geographical divisions when trying to build a unified world, fearing that divergences could occur between policies advocated in a region by the commission on one side and by the specialized agencies on the other. The views of these countries at the time may have also been influenced by fears, given their geographical location, that if regional arrangements became the norm they might find themselves marginalized in the new framework of cooperation. The debate as to whether regional or global dimensions should be favoured in international institutional arrangements is a perennial one that never seems to reach clear conclusions¹⁹. In recent years the emphasis has perhaps been more on global (or functional or thematic) structures in response to issues such as governance of the global economy or dealing with global warming. Our view, discussed more fully in chapter 5, is that this is a false dichotomy: the real issue is how to articulate a coherent structure of different levels of organization, from the nation state through regional institutions to global bodies, rather than to insist on the dominance of one dimension over the other whatever the circumstances. Some, perhaps many, problems may be shared across the globe but their precise nature and context will invariably differ and policies, to be effective, must take those variations into account. One important lesson of the past twenty years is that one policy rarely fits all circumstances.

From a practical point of view, both the possibilities and the benefits from cooperation with close neighbours are usually more immediately obvious than those from global agreements: the more remote the perceived benefits the less likely it is that cooperation will be a priority. Many, if not most, of the urgent issues demanding effective international cooperation are those affecting neighbours. Regional institutions usually are well placed not only to bring about solutions to specific issues but also to develop strong habits of consultation and cooperation, which can then be extended to inter-regional and global forums.

In fact, the debates and negotiations, which took place in the ECOSOC and various working groups and sub-committees,²⁰ on Resolution 46(I) were essentially political. The Union of Soviet Socialist Republics (USSR) feared that such a regional body would seek to interfere in the internal affairs of its members and asked how, in a Europe where two economic systems coexisted, an organization could make meaningful recommendations while respecting the sovereignty of governments. The Ukrainian Soviet Socialist Republic supported this view and proposed that priority be given to providing assistance and credits on favourable terms to the

war devastated countries through UNRRA and the International Bank for Reconstruction and Development (IBRD). In supporting the original Polish proposal, the representative of the United States made remarks about foreign aid that seemed to justify Soviet fears: "Aid across national boundaries depends upon domestic policy and its ingredients of enlightened self-interest and the natural instincts of friendliness, generosity and humanity" but "it is manifestly impossible for any country to pledge itself in advance, no matter how indirectly, to a programme or policy which would ultimately demand a contribution of its national resources, without examining in each particular instance for what uses and for what purposes such contributions were being asked."²¹ The representative of the United Kingdom agreed, emphasizing that "countries cannot live for ever, or even for long, on charity, however generous. They must be helped to help themselves."²² These arguments would be repeated not only in the context of the Marshall Plan but throughout the following decades, whether the discussions were about giving aid to developing countries or supporting the transition economies of Eastern Europe.²³ The USSR eventually supported the creation of an ECE and in fact proposed a number of amendments to the terms of reference which, had they been accepted, would have increased the autonomy of the ECE vis-à-vis ECOSOC and other United Nations bodies. It may have been that, once the creation of the ECE was decided, the USSR judged that its best interests lay in seeking as great an influence as possible in the Commission.

In the debates concerning the creation of the ECE, the issue of what constituted a region was never discussed despite the obvious implications for its role and membership. The concept of a "region" is anyway a malleable one and its unifying characteristics, which can change over time and with circumstances, are as much cultural and political as geographic. Since the purpose of creating a regional commission was to facilitate concerted action by a set of countries facing similar problems of reconstruction and development, ambiguity about membership concerned only countries at the boundary of the region or at the margin of the problems and that was resolved by allowing them to decide whether or not they wanted to join the regional body

In practice the debate about membership was political and focused largely on one contentious issue: the treatment of European countries that were not members of the United Nations, above all the occupied zones of Germany. The Soviet Union's delegate insisted that "the occupation authorities alone were responsible for economic development in the area concerned and he opposed any mention of the German economy in the terms of reference of the Economic Commission for Europe."²⁴ Moreover, he "did not want to see the competence of the ECE extended either to the whole of Europe on the one hand, or to non-member States of the United Nations on the other." Germany, however, was crucial for the European economy and the Soviet proposal²⁵ to limit the domain of the Commission was outvoted. Paragraph 10 of the terms of reference thus remained unchanged, stipulating that "the Commission may

consult with the representatives of the respective Allied Control Authorities, be consulted by them...and advise them.”²⁶ The practice that developed was for experts from Germany to take part, initially with the authorization of the then occupation authorities, in all the activities of the ECE’s subsidiary bodies, but not in public sessions of the Commission itself. In fact, both the Allied authorities and experts from the western zones of Germany participated in the work of the Commission more or less from the start of its practical work, while those of the eastern zone did so only from the spring of 1953, after Stalin’s death. The Federal Republic of Germany (FRG) was established in May 1949 and the German Democratic Republic (GDR) in October of the same year. The question of their formal participation in the sessions of the Commission was raised in 1954 and 1955, but there was no majority in favour. Finally, on 21 February 1956, the FRG became a member but it was only in 1973 that the GDR joined the United Nations and then the ECE. Despite the political difficulties created by this situation, the secretariat managed to fully involve experts from the GDR in its technical meetings, and to include the GDR economy in its statistics and comparative economic surveys of the European region.

As for those European countries that were not members of the United Nations,²⁷ Article 8 of the ECE’s mandate stipulated that the Commission could admit them in a consultative capacity, without limitation, to “the consideration of matters specially affecting them,” as suggested by the Soviet Union. In fact Gunnar Myrdal, the first Executive Secretary, decided to invite all of them, except Spain, to participate in all meetings of the Commission, its committees, and their subsidiary bodies. The pan-European character of the ECE was reinforced when, at the initiative of the Commission, ECOSOC, in 1951, amended Article 8 in such a way as to authorize the ECE to grant voting rights to European countries that were not members of the United Nations. This was done²⁸ three years before all these countries became members of the United Nations.²⁹ These arrangements and practices, concerning Germany and other non-members of the United Nations, “made ECE an all-European organization right from the start, at a time when the question of admission to membership of the United Nations of a number of countries was unresolved.”³⁰ This enabled the ECE to address the issues of reconstruction and the development of Europe in a comprehensive and meaningful manner, and to develop a framework of practical cooperation that spanned the entire region.

After a year of arduous negotiation over institutional and political issues,³¹ the case for a regional commission within the United Nations system was finally accepted thanks in large part to the persistence of the Western countries, especially the United States that had “exercised strong leadership” throughout the entire process of setting up the ECE.³² The proposal was also supported by several Latin American countries, led by Chile, who wanted a regional commission of their own to promote their economic development, and by the decision to create simultaneously the Economic Commission for Asia and the Far East (ECAFE), which would focus on the reconstruction of a war-ravaged region. The ECE was set up on 28 March 1947

with a broad mandate³³, considerable room for initiative, and the possibility of involving all the countries of Europe if it so wished.³⁴ A week later, on 4 April, Gunnar Myrdal, then Minister of Trade of Sweden, accepted the Secretary General's invitation to become the first Executive Secretary.

The creation of the ECE was a remarkable achievement. The new Commission had the strong support of the Western powers and especially the United States. East-West relations, however, had been deteriorating steadily and the differences over Germany were widening rapidly. In retrospect, Myrdal judged that, given the intensification of the cold war, the ECE had only just made it: had the decision to create it not been reached by March 1947 it is likely that it would never have seen the light of day.³⁵

The ECE and the Marshall Plan: A Path not Taken

At the beginning of 1947 neither the USA nor Britain had yet assumed that the breach with the Soviet Union was final. Internal and external factors were pushing them towards state-building in the "Bi-zone" (i.e. the American and British occupation zones of Germany which had been combined the previous December).³⁶ Internally, many Germans were starving after the 1946-1947 winter and, externally, the attempts to maintain quadripartite policymaking were collapsing. On 12 March, President Truman set out the "Truman Doctrine," which described the world in sharp bi-polar terms and promised to resist any threat from Communism anywhere. Soon after, in April, the Foreign Ministers' Conference in Moscow failed to reach any agreement over Germany: US Secretary of State, George Marshall, concluded: "Stalin, looking over Europe, saw [that] the best way to advance Soviet interests was to let matters drift."³⁷ The report of the US delegate to the first session of the ECE in May described "the calamitous condition of Europe"³⁸ which both reinforced fears that the USSR might extend its influence over Europe and increased the incentive for the Western allies to strengthen the institutions of the "Bi-zone." On 5 June, Marshall delivered his historic speech at Harvard, which led to the Marshall Plan. In their contribution to Marshall's speech, the economic staff of the State Department suggested "a co-coordinated European recovery programme assisted and primed by the United States. ... The initial approach should be Europe-wide in order to avoid undesirable psychological repercussions in Western Europe and to attract, if possible, the Soviet Union and its satellites. The Economic Commission for Europe was suggested as the most appropriate agency for handling such a programme."³⁹ But in his speech, Marshall did not mention the ECE: he simply invited the Europeans to work out a plan and present it to the United States. During the weeks that followed, discussions continued in the State Department as to whether or not the ECE would be asked to design and implement such a plan, but it was left to European governments

to decide whether or not to involve the ECE. The debate thus moved to Europe and particularly to the United Kingdom where there were both partisans and opponents of giving responsibility for the plan to the ECE. In the end the British Foreign Office and the Board of Trade concluded that there was a danger:

...that action will be obstructed and perverted by Russia and her satellites. ... It ought not to be too difficult to keep the matter outside the purview of the ECE. The simplest course, if it can be managed politically, would seem to be for us and France, to issue an invitation to a conference on the basis of a...draft plan which we might square informally in advance with like minded countries. ... This does not, of course, exclude keeping the ECE in touch with developments, or bringing them in more positively at later stages.⁴⁰

On June 27, the foreign ministers of France, the United Kingdom and the Soviet Union, met in Paris to discuss a common response to the American initiative. This proved impossible: Molotov left Paris, and the British and the French governments decided to press ahead with organizing a reply to Marshall, whether or not the Soviet Union was prepared to join them. On 4 July the two governments invited twenty-two European countries to a Conference whose principal task was to prepare the response by setting out the needs of Europe and a plan for economic cooperation. A letter to the Soviet authorities expressed the hope that their refusal to participate would not be final. Albania, Bulgaria, Finland, Hungary, Poland, Romania refused the invitation. Czechoslovakia at first accepted and the following day refused. In mid-July, the Conference for European Economic Cooperation opened in Paris and in September transmitted its report to Washington. The final outcome was the creation, in April 1948, of the Organization for European Economic Cooperation (OEEC) to organize the European Recovery Programme or the Marshall Plan as it became generally known. At the second session of the ECE in July 1947, the delegates of France and the United Kingdom made it clear that "their Governments did not propose that the Commission should at the present time take any specific action with regard to this matter; the organization to be set up would, however, maintain contact with the Commission."⁴¹

The reasons behind the decision to organize the Marshall Plan outside the ECE – and the United Nations – have been embroiled in much the same controversies as the Marshall Plan itself. The French and British Foreign Ministers have been accused of deliberately engineering the Soviet walkout from the Paris Tripartite Conference of June 1947 in order to exclude the USSR from the Plan. Although there is still some disagreement among historians about this, Paul Porter has pointed out that it was the French Foreign Minister, M. Bidault, who proposed giving the ECE the responsibility for organizing the European response to Marshall, but Molotov rebuffed him. Given the high standing of the United Nations in public opinion in 1947, Porter argues it would have been impossible for the British, French and US governments to reject a Soviet proposal to use the ECE.⁴² But the Soviet Union did not make such a proposal, perhaps

because it had different objectives and perhaps from a reluctance to enhance the status of an organization where it would always command fewer votes than the Western allies. In many ways the Marshall Plan confirmed the division of Europe: it underlined the choices made between the market and the plan as the basis of economic organization and it marked the point at which the barriers between East and West were solidified.

The effects on the ECE and the United Nations as a whole were considerable. The responsibility for the financial and macro-economic aspects of the recovery programme were given to OEEC and the Bretton Woods institutions, while the ECE was asked to focus on technical aspects, especially those inherited from the three “E-organizations.” The latter were – and are – important, but this institutional division of functions meant that the ECE never became a forum where Ministers of Finance and Economy, from the whole of Europe, would meet regularly to address the problems facing the region. Such a forum still does not exist although a strong case can be made for one given the growing income differences among the various countries of the region – Western versus Central Europe, the latter versus the Balkans and the CIS (Commonwealth of Independent States) – which risk becoming serious sources of tension. The United Nations as a whole was also weakened insofar as the senior Ministers of what would become the G7 group of leading economies largely withdrew from the United Nations to discuss major issues among themselves or with other developed countries in the Organisation for Economic Co-operation and Development (OECD). Had the subsequent work of OECD been developed within the United Nations, not only the ECE but also the ECOSOC would have been greatly strengthened.

A somewhat similar development to that of the Marshall Plan outcome was repeated in 1989 when the ECE was largely ignored as an institution that could have organized significant help for the countries of Eastern Europe in their transition to market economies. Among those who thought that the ECE should play such a role were Willy Brandt,⁴³ the former Chancellor of the Federal Republic of Germany, and Walt W. Rostow. Rostow wrote in 1990 that the “ECE was also a distinguished centre for research on Europe’s post-war problems and possibilities. ... The Research Division of the ECE should become a centre for the analysis of [the transition] process and the relinkage of East and West.”⁴⁴ But, distrustful of the United Nations in general, the leading industrial countries created a new Centre for Cooperation with European Economies in Transition (CCEET) within the OECD in March 1990. Ten years later, the Centre was closed down and some of its activities transferred to the OECD Centre for Cooperation with Non-Members.

THE DECISIVE FIRST YEARS: SETTING OBJECTIVES AND PRINCIPLES

Having lost responsibility for the Marshall Plan, that would have given it much greater influence and political visibility, the ECE had to find a way to carry out the tasks it had been given and to respond to the needs of a region divided by the cold war and composed of two fundamentally opposed economic and political systems. Myrdal's leadership and his capacity to pay equal attention to the concerns of both sides in this conflict were decisive in making the ECE an instrument of European cohesion and establishing practices for the functioning of the organization that have proved their worth for most of its existence.

Myrdal was obviously disappointed that the Marshall Plan was not given to the ECE to administer because he feared that a separate institution focused on the West would increase East-West tensions and undermine his efforts to build cooperation across the divide. This was definitely *not* the disappointment of a frustrated, bureaucratic empire-builder. He deplored the cold war and was firmly committed to developing cooperation on a pan-regional scale. He was deeply convinced that all the countries in the region shared a common European heritage and he disliked the terms "Western Europe" and "Eastern Europe" insofar as they were used to imply the contrary. He immediately set about trying to improve East-West trade relations in the belief that increased trade would improve the prospects for peace and reconstruction. He also appointed a Russian as his deputy, not, as was rumoured at the time, as a result of Soviet pressure, but because he wanted to gain the confidence and support of the Soviet Union in his efforts for regional cooperation.

In line with the mandate of the commission, Myrdal basically saw the ECE as a two-track organization with research, statistics, and policy analysis constituting one area of activity and concerted action the other. The two tracks were in part distinguished by their operational modalities: in the former, the secretariat pursued its activity under the sole responsibility of the executive secretary and without prior approval by governments before publishing the results; in the latter, the search for consensus among governments was *de rigueur*, however slow and painstaking it might be, and there was no question of countries being forced to adopt norms or standards as a result of majority votes.

Myrdal brought to his new post the intellectual rigour of a top class academic and the pragmatism of an experienced minister of trade, a combination that helps to explain his insistence on the independence of the secretariat, his demand that that it consist only of high quality staff, and the guidelines he set down for intergovernmental cooperation.

Independence

Myrdal insisted, as a matter of basic principle, that the members of the secretariat engaged in economic analysis and research, investigating technical problems or collecting and evaluating statistical data, should be guided only by the professional standards of scientific research while remaining aware that governments may have other preoccupations and criteria:

...a research group, and consequently also the secretariat of the ECE insofar as its research work is concerned, should be a free and independent scientific agent, which approaches the problems and reaches and states its finding guided only by the inherited and established standards of the profession, without sideward glances at what would be politically opportune. ... In scientific inquiry governments cannot be granted any monopoly of truth. This implies among other things that official statistics and assertions by governments about facts and causal relations cannot be accepted at their face value, but have to be scrutinized in a scholarly manner.⁴⁵

This principle guided all the studies made by the secretariat whether in response to a request of an intergovernmental body or an initiative of the Executive Secretary. This was particularly true of the *Economic Survey for Europe* that was published yearly from 1947 to 2005.⁴⁶ The member governments never formally asked for the *Survey*; this was one of Myrdal's initiatives who judged that governments needed such a publication, not least because no one else at the time was providing a comprehensive overview of what was happening to the European economies. At the end of the second session of the Commission in July 1947, he said that the *Survey* "[would] not aim at reproducing in voluminous form the rather hackneyed material which [was] available in so many places. It [would] much rather attempt to produce a selective survey of European problems, acting as an alarm clock to draw the Commission's attention to impending troubles and complications."⁴⁷ The *Surveys* were always produced on the sole responsibility of the Executive Secretary who never submitted them to governments prior to publication. Successive Executive Secretaries preserved this independence, consistently refusing to alter or suppress the contents of the *Survey* or when governments, on many occasions, objected to them on political grounds.⁴⁸ Before 1989 such demands for alteration or suppression came, primarily from the East, but subsequently they tended to come either from North America or, more frequently, from the European Commission in Brussels. Thus, Canada, for example tried to suppress a study of the free-trade agreement between Canada and the United States because it suggested there might be some flaws in the arrangement as well as the obvious benefits.⁴⁹ The European Commission repeatedly objected to the secretariat discussing such issues as the enlargement of the European Union (EU),⁵⁰ the possible employment effects of the Maastricht Treaty or the timing of the start of EMU

(European Monetary Union). In early 2000, the Commission opposed suggestions that the secretariat examine the possible effects of EU enlargement on the transition economies that would remain outside. In all of these cases, the main objections, never clearly articulated, seemed to be either that the negative aspects of official policies should never be mentioned or that such issues were none of the ECE's concern despite their obvious relevance to other members of the Commission and for cooperation throughout the region.

Nevertheless, it is fair to say that until 2005 "the independent status of the ECE secretariat, so far as its research work is concerned, [had], rather astonishingly, come to be accepted in the Commission, and [had] become an institutional tradition,"⁵¹ as claimed by Myrdal in 1956. Addressing the forty-first session of the Commission in 1986, following pressure by the GDR on the secretariat to delete from the 1986 *Survey* its analysis of declining productivity trends in Eastern Europe and the Soviet Union, the Ambassador of the United Kingdom said:

We cannot agree with every aspect of the secretariat's analysis. That, however, is not the point. ... In the light of the differences between our economic systems it is important that the *Survey* continues to be a product of independent, objective research, against which we can all measure our own policies. This work is an asset to member countries whatever their economic persuasion and its independence should be carefully preserved.⁵²

Myrdal would have been pleased with that, and not least with the willingness to tolerate honest disagreement. He once recalled that "there are few things in my life I feel so proud of as having had a role in building up and defending this tradition of independent truth-seeking in an international secretariat."⁵³ The ECE and the United Nations Secretariat in general enjoyed a privilege that not all secretariats of international organizations can claim; while many of them may have larger and stronger research teams, their publications are subject to prior scrutiny and amendment by governments and this, often unfairly, compromises their integrity in the eyes of the wider public.

The academic community was regularly asked to assess the quality of the *Survey* and it was consistently rated as the most reliable source of information on Eastern Europe, even after 1990, when other organizations started to follow developments in the transition economies. The reputation of the *Survey* for serious and balanced research had a significant impact on government advisers as well as academics in Eastern Europe in the years before 1989. Stanislaw Raczowski, Vice-Chairman of the Committee on Economics at the Polish Academy of Sciences, has written that "during the dark days of the 'Cold War' this was the only place in the world where the countries of the two confronting political camps cooperated peacefully, solving many economic problems. The quarterly Bulletins of this Commission were always carefully studied in Poland by both the government and the academic community."⁵⁴ In Central Europe extensive extracts from the *Survey* were translated and published in the

official press and in Hungary circulated to cabinet members. Economists in countries such as Hungary and Poland could easily obtain copies of ECE publications from their contacts in Geneva. Danuta Hübner recalled the publications of the ECE as “a breath of fresh air, the only reliable source of information on the economic situation in other Eastern European countries and the USSR, making it possible for us to compare the situation in Poland with that in those other countries”. She added “ECE publications played a role, indeed difficult to measure, in the evolution of ideas in the East and, at the end of the 1980s, in the acceptance that dramatic reforms were necessary”.⁵⁵ The impact of the *Survey* and other ECE publications on economic thinking in Eastern Europe during the years of the cold war is a subject for detailed research in the archives, but these remarks suggest that the work of the ECE was perceived as honest and independent and not regarded as propaganda in the service of either side of the Berlin Wall.

One factor that helped Myrdal to create an independent analytical capacity in the secretariat was the desire of Western countries for an independent assessment of developments in the centrally planned economies: they could hardly object to the same approach being applied to their own. That balance of interest was upset by the collapse of communist regimes in 1989, but Myrdal’s case for secretariat independence in research and analysis is effectively, and above all, an argument for openness and transparency as key ingredients of the policymaking process in democratic societies. There are also practical issues involved insofar as forcing consensus in economic policy analysis may not only be very difficult to achieve but may also be counterproductive. Comparing an early ECE *Survey* with a similar report from the OEEC, an American economist disagreed with many of the conclusions of the ECE study but nevertheless found it more interesting because of its “penetrating analysis, its wider range of vision and its more provocative conclusions”:

In considerable part, no doubt, these differences reflect the fact that, whereas the ECE report is mainly the independent expression of the views of [its] research staff... the OEEC report required the full agreement of the representatives of the various participating governments. This helps to explain the cautious wording of the latter study, its tendency to indulge at times in platitudes and generalities, and its obvious effort to avoid offending national sensibilities.⁵⁶

In 1997, the Secretary-General of OECD conceded that the “OECD tradition of publishing reports only when the content is approved by all member countries...has sometimes fostered diluted compromise positions or, in some cases, prevented rich and much-debated analysis from ever becoming public when any country had objections.”⁵⁷

The plea for independent analysis is particularly important in the area of economic and social policy, where there is no scientific consensus on many issues and where to pretend otherwise is to foster delusions or to provide a cover for special interests or for hidden value preferences. Nor, on many issues in a democratic society, is there a unique compromise to be

discovered between the various competing interest groups, or between the ideal and what is practicably attainable. Again, to pretend otherwise is to risk reducing complex issues to binary choices, either “for” or “against” – the fallacy of the excluded middle.⁵⁸ International institutions lose credibility and the confidence of the outside world when they give way to backstairs pressure from individual governments (or business corporations) to ignore “awkward” facts or to tilt their conclusions in one direction or another. They also become less useful both to member governments and to the community at large if they succumb to such pressure, especially if no one is sure who is using the backstairs. In the contemporary world where strong pressures to conform to a particular vision of economic and social arrangements have been accompanied by increasing disillusionment with established institutions, there is perhaps a salutary lesson here for the United Nations as a whole, especially as it still appears to command more trust than other international institutions on many matters.⁵⁹

The practical application of Myrdal’s insistence on independent analysis was not to impose a view of the secretariat but to focus on important policy problems, to assess the pros and cons of different solutions and compromises, and to leave it to individual countries to decide what was most appropriate for them in the light of their particular circumstances.

High quality staff

Taking to heart the United Nations Charter which stipulates that the paramount consideration in the employment of staff is the necessity of only recruiting people who meet the highest standards of efficiency, competence and integrity (Article 101.3), Myrdal attracted an outstanding group of talented and dedicated economists with “due regard to geographical balance” and created a highly effective secretariat. If Robert Marjolin did not accept the responsibility of the research division, Nicholas Kaldor did and Hal B. Lary became his deputy. Robert Mossé, Wlodek Malinowski, Albert Kervyn de Lettenhove, Walt W. Rostow, and Evgeniy Chossudovsky, were among the first to join the secretariat.⁶⁰ He succeeded in creating such a team thanks to his own reputation among economists and decision makers and to the considerable prestige of the United Nations in the 1940s that led many to join the organization in the hope of playing a role in the construction of a new and more peaceful world order. It is also fair to say that unlike his successors, Myrdal was in full control of all appointments and did not have to face an over-elaborate set of rules and a tyrannical bureaucracy.

On his arrival at the ECE, he insisted on very strict rules for the staff. He elaborated on these in his introductory statement to the eleventh session of the Commission, on 5 April 1956:

First, I have always believed in the administrative principle of having a hard-working staff with a minimum of unused resources...the pressure of work is a useful discipline, keeping a Secretariat above the demoralization of futility and frustration and leaving it little time for petty intrigues. ... Second, I feel, as a citizen of our troubled world not less than as a United Nations official, that if there are any additional budgetary resources to spare for work in the economic field, they should be devoted rather to building up the personnel of the other two regional commissions.

Indeed, while the ECE has always had more member countries and a larger number of international agreements to manage than the other Regional Commissions, its substantive staff has always been smaller with the exception of the Economic and Social Commission for Western Asia (ESCWA). This may be partly due to the third rule established by Myrdal:

My third and most important reason for self-restraint in this staffing question stems, however, from my basic conception [that] ultimately the work which needs to be done, is work by the Governments themselves. ... It is a sign of a weak and inefficient international organization when too much of its activity becomes work of the Secretariat.⁶¹

Governments responded as Myrdal wanted: the accumulated stock of ECE conventions, standards and norms is the result of the combined effort of national experts supported by the secretariat.

A method and rules for international cooperation

Very rapidly, Myrdal set out a method and two rules to ensure that the work of the subsidiary organs of the Commission would be practical and acceptable to all parties. First, the method was that “big and general problems, which are set forth in [the] terms of reference [of the subsidiary organs], are tackled in their technical aspects, by dividing these wider problems into their composite parts, so clearly stated and defined that government experts can usefully and effectively discuss them between themselves and seek agreement on practical solutions.”⁶² Second, his two rules were that “no meeting is better than a bad one”⁶³ and that as a rule issues should not be brought to a vote in the working organs of the Commission. “This practice is founded upon recognition of the fact that no economic problem, indeed no important problem whatsoever, concerning sovereign governments can be solved by a majority decision in an intergovernmental organization, but only by agreements between as many governments as are willing to consent.”⁶⁴

The method ensured that discussions of general considerations, which were likely to run into political and ideological differences, were avoided and that efforts were focused on reaching practical results in well-defined and often relatively narrow areas. The first rule may not have always been applied rigorously but probably often enough to avoid too many delegates wondering why they had come to Geneva. Since the ECE organizes hundreds of meetings a

year, that can be considered an achievement. The second rule helped to prevent political considerations during the cold war from blocking negotiations and today allows interested governments to go ahead and develop international instruments that others can adopt later, if they so wish. This general approach broke new ground when it was first articulated and applied at the end of the 1940s, and it facilitated East-West dialogue and cooperation at a time when the tensions of the cold war were at their peak. The fact that it has continued to prove its worth throughout the sixty years of the Commission's existence is a tribute to the perspicacity of its first Executive Secretary

FIRST ACHIEVEMENTS

At its first session, following a plea from the USSR delegate who noted that there were 250 million Russian-speaking people in Europe, Russian was adopted as a working language of the ECE together with English and French. This was the first indication that the Commission might succeed in fostering an East-West dialogue. Indeed, it helped Russian-speaking delegates feel at home in the ECE and facilitated exchanges in the technical committees where delegates from the East rarely spoke any other working language.

The phase of post-war rebuilding was hampered by acute transport difficulties and by shortages of the most basic materials, including coal, steel, and timber, and the lack of certain critical industrial products such as silicate bricks, ceramic insulators, and ball bearings. Eliminating these bottlenecks required international cooperation. This was an obvious task for the Commission to undertake in line with its general mandate. Paragraph three of its terms of reference stated that:

Immediately upon its establishment, the Commission should consult with the member governments of the Emergency Economic Committee for Europe, the European Coal Organization and the European Central Inland Transport Organization with a view to the prompt termination of the first, and the absorption or termination of the activities of the second and third, while ensuring that the essential work performed by each of the three was fully maintained.⁶⁵

Such a clear mandate was most useful as it helped to overcome the reticence of both the Western and Eastern member countries. The former, because of the Soviet attitude, feared that the efficiency of the last two "E-organizations," if transferred to the ECE, would be jeopardized, and the latter feared that these activities would be dominated by Western interests. At its second session the Commission "decided which of the essential functions now being performed by European emergency organizations should be maintained and what

machinery it would establish for that purpose.”⁶⁶ Within a few months, it was clear that the transfer of the activities of the “E-organizations” was a success.

Because of cold war tensions, the East European countries did not participate fully and regularly in the work of the main Committees of the ECE during the first years of its existence, but a vital link between the eastern and western parts of the region was maintained through the continuation of the work of the Coal and Transport Organizations and, however tenuously, through the annual plenary sessions of the Commission which were attended by all participating countries. The link between them was also maintained by the secretariat’s systematic reporting on economic developments in the entire region and the inclusion, as far as it was possible, of relevant information on the East European countries in the documents prepared for the main Committees. In these Committees, the interested countries identified technical issues of common interest and agreed to work towards practical solutions. Following Myrdal’s method, these issues were often narrowly defined and individually might appear relatively modest, but the practical benefits of the conventions, norms and standards, progressively elaborated and adopted, were significant. Later, when the East European countries started to join the agreements, they helped to strengthen habits of cooperation between the two halves of the region.

Perhaps the major achievement of the ECE in these early years was to keep alive the idea of a larger Europe transcending the divisions of the cold war. It did so when no other organization was willing or able to do so and when the prospect of re-uniting the two blocs was so distant as to appear quixotic. Much of the credit for this must be given to Myrdal’s leadership and his team. Although it would be joined later by the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE), the ECE maintained this conception of a larger Europe throughout its sixty years and for about half that time it was the only bridge between East and West – and it was maintained in good and serviceable condition.

CHAPTER 2

THE ACHIEVEMENTS OF THE EARLY COLD-WAR PERIOD, 1947-1953

A major factor in the history of any organization is the general outlook and values of those employed by it, and the ways in which they contribute to the analysis of problems and proposals for action. Both Myrdal and Kaldor were recognized as major theorists (see Box 1), but both were probably more interested in economic policy issues and applied problems. They shared an almost classical belief in economics as a moral discipline and both believed that intelligence and rational analysis could improve economic outcomes and diminish the prevalence of “stupidities” such as unemployment and poverty. Their approach to the market economy was essentially pragmatic and non-dogmatic. Their focus was on seeking practical solutions to problems, how to move an economy from state to another, how to lower unemployment, avoid inflation, and achieve better distributional outcomes. In tackling such issues, they were well aware that there were rarely any quick market solutions for economies wracked by severe structural problems and institutional deficiencies, and that no policy, however ingenious, would be implemented by governments if they had not shaped it themselves or if they were not convinced it was politically feasible. These considerations were a major influence on the choice of issues addressed in the *Economic Survey for Europe* and the ways in which the research division approached both the immediate problems of post-war reconstruction and the search for policies to sustain economic growth over the longer run.

AN INDEPENDENT VIEW OF ECONOMIC PROBLEMS

One of the principal tasks of the *Survey* was to provide a regular assessment of the conjunctural situation and outlook in the region and as Myrdal put it, to maintain “a vigilant watch on economic trends in Europe.”⁶⁷ This was an especially difficult task in the 1950s when

Box 1. Gunnar Myrdal (1898-1987) and Nicholas Kaldor (1908-1986)

In Gunnar Myrdal and Nicholas Kaldor, the first director of economic research (or, as it was known then, the Research and Planning Division), the nascent ECE had two of the outstanding economists of the twentieth century. Both men had not only powerful intellects but also strong personalities and gifts for leadership. The team they put together in the first three years of the ECE's existence was outstanding: six of them (Gunnar Myrdal, Nicholas Kaldor, W. W. Rostow, Hans Staehle, Ingvar Svennilson, and Pieter Verdoorn) rate entries in the latest edition of the Palgrave Dictionary of Economics, and at least over half of the original group went on to professorships or to produce important books and papers.^a Myrdal would receive the Nobel prize for economics in 1973 and there are many in the economics profession who think that Kaldor should have been given one as well.

There is insufficient space here to give any more than a brief overview of the ideas that these two leading figures brought to their work in the ECE.

Both men had established reputations before joining the ECE, both had made significant contributions to pure theory, and both were highly critical of the neo-classical general equilibrium school. Moreover both had expressed fears for the post-war period and were not over-confident that recession and unemployment would be avoided.^b By the time Myrdal took over the ECE he was known as an institutional economist and in a major work, *The American Dilemma*,^c which appeared in 1944, had demonstrated his strong attachment to inter-disciplinary research and his belief that it was illegitimate to isolate economic variables from their political and social setting. Among his original contributions to theory were the concepts of *ex ante* and *ex post*, which emphasized the role of expectations and uncertainty in the economy, and of cumulative and circular causation. Both ideas broke away from the traditional static framework of economic theory, and both are important when considering the process of adjustment and structural change and the relative roles of the market and the State. A key element in his approach to research was his view that no research is ever free of political and moral preferences and therefore value premises should be stated explicitly.

Kaldor had made major contributions to Keynesian theory before joining the ECE and in 1939 had made a seminal contribution to welfare theory in proposing the compensation principle, namely, that if those who gain from an economic or policy change could potentially compensate the losers and still be better off then the change must be for the better (since productivity must have risen). His work had also focused on imperfect competition, economies of scale, and the functional distribution of income, growth and technical progress. Like Myrdal, Kaldor rejected the neo-classical assumptions as a useful description of the real world in which economic policy had to be formulated and he was also to develop the principle of cumulative causation in his later work on economic growth and productivity. (It is significant, given the later development of the Kaldor-Verdoorn law, that Verdoorn was a member of Kaldor's team that produced the Survey of 1948.)

a In addition to those in Palgrave we may note Hal B. Lary, Tibor Barna, Esther Boserup, Mogens Boserup, Karl Brunner, Albert Kervyn, Robert Neild, Rudolf Nötel and Alfred Maizels.

b Myrdal had published a "Warning concerning post-war optimism", at the end of 1944: *Varning för fredsoptimism* (Stockholm: Albert Bonniers, 1944) translated only into German, *Warnung vor Friedensoptimismus* (Zurich and New York: Europa Verlag, 1945); Kaldor had contributed an extensive appendix to the 1944 Beveridge Report, see Nicholas Kaldor, "The quantitative Aspects of the Full Employment Problem in Britain," in William H. Beveridge, *Full Employment in a Free Society* (London: Allen & Unwin, 1944), pp. 344-401.

c Gunnar Myrdal, *An American Dilemma* (New York: Harper & Brothers, 1944).

statistics, especially quarterly data, were less abundant and took longer to appear than now. Nevertheless, it is clear, both from their reception at the time and the references to the early *Surveys* in the economic histories of the period, which are now appearing, that this work was brilliantly successful. There is no space here to assess the record in any detail but one example of the “vigilant watch” is how quickly the *Survey* picked up the fact that the setbacks to output in early 1947 were temporary and that by the time Marshall was making his speech at Harvard the recovery was being resumed at the same momentum as before. Thus, part of the recent “revisionist” assessments of the Marshall Plan – that it assisted a growing economy rather than lifting it from the morass of stagnation described by Marshall – was already clear at the time to Kaldor and his team.

The focus on short-run issues was inevitable and proper since if the short-run problems were not overcome there would not be much of a long run to enjoy. (This was the serious moral point behind Keynes’ frequently misunderstood quip that “in the long run we are all dead”). But that the short-term analysis was not merely descriptive is clear from the *Survey*’s analysis of low productivity, inflation and balance of payments problems.

Three issues: low productivity, inflation, and disequilibria in the balance of payments

In the eighteen months following the cessation of hostilities, industrial production recovered quickly and had exceeded its pre-war level by the last quarter of 1947. The major macroeconomic problems, however, were low productivity, inflation, and balance of payments deficits.

A major constraint on output growth, to which the *Survey* had already drawn attention in early 1948, was the exhaustion of manpower reserves. Greater efforts therefore had to be made to increase productivity. Despite improving in 1946 and 1947, it was still below pre-war levels and far below that in the USA. This was well understood in Western Europe and in the framework of the Marshall Plan; many countries sent “productivity teams” to the United States to learn from the achievements of American enterprises. The problem of labour shortages only became clear to East European planners at the end of the 1960s, and that also stimulated reforms that are discussed in the next chapter.

The rate of inflation differed widely from one country to another but it was possible to distinguish two groups. In the first, inflation was suppressed by direct control of prices, consumer rationing, controls on the allocation of scarce materials, and, in some cases, restrictions on the free movement of labour. In the second, inflation was open, the rise in prices absorbing a surplus of cash holdings that had accumulated during the war. In the first group were most of

the West European countries; in the second, were a few Western countries, including France, and the countries of Central Europe. In the second group, the competition between wages and profits through strikes and price increases led to a worse income distribution than before the war, while in the first the outcome was more egalitarian. Despite retrospective claims by a number of politicians and economists during the monetarist revival of the 1970s and 1980s, there was little complacency about inflation in this period and certainly none in the *Survey*: “Both open and suppressed inflation damaged productive efficiency”; Suppressed inflation reduced the attractiveness of earning money, and blunted the incentives for productive effort, which in turn could “become a serious factor hampering the recovery of output”. Open inflation “sharpened the incentives to productive effort, but, together with a more unequal income distribution, lowered the general efficiency of industry by making rational cost calculations extremely difficult and by diverting resources to unproductive uses.” The *Survey* recommended a mix of budgetary, monetary and incomes policies “to bring the real value of cash holding to a more normal level.”⁶⁸

Throughout the late 1940s and 1950s, a recurrent problem for Western Europe was its balance of payments deficit vis-à-vis the dollar zone. Despite fluctuations due to the Korean War, the deficit was essentially structural and needed to be tackled urgently before Marshall Aid came to an end. The analysis and suggestions made in the 1953 *Survey* in this context are of particular interest as they raised a number of issues of international development and proposed policies that later would be at the heart of the North-South debate. It was generally agreed, at the time, that the solutions to Western Europe’s external economic problems were to be found in Europe itself, in keeping inflation under control and in demonstrating greater flexibility and adaptability in the use of resources. In the same spirit, the *Survey* considered that “quantitative controls over trade and payments [did] exert perverse effects on the allocation of resources, on incentives in production and trade, and on business profits and ethics,”⁶⁹ language that is familiar today. A footnote to this text is worth quoting as it refers to an issue that has gained considerable international attention in recent years: “The special advantages thereby conferred on those favoured with import licences provide an inducement for corruption. Similar problems arise in other ways under exchange controls.”⁷⁰ But, to this classical view of the causes of, and remedies for balance of payments problems, the *Survey* added the idea that there could no solution for Europe alone and that a worldwide approach was needed. The challenge was “to lay the foundation for a new equilibrium in international trade and payments and to make the fundamental changes necessary for a more regular and normal functioning of the world market.”⁷¹ In what appears as a criticism of the work of the Conference for European Economic Cooperation, the 1953 *Survey* noted that those who elaborated the European Recovery Programme in 1947 in response to Marshall’s speech, had “failed...to recognize how deeply rooted was the distortion in the whole pattern of world production and trade.”⁷² Because of this, it might be argued that Marshall Aid had contributed to the stalemate of the early 1950s

“by making less apparent and less pressing the need to pursue alternative policies aimed at decreasing European dependence on imports from the dollar area.”⁷³

The authors of the *Survey* were conscious of the fact that before any policy could be developed to address this problem, it was crucially important that the politicians and their senior officials reach a common understanding on the fundamental nature of the imbalances and on the magnitude of the adjustment required. With that aim, the *Survey* provided background analysis and suggestions as to what might be the main elements of a coherent programme. The first possibility, “an increase in western Europe’s dollar earnings from sales of goods and services to the United States and other dollar countries”⁷⁴ would have implied not only adjustments by the European economies, but, mainly, a change in the United States’ commercial policy. In order to strengthen their competitiveness, the Europeans were pressed either to reduce their internal costs, or to further depreciate their currencies. But, as noted in the *Survey* “even with the modifications brought by the Reciprocal Trade Agreements programme, United States commercial policy [was] still explicitly designed to limit narrowly the scope within which competition [could] produce its effects and to prevent serious disturbance to any existing American production.”⁷⁵ Here again, from the point of view of development thinking, is a footnote that contains elements of the future theory of “unequal exchange”: “A general reduction of the internal price level or in the foreign exchange values of the currencies of European countries affect not merely their exports to the United States, but also their exports, six times as great, to other countries as well, even where their prices are now fully competitive, and thus means a significant further deterioration of their terms of trade.”

The second possibility, “an increase in production of food and raw materials both in western Europe and in other non-dollar areas with the double aim of meeting the needs of expanding population and industry in the world generally and of reducing the present one-sided dependence on dollar sources of supply,”⁷⁶ was favoured by the authors of the *Survey*. In commenting on what would be the conditions for success in this respect, the authors made suggestions that anticipated a later vision of what could have been a North-South partnership. Europeans, it argued, preferably with the Americans, should enter into “purchase contracts” with their partners in the rest of the world and “supply part of the investment funds required” to increase the production of food and raw materials. It was recommended that “foreign investment should be justified primarily by the needs and potentialities for economic development of the capital-receiving countries”⁷⁷ and by the requirements of investing countries for the exports supplied in return. Prophetically, the limitations of foreign direct investments were stressed: concentration on a limited number of countries, sensitivity to political hazards, and close links to the exports of capital goods from the investing country. While advocating the financing of investment abroad from public funds, a macro-economic point was made that seems to have anticipated current discussion on the financing of development: public finance “makes no greater

real demands on the national economy than an equivalent amount of private investment,” but it “is inevitably vulnerable to the pressure to reduce public spending.”⁷⁸

The shortage of basic raw materials also continued to threaten the recovery of production, and this prompted the ECE secretariat to prepare a series of medium-term forecasts of supply and demand (as well as suggestions for action, described below) in order to facilitate intra-European exchanges. More generally, the revival of intra-European trade was seriously hampered by a lack of the means to finance chronic trade deficits. European countries were thus drifting towards a strict bilateral balancing of their accounts with one another with all the obvious inconvenience of such a system. It was frequently argued, at the time, that the solution lay in restoring the convertibility of European currencies. The *Survey* argued that this “would not alter the fundamental causes of balance-of-payments disequilibrium” and “on the contrary...might well itself constitute a further restricting and distorting influence.”⁷⁹ Fearing that each country would try to reduce imports and increase exports in order to obtain dollars to settle its trade deficits with its neighbours, and recognizing that the dollar would continue to be the currency most sought after, it suggested that safeguards be erected to prevent a ruinous competition for dollars. It would then be possible to develop “a structure of trade under which each country may have both import surpluses and export surpluses in its trade with other European countries, the one being offset against the other, and, secondly, by making it possible for countries whose positions require it to have import surpluses in the immediate present, offset by export surpluses in [the future].”⁸⁰ This analysis anticipated the European Payments Union, which operated from 1950 to 1958 with the support of Marshall Aid and allowed a gradual and orderly liberalization of trade among the West European countries and the multilateralization of payments. It also led to further debates in the ECE’s Committee for the Development of Trade, when it finally started meeting in 1954, and to the establishment in 1957 of a voluntary multilateral compensation system for East-West trade “whereby governments [might] use the ECE secretariat as agent in order to reach quarterly agreements on the transfer of bilateral balances among national banks.”⁸¹ In the twelve years during which this compensation system was in operation, it helped governments to arrange transfers to a value of about \$136 millions. The scheme, which came to an end in 1969 when the extension of automatic transferability reduced the need for it, provides a good example of how careful analysis can lay the ground for practical and successful international policies.

Impact of the Survey

Most reviewers recognized that the ECE’s approach to economic analysis was held together by a coherent set of ideas and, also crucially, that it identified the major problems and improved the general understanding of them. One of the key merits of its analysis was

to encourage the readers, especially the official ones, to view their economic problems and policies in a European rather than a purely national context. Of the many reactions to the early *Surveys* three will be sufficient to give the general tone of its reception. In the United States one reviewer wrote that “for the last three years, the annual publication of the *Survey* has been the most important event in the field of regional economics...its combination of abundant factual and statistical material with theoretical analysis of the highest order has set a standard never before reached by similar works.”⁸² Two years on, a senior British economist and government adviser judged that the *Survey* “remains the best guide through the tangle that makes up one year of modern history. By getting the tangle sorted out earlier in the year, the *Survey* makes it correspondingly easier for the intelligent but breathless European to keep pace with events and even catch a glimpse of where they are taking him.”⁸³ One of the many virtues of the *Survey* was that reviewers were able to praise the assessment and analysis of developments while disagreeing with the policy recommendations. This was particularly the case (although not exclusively) with American readers who felt the *Survey*’s sceptical attitude towards trade liberalization and other matters betrayed a lack of faith in the working of a free market economy.⁸⁴

Whether these *Surveys* had a direct influence on policy in the region is a question too complex to attempt an answer here, even if policies adopted in Western Europe were often in line with their recommendations. Indeed, to suppose that such a direct influence is possible betrays a somewhat simplistic view of any national policymaking process, although it is one that seems to be taken by those who are now seeking to set quantifiable targets for all sections of the United Nations secretariat. The more realistic question is whether *publications* such as the *Survey* are considered important by those officials responsible for developing national policy, in which case they will become a part, and only a part, of the complex stream of inputs that enter into any decision-making process. It is clear, however, that the *Survey* had a wide and enthusiastic (but critical) audience in the 1950s and, at a time when it had virtually no competition, it seems likely from anecdotal evidence that it did enter the policymaking process in the way suggested. This would begin to change in the early 1960s, when the OECD started to publish its *Economic Outlook*, and with the rapid expansion of short-term forecasting in the national research institutes of Western Europe.

PRACTICAL RESPONSES TO SECTORAL PROBLEMS

As indicated above, sustaining the post-war recovery required a solution to Europe's severe balance of payments problems. The authors of the early *Surveys* quickly identified this as the crucial issue facing European policymakers, but they also argued that the problem was essentially structural and could not be solved by quickly moving to convertibility and letting the exchange rate bring about the correction. Borrowing was judged unlikely to be possible on a sufficient scale. The next alternative would be to reduce the rate of growth and thus reduce the demand for imports, but this would have led to increased unemployment, which, in the immediate post-war years would have carried considerable risks for political stability and the recovery of democratic institutions. The authors of the *Survey* were well aware of such risks, which is why they opted for ways of stimulating a large increase in exports. But adjustment would take time and, given the preceding considerations, this explains why the *Survey's* approach was gradualist and emphasized direct action and government intervention to tackle bottlenecks and other constraints affecting export capacities and competitiveness. Not everyone agreed with this diagnosis and in the United States there were many who thought market forces should have been given greater freedom more rapidly, but the *Survey's* analysis was coherent and realistic. Moreover, it provided the intellectual underpinning for direct action to deal with the bottlenecks and shortages that were to occupy the ECE's technical bodies in their early years and a basis for the subsequent development of intergovernmental cooperation.

A few examples can illustrate how the secretariat and governments interacted in addressing technical problems and came up with practical proposals that changed attitudes and encouraged durable cooperation.

Facilitating East-West Trade

Even without a multilateral compensation mechanism in place, East-West trade could have been expected to grow rapidly in the early post-war years. Poland and the USSR had coal and the agricultural potential of the East European countries was large. But, instead, the volume of East-West trade declined sharply each year from 1946 to the summer of 1953. The ECE established a Committee for the Development of Trade in May 1949, but within a month it was in deadlock. "The western countries considered that the first task of the Committee should be to form a clear conception of the goods available and required for trade, while the Eastern European countries stressed the futility of any effort to exchange information as long as discriminatory export licensing policies were practiced against them."⁸⁵ Confronted with this situation, Myrdal decided not to convene the Committee until the basis for an agreement

had been reached. The Committee did not meet again until October 1954. In the meantime, Myrdal made several proposals and pursued consultations and informal contacts with government representatives. In November 1949, he outlined a multilateral trade framework in which “subsequent bilateral negotiations could more effectively take place.”⁸⁶ Under such an agreement, Western countries would buy, over several years, cereals and possibly other goods at prices fluctuating between agreed lower and upper limits. The export revenues could then be used by the Eastern countries for the purchase of goods from lists to be agreed upon. On this basis, in November 1950, an ad hoc meeting on grains led to an exchange of information on availability and requirements, but failed to examine the question of counterpart deliveries. In August 1951, there was a similar meeting on grain and timber at which concrete trading proposals were considered. There was a Consultation of Trade Experts in 1952⁸⁷ but agreement on measures to expand trade did not materialize until April 1953 when “for the first time in post-war history, a practical multilateral discussion of east-west trade problems took place without political recriminations.”⁸⁸ In the summer of that year, East-West trade increased rapidly, reversing the downward trend since the war. Although it is not possible to credit this result directly to the Consultation organized by the ECE, a number of experts who attended it subsequently said that in their judgment the substantial increases in the areas of trade for which they were responsible “were traceable to the contacts made at the 1953 Consultation.”⁸⁹ The Consultations became part of the regular meeting of the Trade Committee until it was felt that the mechanisms for conducting East-West trade were sufficiently well established. These consultations took place under the chairmanship of the Executive Secretary who also decided on the agenda, drafted the report, and delivered it to governments on his own responsibility.

Meeting Energy Needs

In intra-European trade, there was one product, coal, for which trade between the two parts of Europe was conducted with few problems and it may be that this inspired Myrdal when he outlined his proposal for grains. The Coal Committee, established in July 1947, took over the responsibilities of the European Coal Organization in April 1948 and inherited the “invaluable sense of cooperative effort”⁹⁰ that had developed in ECO at a moment when a “liberated Europe was threatened by coal shortage.” Between April 1948 and September 1950, the Coal Committee, in which two major eastern producers, the USSR and Poland, participated, allocated to countries in need 60 million tons of solid fuel from European sources. In doing so, and in order to ensure that no country suffered a serious coal shortage, the Committee took into account the equivalent quantities sold through bilateral agreements. After 1950, however, there was a swing from acute shortage to temporary periods of glut, putting a question mark over the Committee’s efforts to increase coal production over the longer term.

The ECE Coal Committee never tried to intervene in the coal market on the ambitious scale proposed by the Economic Committee of the League of Nations in 1927 and 1929.⁹¹ It did, however, work out a policy for production and consumption in which the essential elements were to increase potential output, develop instruments for adapting production to the requirements of the European economies, and to match consumption with available supplies through a more rational use of solid fuels. To implement this policy, statistics on supply and demand, developed initially by the secretariat for allocating scarce resources, were an essential tool for efforts to stabilise the coal market. The technical meetings of the ECE also helped by exchanging information and making recommendations on ways to better use the different varieties of coal, promote the wider use of control instruments, and improve the yield of heating and power equipment. But the most innovative achievement of the Committee was probably its preparation and adoption of an international classification of the various types of hard coal⁹² in order to improve the flow of information between all the operators in the coal industry. This was not an easy task and many attempts to agree on a workable classification system had failed before the war. It required patient effort and a strong spirit of cooperation before “the many thousands of different types of European coals [could] be described in a common language.”⁹³

Although technical and narrow in scope, this was an important contribution not only to the better functioning of the coal industry in Europe, but also to one of the basic aims of the United Nations, namely, to develop a common language as the first step towards better communication and mutual understanding as a basis for joint undertakings. The system has been regularly revised and in 1997 was recognized by the Economic and Social Council. It is today available in seven languages, the translations having been financed by a number of interested developing countries. In the same vein and to facilitate international trade and investment, enhance safety and security, or improve the environment, several other codes related to the economy of coal were developed in the last thirty years: standards and procedures for draught surveys (1991), classification for medium and high rank coals (1988) and low rank coal utilization (2002), and the international classification of in-seam coals (1988). Thus, certain activities which originated in the highly interventionist environment of the early 1950s have retained their importance in a more market-oriented, global economy, a point which underlines the fact that some of the institutional foundations of both systems are not dissimilar. One of these, namely ensuring the availability of an abundant supply of coherent and internationally comparable information and statistical data, is where international bodies such as the ECE have a major role to play and where they have – or should have – an especially strong comparative advantage over national institutions.

The consumption of electricity had been growing rapidly between the two wars, and in the late 1940s there were serious shortages of generating plants and interconnection facilities. The

ECE Committee on Electric Power was established in July 1947 to deal with these bottlenecks. Looking for ways to reduce the costs of equipment, it recommended specifications for turbo-alternators that were submitted to the International Standardization Organization (ISO). In order to increase supply, the Committee considered approaches that would offer prospects for international cooperation. Some countries thought that a super grid system would provide the most economic solution to the supply problems of availability and security. That was a rational idea, but almost impossible to realise in the political context of the time. More politically feasible was the gradual extension of cross-border links. Some of these, for example, the construction of hydroelectric power stations on rivers bordering two states or the exchange of electricity between two countries, raised considerable administrative difficulties that the Committee tried to overcome with practical recommendations to governments. The first result of these efforts was an agreement in 1954 between Yugoslavia and Austria to control the waters of the Drava River, which permitted the further development of hydroelectric power. This agreement, between two politically neutral countries, but with very different economic systems, was followed by others for the formation of joint companies or undertakings by two or more interested countries. For example, the *Yougelexport* programme involved Austria, the Federal Republic of Germany, Italy and Yugoslavia. Thus, by the early 1950s, the ECE was already able to promote sub-regional and cross-border cooperation between East and West. Some fifty years later, the ECE was involved in cross-border cooperation initiated by local authorities following moves towards greater decentralization throughout the region.

Facilitating Transport in a Fragmented Europe

Just as essential as the availability of energy was the efficiency of the transport network. The ECITO had already dealt with many of the bottlenecks in the flow of national and international traffic by the time the Inland Transport Committee of the ECE was set up in July 1947. It took over the residual activities of ECITO, helping, for instance, to solve problems arising from the dispersion of railway wagons and locomotives and making arrangements to facilitate international transport. The key contribution of the Committee from its inception was to address systematically all the elements that contribute to the facilitation and security of the international transport of goods and people. In its early years the emphasis was on traffic safety and, above all, customs arrangements.

In 1949 the United Nations Conference on Road and Motor Transport asked the ECE to draw up a Convention on Road Traffic and a Protocol on Road Signs and Signals. The aim of the Protocol was “to ensure the safety of road traffic and to facilitate international road traffic by a uniform system of road signalling”⁹⁴. This Protocol, regularly updated, established the list of road signs that are now familiar to everyone as well as the distinguishing marks and

abbreviations of country names that were required on the rear of vehicles when traversing a foreign country. The harmonization of road signs prevented innumerable accidents and saved thousands of lives. As for the distinguishing signs on vehicles, they touched the very sensitive issue of country names, which explains why today Macedonia, officially recognized as The former Yugoslav Republic of Macedonia, is not part of the agreement. From an institutional point of view, the Convention with its Protocol was the first example of the many contributions of the ECE to the work of the United Nations as a whole: in this case, the ECE responded to a request from New York, but more frequently regional instruments, developed in the ECE, have been taken up and diffused more widely by the ECOSOC or a Specialized Agency.

Customs procedures tended to be lengthy and cumbersome because of differences in national laws that were already heavily marked by the protectionist policies of the pre-war era and the national security controls of wartime. The objective was to simplify and harmonize the various national laws and rules in order to reduce the formalities and speed up international traffic. The first two conventions, concluded in 1952, concerned the Crossing of Frontiers for Goods and for Passengers and Baggage Carried by Train. In 1949, a provisional agreement had defined the concessions granted to tourists and set out the provisions regarding the use of triptychs and *carnets de passage en douanes* for motor vehicles. This agreement served as a basis for the 1954 convention, concerning Customs Facilities for Touring and the Temporary Importation of Private Road Vehicles, and, in 1956, for the Temporary Importation of Commercial Road Vehicles. The latter inspired the efforts made at the end of the conflicts following the break-up of the Socialist Federal Republic of Yugoslavia and provided a framework for facilitating the recovery of regional trade in South East Europe.⁹⁵

Later, the Committee addressed longer-term problems arising from the rapid growth of road transport in Western Europe, from technological change in all the various modes of transport, and from the intensification of international trade in a Europe where borders are numerous and intricate. The exchange of experience, as in other sectors, was certainly useful in improving national transport systems and in disseminating more efficient technologies

The numerous agreements and practices developed by the Inland Transport Committee seem obviously sensible today, but after a decade of growing protectionism in the 1930s and a devastating war followed by the division of Europe, it was by no means easy to break with entrenched practices and behaviour. In 1957, Paul Levert, then Director of the Transport Division, concluded his assessment of what the ECE had achieved in his sector as follows:

In the technical field, there is now a widespread conviction that routine procedures are out of date, that the comparison of ideas and exchange of experience are indispensable, and that a country is not necessarily lowering itself by adopting international standards. In the economic field, the same feeling is gaining ground and countries are beginning to understand that it is not always in their interests to cling to established practices,

and that in complying with the recommendations of an international forum they add to their own authority that of the organization making the recommendation. One of the advantages of the meetings of the Inland Transport Committee and of its subsidiary bodies lies in the development of this spirit of cooperation.⁹⁶

Discussion about the economics of transport however, proved to be more difficult and less conclusive than that on technical or administrative matters. The Committee established model accounting methods for calculating and comparing the economic costs of the different modes of transport, but there was little agreement on how to proceed. The strikes of road carriers and the continuing discussions about the privatization of railways at the start of the twenty-first century continue to echo the controversies of the early 1950s.

Inspiring the “Schuman Plan”

With the reconstruction and development of new factories, houses and offices, as well as the refurbishment of transport infrastructure, the demand for steel was growing rapidly. Its production, however, was hampered by shortages of raw materials, such as metallurgical coke, scrap, manganese ore, and nickel. This was the first problem addressed by the ECE Steel Committee between the autumn of 1947 and early 1949. In the meantime, the secretariat, aware that the period of reconstruction was coming to a close and preoccupied by the delays and high cost of the investments required to create new productive capacity, embarked on a study of the long-term demand for steel at a global level. The result, *European Steel Trends in the Setting of the World Market*, was published in 1949. The study concluded by stressing the risks of creating too much capacity. Not surprisingly, some governments, fearing that such a conclusion might weaken their arguments for obtaining finance for new steel plants under the Marshall Plan, tried to stop it being issued. But, publication went ahead and was to have a major impact on the future of Europe, as described by Myrdal:

When it was in a draft form, it was already one of the main inspirations for the launching of the Schuman Plan. M. Jean Monnet, when sometime later he set out to draft a practical plan for cooperation in the coal and steel field, needed independent expert advice and, at the request of the French Government, the Director of the ECE Steel Division and his assistants were instructed to give whatever help they could. ... The first draft of possible technical clauses for the creation of a European Coal and Steel Community was worked out in the ECE by the then Director of the Steel Division, though naturally without our taking sides on the political issues involved.⁹⁷

After a period of spectacular growth, Europe's coal and steel industries would later be forced to restructure, develop more sophisticated products and use cleaner technologies as a result of changes in demand, over-investment, technological innovation, concerns for

the environment, and competition from developing countries. The Steel Committee, until it was dismantled in 1997, provided a forum where specialists regularly met to discuss these problems. Over the years, many major steel-producing countries outside the ECE region, including Australia, Brazil, Japan and Mexico, joined in the work of the Committee, together with a number of non-governmental organizations. This wider participation continued even when OECD opened its steel and chemicals committees to non-OECD members as the latter felt more comfortable in the ECE where, as members of the United Nations, they were on an equal footing with OECD members.

Creating the European Timber Club

As in the case of steel, wood products (sawn-timber, pit-props, plywood, pulpwood and firewood) were in great demand at the end of the war and the priorities were to re-equip forest industries and raise production, to halt over-cutting and to ensure that the products reached the areas where they were needed. Some of these problems had been addressed by the EECE, one of the three E-organizations. In April 1947, the Food and Agriculture Organization of the United Nations (FAO) convened a European Timber Conference that recommended that the ECE tackle the problems of the European timber shortage while the FAO would concern itself with the long-term development of the European forest. This gave rise to a particularly successful cooperation between the two institutions that continues today, with the FAO and the ECE staff jointly servicing the Timber Committee. The Committee's programme developed and expanded in line with technical, environmental, economic, social and even cultural development in its sector. Yet the central features remained constant: market reviews, long-term studies, the maintenance and development of a statistical infrastructure, and the exchange of economic and technical information.

It was during a mild recession in the industry in 1949 that the ECE secretariat produced the first of a series of studies of long-term trends in European timber production and consumption, reports that have always aroused great interest.⁹⁸ As with the steel study, the first timber study (written by Walt W. Rostow and Alfred Maizels) had an important practical impact. It indicated that sawn-wood needs would rise, but at a lower rate than industrial production, while the consumption of pulpwood would grow relatively faster. Even with vigorous output growth in Europe, supplementary supplies of timber from North America and the USSR would be necessary. At that time, however, the USSR was facing serious reconstruction problems and was no longer able to export to Western Europe. Opposed to importing from other regions, while at the same time aware that high prices would encourage the further use of substitute materials, the European producers decided to raise supply without increasing prices. As a result of this study and the debates it stimulated, the Timber Committee became "The European

Timber Club” where Swedish and Finnish shippers, together with British importers set the tone. “At no time did any delegate feel that the interlocutors he would have chosen were absent”⁹⁹ from the Committee meetings.

Promoting the Industrialization of House Building

In the late 1940s, there was a serious shortage of housing, arising from both the destruction and the cessation of house building during the war. It was becoming extremely difficult to meet the needs created by internal migration and the growth of population. The scarcity of housing and the increase in building costs made rents unaffordable for a large part of the population in many European countries. The first task of the Panel on Housing Problems, that took over the responsibilities of the EECE in 1947, and soon developed into the ECE Housing Committee, was to draw the attention of governments and of the public to the seriousness of the problem at a time of competing claims on limited investment resources. The Committee’s enquiries showed that even if the pre-war rates of construction were doubled, it would still take on average 20 years to meet current housing needs.¹⁰⁰ It, therefore, recommended the industrialization of house building and the establishment of national organizations for building research, a proposal that subsequently had a considerable practical effect. Later on, in 1953, to provide an effective link between the national organizations and to facilitate the exchange of experience, the Committee helped to create an International Committee for Building Research (CIB).

In the meantime, the Committee addressed the more controversial issue of housing finance and the related problem of rent controls. In 1953, a secretariat analysis¹⁰¹ of the situation in most of the ECE countries, concluded that all forms of rent control should be abolished, a view that should at least qualify the perception in some quarters that the secretariat was unduly hostile to the free play of market forces. Nevertheless, the Committee disagreed and concluded instead that, so long as there was a general shortage of houses, rent control should *not* be abolished, nor, for that matter, should housing subsidies. It recognized, however, that rents in a number of countries had been frozen for too long at too low a level, but nevertheless insisted that rent control was an integral part of housing policy and closely related to the matter of housing subsidies.

The changing concerns of governments are reflected in the successive titles of the Housing Committee – itself an emanation of one of the E-Organizations, the Emergency Economic Committee for Europe – Housing, Building and Planning in 1963, Human Settlements by the mid 1990s, Housing and Land Management since 2006, a titular evolution reflecting the progressive integration of social, environmental, managerial, financial, and land-use issues.

In early 2000, the work of the Committee reflected the central importance in governments' agenda of privatization of housing in Eastern and Southern Europe and the emergence of major environmental problems linked to heating and cooling.

Pioneering steps in the coordination of statistics

Reliable statistics were essential for the design of effective policies to restore international trade, increase the supply of raw materials and remove key bottlenecks. In Eastern Europe, the adoption of central planning required the collection of huge amounts of data. In addition, data was also needed urgently to prepare the quantitative plans required to obtain Marshall Aid. In Western Europe, there were also increased demands for data because governments were now responsible not only for reconstruction but also for running the economy in such a way as to avoid unemployment and a repeat of the mistakes of the 1930s and to promote agricultural and industrial activity. A wider range of statistics was needed not only for the conduct of macroeconomic policy but also for the design and management of social welfare, education and health services, another break with the inter-war years. More than ever before, statistics were seen as a public good to be made available to enterprises, unions and the public at large.

The ECOSOC agreed that, under the responsibility of the United Nations Statistical Commission, the statisticians of each region would meet among themselves in order to discuss their specific needs and resources. The European statisticians met ad hoc in 1949, 1951 and 1953, but at the last meeting, they felt the need for closer and more systematic exchanges and for better coordination between the international agencies involved in Europe statistics. The outcome was the creation of the Conference of European Statisticians (CES), a permanent body whose members are the directors of the central statistical offices of the countries of the region and with the Director of the United Nations Statistical Division as an *ex officio* member of its Bureau. The substantive work of the Conference is carried out by meetings of specialists and technical experts, or by government rapporteurs, actively supported by the ECE secretariat.

During its early years, the Conference concentrated on national accounts and economic statistics, improving international comparability by establishing links between the concepts of the United Nations System of National Accounts and Supporting Tables (SNA), used in the western market economies, and those in the Balance of the National Economy, usually referred to as the Material Product System (MPS) and used in countries with centrally-planned economies. Various parts of the SNA were also developed and adapted to the needs of the ECE

countries. The work on economic statistics also covered agriculture, industry, and international trade, and was later extended to manpower surveys and demographic statistics.

Thanks to the Conference, the statistics produced in Europe became richer, more reliable and precise, even if, according to Barrie Davis, the first Head of the Statistical Section of the Research and Planning Division in the ECE, it was easier to reach agreement on the statistics to be collected and the definitions and classifications to be used than on the methods of collecting them. He thought that “much of the value of the work [of the Conference] [came] not so much from precise recommendations that statistical offices are expected to put into immediate effect as from the general stimulation derived by exchanging experiences and views on common problems at meetings”¹⁰² – a good example of how an international body such as the ECE can both generate and disseminate ideas.

Because of its origin, the Conference became a model of cooperation between regional and global entities and, thanks to the active participation of the Directors of National Statistical Offices, a powerful instrument of coordination of statistical activities in Europe. The Conference both adapted the standards developed in New York to European needs and elaborated new and sophisticated standards that were then taken up in turn by New York. For example, it contributed concepts for the global revision of the national accounts system in the 1960s. Its key role of coordination was confirmed in 1992 with an agreement that international statistical activities throughout region, those of the ECE itself, the EU, OECD, IMF, the World Bank, FAO, and ILO (International Labour Organization), would all be presented in a comparative manner in a single document. For each activity described, the long-term objectives, the expected outputs, the list of meetings and the data to be collected are indicated. This permits all those involved to organize joint meetings and to avoid duplication in data gathering by adopting joint questionnaires. More importantly, it provides a clear picture of current statistical work, and thus a basis for identifying gaps and making the necessary adjustments to meet the evolving needs of European society.

THE ECE ON TRACK

On 15 March 1953, a few days after Stalin’s death, Georgi Malenkov, initially *de facto* leader of the Communist Party of the Soviet Union (CPSU), announced the doctrine of peaceful coexistence, arguing that in the nuclear era the competition of ideas should be substituted for the force of arms. The climate was ripe for more substantial economic cooperation between the two parts of Europe: the period of reconstruction was over and Europe was faced with the challenge

of sustaining growth over the longer term. Despite the division of Europe, all countries shared a conviction that their development depended upon that of their partners and the dynamism of international trade. This perception was also favourable to intergovernmental cooperation. The ECE was now firmly established as the unique pan-European forum for economic cooperation. It could claim concrete achievements in helping to improve the allocation of scarce resources and establishing conventions, norms and standards that would facilitate economic relations between its member countries. In promoting regular exchanges of experience of domestic policy and technical problems, it helped to diffuse the knowledge, and often the use, of more advanced techniques and to harmonize national practices in a variety of ways; more importantly perhaps, it helped to create extensive and enduring networks among specialists and decision-makers in their areas of activity. In the ECE, more than in any other part of the United Nations, the governments decided, and still decide, on the details of their programme of work and contribute effectively through the work of their experts to its implementation. But, as Myrdal put the matter, in plain words:

The practice of requesting the secretariat to produce particular studies does not, *per se*, infringe upon the freedom of the Secretariat in research, as long as it is recognized that the Secretariat also has the right independently to decide, on its own initiative, to undertake studies, and that a Committee cannot forbid the Secretariat to study a particular problem. In ECE this is, and has always been, the constitutional situation. Its formal basis is simply a paragraph in the ECE's rules of procedure that "the Executive Secretary can, at any time, make an oral or written statement".¹⁰³

The right of an international secretariat to exercise initiative corresponds to practical needs and, exercised with restraint and perspicacity, has proved in most circumstances to be useful. Equally important is the obligation on the secretariat in preparing studies requested by member governments to insist on analytical rigour and to double-check the information and data it receives from them. The denial of these rights and obligations would weaken the capacity of any international institution to help countries in dealing with economically difficult or politically sensitive issues.

In the ECE, the right of the secretariat to make initiatives still remains despite the abolition of the *Survey* in 2005 and the Economic Analysis Division in 2006. At the request of its subsidiary bodies or on the initiative of successive Executive Secretaries, the secretariat has produced a long series of independent studies. Even if challenged by some countries, they have often helped to get things moving, and in this chapter the debts to such studies of the East-West Multilateral Trade Framework, the European Coal and Steel Community (ECSC), and the Timber Club are good examples of their value.

A systematic review of all the independent studies undertaken in the ECE and of all norms and standards developed in its various committees would greatly exceed the limited

scope of this book and exhaust the energies of both authors and readers. Selection is obviously necessary and so the studies discussed in the following two chapters are limited to a selection of those that have contributed to development thinking; and similarly, the conventions and norms are those that have had, or could have, a global impact.

CHAPTER 3

THE SEARCH FOR SUSTAINED GROWTH, 1953-1989

The wider political and economic background to the Commission's work during these three and a half decades was one of considerable and often turbulent political and economic change, both in Europe and in the world at large. Comparing the end points of the period, from the end of the Korean war to the collapse of the Soviet bloc in 1989-90, it is tempting, with hindsight, to detect an inevitable progression towards a Europe united in democracy and the market economy. That sort of retrospective determinism, although popular with some political analysts, is very misleading and is certainly not how it appeared to most people at the time. The steady deterioration of the centrally planned economies through the 1970s and 1980s was accurately reflected in the secretariat's *Surveys* but no one was able to extrapolate from that analysis to the revolutions of 1989.¹⁰⁴ This underlines the immense difficulty of assessing threats to systemic stability. In particular, gauging a population's tolerance of social and economic hardship and its willingness to accept stark inequalities of income and wealth is one of the most difficult judgements for policymakers to make – as a result, they are often taken by surprise either by sudden explosions of discontent when least expected or by their non-appearance when most expected.¹⁰⁵ The almost universal failure to anticipate the collapse of communism, however, should make everyone more cautious, and more humble, in offering triumphalist explanations of its demise and in making confident predictions about the end of history or the permanence of the new era of globalization.

The cold war was a powerful influence on the development of Europe throughout the period and the legacy of the two separate paths of political and economic development in the divided continent will continue to resonate for years to come. But there were also other major developments that played a key role in shaping the European experience. There is no space to be exhaustive but here we would emphasize three, two of which were mentioned in chapter 1: one is the process of European integration, which was revived in the aftermath of WWII;

another was decolonization, which at various times greatly occupied the attention of countries such as France and the United Kingdom and altered the position of Europe and the nature of its influence in global affairs. It has also led to major social changes with the expansion of immigrant communities in many European countries, raising deeper questions about national and European identities.¹⁰⁶ And a third is what has become known as globalization, a vague term that refers to the process by which that national economies have become increasingly interdependent by relying on market forces to allocate national resources and on the creation of world-wide markets resulting from the liberalization of international trade and capital movements. The extent to which the world economy is truly global is open to dispute and many economists prefer to see globalization as a particular set of economic policies rather than some impersonal force driven by technology and free markets.

THE CONTEXT: FROM THE COLD WAR TO GLOBALIZATION

Notwithstanding Churchill's speech in 1946 about the descending iron curtain, the barriers were significantly raised and reinforced by the Marshall Plan and by the Soviet reaction to it and to western plans for the revival of Germany. The coup in Czechoslovakia in February 1948 had already signalled the Stalinization of Eastern Europe and from June of the same year to May 1949 the blockade of Berlin was a failed attempt to prevent the creation of the new Federal Republic. The two German states came into existence in late 1948, creating a four-power presence in Berlin that made it a potential flashpoint for East-West relations throughout most of the period. Meanwhile, the North Atlantic Treaty had been signed in April 1949 and developed into a full-blown military alliance after Stalin supported North Korea's invasion of the South in June 1950. This led to the US military build-up in Western Europe, pressure by the US for the rearmament of Germany, and eventually to entry of the Federal Republic to the North Atlantic Treaty Organization (NATO) in May 1955. In the same month the Soviet Union and the communist regimes of Eastern Europe signed a pact, the so-called Warsaw Pact, of mutual assistance. Thus, ten years after the end of the war, Europe was not only divided by different economic and political systems but was split into two armed camps.

The Cold War after Stalin

After Stalin's death and the denunciation of his worst excesses by Khrushchev at the famous Twenty-first Party Congress in 1956, the new doctrines of "peaceful coexistence" (1953) and of "many roads to socialism" (1956) were important steps towards improving East-West relations and had major consequences for Eastern Europe. But it was only after the

Cuban missile crisis of 1962 that the cold war began to lose some of its intensity and by the end of the 1960s there was much greater confidence that it could be managed to remain cold and not degenerate into another armed conflict. Despite the Soviet Union's tolerance of national economic reforms in eastern Europe it was always very clear that any attempt to follow an independent foreign policy or to attempt to leave the Warsaw Pact would be met by force, as was demonstrated in Hungary in 1956 and Czechoslovakia in 1968. These acts created alarm and raised east-west tensions, tensions that were certainly reflected in the tone of the discussions at the annual meetings of the ECE, but there was never much likelihood of a fundamental western challenge to what would become known as the Brezhnev doctrine (1968), namely, the right of the Soviet Union to intervene to protect "socialist internationalism", a reminder of the limited national sovereignty allowed to the Warsaw Pact countries.

By the late 1960s and early 1970s, the existence of the two blocs was more or less accepted as a fact of life: a key task was therefore to explore ways to create and consolidate peaceful relations between them by boosting trade and other forms of economic cooperation. Chancellor Brandt inaugurated his *Östpolitik* as part of the process of normalising relations and his phrase about "two states, one nation" was an implicit recognition of the GDR and acceptance of Poland's post-war borders. By 1973, when Aleksandr Solzhenitsyn published *The Gulag Archipelago*, western opinion polls were showing that the majority of West Europeans were no longer impressed by the achievements of the Soviet Union, the contrary being a fear of the United States and European leaders in the early post-war years. At the same time, in the East, endemic shortages of housing, basic foodstuffs and household goods, and the endless queues to obtain what little was available, together with popular resentment at the privileges of the Party and professional elites, were steadily undermining the legitimacy of the regimes.

Détente

In the 1975 Helsinki Agreement, that concluded the first Conference on Security and Cooperation in Europe (CSCE), the Western countries formally recognized the post-war frontiers of Europe as inviolable and not to be changed by force. Thus, thirty years after the war the division of Europe seemed to be immutable. But, in return for this recognition by the west, the Soviet bloc accepted commitments to safeguard human rights and to allow the commitments to be monitored. This would have considerable and unexpected consequences.

The process of détente was initially driven by the need to restrain the arms race, which was becoming a major burden on national budgets. The first arms limitation treaty, Salt I, was signed in 1972, and although very limited was an important step to improved relations. For the Soviet Union, détente was an opportunity to obtain Western credits and boost its trade with

the West, but this proved to be a Trojan horse for economies where reforms were still having limited success in raising productivity. The result was that there were huge increases in imports of capital equipment and other goods but these failed to pay for themselves with increased exports. Countries such as Poland accumulated huge foreign debts that could only be reduced by squeezing living standards. But as their part of the Helsinki agreement, and to retain its economic benefits, the Eastern countries had to allow procedures for monitoring human rights and this effectively meant accepting the activities of groups such as Charter 77 in Czechoslovakia, the Evangelical Church in the GDR, and of course the Solidarity movement in Poland that gained the right to strike in 1980. All these movements were openly or implicitly questioning the legitimacy of the regime.

The 1980s, however, were a decade of renewed cold war tensions. These had already been raised by the Soviet invasion of Afghanistan in December 1979 but were intensified by the drawn-out Polish crisis (martial law in 1981), the deployment of Soviet SS-20 missiles in the East and American Cruise missiles in western Europe, Henry Kissinger's criticism of the 1979 Salt II Agreement that it had left the US vulnerable to a Soviet first strike, and by President Reagan's Strategic Defence Initiative which threatened to trigger a renewed and very costly, high-tech arms race. The collapse of trust and the regression in relations were encapsulated by President Reagan's characterization of the Soviet Union in 1983 as "an evil empire". The Soviet Union, however, was already in a weakened state, not least because its economy was in considerable difficulty: the Brezhnev years (1964-1982) were labelled the "era of stagnation", a condition that also had negative spillovers on Central and Eastern Europe. Khrushchev's boast in the mid-1950s, that communism would beat the market economies in the competition to create the highest standards of living in the world, was now seen to be completely empty. The "final act" began in 1985 with the appointment of Mikhail Gorbachev as General Secretary of the CPSU and his introduction of a rapid pace of reform that would lead to the collapse of communist rule in Central and Eastern Europe and then to the break-up of the Soviet Union. By early 1987, it was clear that most of the communist elites recognised that systemic reform was unavoidable and that force would no longer be used to protect the old order. That was the message that Gorbachev delivered to the GDR when he was invited there in October 1989 to celebrate its fortieth anniversary. A few weeks later, on 9 November, the GDR lifted its border controls and East Berliners poured into the west. A year later, on 3 October 1990, the two Germanys were reunited.

Economic Growth, Regional Integration and Globalization

The 1950s and 1960s were years of exceptionally rapid growth and sub-regional integration in both the Western and Eastern halves of Europe. These were the years of “extensive growth”, when expansion was based on exploiting a combination of plentiful supplies of labour and a backlog of innovation developed before and during the War. The key to recovery was thus to get fixed investment going to put these two factors to work. This type of growth was something that the centrally planned economies could manage reasonably well and in these years they were achieving historically record rates of expansion. The problems arose when growth became more dependent on raising productivity and generating a new stream of innovations. This switch to “intensive growth” was better suited to the incentive structures of the Western market economies than the Eastern economies directed by the Plan and the Party. The challenge to both systems came from the oil shocks of the 1970s which subjected them to similar pressures: in the West the effects were open, namely inflation and unemployment; in the East, suppressed inflation emerged in shortages and endless queues, while unemployment was hidden by over-manning and low productivity. In both East and West, welfare systems came under severe strain. The Western economies were severely shocked by the subsequent adjustment process but the market system emerged unscathed and stronger than ever, although at some cost in social cohesion. In the East, however, the system was unable to adjust: the need was widely acknowledged by the planners and for a time there were even hopes of some convergence on the mixed economy structures of the West, but all this proved to be politically impossible. Whatever its achievements in the early post-war years, the planned economy could no longer function effectively and it would eventually prove to be a major factor in bringing down the entire communist system.

Just as the cold war shaped the two economic systems, so it influenced the processes of regional integration in the two parts of the region. In both cases it was driven by specific factors that differed from those driving the wider process of globalization. One of the requirements of the Marshall Plan was that the European recipients of aid had to prepare a collective strategy for using it and it was an explicit objective of the United States to promote European integration as a means of reconciling former enemies and strengthening security. In fact, this objective coincided with European interests, and the first common European institution, the European Coal and Steel Community (ECSC), was as much a diplomatic as an economic initiative to deal with fears of a resurgent Germany: coal and steel, key ingredients of military strength, would now be subject to supranational supervision. Within this framework, the German economy was less of a threat and more of a benefit to its neighbours and the West German economic miracle of the 1950s spilled over to the rest of Western Europe. The Marshall Plan and the European

Payments Union were the early steps towards pan-European cooperation and governance, but these were considerably enhanced by the ECSC, which involved the transfer of a degree of national sovereignty to a European body as well as the creation of a common assembly and a high court for adjudicating disputes. The ECSC helped to solve immediate political and economic problems, namely the “German Problem” and the assurance of coal supplies for the economic recovery of France, but it also laid the foundations of a much longer process of European integration that had by no means run its course by 1989. The rejection by the French Parliament in 1954 of the European Defence Community slowed down the process of political integration, but the construction of the European Community continued as initiated by Jean Monnet, based on the liberalization of trade among the countries belonging to the Community protected by a common external tariff and on common policies progressively developed sector by sector, starting with the Agricultural Common Policy.

The European Monetary Agreement was signed in 1955 and, on 25 March 1957, were signed the Treaties of Rome establishing the European Economic Community (EEC), and the European Atomic Energy Community (EURATOM). Thus began a long and complicated process that would accelerate with the Single European Act of 1986, see the introduction of the Economic and Monetary Union and, at the beginning of 2001, the introduction of a single currency. In contrast to the functionalist approach in the West, the Council for Mutual Economic Assistance (CMEA) attempted to organize the “socialist division of labour” in an authoritarian way. The initial idea was to assign each country a production sector for which it was best endowed with natural or human resources. This failed because of the desire on the part of the member countries to equip themselves with their own heavy and metallurgical industries. National interests, as perceived by each country, eventually won over the ambition of socialist integration. The CMEA had its Charter only in 1959 and no permanent institutions before 1962. While the integration process was progressing in Western Europe, Eastern Europe was approving programmes (1970), plans (1975) or long term objectives (1979) for integration. The results were modest and the international trade that a rational division of labour might have generated was constrained by the rigidity of the payments mechanism and national priorities.

Three years after the signature of the Treaty of Rome, and one year after the CMEA had its Charter, a number of other regional groupings were created throughout the world inspired by similar objectives: the European Free Trade Association (EFTA), the Latin American Free Trade Association, and the Organization of Petroleum Exporting Countries (OPEC). Other groupings followed, including the Association of South East Asian Nations (ASEAN) (1967). Political considerations or hopes for economic success stimulated applications to join the EEC and also the CMEA. Mongolia, Cuba and Vietnam joined the latter respectively in 1962, 1972 and 1978. The EEC benefited from successive waves of enlargement: Great Britain, Ireland and Denmark in 1973, Greece in 1981, Spain and Portugal in 1985, Austria, Finland and

Sweden in 1995 after it had become the European Union (EU). During the last decade of the twentieth century, all the countries of Central Europe, the Baltic States, Ukraine and Moldova had applied, or had expressed a wish, to join the European Union.

The trend toward globalization was also dynamic and sustained. A succession of trade rounds marked the first steps. The Dillon Round ended in 1962, with an average lowering of customs tariff by 7 per cent; the Kennedy Round (1964-1967) achieved a reduction of 40 per cent, and the Tokyo Round (1973-1979) 30 per cent. The Uruguay Round (1986-1994) enlarged the scope of international trade rules. Not only did it cover new grounds such as services, intellectual property rights and investment matters related to trade, but, more importantly, it introduced rules related to national policies affecting international competition. These developments, which facilitated globalization and established certain ground rules, were made without China and most of the countries of Eastern Europe that were not members of the General Agreement on Tariffs and Trade (GATT). East-West trade, until 1990 and even after, continued to be restrained by systemic and administrative obstacles that the ECE tried to reduce. In the monetary domain, the major event was the declaration by President Nixon, on 15 August 1971, that the US would suspend all sales and purchases of gold, thus ending the link of the dollar to gold. Attempts were made to maintain a system of stable foreign exchange rates, but by March 1973 these had all failed and the Bretton Woods system was ended. This effectively meant the privatization of exchange rate risk, which, in return, required the large-scale de-regulation of financial markets. The US abandoned all controls on international capital flows on 1 January 1974, and this was followed by most of the other western market economies over the next decade. Deregulation thus opened the way to the globalization of capital markets.

Thus the world economy in 1989 was very different from what it was when the post-war settlement was made: a world of fixed exchange rates, tight capital controls, and widespread restrictions on free trade had been transformed into one of floating exchange rates, free capital movements, and generally open economies. This evolution undermined many of the original functions of international economic organizations such as the IMF.

KEY STUDIES

With the most pressing problems of the recovery period solved by the early 1950s, the interest of governments shifted to long-term economic growth, intra-European trade and integration, the development of the less industrialized countries of Southern Europe and, later on, of the countries of the Third World. The ECE secretariat pioneered research into many of

these issues that was published either in the *Surveys and Bulletins* or as independent studies and discussed at the annual sessions of the Commission or by the Senior Economic Advisers (SEA).¹⁰⁷

The Factors of Growth

Growth and Stagnation in the European Economy was published in November 1954. Prepared by Professor Ingvar Svennilson of the University of Stockholm in cooperation with the ECE secretariat and financed by the Rockefeller Foundation, this study was somewhat neglected in the 1980s but is now recognized as a classic contribution to the economics of growth and development. It starts with a perceptive remark on the necessary consistency between long and short-term changes: "since the longer period is composed of a number of shorter periods. ... The difference between a study of long-term changes and one of short-term variations can therefore only be one of emphasis. In the analysis of long-term changes, certain factors and causal relations are brought into sharp relief, while others are dimmed or left in the background."¹⁰⁸ The study first sets out a theory of long-term growth. It criticised the works of Cassel and Marshall, the first for not introducing technological change and the second for his over-optimism about technological progress and the assumption of a high rate of saving in a society with an unequal income distribution. He argued that "output, labour and capital equipment [could] not be treated as homogeneous totals once we introduce technological change as an important factor in economic development."¹⁰⁹ Long-term economic growth was dependent on the transformation of the national economy and this transformation was partly induced by national economic growth itself and, crucially, by the rate of fixed investment. The aggregate level of investment is one of the main determinants of the level of employment, which again feeds back to the level of output.¹¹⁰

This approach differed from the Schumpeterian business cycle theory by its emphasis on the role of long-term growth itself in promoting investment and transformation rather than on exogenous innovation. As such, it was clearly related to the concepts of the Kaldor-Verdoorn law, relating productivity growth to the growth of output¹¹¹, and to Myrdal's analysis of cumulative causation.¹¹²

The data on which the study was based covered the whole of Europe and the period 1913-1938 with some consideration given to data as early as 1880 and as recent as 1950. One of its key findings reinforced the view that trade restrictions were responsible for the stagnation of the inter-war period and provided an additional argument for the development of intra-European trade:

“The arbitrary combinations of resources within smaller or larger national areas had a decisive influence on the long-term growth of Europe as a whole. It is likely that the existence of this national structure slowed down, not only the growth of the less favoured countries, but also the general development of Europe’s joint resources. This effect was reinforced by the inter-relations of trade and payments of various countries”.¹¹³

A subsequent ECE study, *Some Factors in Economic Growth in Europe during the 1950s*, was published in 1964, a few months after the publication of Denison’s pioneering study, *The Sources of Economic Growth in the United States*.¹¹⁴ Both attempted to shed light on the factors behind the growth of production other than capital and employment. The ECE study, to which another well-known development economist, Heinz Arndt,¹¹⁵ contributed, was one of the first to tackle the question of “Why do growth rates differ?” This was a major contribution to the subject. Comparing the relative growth performance of European countries, it identified among the “residual” factors the pressure of aggregate demand and the supply of academically trained engineers as significant factors. It did not find significant links between the rate of growth of output and either the level of total research outlays or the proportion of national resources devoted to education as explanations of differences in growth rates. The supply of engineers, however, was a significant variable in both the centrally planned and the market economies. The demand factor in the former economies was mainly a decision of the planning authorities; therefore, “the more efficiently the future pattern of ‘demand’ for resources could be planned or foreseen, the more effectively supplies of materials, productive capacity and labour could be planned to meet the demand.”¹¹⁶ In the market economies, the most important factor was “the influence of government policies in creating a general ‘climate’ favourable or unfavourable to a strong investment demand – depending upon the degree of success in maintaining a steady overall expansion of demand and in ensuring that any checks to expansion which might be necessary (to protect the balance of payments or for other reasons) had the minimum discouraging effect on investment.”¹¹⁷ In the absence of abundant and easily accessible international credit, and taking into account the agreement between the West European countries not to resort to competitive devaluation, the burden of adjustment therefore fell on domestic policies to restrain costs. “Thus the problem of ‘incomes policy’ [came] to be seen as one of the main keys to a solution of the general problem of maintaining economic growth in most of the industrialized countries.”¹¹⁸

From these two major studies on long-term growth emerged a strong conclusion which has remained deeply rooted in the thinking of the secretariat, namely, that growth or rather expectations of growth, is a key factor of long-term growth. This apparent tautology stresses the point that it is growth expectations that induce the necessary investment required to adopt new technologies, and adapt to new demands and changes in the international environment. Growth and structural change are thus intimately related in a process of cumulative causation. These ideas reappear in a 1977 study of structural change in European industry¹¹⁹ and, more

recently, the secretariat criticized the cautiousness of monetary policy in the Euro-zone for failing “to recognize the dynamic interactions between growth expectations, fixed investment, rising productivity and employment – and mild or falling inflation rates.”¹²⁰

Growth and Income Distribution

Incomes policies as a condition for maintaining long-term growth could, in line with the analysis referred to above, be understood as a search for an optimum income distribution in order to secure enough saving for the financing of investments and a sufficiently sustained demand to stimulate production. At the same time, they could be used to limit the recourse to restrictive policies, damaging to employment and growth, in dealing with inflation or balance of payment deficits. It was this latter objective that was the dominant one in the immediate post-war period although “such policies, as so far conceived, have not proved strikingly effective instruments of economic management.”¹²¹

The ECE secretariat reviewed these policies in great detail in a major study, *Incomes in Post-war Europe: a Study of Policies, Growth and Distribution*, published in 1967, in which Eastern and Western Europe were necessarily treated separately. In the centrally planned economies, the major task of incomes policy was “to lay down the rules which would result in promoting the desired allocation of resources,” while in market economies the problem was “persuading enterprises and trade unions to observe and enforce certain standards in determining pay and prices.”¹²²

Starting with Western Europe and taking a broad view of incomes policy, the first question was to determine the expected change in the general level of prices. It had been “common to base the norms on the assumption of no general price increase at all.”¹²³ This was obviously unrealistic. But, the study went further in suggesting that zero price increases might be undesirable as well, as some increase was needed to alleviate the debt burden and to lower the risks of investment. In addition, there was a methodological problem insofar as structural change affected the weight of the different components of the price index so that a zero, or close to zero, rate of increase, for example, might actually be disguising a fall in the general price level. High rates of inflation, on the other hand, led to a degree of injustice and economic inefficiency that governments had to correct. What was finally “more important, from the point of view of growth and welfare, [was] that the general price tendency should [have been] more or less predictable and under control.”¹²⁴ The difficulty was that if the Government announced a reasonable and credible increase in the price level, the behaviour of enterprises, unions and workers would overcompensate and thus lead to a larger increase in prices and wages than expected.

The second question concerned the distribution of incomes between labour and profits and the related problem of the allocation of resources between private consumption, public expenditure and private investment. The objective of keeping the shares of labour and capital unchanged, in other words, that pay per head in real terms increase in line with productivity, would “be valid for the longer term only if there [was] reason to believe that the existing distribution [represented] a satisfactory, and lasting, equilibrium and [was] consistent with economic and social progress.”¹²⁵ The most common perception was that any shift in favour of labour would reduce savings, since the marginal savings ratio of households was lower than that of enterprises, and, as a consequence, would weaken investment and growth. This implicitly assumed that the self-financing of enterprises was more conducive to economic efficiency and underestimated the potential role of financial institutions. In fact, to reach a desired private investment ratio and a given growth rate, an essential step would be to adapt the institutions of the capital market to provide adequate incentives to raise household savings and channel them towards the financing of enterprise investment. A shift of income from capital to labour could therefore be a support, not an obstacle to long-term growth, and policy could aim to change corporate perceptions of what the normal rate of return on capital should be. Having reviewed the various instruments, from persuasion to the taxation of profits or direct controls, the study concluded: “In practice, price regulation has been the only instrument extensively used (apart from rent controls) to influence incomes other than pay.”¹²⁶

The third question was the distribution of pay between industries, degrees of skill or training, and occupations. The experience was that, whatever the incomes policy and despite economic and social change, pay-structures tended to be remarkably stable. In this matter, incomes policy might be guided by two conflicting principles: equity, which unions translated into equal pay for equal work, and efficiency, which linked productivity and pay. The Study recommended that representative organizations of managers and workers be encouraged to reach a consensus on explicit and coherent policies. A possible approach would be to agree on the use of standard methods of job valuation, but these implied that agreement could be reached on the inevitably subjective weights to be attached to the particular characteristics of each job and that it would be acceptable to depart from the existing pay structure. Despite these difficulties, the study concluded that such an approach could introduce more uniformity and rationality into pay structures and reduce the excessive reliance on ancient traditions and practice.

In Western Europe, an incomes policy, in the broad sense defined in the study, would obviously be technically and politically difficult to implement. Nevertheless the secretariat thought that it should be attempted, both for its economic advantages:

What an incomes policy offers is the possibility of two gains: a way of balancing total incomes with resources, which avoids the waste, the disturbances and the loss of potential growth in living standards associated with alternative ways of restraining money demand in conditions of full employment; and, in the longer term, the opportunity for introducing more order, stability and rationality into income distribution, and of applying socially acceptable standards to it.¹²⁷

...and for political considerations:

It may be held that the important question is not how much effective freedom of action would be sacrificed, but whether the criteria of income distribution determined by social decision would be preferable to the mixture of market forces, custom and group pressures by which income distribution is now governed.¹²⁸

The description of the difficulties encountered in Eastern Europe is more of historical interest than of use for development policies today, but the reflections on Western Europe are of renewed interest when income inequalities have worsened considerably in many countries since the early 1980s and when, in some, there has been hardly any improvement in the mechanism for setting incomes. It can be argued that one of the reasons for the instability and high inflation rates of the 1970s was that the oil shocks triggered a bitter struggle over income shares and that it took another decade for a socially acceptable distribution to re-emerge. Whether the increases in income inequality in the 1980s and 1990s will lead to a similar struggle over relative incomes remains to be seen, but it is unlikely that capitalism has escaped from the basic tensions described in the study. In any event, it remains the most comprehensive review of incomes policies ever made and is likely to be well worth re-visiting in the coming years.

Southern Europe: Pioneering Ideas on Development

In the ECE, interest in the development of less-developed countries was initially linked to the search for solutions to the dollar shortage in Western Europe. Countries outside the dollar zone were seen as partners able to supply needed food products and commodities and provide markets for European manufactured goods and equipment. But ideas on development policies were elaborated at the end of the war for the countries of Southern Europe. An early analysis of past experience, current problems and economic potential in Portugal, Spain, southern Italy, Greece, Turkey and Yugoslavia was aimed at helping these countries to elaborate development strategies adapted to their specific conditions. This was published in the 1953 *Survey*.¹²⁹ Although the analysis did not constitute a comprehensive development theory, it possessed qualities that are often missing in such theories: a connection with the specific conditions of individual economics, a sense of what is politically feasible and a willingness to explore the pros and cons of different solutions, and, with a proper sense of restraint, leaving the final

policy decisions to national politicians. After 50 years of development failures and successes throughout the world, the 1953 *Survey* still offers sensible proposals for countries, and they are many, which have still failed to develop a diversified economy and to make significant progress in catching up with the levels of income per head in the developed countries.

On the basis of a detailed analysis of each country, the secretariat rejected the argument that southern Europe's problem was over-population, arguing instead that poor social organization was responsible for the under-utilization of labour. Thus they refused to advocate emigration as a solution to unemployment as it would have deprived the countries of young people at an age when they became productive and, indeed, once the development of Southern Europe got under way, emigration diminished drastically.

In countries where half of the labour force was in agriculture, agricultural and industrial developments were intimately linked, a fact too often neglected in the 1970s and 1980s. "Just as a policy of industrialization is in danger of being frustrated at some point, unless supported by a growing market provided by higher real incomes in agriculture, so agricultural progress is impossible unless...the peasant is given the incentive of a growing demand for his products. Agriculture and industry can either progress or stagnate together."¹³⁰ Development policies have therefore to address obstacles to progress in both agriculture and industry. In the former, three interrelated factors explain why its potential was not exploited: the social structure, the poverty of farmers and the "technical inertia of a largely illiterate farm population."¹³¹ Agrarian reforms to break up the *latifundia* were one solution to increase production by giving each peasant the minimum amount of land required to support a family. But, the ECE drew the attention of politicians to the possible conflict between this goal and the necessity to avoid compromising long-term productivity gains. To permit poor and illiterate farmers to acquire new techniques of production, a programme to teach modern methods and provide financial subsidies for fertilizers, seeds, and the building of silage tanks was recommended. In Mediterranean countries enjoying similar climatic and soil conditions, a cooperative research effort was recommended to develop agricultural techniques, seeds and efficient fertilizers.

Inadequate home markets, deficient communal services and public utilities, lack of skilled labour and the lack of capacity to mobilize the low level of domestic savings for industrial investment were among the common features that were holding back industrial development. The size of domestic markets would increase with higher levels of agricultural income, but a better-educated labour force and the improvement of public utilities were the responsibility of the State. Specific industrial policies touched upon issues such as protection and the criteria for allocating investment funds.

On protection, the ECE was unambiguous. "At exchange rates which secure over-all equilibrium...[there] is little scope for industrialization in these economically retarded countries,

unless a fairly high protection against foreign competition is given.”¹³² The issue was therefore to decide whether protection should focus on selected sectors and be non-discriminatory. National producers have always thought that their own sectors should be protected, but for the sake of long-term development the secretariat advocated a uniform *ad valorem* duty.¹³³

In its 1953 *Survey*, the ECE secretariat also made an important contribution to promoting the idea of asymmetric trade liberalization in favour of developing countries, a proposal that was justified in the following terms:

There is no inconsistency in advocating protection as regards the imports of less-developed countries and free trade as regards their exports. If contradiction there is, it is only a manifestation of the more fundamental contradiction that highly developed and less developed countries exist side by side and have to trade with one another, reaping benefits from the international division of labour but without compromising the basic aims of their economic policies.¹³⁴

The idea of asymmetric liberalization was taken further in 1961. In June of the previous year the Director General of GATT, discussing the export possibilities of the developing countries, had argued that it was “difficult to escape the conclusion that one of the contributions which the older industrialized countries will have to make will be to surrender some sectors of light manufacturing to new industries in the developing countries, finding their compensation in the more specialized and dynamic forms of industrial production on which their economic growth anyway depends”.¹³⁵ In its *Survey* of 1960 the ECE argued that “since aid and exports of primary products would meet only two-thirds of the import requirements of the Third World in 1980” the remaining third would have to be filled by manufactures and, on infant industry grounds, it proposed the first scheme for a generalized scheme of preferences (the GSP) for developing country manufactures.¹³⁶ This was largely the scheme promoted by the United Nations Conference on Trade and Development (UNCTAD) and later adopted by the EEC.

On the allocation of investment funds, the *Survey* argued that “the maximizing of private profit provided poor guidance for investment”. This could be interpreted as another sign of that lack of complete confidence in market forces that worried many of the *Survey*’s readers in the United States, but in reality it was a recognition of market failure in the development process. It recommended that preference should be given to projects that promised, over their lifetime, “to give maximum net social returns per unit of capital invested” in order to reduce underemployment or to alleviate balance of payments constraints.¹³⁷ In line with the first objective, labour intensive rather than capital intensive techniques were to be preferred, while the second suggested import substitution since the south European countries were not competitive in foreign markets for industrial goods. But, such objectives should not be pursued in a rigid or dogmatic way: “it should be remembered that economic development must, in the longer run, be an all-round process in which all broad branches of activity are represented so that they provide external

economies for one another.” Similarly, if carried beyond a certain point, the rejection of the most modern techniques “may become a hindrance to the diffusion of the standards of efficiency and of technical knowledge which is necessary for industrial growth.”¹³⁸ So, as early as 1953, the ECE secretariat had anticipated the limits of import-substitution strategies, although not rejecting them as a policy instrument for the early stages of development, and the debate on appropriate technologies.

Nineteen years later, when the countries of southern Europe had diversified their industry and entered into intra-industry trade with the rest of Europe, the secretariat was hesitant to draw clear-cut lessons as to the most efficient way of acquiring modern technologies. Direct foreign investments, the purchase of patents and licences, and simply importing modern capital equipment all had advantages and disadvantages. National or sub-regional research should be encouraged, but it raised the issue as to which sector the State should allocate public money. Although it was recognized that it would be “impossible from theoretical and analytical considerations alone to determine in detail in what products or branches the ‘comparative advantages’ of a given economy were most likely to lie in the future,” the secretariat judged that “the hazards of selecting the ‘wrong’ lines for specialized development may well be less than the risks of an undifferentiated and over-extended approach to industrialization”¹³⁹ based on market forces operating within the existing pattern of comparative advantage.

The role of the State was not seen as an ideological issue, state intervention being regarded as a necessity due to the institutional gaps and other specific circumstances of these countries. The economics of development was not regarded as a science universally applicable, but as a mixture of general rules and of adapting policies to encourage changes in behaviour in specific circumstances. For instance, since it appeared that “the improvements in agricultural methods were unlikely to come about solely by market forces, as an effect of growing demand from the towns”¹⁴⁰ it was recommended that public programmes focus on ways to increase productivity. Similarly, attempts to reduce disparities between regions “have failed to produce any marked effect, at least when they were not accompanied by more direct intervention to create public utilities and social capital.” For the industrial sector, public lending and shareholding and mixed forms of ownership were not *a priori* ruled out, but it was cautiously noted that “whilst the development of mining production in the last three decade suggested that public enterprise or public sponsorship in some form was an essential prerequisite for rapid progress, such a generalization would not hold for manufacturing.”¹⁴¹

For the State to play a development role, it needed resources that should come first from a reduction of the considerable amount devoted to military expenditures, up to 20 per cent of GDP in Yugoslavia, but also from higher rates of taxation which “are all the more necessary as economic development is bound to require as well an increase in the rate of current civilian government expenditure, to provide not merely a larger and more efficient civil service, but also

for an expansion of education and health services, which are at least as important for future productivity as investments in physical assets.”¹⁴² That being said, governments should resist the temptation “to enforce collective saving at a rate which leaves individuals with too little incentive to greater effort.”¹⁴³ Here again, the ECE secretariat held very pragmatic views based on observation of the diverse experience of different countries in grappling with issues that in the 1980s would become the subject of intense ideological disagreements based on overly simple theoretical considerations.

It is interesting to note that out of the 39 pages devoted to the development of less developed countries of southern Europe in the 1953 *Survey*, only six were focused on external capital assistance and access to European markets. This emphasized the message, often stressed by Myrdal, that development is first of all a domestic affair. Forty-seven years later, the *Survey* of 2000, considering the factors of long-term growth and the issue of catching up, again insisted on the importance of domestic factors and therefore on the need for a specific policy mix in each country.

A brief review of these studies cannot do justice to their richness of empirical observation and analytical sharpness, but a number of key elements are worth emphasizing in the light of current debates about the approach to longer-term growth and economic development. First, although there was no doubting that the ECE studies envisaged Western Europe moving away from the controls of the 1930s and the war years towards a vibrant market-based economy, they did not, however, regard the rapid liberalization of trade and capital movements as key pre-conditions for economic recovery. Certainly, the removal of trade barriers was an important objective for enlarging the possibilities for growth, and anyway was a condition for receiving Marshall Aid, but trade liberalization itself was no guarantee of economic growth, which depended more on creating the domestic conditions that would lead to an interactive and cumulative process of growth and trade¹⁴⁴. In other words, without denying the potential benefits of international trade, it is a mistake to approach it as if it were an independent engine of economic growth. Secondly, at the heart of the ECE analysis was a strategy for investment-led growth, and indeed, as was shown in *Some Factors in Economic Growth*, gross fixed investment averaged some 22 per cent of GDP between 1949 and 1958. And thirdly, the process of investment-led growth required conditions which could be created or supported by government policies to encourage the retention of corporate profits to be used for further investment: these could include differential tax rates, for example, but a crucial role was given to the various ways of building a social consensus or contract to restrain wage demands in return for the future benefits of modernization, increased productive capacities, and better living standards. Overcoming the suspicion of wage earners that higher profits would simply be diverted to shareholders was an important aim of these social contracts but this was an approach that was rejected with the revival of neo-liberalism in the 1980s, which relied on weaker labour

laws and market forces to discipline wage demands. Whether this latter approach can continue to deliver stability is an open question.

The emphasis on fixed investment, and the social framework required to support it as a key component of a development strategy, was also discarded in the 1980s in favour of the rapid liberalization of national economies and the international markets for goods, services and capital. This shift in focus, from objectives to process, assumed that liberalization would automatically bring about a change in the structure of incentives that would trigger a process of sustained growth in transition and developing countries. That argument has been shown by Douglas North¹⁴⁵ and others to be deeply flawed and there is now a growing acceptance that liberalization or openness itself is unlikely to contribute to growth and development if the domestic conditions are not capable of responding to it. The proposals to include a programme of “aid for trade” in the current Doha Round of trade negotiations are unlikely to be at all adequate for their designated purpose but they are at best a belated recognition that economic development is, as Myrdal insisted over forty years ago, above all a domestic matter.

Our understanding of the causes of economic growth and successful development is still very rudimentary but of all the hundreds of variables that have been fed into growth equations, fixed investment emerges as one of the few that emerges with a robust and independent impact on economic growth, especially in middle-income economies. Successful take-offs, whether those of western Europe in the eighteenth and nineteenth centuries or the Asian economies in the twentieth century, have rarely if ever been based on a neo-liberal policy agenda. The focus of an increasing number of development economists on the linkages and feedback mechanisms in the profits-investment-exports nexus is clearly a return to the pragmatic wisdom of Sventnilson and these earlier ECE explorations of the factors of economic growth.¹⁴⁶

REMOVING THE OBSTACLES TO GROWTH

Another dimension of ECE activity, intergovernmental cooperation on technical matters, developed throughout this period. Whether or not it was inspired by the analysis in the *Surveys*, it aimed at alleviating bottlenecks that could affect growth. In the years 1953-1989 central planning was becoming progressively ineffective in Eastern Europe, East-West trade was failing to reach its potential because the available instruments to facilitate trade were not fully used, the oil-shocks of the 1970s failed to convince governments on the need for a European energy strategy despite various proposals made by the secretariat and useful discussions in the relevant subsidiary bodies of the Commission. In contrast, instruments, still in use, were developed to speed up the transit of goods by road and to harmonize and integrate road

networks, and significant progress was made in developing concrete measures to reduce air pollution. In all these cases, the grounds on which the studies and the recommendations prepared by the secretariat were rejected or accepted were political rather than technical.

Improving Planning Methods

Politics and methodological difficulties explain the failure to improve planning. Before the war and immediately after it, planning in the East had some successes in priority sectors but at considerable human and material cost. By the end of the 1950s, growth was slowing down and, at the same time, it was becoming very difficult to plan national economies once the stage of extensive growth had ended. The failures were attributed to excessive centralization and reform of the planning system was put on the agenda. A fundamental problem, however, was that reforms required decentralization of decision-making, but this implied a shift in power from the centre to the periphery. As soon as local power increased to the point where the dominance of the Communist Party could be challenged, the reforms were checked. The large enterprises, nevertheless, became powerful enough to negotiate their targets with the planning authorities after the mid-1970s, but their aim was not to increase market shares, efficiency or profits. Indeed, like the Party, “they wanted to preserve power positions, which were measured in terms of control on resources: how to get higher allocation of investment goods, how to be permitted to hire more workers so as to supply a greater volume of output.”¹⁴⁷ This is why the revolutions of 1989 had to be political and not just economic. But one regrettable consequence was the rejection of any suggestion of the need for planning. “The plan was linked with the party to such an extent that the transition governments rejected any concept of a plan, even indicative, even strategic, even drafted and implemented within decentralized and really autonomous enterprises. ‘Plan’ will be a dirty word for a long time.”¹⁴⁸

The blame for the failure of reform attempts in the planned economies has to be put on the Party rather than the planners, who were constantly looking for ideas in order to improve their methods. One source of inspiration was the meetings of the Senior Economic Advisers to ECE Governments (SEA) where they had the occasion to meet their colleagues from the West. From 1967 to 1977, they discussed the difficulties encountered in planning, raising issues such as the usefulness of long-term forecasts, raising productivity and encouraging technical changes, promoting long-term growth and coping with the problems of the environment and of poverty.

The use of econometric models for long-term forecast raised the question of the underlying hypotheses and it was thought that for these to be valid they would need to encompass not only economics but also other disciplines. Indeed, Jacques Baudot considered

that “The assumptions underlying formalized growth models of working hours, innovations, productivity or consumption cannot be validly established without psycho-sociological analysis of behaviour patterns.”¹⁴⁹ This was not the familiar call for a multidisciplinary approach to planning however, but the raising of a more fundamental question: “How can long-term thinking have recourse to psychology and sociology, which are sciences of immediate observation, without implicitly assuming a permanence of behaviour patterns, attitudes and social structures over a period of time? On that assumption, is not long-term thinking likely to be a factor making for conservatism?”¹⁵⁰ It is interesting to note that by the late 1990s, similar criticism was being made in the corporate sector of the western market economies about “strategic planning” which was seen as reducing the flexibility of corporate response to unexpected and unforeseeable events.

The debate on methods thus joined the debate on objectives. Already in 1966, the SEA had discussed optimization models and the impossibility of specifying social aspirations in a numerical “objective function.” They noted that “as Arrow has argued, there might exist no preference ordering that balances the conflicting aims of different parts of the community in a satisfactory (consistent, non-dictatorial) way.”¹⁵¹ The relatively simple and clear objective of maximizing GDP helped to sideline these conceptual and political difficulties, and was more easily accommodated both by the planners and the politicians.

The events in Paris of May 1968 and the report of the Club of Rome were early warnings that societies had, and needed, rather more complex objectives. These warnings failed, however, to oust “GDP growth with few constraints” from its status as the most convenient objective for politicians, planners, economists, and statisticians. This was illustrated by the seminar on long-term growth that the SEA organized in December 1973 at the initiative of Jacques Royer, Director of the Projection and Programming Division.¹⁵² The report of the Club of Rome had just been published, the first oil shock had just taken place, and the gap between poor and rich was again in the headlines when the seminar took place. Jan Tinbergen was the only member of the panel who felt that “the development of the rich countries should be slowed down gradually” and that there was “some sort of natural limit to what we as human beings should want and ask for.” For Saunders the desire for growth and material progress was “pretty deep in human nature and likely to continue to be so.” But, growth had social and environmental costs. The social costs were still neglected by economists who did not appreciate the stress created by the structural changes that growth implied (Blanc) and by the separation of personal relations in work and the artificial life in big cities (Stone). For all the participants, nevertheless, growth increased the scope for social and economic choices and, in particular, facilitated income distribution policies at least within, if not necessarily between countries (Pajetska).¹⁵³ These tensions between the benefits and costs of growth have, if anything, intensified over the following three decades.

The importance of growth was strongly stated again in 1977 when unemployment and poverty were becoming serious problems in Western Europe: "The reduction of unemployment through coordinated expansionary policies in these countries is a prerequisite for further development and resolution of many distributional problems in the region."¹⁵⁴ But, the SEA introduced significant additional considerations on poverty. Existing policies aiming at increasing the welfare of the poor were qualified as humanitarian and were opposed to egalitarian policies designed to achieve equality in the distribution of personal resources and access to social resources: "Poverty is often defined and measured too narrowly, as reflected in the level of income of an individual, a household or a family... Instead, the measurement of poverty ought to encompass a wider range of welfare constraining factors such as economic and cultural inherited capital, environmental conditions, working opportunities and social relations."¹⁵⁵ Thus, some of the concepts and policies that would shape the Copenhagen Conference in 1995 had already surfaced in the 1970s.

The report of the Club of Rome had drawn attention to the depletion of natural resources while the works of the ECE on the environment and the Stockholm Conference in 1972 had sounded the alert on environmental degradation and its consequences. At the 1973 seminar mentioned above, Stone linked concerns for the environment and natural resources by suggesting that clean air and water should be considered as final rather than intermediate goods. Two years later, in 1975, the Senior Economic Advisers and Senior Advisers to ECE Governments on Environmental Problems joined forces to discuss the Ecological Aspects of Economic Development Planning, a few months after the Cocoyoc Declaration had been adopted under the auspices of the United Nations Environment Programme (UNEP) and UNCTAD. The discussion focused on how to make growth more sustainable, although that term, fashionable today, was not used. If growth had negative as well as positive impacts on the environment, then the question of what was the tolerable impact of development policies became important. There was some convergence on the proposal that an Environmental Impact Statement be part of the preparation and selection of projects related to infrastructure, mining and heavy industry. Sixteen years later, in 1991, an ECE Convention on Environmental Impact Assessment would be adopted. But on sustainable growth there was no agreement between those who advocated a standstill, which implied maintaining the present degree of ecological diversity, and those who favoured the concept of staggered development. Tinbergen and several other participants were "ahead of the curve" in raising sensitive issues such as the need for changes in lifestyles and the relation between global demographic trends and the capacity of the biosphere to support the level of agricultural output required.

In 1973, the SEA began to elaborate an Overall Economic Perspective (OEP) for the ECE Region: that for 1990 was issued in 1977 and for 2000 in 1988. The initial intention was to produce forecasts. Later, with methodological uncertainties compounded by the oil price

shocks and the rapid development of technical change, their ambitions became more modest. "The OEP [was] thus meant to be neither a forecast nor a plan, but an aid to decision-making, helping policymakers and planners in the region to focus attention on crucial issues likely to arise before the end of the century, and on their policy implications."¹⁵⁶ It was a practical way to overcome the limits of modelling, to discuss issues other than the growth of GDP, and eventually to accommodate the perspectives of different disciplines.

Nevertheless, raising the growth of GDP and reducing differences in productivity levels continued to preoccupy the SEA and planners. Eastern Governments were trying to raise productivity in the face of diminishing manpower reserves while West European Governments were concerned that their levels of productivity were lagging behind that in the United States. The policy problem was seen as similar for both centralized and decentralized economies: how to design a technology policy? Eastern specialists were conscious that technological development in production needed such a tremendous amount of specialized information and knowledge that no central organ was able to master it, a point that had already been made by the Austrian school of economists in the 1920s. In the market economies, Governments felt that a lack of coordination between ministries and agencies was costly and was not giving R and D the priority it deserved. The general goal was clear, but "neither in the centrally planned economies nor in the market economies was there anything approaching an adequate theoretical framework to guide decision-makers in the execution of their responsibilities."¹⁵⁷ Little progress seemed to have been made in practice since 1825 when the Emperor Franz Joseph wrote a note to Metternich in which he proposed removing the Rothschilds from the list of Court bankers because of their support for a railway project north of Vienna, the Emperor judging it unreasonable as few people used the stagecoach on the route. A wise decision would have required economic and technological forecasting as well as normative value judgments.

The SEA raised many questions but provided no definite answers. What was the appropriate level of aggregate expenditure on R and D and scientific activities to accelerate technical progress? What are the criteria for determining an optimum combination of autonomous research, imported technology and participation in international projects? How to arbitrate between multiple policy goals? Recommendations included the use of cost-benefit analysis, checklists of questions to guide choices, and the development of internationally comparable statistics – relatively weak conclusions that reflected the general lack of knowledge of what went on inside the "black box" of technological progress. In both East and West, practical decisions were the result of political compromises and it was doubtful "whether the information available to decision-makers on social opportunity costs and potential benefits of major decisions had been in any way adequate."¹⁵⁸

In the debates over methods and long-term forecasts, the SEA contributed to the clarification of ideas about medium-term development issues for the Region and this work

was disseminated in government circles, as they were themselves officials or advisers in their countries. Like many other intergovernmental bodies, however, the SEA suffered from a low rate of turnover of the people attending its annual meetings and some of these were more conventional bureaucrats than senior economists. Their meetings tended to become routine and, with the secretariat providing most of the papers for discussion, they had lost much of their influence. Instead of reforming the SEA, the Commission disbanded it in 1997 when, in the face of budgetary constraints it decided to concentrate resources on economic analysis and statistics. But the value of bringing senior government advisers from capitals to Geneva to discuss economic issues in a more academic than official environment had been recognized. In April 1998 the secretariat introduced the first “Spring Seminar” which brought together government economists and other officials on the one hand with academics and independent researchers on the other. This stimulus to a free and open discussion of important policy issues (conducted without country name plates in front of officials) proved to be popular with both officials and academics, and an effective way of extending and raising the level of communication between these two groups, both of which have important degrees of influence on the policymaking process.¹⁵⁹

Stimulating East-West Trade

The encouragement of East-West trade served the double objective of sustaining economic growth and contributing to a narrowing of the divide between the two halves of the continent. The secretariat’s voluntary multilateral compensation system, discussed in chapter 2, ended in 1969 with the introduction of automatic transferability. Differences in legal and administrative practices, however, were then creating more obstacles to trade than the payments constraint. The Committee on the Development of Trade, building on work initiated by the secretariat in 1949 for the export and import of engineering equipment, developed standard contracts and general sales conditions for a wide range of activities, such as the transfer of know-how, and the execution of specific industrial projects. These standards were widely followed. Their practical value was to simplify the conclusion of contracts, prevent conflicts of laws between different national systems, reduce misunderstandings and litigation and help to balance the interests of buyers and sellers – all of which helped to lower transaction costs. To handle disputes, the ECE prepared a Convention on International Commercial Arbitration whereby arbitrators may be designated by the secretariat in cases where the parties to a contract fail to agree among themselves on such a designation. By the end of the century, the Executive Secretary of the ECE was still being invited to designate arbitrators two or three times a year.

Nevertheless, in 1969 East-West trade was still no more than six per cent of total intra-European trade, far below what was considered to be its potential. Governments therefore requested the Executive Secretary to prepare “an analytical report on the state of intra-European trade which would enable mutually acceptable recommendations on the removal of economic, administrative and trade-policy obstacles”¹⁶⁰ to be made. The *Report*¹⁶¹ was prepared by the Economic Analysis Division and appeared in 1970. It reiterated that administrative practices were, to say the least, inconsistent with the interest attached to east-west trade by Governments and economic organizations. On the Western side, slow delivery of licences or import permits, delays in customs clearance, and difficulties for engineers and businessmen in obtaining visas, were among the many administrative devices used to limit imports whose prices were judged “unfair” because, supposedly, they did not reflect their true costs of production. On the Eastern side, obscure and arbitrary decision-making demonstrated that long-term economic interests and declarations of intent meant little in the face of political distrust and administrative inertia. When the report was written the administrative obstacles to expanding trade had already been discussed for many years and little progress had been made. In early 1990, many of them were still being quoted as hampering the growth of exports from the East to the West.

These facts were not encouraging. Another avenue explored from the mid-1960s to improve the administrative environment was to develop “industrial cooperation” agreements. Enterprises from the East and the West were encouraged to reach agreements, extending over a number of years, on a whole range of operations including marketing and the development or transfer of technology. A lack of data makes it difficult to measure the impact of these agreements on east-west trade, but it might be supposed that entrepreneurs had, and still have, a stronger incentive to push for the removal of administrative obstacles on a case-by-case basis than bureaucrats have to change their habitual procedures for the sake of what, to them, may seem no more than a remote improvement in the economy.

The report itself recommended that the work on standardization be continued. The harmonization of norms and standards would “assure equal access on import markets to all suppliers of the same products and spare parts.”¹⁶² Such standards had already been developed for the spare parts of motor vehicles and for perishable agricultural products. For other sectors, the Government Officials Responsible for Standardization Policies adopted in 1970 a series of recommendations for pursuing this work. Since then, they or their successor body have regularly updated a “Standardization List” indicating sectors for which regulations are necessary, and where the lack of harmonised standards threatens to create technical barriers to trade. Recommendations have been made for a wide range of activities including the conformity of assessment techniques (testing, certification, inspection, etc.), accreditation, market surveillance and metrology.

Besides standardization, the rationalization and harmonization of trade procedures was to have a considerable impact on world trade if not, at this time, on east-west trade. The point of departure was the general dissatisfaction of all those involved in international trade with the heavy and expensive load of paperwork and time-consuming procedures. The first step was to simplify and standardize international trade documents and a decisive step forward was taken with an agreement in 1963 on the layout of such documents, the ECE Layout Key. This regional instrument was eventually adopted worldwide. In 1978, it was renamed “United Nations Layout Key for Trade Development”, and in 1985 was issued as International Standard ISO 6422 by the International Organization for Standardization. The forms used in maritime, road, and air transport, for freight forwarding, customs clearance, documentary credit, official inspection of goods, certification of origin, as well as a number of other commercial documents have now all been aligned on the ECE model.

Developments in the technology of data processing and transmission make it possible to aim at the elimination of paper documents which should have the double advantage of speeding up transactions and avoiding errors in the frequent transcription of data. Such an objective, however, requires a much more rigid discipline regarding data presentation and exchange rules than in the case of paper documents. In the 1970s, the Working Party on the Facilitation of Trade Procedures developed a United Nations Trade Data Elements Directory (UNTDDED, International Standard ISO 7372) where data elements are uniquely named, tagged and defined and represented by a specific expression and syntax. These data elements can then be grouped to form messages according to the United Nations Standard Messages types (UNSMs) or by agreement between trading partners.¹⁶³ In 1990 United Nations rules for Electronic Data Interchange for Administration, Commerce and Trade (UN/EDIFACT) were adopted comprising a set of internationally agreed standards, directories and guidelines for electronic interchange of structured data, and in particular that related to trade in goods and services between independent computerized information systems.

Sectoral approaches to the development of trade

The general recommendations of the Committee on the Development of Trade on the standardization and harmonization of procedures were not translated into concrete measures in the framework of the Committee, except for the UN Layout Key. Progress was indeed made in sectors such as agriculture and transport where development required standardization and more efficient customs operations. In the negotiations, representatives of the industry concerned were included in the national delegations or invited to give their views as observers. Their influence was often decisive: they put pressure on their government to reach agreements that would meet their needs and at a satisfactory speed.

After the war many countries of the region had significant trade deficits in food products while others were net exporters. The Committee on Agricultural Problems established in 1949 a Working Party on the Standardization of Perishable Produce, since diverging quality standards were an obstacle to trade. The earliest standards covered fresh fruit and vegetables, then potatoes including seed potatoes, dry and dried fruit, cut flowers, eggs in shell and poultry meat, and later egg products and meat other than poultry meat. These focused on quality so that a producer knows exactly what an importer wants and the latter knows exactly what he will receive.¹⁶⁴ They facilitate trade among the members of the Commission, but they can also be used as a protectionist device against imports from outside the region. Thus, the United States used the norms on cut flowers to stop imports from Columbia in order to force the latter to cease using fishing nets that entrapped dolphins in the Caribbean.

While ECE standards for perishable goods linked trade and quality, an agreement¹⁶⁵ on motor vehicles and parts aimed to improve security and limit the harmful effects of vehicles on the environment, as well as facilitating trade within the region. The Agreement was concluded in 1958 and many additional regulations have since been added in the light of technical progress. The Agreement led to a significant reduction in the emissions per vehicle, but this was partly offset by their growing number.¹⁶⁶ Security has improved with the introduction of safety belts and other technical devices, and the intra-European market for vehicles has developed steadily. The agreement also protected the ECE market from imports of vehicles and spare parts that failed to meet the standards obliging producers from outside the region either to invest in it or to produce vehicles at home conforming to the ECE norms.¹⁶⁷

In 1949, 1954 and 1956 conventions were adopted to speed up customs operations for passengers and goods. In 1959, a new instrument, the Customs Convention on the International Transports of Goods under Cover of TIR¹⁶⁸, the TIR Convention, greatly facilitated the transit of goods across Europe. Under TIR the international carriage of goods by road is allowed under customs seal from the customs office in the exporting country to the customs office in the importing country without any intermediate checks of the goods in the countries of transit. All the driver has to do in the transit countries is to show the TIR carnet, which gives details of the cargo. The International Road Union (IRU), a non-profit organization, delivers the TIR carnets through its national associations and guarantees the duties and taxes at risk during international transit. This means that, if a lorry enters a transit country and does not show up at an exit customs point, the customs of this country will claim the duties corresponding to the cargo declared on the TIR carnet from IRU. This system, which usually works well, went through a series of crises between 1996 and 2006 when IRU rejected the claims of some countries that had increased abnormally. Among the causes mentioned were the disappearance of customs controls within the European Union after 1995, the booming traffic between Eastern and Western Europe, the insufficient rigour of some IRU national associations or of some national customs offices, and

the lack of proper tracking of the lorries between the countries of departure and destination. Organized crime exploited all these loopholes.

So far, in each case a compromise was found between IRU and the claimant countries because none wanted to be deprived of the benefit of the TIR system, which is widely used in Europe and increasingly so in other parts of the world, particularly in Asia, western Asia and North Africa. This is another interesting case of the delivery of a public service by a non-profit organization that benefits from a monopoly situation.

Energy Cooperation before and after the Oil Shocks

In the second half of the 1950s and in the 1960s the abundance of energy at low prices distracted governments from paying attention to the global demand for energy or to the constraints that insufficient energy supply or higher costs might impose on the growth of production and to the wellbeing of households. The ECE secretariat, however, had taken the initiative in the mid-1950s of studying the price of oil in Western Europe because of concerns expressed in the Coal Committee about the competition from oil products. This immediately touched the sensitivity of oil interests:

In this instance representatives of oil interests prior to publication expressed their concern over the analysis they feared would make a problem full of delicacy for them. When the study was published and turned out to be a sober presentation of important facts, hardly in dispute but hitherto difficult to document, the excitement abated and the way was open for a more dispassionate consideration of the problem".¹⁶⁹

Indeed, this study raised interesting issues. It described how the FOB (free on board) price of oil from the Middle East was aligned on the FOB price of Texas Gulf and concluded: "the wide divorce which persists between prices and production costs in the Middle East suggests that, if this link were severed, the price charged on sales to European countries by the Middle East could be significantly lowered without adverse effects on the further development of its crude oil production."¹⁷⁰ But it went on to say: "the present division of margin of price over cost between royalties and profits is both arbitrary and likely to change."¹⁷¹ The study regretted the lack of attention given to the problems this situation created and suggested an approach that would "explicitly recognize the interests of all Governments, consuming as well as producing."¹⁷² The Coal Committee invited the secretariat to publish promptly the study "in Geneva and New York...on its own responsibility."¹⁷³ This was done. But when delegates more politicized than the experts attending the Coal Committee saw the study they insisted upon its withdrawal. The story, as reported by two different witnesses, was that the United States, the United Kingdom and the Netherlands made strong representations to Dag Hammarskjöld who ordered Gunnar

Myrdal to withdraw the study. The study was not officially distributed, but the copies already printed were left in a place from where they were easily available to anyone interested: they disappeared within a few days.

By the end of the 1960s it was evident that energy problems needed to be addressed in an integrated manner and so the secretariat submitted to the Commission in April 1970 a proposal “to deal with the energy situation as a whole on the basis of an econometric model for the European energy economy” and “to define this model after those existing in the ECE countries have been suitably compared.”¹⁷⁴ Such a European model was never built, but a comparison of national models was made and it concluded in early 1972 with a prescient remark: “The supply of oil and its price is generally considered as an exogenous variable which will not be influenced by the demand originating in a particular national economy. ... This assumption may be true for many individual countries, but it may not be true for entire economic regions, as combined demand for such regions can greatly influence quantities and prices on the supply side.”¹⁷⁵ This prompted the Executive Secretary, Janez Stanovnik, to argue that the energy problem had become an issue of considerable urgency requiring special efforts at region-wide cooperation.¹⁷⁶ On his initiative a report on the links between energy and growth was prepared and published in early 1973. It concluded that, given the ECE region was the major consumer of energy and, with the exception of the USSR and to some extent the United States, had to rely on imports, and given that supply was not a constraint on demand, “it would seem that limitations on the availabilities of energy over the next decades are not geological in nature, but economic, technical or political. In addition, limitations may be imposed in the long-term by the need to preserve man’s biosphere.”¹⁷⁷ This was another prescient conclusion.

Beyond its contribution to the debates on energy and growth that took place between 1971 and 1976, the secretariat had sketched an ambitious programme to address energy issues after the first oil shock.¹⁷⁸ This would have encompassed long-term agreements on energy supply, East-West exchanges, the development of gas and oil pipelines, the organization of research into energy saving and energy efficiency, and assistance to oil-importing developing countries. But this attempt to give the ECE a central role in energy policy failed because of the opposition of ECE governments and of the New York secretariat. ECE governments were favourable to the creation of a special committee for the general problems of energy, but others “felt that the time was not ripe to take this type of decision.”¹⁷⁹ Jacques Royer, who participated in the team that produced the report and the proposals, recalled the intervention of Philippe de Seynes who considered that global energy problems were the responsibility of the secretariat in New York not the Regional Commissions.¹⁸⁰ But this also failed to materialize as the major oil companies and, therefore, their governments would never accept that oil be addressed in the United Nations. Instead, Western governments created the International Energy Agency

within OECD in November 1974 and the ECE continued to address more technical issues such as energy efficiency and saving.

Facing Environmental Degradation

Curiously, it was at a meeting of experts on Inland Waterway Problems, in 1955, that the issue of pollution was raised for the first time in the ECE. The experts were concerned that the pollution of European rivers might be blamed on inland water vessels which in turn could lead to restrictions on their movement at a time when it was already difficult for them to compete with rail transport. In fact, inland water vessels bore little responsibility for the pollution of European rivers, which was mainly caused by the enormous quantities of urban and industrial waste being poured into them. The issue was placed before the Commission and as a result a conference on water pollution in Europe was held in 1956. This highlighted the problems and called for rules for the control of pollution on international watercourses to be introduced urgently. At the end of the 1950s, the coal industry also became aware that the environmental problems it was creating risked increasing the attractiveness of oil, already less expensive and less polluting. The Coal Committee therefore initiated work in the 1960s in a number of areas to reduce pollution. By the end of the 1960s, other ECE subsidiary bodies had included environmental problems in their programmes of work. The ECE thus became a forum for studies, exchanges of information and the elaboration of recommendations on a diverse range of issues related to the environment. The initial attention to the environment thus came from the heavily polluting sectors out of regard for their own self-interest and fears that their long-term expansion might be checked.

In the spring of 1967, the Czechoslovak Government suggested a meeting of ECE government experts to examine the escalating environmental problems in a comprehensive and long-term perspective. This initiative was the precursor to a similar proposal by the Swedish Government to the General Assembly, which led to the United Nations Conference on the Human Environment in Stockholm in 1972.¹⁸¹ The ECE Symposium on Problems Relating to the Environment took place in Prague in May 1971 and was a preparatory meeting for the Stockholm Conference. Its most important conclusion was its recognition of the “potential conflicts between the maximum increase of material production on the one hand and general welfare, including a satisfactory quality of the environment, on the other.”¹⁸² Such environmental disruption had tended to be downplayed in the context of a rather narrow concept of the standard of living and welfare, but it was now argued that “a reallocation of resources in favour of the quality of the environment might therefore significantly raise the standard of living.”¹⁸³ By 1971, the ECE had done pioneering work in several sectors, bringing to the fore substantive concepts that would stimulate subsequent international debates on the environment. Those that took place in the ECE during the 1970s extended the range of issues to the admission

that environmental degradation was caused not only by production but also by consumption, for example, by the use of motorcars. Environmental improvements would therefore require changes in lifestyles and hence the support of the whole population.

Two issues that would become important in subsequent United Nations debates emerged at the Symposium, namely, the international dimension of the environment and responsibility for future generations. On the latter, "a new moral approach was needed, in which mankind would be seen as the custodian of resources, for its own use and that of future generations."¹⁸⁴ On the former, the fact that "problems in one country could easily affect other countries"¹⁸⁵ should have led to a strong commitment to international cooperation. Instead, the Symposium's report was very cautious: "national and international questions should be distinguished, the major responsibility for action resting on national Governments, while international cooperation should facilitate and enrich national measures."¹⁸⁶ This attitude was not due to the traditional reticence of the East Europeans vis-à-vis any intrusion in their national affairs; it was an attitude shared by all the member countries that, as in the earlier case of oil, were not ready for decisions arising from international bodies affecting what they considered to be strategic economic issues.

Air is as vital as water, but waters go downstream while air goes in all directions depending on the wind. This may be why countries that were not ready to subscribe to obligations on water management felt they had a more common interest in reducing air pollution. The history of the Convention on Long-range Transboundary Air Pollution (LRTAP) and its protocols illustrates the complex interrelationships of general politics, country leadership and scientific concerns. Air pollution had been discussed in the ECE since the beginning of the 1960s and a Conference devoted to the question was held in Strasbourg in 1964. This led to technical work on measurement, methods of investigating damage, standardizing limits for permissible emissions, and to cooperation with the World Health Organization (WHO) and the World Meteorological Organization (WMO).

The Final Act of the Conference on Security and Cooperation in Europe, signed in Helsinki in 1975, and the proposal by Leonid Brezhnev to hold a series of all-European congresses on cooperation in the fields of environmental protection and the development of transport and energy gave a political impulse towards an international convention. The consultations conducted by the ECE secretariat on the Soviet proposal led to a High-Level Meeting on the Protection of the Environment where the Convention on LRTAP and a Declaration on Low and Non-waste Technologies were adopted. "The creation of the convention was largely a product of the atmosphere of *détente*" and although the convention "was weak on substantial commitments" it "proved to be more important in its institutional role and its function as an impetus to the negotiation of future regulatory protocols."

Until 1982, the Nordic countries were alone in giving some practical content to the LRTAP convention because the acidification of their lakes was causing a reduction of fish stocks. Other countries, less affected by this phenomenon, were opposed to any international controls on air pollution. The United Kingdom even argued that the hypothesis of transboundary pollution was fraught with “scientific uncertainties”, a familiar argument today of those opposing measures to deal with global warming. When German scientists produced evidence that acidification was responsible for the damage to the Central European forests, Germany became a strong advocate of international commitments to reduce sulphur emissions. “The vivid and scary image of the *Waldsterben*, especially concentrated on the Black Forest,” induced “a policy shift...of the same magnitude as the reports on the ozone hole over the Antarctica.”¹⁸⁷ The opposition of France, the United Kingdom, the United States and the Eastern block prevented, in 1983, an agreement on a protocol to the LRTAP Convention that would have mandated a reduction of 30 per cent in sulphur emissions. But the “30 Percent Club” recruited new members in 1984 and 21 countries signed the Protocol in 1985. It opened the way to the adoption in 1988 of a new Protocol to freeze NOx emissions at their 1987 or earlier levels by 1994. Here again economic interests were at stake. Germany supported it because its motorcar manufacturers were already obliged to install catalytic converters; France, Italy and the United Kingdom argued for lean-burn engines that were better adapted for smaller cars. The importance of these protocols lay in the acceptance of international commitments and controls. They did not stipulate emission reductions, however, that would have been greater than those set by national legislation nor did they require changes in the structure of production.

By the end of the 1980s and early 1990s significant progress had been made in securing agreements among ECE governments to deal with transboundary air pollution and, more slowly, transboundary water pollution. In analysing current problems and coming up with new ideas to solve them, an international secretariat needs to be “ahead of the curve”, even if it risks some unpopularity, because intergovernmental agreement on what to do generally lags far behind.

APPROACHING THE TRANSITION ERA

Neither the secretariat of ECE in its *Surveys* and other publications nor the SEA developed an overarching model of economic development for the countries of the ECE region. They did not aim to do so and in any case it would have been impossible in an ideologically divided Europe. They contributed to the policy debates in a more modest but perhaps more useful and scientific way than by applying ready-made models to diverse situations. In comparing national policies, methods and outcomes, they added to the knowledge and understanding of many aspects of development. The confrontation of ideas and experience in debates and

publications and the gathering and assessment of a wide range of expert views are among the proper methods of scientific progress. In an uncertain science such as economics, the question marks are as useful as the conclusions, particularly for decision-makers. That did not prevent the ECE from holding its own views on growth, on how to overcome the resistance to change, and how to meet the needs of the less favoured sections of the population. Indeed, as a practical matter, a coherent standpoint from the secretariat is a more effective way of starting a debate than an attempt to reflect every single point of view in a single paper, as one of the *Survey's* critics (quoted in chapter 2) once remarked. At the same time, it reconciled its advocacy of growth with a pioneering concern for the environment through a conviction that technological progress, combined with international rules and conventions could lay the basis for sustainable development.

While contributing to the intellectual and policy debates on development and growth, the ECE tried to address some of the practical needs of the Region by following Myrdal's recommendation to take up, among a large number of complex and political issues, those problems for which solutions were urgently required and stood a reasonable chance of being solved. In the different sectors covered by the Commission, the ECE members were able to agree on a large number of policy recommendations. By the end of the 1980s, the ECE had produced many internationally agreed standards or norms as well as "soft" international laws and, sometimes, legally binding agreements. These instruments, if not adopted by all countries, had been elaborated in the course of negotiations in which all had the right to participate on equal terms. Even if formally adopted they were often unequally applied: well respected in Western Europe and integrated in the *acquis communautaire* of the European Community, they were, in general, poorly put into practice in Eastern Europe. After 1990, however, the situation changed in those countries seeking to join the European Union as these instruments represented in some sectors more than a quarter of the rules and practices with which they had to comply as a condition of entry. Other Eastern countries also began to comply more closely with the ECE norms and standards as their economic relations with the European Union developed.

At the start of the 1990s, the ECE had accumulated a stock of knowledge about the economies of Eastern Europe that no other organization possessed. It had presided over the negotiation and management of hundreds of norms and agreements mainly designed to facilitate trade and communications between the two parts of Europe. Many of the officials who had risen to high-levels of responsibility in the communist era had travelled to Geneva to participate in the many meetings organized by the ECE. Many of them kept their responsibilities after 1989 and some became ministers. The ECE certainly had the technical and economic capacity to advise and assist the transition process but it was not used, mainly for political reasons. Its

CHAPTER 4

THE TRANSITION ERA: A PERIOD OF TURBULENCE

THE CONTEXT: ENTERING UNCHARTED TERRITORY

The fall of the Berlin wall and the break-up of the USSR and the Socialist Federal Republic of Yugoslavia reconfigured the map of Europe as a result of the tensions and conflicts that shook parts of Europe throughout the 1990s. At the same time, the failure and the collapse of communist regimes consecrated the hegemony of the neo-liberal orthodoxy that had progressively dominated economic policy in the 1980s and was embodied in the 1990s in a vision of a seamless global economy

A New Map of Europe

“The extraordinary – and it must be added, totally unexpected – developments in Eastern Europe and the Soviet Union in 1989 constitute a major turning point in Europe’s post-war history.”¹⁸⁸ Symbol of the division of Europe, the Berlin Wall fell on 9 November 1989. This had been preceded by Hungary’s opening of its border with Austria, permitting thousands of people to leave the GDR via Hungary. In one way or another, the people of Eastern Europe had made it clear that they wanted a decisive change in the way their political and economic affairs were conducted. On 1 July 1990, Chancellor Kohl declared the economic and currency union of Germany, and political union was decreed on 3 October 1990. The other West European countries accepted this once the Bundesrat had recognized the Oder-Neiss boundary with Poland. The Warsaw Pact was formally dismantled in 1991, although it had effectively ceased to function in late 1989. The USSR was crumbling through 1991, when Estonia, Latvia and Lithuania recovered their independence, and finally ceased to exist when the Commonwealth of Independent States (CIS) was founded on 21 December 1991. The countries of the Caucasus

and Central Asia became independent in 1992. Apart from the tensions that marked the independence of Lithuania, the dissolution of the USSR occurred without fighting, as did the separation of Czechoslovakia into the Czech and Slovak Republics on 31 December 1992.

In stark contrast, the break-up of Yugoslavia was the one case where the collapse of communism led to appalling violence. In 1991, nationalists, especially in Serbia, were exploiting the general dissatisfaction created by the shock therapy advocated by the IMF and the austerity programme introduced by Prime Minister Markovic, who wanted to preserve the Federation. Although there may not have been at that time a majority in favour of the break-up, support for the Federation was fragile. The carefully balanced Federal structure, which had restrained Serbian influence in order to balance the other ethnic groups, had been gradually weakened, even during Tito's lifetime, by economic decentralization, which pitted the republics and autonomous republics in competition with each other, and by a diminishing regard for the interests of ethnic minorities in the constituent republics. Slovenia and Croatia rejected Markovic's financial reforms and decided to leave the Federation. Slovenia's departure in 1991 was relatively bloodless, essentially because it contained no Serbian minority. But in Croatia and Bosnia, there were large Serbian minorities who resisted secession from the Federation. From 1991 the region was wracked by a ruinous war that was only brought to an end by the Dayton Agreement in December 1995. Croatia gained its independence in 1992, but at the cost of about one third of its territory remaining with the Serbs while Bosnia was effectively divided between Croats and Serbs, the Moslems being the major losers.

The Socialist Republic of Macedonia managed to remain outside the conflicts over the Yugoslav succession and, after a referendum, declared its independence in September 1991, adopting the name of the Republic of Macedonia. Greece objected to the name and it was only in 1993 that the country was officially recognised as The former Yugoslav Republic of Macedonia. The disagreement over the name is a permanent source of argument in official meetings.

The creation in April 1992 of the Federal Republic of Yugoslavia, composed of the former Socialist Republics of Serbia and Montenegro, was followed by more violence. Ethnic tensions mounted in Kosovo and violence by the Kosovo Liberation Army led to indiscriminate retaliation against the Albanian population, driving many of them into refugee camps. Serbian troops withdrew from Kosovo after the NATO bombing campaign in early 1999, leaving Kosovo to be administered by the United Nations. The Federal Republic of Yugoslavia transformed itself again, into Serbia and Montenegro, and then, in June 2006, following a referendum in Montenegro, the two countries separated from each other.

The break-up of the former Yugoslavia was frequently described at the time as evidence of the return of ancient hatreds and of the destructive nationalism that has so disfigured the

European past, not least in the twentieth century. But this is probably a great exaggeration. Nationalism is a constant in Europe but for the past fifty years or so it has been controlled by, or channelled into institutional structures such as the European Community or by ceding a substantial degree of autonomy to regional bodies. The break-up of Yugoslavia can be seen as a failure of federation in a particularly complex region of Europe, but it also provides a grim warning of the dangers of what the Philosopher Isaiah Berlin called “wounded nationalism”.

The crisis in the Balkans in the 1990s was also an embarrassing reminder of the limits of European cooperation, especially in security matters where most of the initiatives came from the United States. The political map of Europe remains particularly complicated in the Balkans, and it presents the European Union and other pan-European bodies with their greatest challenge. On the one hand this requires being able to act coherently and decisively in matters of security and, on the other, developing an equally coherent and decisive economic strategy to integrate the region, and especially Serbia, given its weight in the area, more closely with the core European economies. The situation in South-East Europe remains fragile and precarious – and there are far too many young men in the region with no employment and few prospects.

Globalization between Facts and Ideology

In the course of the 1980s the term “globalization” came into fashion to describe what many felt to be a new and central reality of the times. This “reality” was supposed to be mainly the result of two factors: first, the technological progress that had reduced the costs and the risks of international communications and transport and dramatically increased the capacity to process information. And second, the progressive removal of trade barriers in industrialized countries since World War II and, since the 1980s, widespread privatization and the deregulation of financial markets that were expected to allow full play to the diffusion of technical progress, foreign capital and the superior managerial skills that came with it. Eastern Europe would benefit from these dynamic forces just like the rest of the world.

Globalization is surrounded by hugely exaggerated claims about its nature, its extent and both its benefits and costs. No one would deny that there has been considerable technical progress in information technology but it is difficult to claim that the pace of change has been greater than in the late nineteenth century when the speed of communication between Europe and North America, for example, was reduced in the 1860s from several day’s sailing time to the minute or so that it took to send a telegraph message. This development, in conjunction with the technology of the steamship and the railway, led to a boom in foreign investments and to a degree of openness, as measured by the ratios of merchandise trade or foreign investment to GDP, which for many countries prior to the first World War was as high or higher than in

the early 1990s. The point is that the rupture in the ways of doing business over the last two decades is not without precedents of similar or greater magnitude.

The word globalization is frequently used to legitimize the belief that open trade and investment regimes will lead not only to faster growth for the world economy but also to accelerate the convergence of national incomes per head across the world. To achieve these objectives, however, it was necessary to minimize interference with market forces and generally reduce the economic role of the state, to liberalize external trade and remove controls on the movement of foreign capital, to privatize state enterprises and generally allow the greatest possible freedom to the play of market forces. These prescriptions, embodied in what was loosely called the Washington Consensus, inspired the policies of the IMF, the World Bank, and other international economic institutions towards the developing countries and, after 1989, the countries with economies in transition from central planning to the market. Through World Bank and the IMF advice and the conditionality attached to their loans, recipient countries were required to liberalize and privatize irrespective of their economic, social or political circumstances. After the 1994 Uruguay Round, World Trade Organization (WTO) rules were extended to areas of domestic policy that went far beyond the traditional domain of international trade relations and which severely narrowed the policy space for governments to pursue their economic development with instruments that had previously been used with success by the developed countries in the earlier stages of their development.

Globalization, as a phenomenon or an ideology, has become increasingly controversial over the last two decades, not least because of its disappointing results for the poorest countries and for its alleged responsibility for growing inequalities within and between countries. The United Nations Secretary-General, Kofi Annan remarked in 2003 “there is widespread unease, and even distrust, about the new economic and technological space we inhabit. So many people have yet to benefit, and in the developing world there has been great dislocation without a safety net.”¹⁸⁹ Henry Kissinger, in an exceptionally candid moment, admitted, “What is called globalization is really another name for the dominant role of the United States.”¹⁹⁰ For the secretariat of the ECE, globalization was above all a particular set of economic policies that had arisen out of the circumstances of the developed market economies in the 1970s: “In this normative mode, so to speak, the globalization agenda turns out to be the traditional neo-classical, neo-liberal agenda updated for a world where geographic distance is alleged to have little significance for business activity”.¹⁹¹ In fact, trade and foreign direct investment flows still remained relatively concentrated within regions, especially among the developed countries and, if anything, the movement towards greater regionalism is as strong, if not stronger than that for globalization. Geography does matter, and so does history, and context and initial conditions.

TWO MAJOR CHALLENGES

Transition from Plan to Market: Arguments for a New Marshall Plan

The factors behind the collapse of the Communist regimes in Eastern Europe and the Soviet Union, why they collapsed and why they collapsed when they did, are matters of considerable controversy that will keep scholars busy for many years to come. From the economic point of view, the ECE secretariat had been recording a steady weakening of their economic performance over a very long period. As already noted in chapter 3, after rapid rates of growth in the 1950s and 1960s had absorbed the existing reserves of labour, the official strategy was supposed to bring about a shift from extensive growth (i.e. based on a simultaneous expansion of labour and capital) to intensive growth (i.e. based on a more efficient use of resources and a more intensive use of capital). Fixed capital formation did increase quite rapidly from the mid-1960s and 1970s, although it slowed down sharply from 1979 as a result of the second oil price shock and the subsequent debt crisis. However, despite the considerable increase of investment in the 1970s, the earlier slow-down in rates of output growth continued as did the growth in labour productivity. The ECE secretariat calculated, in 1986, that capital productivity had been falling in most of Eastern Europe since 1971 and the contribution of changes in total factor productivity to the growth in total output in the first half of the 1980s was smaller than in the early 1970s.¹⁹² (This was the study, as mentioned earlier, the GDR tried to suppress). The consequences of this chronic deterioration in productive efficiency were manifold, but above all it reflected a failure of the planning system to react effectively to economic changes, whether they were internal (exhaustion of labour reserves, CMEA integration) or external (oil price shocks, competition in export markets, coping with the debt problem). Observing the situation in April 1990, the ECE secretariat warned “the present situation in eastern Europe and the Soviet Union is not so much a cyclical or short-term phenomenon as the most recent stage in a general deterioration in performance which stretches back over two decades or more.”¹⁹³ By the time of the collapse of the Berlin wall in the autumn of 1989, it was apparent that the Eastern economies were facing not only severe stabilization problems but chronic structural disequilibria as well.

The ECE insisted, from the beginning of the transition, that stabilization, and structural and institutional reform could not be isolated from one other. Macroeconomic instability will undermine investment and micro-reforms, while obdurate supply-side problems and weak or missing institutions will make macroeconomic policy ineffectual. Consequently, a strategy for the transition process had to be pursued on a wide front and institutional reform could not be

postponed to some later date. Of course, not all the institutions required in a market economy could be tackled at once, and all institutional reform takes time, but key deficiencies needed to be attacked very early and especially those affecting the efficiency of monetary and fiscal policy and the incentives to private investment. In contrast, the orthodox and “shock therapy” approaches in 1990 shared the perennial optimism of the neo-classical school that institutional problems would not be a significant deterrent to investment and structural change as long as markets were freed and relative prices were “correct.” The ECE’s more pessimistic view of the likelihood of such spontaneous adjustment, however, implied a major role for government in building the institutional framework for a market economy – as has been the case historically in all the present developed market economies – and in getting the development process under way. But the problem here was that the public administration itself was in urgent need of reform in all the transition economies, and the public mood in the immediate aftermath of the 1989 revolutions was not very supportive of measures to boost the effectiveness of government. It was for these reasons – the scale of the structural problems in the transition economies and their limited resources to handle them – that the ECE was the first to suggest that what was needed was another Marshall Plan.

The problem of moving from a system of central planning to a market economy was largely without precedent. Nevertheless, there was some relevant experience in the re-conversion of war-economies to normal peacetime functioning in the second half of the 1940s. Indeed, in the immediate aftermath of the Second World War, the economies of Western Europe were highly regulated and were faced with considerable problems of reconstruction and restructuring, the solutions to which were hampered by large current-account deficits, over-valued currencies, open inflation and high levels of foreign debt. A network of bilateral trade relations restricted intra-European trade and specialization. This resembled in many respects the situation in Eastern Europe at the end of the 1980s, and even more so after the dismantling of the USSR two years later. But, “a crucial and fundamental difference between the transformation problems facing west European countries in 1945 and those facing the eastern countries...was that the former did not have to reconstruct market economies from first principles.”¹⁹⁴ This led the ECE to analyse what makes a market economy work and how support from the West should be designed to help bring it into existence in the East:

It is often overlooked, even by many economic agents in the market economies, that the actual functioning of markets and market economies depends on a detailed infrastructure of property rights, corporate and non-corporate law, an extensive array of specialized financial institutions, regulations and regulatory bodies, labour law and procedures for settling disputes, and so on. Much of this infrastructure is embodied in institutions, but important elements are imbedded in cultural and social traditions and in the conventions of business practice. Although

all the leading market economies today share a number of basic or core characteristics, there is no single, homogenous model of a market economy.¹⁹⁵

In these few lines lay most of the differences between the views of the ECE secretariat on the transformation of the centrally planned economies and the common wisdom of 1989. The fact that there was no unique model of an efficient market economy and that policies should be adapted to the specificity of countries was, and is still too often, forgotten in practice. But, in 1989, a notable difference concerned the assumed time path of reforms. As changes in institutions, economic infrastructure and behaviour take time, the ECE proposed a more evolutionary approach than the rapid “shock therapy” widely advocated, especially by those who feared that the recent political changes could be reversed. For the latter, rapid reforms, including liberalization and privatization, would create an irreversible situation. (It is still a puzzle as to why such fears were so prevalent so early when the regimes that had been overthrown had failed on virtually every criterion of success – political, economic and social – and were generally seen to have lacked popular legitimacy. Perhaps the cold war, Manichean view of Communism in the West also needed time before it could be shaken off). The ECE, for its part, feared that the over optimism of those who believed that reforms could be achieved rapidly would raise excessive expectations and that this could create an explosive social situation when reforms would prove to be painful and results would take time to materialize: “The argument that the legal and financial infrastructures of the market economy must be put in place before markets can perform as expected suggests that the order in which reforms are introduced may be more important than the pace of reforms.”¹⁹⁶

Admittedly, many policy measures were urgent, not least to avoid accelerating inflation and balance of payments problems. This is where foreign assistance can be especially helpful – by easing current account constraints, financing part of government budget deficits, and reducing the high levels of inherited foreign debt, it can allow countries to focus on the more time-consuming structural problems. Financial help is essentially about buying time for hard-pressed governments – and that is what the Marshall Plan did for Western Europe in the 1940s. Marshall aid for Western Europe consisted largely of financial assistance (largely grants) with a relatively small proportion of technical assistance. But given the scale of structural and institutional problems in the transition economies the ECE suggested, “that these proportions need to be reviewed in any assistance programme for the East. In other words, the Marshall Plan should be turned on its head.”¹⁹⁷ This was obviously a point about the structure of such assistance; it certainly did not imply, as some commentators reported, that financial help was not important!

A programme of Western support along the lines of a new Marshall Plan was an important part of the ECE’s argument for gradualism in most areas of reform. The ECE naturally shared the consensus view in respect of the need for price liberalization, but recalled that after the

war, West European prices had been liberalized progressively as uncertainties over supply responses were reduced. The process was not fully completed before 1957. This line was generally followed by the transition economies. Similarly on trade liberalization, the ECE secretariat advocated progressiveness: transparent tariffs and quotas should, as a priority, replace the direct controls in place under central planning, and then a programme should be drawn up for their reduction and eventual elimination. In favour of gradualism, the authors of the Survey quoted the precedent of the EPU, the series of trade negotiations under GATT and, not least, the authority of Adam Smith. "Humanity may in this case [if labour mobility is low] require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection."¹⁹⁸ Unfortunately, too rapid trade liberalization, associated with over-valued currencies and the invasion of western products, impoverished the peasants and, by giving little time for adjustment, made large fragments of the industrial sector obsolete overnight. In the second half of the 1990s, when currencies had stabilized at more reasonable levels, many national enterprises demonstrated that they were able to adjust to changing demand.

The ECE also noted that the success of privatization in the West had been linked to the degree of competition prevailing in the relevant sectors. It warned that, in Eastern Europe, without reasonably accurate estimates of the net worth of the enterprises to be privatized, there was a considerable risk – a risk which, later, materialized too often, particularly, in Russia – "that social assets would be sold off at prices which would imply large transfers of wealth either to the old managers and to former members of the nomenklatura or to newcomers from the west."¹⁹⁹ Therefore, if the creation of new private enterprises was to be encouraged, the privatization of large public enterprises was not necessarily the immediate priority. In the following years, the *Surveys* contributed to the debates on privatization. They expressed views about the aims and modalities of privatization as well as the need to restructure enterprises prior to or immediately after their privatization. When, to justify the priority given to privatization, the argument was developed that privatization created a constituency for market institutions and laws, the ECE agreed that, to be effective, institutions had to have a constituency. But, it pointed out that private enterprise could adjust to almost any legal environment provided it was stable, and that it was the responsibility of the State to elaborate the necessary rules of the game that would ensure respect for the common interest and, indeed, maintain popular support for the market system as a whole. At a time when slogans against the "bloated" State were flourishing, especially in the West, the ECE constantly reminded its readers of the need for a strong and reformed State to build institutions, conduct reforms, and uphold the rule of law. By the mid-1990s, the anti-State anthem began to soften, as too many States had proved unable to enforce their own laws. However, it was only after the disastrous financial crisis of August 1998 in Russia that the importance of institutions began to move to the top of the agenda.

In the minds of the decision-makers in the West and the East, the Marshall Plan was associated with massive transfers of financial resources. Contrary to what is still believed, an equivalent effort in the early 1990s would have not been out of reach. Assuming that the same amount per capita as during the four years of the Marshall Plan were provided to the six East European countries and the Soviet Union, the secretariat estimated the cost at \$16.7 billion a year, at 1989 prices. At the same time, Jacques Delors, President of the Commission of the European Community, indicated that, if the six East European countries alone were given the same support as provided by the Community to its own depressed regions, it would amount to \$14 billion a year.²⁰⁰ However, the question was not so much “what amount?” but “for what purpose?” As mentioned above, the ECE secretariat advocated that a new Marshall Plan should have a major component of technical assistance. But financial transfers would also be necessary, and a number of urgent objectives were suggested: improving the transport and communication infrastructures, which would increase the attractiveness of the transition economies for foreign capital, and improving the disastrous state of the environment. Another suggestion was to finance a temporary Central European Payment Union (CEPU), modelled on the EPU of the 1950s, in order to avoid a precipitate collapse in trade among the former members of the CMEA. This suggestion was dismissed by a number of politicians in the East as an attempt to keep them locked into the CMEA structure – which of course it was not. Instead, intra-east European trade collapsed and exacerbated the transition recession.

Another key but often forgotten feature of the Marshall Plan, emphasized in the *Survey*, was that it invited each recipient country to draw up a four-year outline plan for recovery, the plans being coordinated in the OEEC. This framework reflected Marshall’s insistence that the European countries themselves should assess their requirements for aid and that there should be a minimum of cooperation among them. Similarly, the ECE recommended that Eastern countries should be invited to do the same.

The main substantive recommendations were made in April 1990 and are summarized in box 2. They were repeated and elaborated in subsequent *Surveys* in the 1990s. Over time has demonstrated that the ECE appears to have been largely correct in its analysis, as it proved impossible to undertake all the reforms at the same time and, even when laws and regulations were adopted and decided on rapidly, it took time for them to be effectively applied. However, the ECE may have overestimated the risk of destabilizing social tension just as others overestimated the danger of a return to communism. In Central Europe and the Baltic States democracy has proved to be resilient: successive elections brought new majorities as a result of popular dissatisfaction, but reforms continued to be pursued and there was continuity in macroeconomic policy. However, social tensions do not always appear as a “big bang”: sometimes they may simmer at a level that inhibits governments from implementing painful but necessary policy measures; and sometimes they may be reflected in large numbers emigrating

Box 2. Economic Reform in the East: A Framework for Western Support ^a

1. The recipient countries should identify themselves their needs for assistance. They should produce coherent programmes showing how they intend to reach their structural adjustment objectives.

The constituents of any technical assistance programme will depend on the particular circumstances of each recipient country, but it is suggested that a number of elements be given priority since they will play an important role in creating the credibility of the reform programmes and calibrating the expectations of economic agents with a realistic pace of structural reform. The suggested priorities for technical assistance are:

- The creation of the legal, financial and institutional framework essential for the operation of a competitive market system;
- The provision of comprehensive and reliable statistical and economic information services for both government and enterprises;
- The development of the various marketing skills required for boosting exports.

2. For improving the competitiveness of East European countries, Western countries might usefully:

- Eliminate all quotas and other quantitative restrictions on imports from reforming Eastern countries according to a precise timetable;
- Monitor the effects of western COCOM (Coordinating Committee for Multilateral Export Controls);

And the Eastern countries should:

- Convert the present administrative controls on eastern imports into the most transparent devices of tariffs and quotas and the drawing of a timetable for their gradual elimination.

3. Effective technical assistance will increase the eastern capacity to absorb new capital funds and technology. Nevertheless, there is still a need for financial assistance in the immediate future, and especially for grant aid that would avoid any addition to existing debt levels. The priority objectives for such financial aid should be:

- Radical improvement of transport and telecommunications systems;
- The rapid reduction of environmental pollution;
- The creation of a Central European Payments Union to facilitate Eastern countries transition to a system of free trade and multilateral settlements.

^a This box contains only quotations from: ECE, *Economic Survey for Europe 1989-1990* (New York and Geneva: United Nations, April 1990).

or seeking asylum abroad, a preference for “exit” rather than “voice.” Both manifestations are currently present among the transition economies, especially those in South-East Europe and in parts of the CIS. It remains that had the ECE recommendations been applied with a greater sense of urgency and with more rapid and generous support from the West, they might have avoided mistakes and reduced the welfare costs of adjustment. In assessing the results of policy the criterion cannot simply be whether it eventually succeeded, but whether it succeeded at least cost to those who had to bear the pain of adjustment. So, the question raised in the first volume of the United Nations Intellectual History Project,²⁰¹ which begs a response, is why the ECE’s views had little impact?

Obviously, it is too early to pretend to a definitive answer when the records of the principal actors are still closed, but a number of elements appear to be important. First, was the fact that the Survey was going against the stream of economic policy thinking in the leading market economies.²⁰² In 1989-90, neo-liberalism was triumphant and there was a widespread conviction that the policies of liberalization, deregulation and privatization, as pursued in the “Anglo-Saxon” countries, provided an appropriate model for transition economies. Associated with this approach, was a belief that government should interfere as little as possible in the workings of the economy. “Get the government out of the economy” was the simple message from the West. Rapid price and trade liberalization, together with speedy privatization, would unleash domestic entrepreneurial energy and attract foreign investors eager to get in on the forthcoming boom. Implicit in this approach was that the market economy was somehow immanent even in Soviet-type economies and would become apparent once all the shackles on private initiative were removed.²⁰³ It was also attractive to Western governments as it implied that the basic tasks of restructuring would be undertaken by foreign direct investment and, therefore, there would be no need for large-scale official assistance along the lines of a Marshall Plan. Professor Rudiger Dornbusch of the Massachusetts Institute of Technology (MIT) was among those who saw the rejection of a Marshall Plan approach as a major strategic error.²⁰⁴

Secondly, the majority of Western finance ministers simply did not want to hear of suggestions for a Marshall Plan for Eastern Europe, although a number of other senior politicians thought it was desirable.²⁰⁵ Fiscal consolidation, in part a legacy of the 1980s and the fight against inflation, was high on the agenda and would be reinforced in the EU by the Maastricht Treaty of December 1991 (which was already foreshadowed by the abolition of remaining capital controls in the EU in July 1990). Essentially, Western Europe was largely preoccupied with its own concerns and the message of the Washington Consensus, that the transition to a market economy was largely a matter of liberalization and foreign capital, was a welcome relief. Thirdly, the neo-liberal policy stance was also widely attractive in the transition economies. Although there were many economists and officials who sympathized with the

ECE view, most of them were not in the first post-1989 governments. It has to be admitted that “getting the State out of the economy” was understandably an attractive message for those in the East who identified the State with repression and economic failure. Arguing for reform of the State to undertake different, but necessary, tasks in a market economy was more difficult and less welcome. Rapid liberalization and privatization was also attractive to the members of the nomenklatura: far from wanting to turn the clock back, as a number of western advisers feared, they were happy to get a head-start in grabbing State assets at fire-sale prices – and when things went wrong, early liberalization of the capital account enabled them to move their newly acquired capital to safety abroad.

A fourth reason for the ECE’s lack of influence reflects both the marginalization of the United Nations itself in international economic policy debates as well as attitudes towards Eastern Europe within the United Nations. The G7 had made it clear that the Bretton Woods institutions would be largely responsible for the response to the transition, and these institutions were determined not to yield their role to another “Marshall Plan” as they had been forced to do in 1947. Also, many East European governments were now more interested in joining NATO and “western” organizations such as OECD than in seeking more influence for the United Nations. Within the United Nations itself, there were a number of reasons why no coherent contribution was made at the highest level to the policy debates on transition. The only senior official in New York who agreed with what the ECE was saying was Goran Ohlin, who saw transition issues as an opportunity for the United Nations to regain a more authoritative voice in international policy discussion.²⁰⁶ Against this, were several forces. The developing countries were fearful that the transition economies would divert assistance, private investment, and general attention away from themselves, and were therefore suspicious of any move that might suggest the United Nations was itself diverting resources to the East. Transition was a problem for the rich men’s club. Secondly, the various United Nations agencies and departments were engaged in a traditional bureaucratic struggle for parts of the new piece of turf that had appeared with the collapse of communism. The ECE is a very small department within the United Nations and with no coherent approach coming from the Thirty-eighth Floor on Eastern Europe and the former Soviet Union there was little chance that the ECE’s analysis would be amplified by becoming the voice of the Secretary-General.²⁰⁷

Nevertheless, it cannot be concluded that the ECE should have saved its breath or that in order to be more influential it should have confined its analysis to what was considered politically acceptable at the time. If everyone does that, they will all end by saying the same thing, which is not very helpful to those responsible for policy and who need to consider all the options – and in a world where debate is increasingly polarized, it needs be stressed that there are always alternatives. It would also have been a rejection of the principles laid down by Myrdal and the tradition of “constructive scepticism” maintained over the years in the ECE.

Moreover, one of the objectives of thinking “ahead of the curve” must surely be to transform the politically impossible, often a transitory perception, into the politically feasible.

EU Enlargement

Joining the European Union was seen by most of the countries of Eastern Europe as essential, not only for providing the foundations for sustainable long-term growth, but even more for underpinning their new democratic institutions and increasing the general security of the region. Psychologically, membership of the EU was seen as confirming their “return to Europe” and drawing a line under the period when they were subject to a foreign hegemony. Thus, soon after the fall of the Berlin Wall, the countries of Central Europe announced their wish to establish close links with the European Union. In 1990-1991 most of them signed Association Agreements with the Union and, when Brussels had clarified the procedure, all of them formally applied for membership. Later, in 1998, two countries of the CIS, Ukraine and Moldova, as well as those emerging from the break-up of the former Yugoslavia, and Albania also indicated their wish to join.

The ECE was not involved directly in the enlargement process, although most of the conventions and norms developed in the ECE are part of the *acquis communautaire*. In the 1990s, the secretariat had developed some “operational” activities, mainly to assist transition economies in adopting and implementing these conventions and norms, but these were not confined to candidate countries. The ECE, however, at various times, reviewed aspects of enlargement in the *Survey* although its views were not always well received in Brussels. First, the ECE argued early on that the European Union should have a comprehensive and transparent pre-accession strategy, which would require more than simply informing the candidate members about the complexities of the *acquis* and the sequence in which the various rules and regulations might be introduced. Such a strategy should make it “possible to reduce or attenuate some of the costs of adjustments and anticipate many of the benefits of membership by strengthening both policy credibility and the expectations of economic agents, especially investors and entrepreneurs, in both transition economies and Western Europe.”²⁰⁸ At the same time, the ECE advocated that the EU should facilitate market access for exports, including sensitive products, from Eastern Europe. It also argued for financial transfers to be better targeted so as to avoid the build up of external debt, help build market institutions, and promote trade among the transition economies. These proposals did not please the Western countries, which were particularly sensitive about the ECE secretariat assessments that financial and technical assistance were poorly coordinated. It is interesting to note (see box 3) that these recommendations, made in 1996, were echoed in the decisions taken in 1997, although it is not claimed that the ECE had a direct influence on this development. By contrast, the candidate

Box 3. Steps to Enlargement

The Association Agreements

The Association Agreements form nowadays the legal framework for association between the applicant countries and the European Union and cover political and economic relations. Between 1991 and 1996, such agreements were signed by Poland and Bulgaria (December 1991), Romania (February 1993), Bulgaria (March 1993), Czech Republic and Slovakia (October 1993), Estonia, Latvia, and Lithuania (June 1995) and Slovenia (June 1996). Already before 1990, Turkey, Malta, and Cyprus, respectively in 1963, 1970, and 1972, had signed Association Agreements the aim of which was the establishment of a customs union.

1993, The Membership Criteria

The Copenhagen European Council approved the principle of the EU enlargement and adopted three sets of criteria:

- Political criteria: democracy, the rule of law, human rights and respect for and protection of the minorities
- Economic criteria: a functioning market economy and the capacity to cope with competitive pressure
- Adoption of the *acquis communautaire*

In December 1994 the Essen European Council set a pre-accession strategy, which was reinforced in 1999 at the Berlin European Council with the creation of two pre-accession instruments – a structural instrument and an agricultural one – a financial framework for these instruments, and the doubling of pre-accession aid.

Between 1994 and 1996, ten countries with economies in transition submitted their application for membership of the EU: Hungary and Poland (1994), Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovakia (1995) Czech Republic and Slovenia (1996). Turkey (1987), Cyprus and Malta (1990) had already submitted their application.

The Accession Negotiations

On 16 July 1997, the European Commission published the *Agenda 2000* which addressed in particular the issue of enlargement and to which are attached the Commission's opinions on the situation of applicant countries in regard to the accession criteria. In December 1997, the Luxembourg European Council approved the report and decided that the accession negotiations should be launched with the Czech Republic, Estonia, Hungary, Poland, and Slovenia. It also established a financial framework for supporting the pre-accession process. On 30 March 1998, the accession process started for six countries, the Luxembourg group composed of the five countries mentioned above and Cyprus.

In December 1999, the Helsinki European Council noted that certain candidates would not be able to meet the Copenhagen criteria in the medium term, but, nevertheless, decided to convene in 2000 bilateral intergovernmental conferences with a view to opening negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania, and Slovakia.

Negotiations are conducted bilaterally; countries will be admitted individually in function of their compliance with the accession criteria. This means that depending of the rapidity of the progress achieved, countries which started late the negotiations can catch up with those that started negotiation at an earlier stage and did not start on the same date.

countries did not like the view of the ECE secretariat that it was not in their interest to accede too soon to the Union:

“A rushed and premature entry of the transition economies into the EU is unlikely to be in their longer-run economic interests if they are unable to face full-fledged competition in the single market. In such a case, they would risk being confined to low value added activities, subject to increasing competition from transition economies farther east and from the developing countries.”²⁰⁹

This view was expressed in 1996 when Western politicians, seeking popularity in the East, were assuring the candidates that the first of them would join in 2000. The ECE, however, considered they were unlikely to join before 2005 – which seems to have been the most accurate of all the forecasts made at that time.

When the EU was still hesitant about the likely extent of enlargement, it was suggested that the ECE might serve as a “waiting room” for the second wave of candidates for membership. It could have been a useful idea since a significant part of the *acquis communautaire* originated in the ECE norms and conventions and many of these countries were not yet applying them fully. This would have required some resources to be channelled through the ECE for technical assistance. More importantly, it would have implied that the EU and the countries concerned would agree to discuss a number of trade, financial and general issues of common interest within the ECE framework. The EU was not willing to do this, and was not prepared to go beyond technical and environmental negotiations in the ECE. This restrictive attitude had not changed at the end of 2001 when Russia suggested that the secretariat organise a seminar to explore the consequences of enlargement for the rest of Europe and the EU refused to support the proposal.

DYNAMICS OF SECTORAL ACTIVITIES

The conjunction of a range of problems – those of transition to a market economy, globalization, environmental degradation and energy constraints – gave the sectoral activities of the ECE a renewed dynamism characterised by broader sectoral debates, the emergence of intersectoral activities, the development of new conventions and norms, and the geographical extension of several existing conventions.

Broadening Sectoral Debates and Initiating Intersectoral Cooperation

Broader sectoral debates

The 1956 *Survey* had contained a broad review of European transport problems including a detailed analysis of the relative cost structures of road and rail transport, and “the extremely irrational distribution of traffic” between the two.²¹⁰ Regrettably, the *Survey*’s analysis failed to promote a debate among the officials responsible for transport on the strategic issues of European transport policies. They preferred to continue limiting their cooperation to precise questions where technical experts feel more comfortable and, above all, where they are not required to debate the respective merits of each mode of transport. Similarly, in the mid-1990s, a debate about the sources of energy and their impact on the environment degenerated into a succession of pleas for preference to be given to hydraulic energy, or gas, or oil, and even coal thanks to the progress expected in clean coal technologies. The rivalries between the different modes of transport or the different sources of energy, as well as the fragile consensus during the cold war to confine discussion to purely technical issues, restrained the ECE sectoral committees from entering into debates that might have blocked any discussion at all. The end of the cold war and concerns for the environment prompted a broadening of the issues discussed.

The Committee on Housing, Building, and Planning started as early as 1974 in “weaving together sectoral measures and approaches”²¹¹ into comprehensive and integrated policies and strategies. In 1986 it published a first survey of “The Human Settlements Situation in the ECE Region” and since 1974 has addressed the problems of energy in human settlements. This opening was amplified in the 1990s and, since 2000, the Committee has been integrating social and economic dimensions in considering housing and urban planning policies that could contribute to individual wellbeing and social cohesion and be financially and environmentally sustainable. At the same time, the situation in Eastern and Southern Europe raised particular problems concerning the poor state of land registration and, as a result of privatization, the considerable increase in the proportion of owner-occupied dwellings in multi-family units left without established property rights, clear definitions of mixed ownership, or a legal and institutional framework for housing condominiums. The Committee has, therefore, tried to combine assessments of the future of human settlements in the ECE region with efforts to harmonize as much as possible rules and practices to respond to the specific problems of Eastern and Southern Europe.

Thus, the Committee provided guidelines for urban planning based on a review of the available empirical research into the factors affecting urban development; it has encouraged

initiatives in cities to raise public awareness of the environmental impact of individual consumption behaviour, to promote environmentally sound goods and services, and to make sustainable use of energy, water, raw materials and land; it has promoted the modernization of the land registration systems by using information technology. More specifically, for countries with economies in transition, it has offered guidelines and assistance for reforming cadastre and land registration systems and for the management and financing of housing.

In the energy sector, the Committee on Energy started to broaden its discussions by analysing the advantages and disadvantages of liberalizing the gas and electricity markets and the implications of liberalization on the financing of investment in infrastructure and search for new deposits, both necessary to secure long term energy supply in energy-importing countries. *Mutatis mutandis*, a similar approach might have been adopted by the Inland Transport Committee, but was not. In the 1990s and at the beginning of the 2000s, facts and events combined to broaden the debate to strategic challenges in the Committee on Energy, re-named the Committee on Sustainable Energy in 1997. These facts have been analysed in a note²¹² of the secretariat on energy security. It argues that the risks to security have increased sharply for a number of reasons, namely, the concentration of known hydrocarbon reserves and resources in a limited number of countries, the lengthening of supply routes, and, to some extent, the rising marginal cost of developing new sources of energy supplies due to natural and geographic constraints, the latter being compounded by popular resistance in the most developed countries to the degradation of the landscape and to the potential risks of industrial accidents. “The growing energy import dependence of major consuming countries” is a consequence of the development model of these countries and their low level of investment in renewable energy. “The lack of adequate investment along the energy supply chain, including the electricity sector” and “the recent high crude oil prices and their volatility” as well as “corporate and policy failures, such as the Enron bankruptcy and the 2003 electric power blackouts in North America and Europe” may be due to privatization and insufficient state control. Political instability and conflict in the Middle East, with fears of sabotage and terrorist attacks in major oil and gas producing countries, are another major source of energy insecurity.

Governments of producing and consuming countries could mitigate these risks through a mixture of domestic measures and international cooperation. A favourable legal environment for national and international investors, and long-term contracts for energy supply, would stimulate investment in infrastructure and production. Diversification of the economies of the producing countries and energy saving policies in the importing countries could help to reduce the risks to both of them attached to their excessive dependence on international trade in energy. Investment in renewable energy and research and development aimed at “greening the fossil fuel energy supply chain” would help to reduce pollution and the emission of CO₂. After the first oil shock of 1973, West European countries made significant gains in this direction in

response to the increase in prices, but their fall in the second half of the 1980s and in the 1990s reversed the incentive for governments, enterprises and households to alter their traditional patterns of consumption. In the 1990s, the ECE's technical assistance helped Eastern Europe to improve its energy efficiency, as described below, but energy saving should again become a pan-European goal, which will be easier to achieve if the real price of energy is prevented from falling as it did after the 1979 oil shock.

The broadening of the sectoral debates, as illustrated for energy and human settlements, puts policy recommendations, guidelines and norms in a more strategic perspective. But, on some issues, particularly when environmental considerations are at stake, the interdependence between sectors requires the development of inter-sectoral approaches.

Intersectoral cooperation

For a long time, the ECE failed to take advantage of its various sectoral activities to address the issues arising from their interdependence. For example, both the Trade and Inland Transport Committees independently addressed the problems of border crossing, harmonization of customs operations and trade documents. The reasons for this are similar to those already mentioned above: the cold war, again, but also the fact that the sectoral committees consist of representatives of ministries that already have great difficulty in coordinating their actions in their national context. An engine for change, however, is the environment.

Before it joined the EU, Sweden proposed a conference on transport and the environment, but those EU countries that feared that it might challenge the interests of their car manufacturers opposed it. The European Commission, however, concerned that the EU was unlikely to meet its commitments made at the Rio Conference, took up the Swedish idea and the ECE countries finally held a Conference on Transport and the Environment in Vienna in 1997. They were some forceful speeches, particularly that of the Minister for Transport and the Environment of the United Kingdom, but only modest decisions were taken, such as to designate national focal points to review national experiences and existing mechanisms to integrate the environmental dimension into transport policies. The process started slowly. The London conference, jointly organized two years later in 1999 with the European office of the WHO, helped to overcome the resistance of the transport sector and to focus attention on the interrelationships between transport, health and the environment.

The essential role that transport plays in economic and social development was acknowledged. But, it was also recognized that its continued expansion, dominated by road transport, raised serious concerns about the long-term sustainability of current rates of mobility. That put transport-related issues on the international agenda and The Pan-European

Programme on Transport and Health (THE PEP) of 2002 was jointly established by the ECE and the WHO with three priorities: the integration of health and environment in transport policies, which could be facilitated by institutional measures ranging from the sharing of information through inter-ministry consultations to mergers of organizational structures and budgets; the encouragement of less polluting modes of transport; appropriate urban transport and land-use patterns in urban areas in order to reduce congestion costs, improve air quality, reduce noise as well as the number and severity of road accidents, and to generally improve the quality of everyday life.

Integrating sectoral policies is a challenging task because of conflicting interests and priorities among decision-makers and between them and the enterprises concerned.²¹³ This is even true within sectors where different modalities compete to satisfy the same needs such as mobility or energy. In a first step, debates and exchanges of experience at the international level can help to unlock the situation. In a second stage, countries may agree to issue policy recommendations or guidelines or to develop common norms. Progressively, in the course of the last ten years, the need for intersectoral dialogue and cooperation has become obvious. Later, when countries feel the need for more harmonized practices, they will start negotiating conventions, norms or agreements as they have done so often in the past, within sectors.

Development of New Conventions and Norms

Most of the new conventions, protocols and agreements negotiated since 1989 relate to the environment, although some have been in the transport sector.²¹⁴ Four environmental conventions address air pollution, the protection and use of watercourses and lakes, the impact of particular activities, and industrial accidents. Their aim is to prevent or reduce environmental damage inflicted by one country on another and, in the case of accident, to limit the damage and avoid disputes between the affected countries. Their title includes “trans boundary”, which is justified by their purpose and also explained by the fact that most countries are reluctant to have an international organization intervening in their domestic affairs, particularly if their economic or military activities may be affected. Nevertheless, as people and governments are becoming more conscious of environmental risks, protocols to these conventions includes provisions mainly legitimized by domestic concerns. For instance, the ECE Convention of 1991 on Environmental Impact Assessment in a Transboundary Context obliges governments to assess the environmental impact of certain activities at an early stage of planning, to inform and consult the parties to the convention, and to consult the public. The 2003 Protocol, when it enters into force, will require governments to apply the environmental assessment principles to certain plans, programmes, policies, and laws. It will then be a powerful instrument for placing environmental concerns at the centre of the governmental decision-making process. Similarly,

the Convention on the Protection and Use of Transboundary Watercourses and International Lakes, adopted in 1992, was designed to prevent conflicts over pollution or shortages of this vital resource. Following a series of industrial accidents that polluted water supplies, a protocol was adopted in 2003 in Kiev on civil liability, which responds to transboundary concerns. But, as with the Protocol on Water and Health, adopted in London in 1999, the protection of public health through better water management is first of all a national responsibility and preoccupation.

In several of these environmental conventions, it is recommended that the public be consulted or given access to relevant information. The Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, known as the Aarhus Convention, adopted in 1998, goes further in linking environmental rights and human rights. It acknowledges that we owe an obligation to future generations. It argues that sustainable development can be achieved only through the involvement of all stakeholders. It links government accountability and environmental protection and focuses on interactions between the public and the authorities in a democratic context. As such, it is forging a new approach to public participation in the negotiation and implementation of international agreements. The Aarhus Convention goes to the heart of the relationship between peoples and their governments, since it is not only about the environment but also about government accountability, transparency and responsiveness.²¹⁵ The negotiation of the convention was remarkable in that non-governmental organizations (NGO) played an important role in the debates and in drafting the provisions many of which were retained in the final text. The competence and constructive attitude of these NGOs, and the fact that they were not very numerous, helps to explain their influence.

The impact of the ECE instruments varies from one country to another and depends on the sector involved. In transport and trade, the states and the public or private enterprises, whose interests they serve, implement them. They are put into practice as soon as the appropriate national laws or rules are voted or enacted, and the interested actors are informed. The ECE helps to publicize the conventions through its website and publications and several of the latter have stood for decades at the top of the United Nations best-seller list. In the case of the environment, responsibilities are shared between the government, local authorities, enterprises and citizens. Here again, information is essential but not sufficient as these conventions, even if recognized as indispensable, are seen in daily life as constraints on existing patterns of behaviour and practice. Monitoring mechanisms therefore have to be put in place to allow civil society organizations to play their role in conformity with the Aarhus Convention. When applied, the conventions, norms, and agreements negotiated in the ECE have a very concrete impact. It is estimated that the conventions on road safety have saved thousands of lives, those on trade facilitation have saved billions of dollars and contributed to the acceleration of

economic growth, and, thanks to the protocols of the Convention on LRTAP, the emissions of sulphur, nitrogen oxides, ammonia, and volatile organic compounds had been cut by 65, 30, 22 and 38 per cent, respectively, by 2004 compared to their levels in 1990. Unfortunately, this has not meant an equivalent improvement in air quality as Europe is receiving increasing levels of pollution from Asia. The full impact of many of the ECE instruments will therefore depend on their, formal or informal adoption in other regions of the world.

Geographical Extension of the ECE norms

The break-up of the USSR and the Socialist Federal Republic of Yugoslavia gave birth to countries that had not signed and ratified the conventions and agreements negotiated before 1992. Their adoption of these instruments was a priority and was generally in the interest of both the existing parties and the new countries. The latter joined them progressively – benefiting, eventually, from the technical assistance of the ECE. The notable exceptions related to the conventions on trans-European transport arteries. In 1950, eleven West European governments²¹⁶ signed a declaration that defined European roads and determined their technical characteristics according to the amount of traffic they bore. Since 1975, the E-roads, (indicated by an E followed by the road number), run in Europe from east to west and from north to south and are defined by the European Agreement on Main International Traffic Arteries (AGR). This was followed by similar agreements on international railway lines (AGC) in 1985, combined transport lines and related installations (AGTC) in 1991, and inland waterways of international importance (AGN) in 1996. These arteries carry most of the long-distance intercontinental traffic and it is assumed that financing institutions are inclined to consider investment in them more favourably than for other routes. In the USSR, E-roads reached only the cities of Kiev, Minsk and Moscow, capitals of the three former Soviet Socialist countries members of the United Nations. The countries of Central Asia were the first to require inclusion in the Agreement of the roads reaching them. The revision of the AGR took several years, mainly because Russia objected to the inclusion of roads that would connect Central Asia to central and Western Europe without crossing Russian territory, an indication of the geo-strategic importance of the E-roads. An agreement was finally reached and with the revised AGR of 2001, all the countries of the ECE that desire it are on the map. The ECE is now working with the Economic and Social Commission for Asia and the Pacific (ESCAP) on the interconnection and harmonization of the A and E networks.

The ECE never aggressively promoted its conventions, norms, and agreements outside the region. Indeed, they have tended to diffuse anyway either because they were seen to be useful per se or because non-ECE countries thought that they would facilitate access to ECE markets. The extension of the ECE instruments to non-ECE countries passes through different

channels. Sometimes, but not often, the ECOSOC transforms the instrument into a global one, as in the case of the transport of dangerous goods or UNICODE. In this case, it becomes a United Nations instrument, and, in most cases, the ECE secretariat continues to serve its governing body. More frequently, the extension was due to the individual initiatives of non-ECE countries that took advantage of their United Nations membership to access the texts agreed among ECE members or to attend as observers the relevant ECE meetings and, eventually, to decide whether to adhere to the instrument. When a country becomes a party to an ECE convention, it participates in its governing body and has a say in its evolution. The extension of these instruments is therefore facilitated by the fact that the ECE is part of the United Nations. The table in Annex V illustrates how some ECE instruments have spread across the world. It can also happen that a convention is not adopted but adapted, being used as a reference or as a source of inspiration. For example, UNEP, a global entity, used the protocol on organic pollutants to the Air Pollution Convention as a reference for the negotiation of the Convention on Persistent Organic Pollutants (Stockholm Convention).

Generally, the extension of an ECE convention to non-ECE countries goes smoothly. But, it can create difficulties among the parties as in the case of the 1958 Agreement on motor vehicle equipment and parts. The Working Party 29, which manages it, wished to open the European Agreement to other countries in the world and also to countries like the US that do not have a State system of approval of vehicles but a self-certification system. After several years of work in which the US participated, the 1958 Agreement was amended, but the United States, dissatisfied with the amended Agreement, which they considered was biased in favour of the European car manufacturers, decided not to adhere to it and, instead, pushed for a new truly global Agreement that was negotiated between the US, the EU and Japan and adopted by WP.29 on 25 June 1998.²¹⁷ However, it was adopted on condition that the 1958 Agreement would continue to exist. Both Agreements are in force now and work in parallel. The 1958 Agreement has 47 Contracting Parties, including Japan, Republic of Korea, Malaysia, Thailand, Australia and New Zealand, and 125 ECE regulations annexed to it. The 1998 global Agreement has 29 Contracting Parties, including US, Canada, China and five global regulations and a dozen more under way, including one on hydrogen and fuel cells vehicles. Japan and the European Community are Parties to both agreements.

Thus, the worldwide diffusion of ECE instruments contributes to the adoption of common rules and practices in a globalized world. Contrary to the practice in other institutions or in bilateral negotiations, countries adopt the ECE instruments freely and simply because they judge them to be in their interest.

DEVELOPMENTS IN TECHNICAL COOPERATION

Initially, it was not envisaged that the regional commissions would provide or channel assistance to their region and, for reasons developed in chapter 1, the ECE was not given any responsibility for implementing the Marshall Plan. Nevertheless, in taking over the tasks of the E-Organizations in 1947, the ECE had its first experience of operational activities. Although not presented as such, the 1953 *Survey*, devoted to development policies in Southern Europe, was a form of technical assistance to that part of the region as was the participation in missions sent to ECE Mediterranean countries in the 1950s and 1960s.²¹⁸ The adoption of the New International Economic Order (NIEO) in 1974 by the United Nations General Assembly prompted debates about the capacity of the United Nations system to put into place such a new order. Decentralization became fashionable and, by the terms of ECOSOC resolution 1896 (LVII), the regional commissions were designated as Executing Agencies for regional operational projects. The Specialized Agencies were hesitant and this mandate had to be confirmed and strengthened in 1977 and 1979 by the General Assembly, which decided that “the Regional Commissions shall have the status of executing agencies, in their own right,”²¹⁹ for intersectoral, sub-regional, regional and inter-regional projects and should “exercise team leadership and responsibility for coordination and cooperation at the regional level.”²²⁰ This did not really materialize and in the 1990s, the Executive Secretaries convened meetings to exchange views on the economic situation of their regions and, eventually, to initiate and coordinate inter-agency technical assistance. But the commissions never imposed themselves as “team leaders”; at best they were recognized as facilitators for other agencies in the interests of regional cooperation.

There were few demands addressed to the ECE in the 1970s and 1980s. A handful of projects were, nevertheless, undertaken as, for instance, the interconnection of electric power transmission systems in the Balkan countries, the feasibility of a navigable waterway between the Danube and the Aegean Sea, and the development of software to improve the efficiency of statistical offices. This was also the time when the Trans European North-South Motorway (TEM) project got under way, to be followed by the Trans European Railway (TER).

After the fall of the Berlin Wall, policy advice, technical assistance, and finance was provided to Eastern and Southern Europe. Bilateral and multilateral institutions, with little knowledge of the area, rushed in with help to install the rules of a market economy, i.e. the rules, conventions, and habits currently followed in the market economies of Western Europe or the United States. The ECE was marginalized in this process, partly because it was feared that it would not always support the radical changes being proposed, but, also, because all the

instruments it had developed in trade, transport, environment, and energy as bridges between East and West were simply ignored by (or were unknown to) those who went to give advice.

Nevertheless, the ECE developed progressively its technical assistance, the main objectives of which are to assist the countries of Eastern and Southeast Europe to adopt and implement the conventions, norms and standards, internationally agreed in the ECE, and to develop mechanisms for transboundary cooperation on a subregional basis. A significant proportion of these activities has been devoted to supporting post-conflict reconstruction efforts and to restoring dialogue between the affected countries by inviting them to seek, within the ECE framework, constructive solutions to their shared problems. TEM, TER, Energy Efficiency 21, the Southeast European Cooperative Initiative (SECI) and the Special Programme for the Economies of Central Asia (SPECA), described below, illustrate the direction of these efforts.

Trans-European Motorway (TEM) and Trans-European Railway (TER)

TEM and TER are two cooperative projects involving countries of Eastern and Southern Europe anxious to improve the transport infrastructure between the Baltic region and the South of Europe towards the Middle East and Western Asia. TEM and TER aim to improve the quality and efficiency of transport operations, assist the process of integration, and increase the coherence of the European transport infrastructure. They are developed in conformity with the AGR, AGC and AGTC, which they help to implement, and both were initially financed by the United Nations Development Programme (UNDP), the ECE being the executive agency. While the two projects remained distinct, both cooperated in the elaboration of a TEM and TER Master Plan, published in 2006. The study evaluates the outlook for traffic and its characteristics in the medium and long term, under different hypotheses regarding economic, trade, and population growth. It identifies bottlenecks and missing links, paying particular attention to transport regulation, border facilities and staffing requirements. Finally, it evaluates the different projects proposed by the participating countries and prioritises them.

The TEM and TER Master Plan is a useful instrument that has yet to be exploited. It has reconciled the national and international interests of the participating countries. The international interest resides in the fact that, if applied, the Plan will facilitate the external trade of the participating countries and other European countries by improving transit conditions. The economic benefit is significant, but indirect. When it comes to implementation, the national priorities, often influenced by political considerations, may reverse choices that have been accepted at the international level. The Plan takes this into account insofar as it introduces compliance with preceding commitments as one of the criteria for evaluating projects. The

difficulty could be overcome if TEM and TER were to provide at least seed money for the realization of the projects, but they have no means of doing this. The hope is that financial institutions, donors, and banks will favour the projects in the Master Plan because of its serious methodology and its contribution to European integration. This is not an unjustified expectation, but the problem is that several other trans-European projects (TINA, TIRS, REBIS, TEN-STAC, EU High Level Group, etc.) and the UNECE-UNESCAP Projects on developing Euro-Asian transport links are competing with TEM and TER for project financing when it would be better for these projects to join effort.

Energy Efficiency 2000

Energy intensity, measured by the quantity of energy consumed per unit of output, was particularly high in Eastern Europe at the beginning of the 1990s, not only because of climatic conditions, but also because of considerable waste by households for heating and cooking, as there was no metering, and because of the poor technology used in industrial production and the lighting of cities. Energy Efficiency 2000 was launched to develop the use of efficient, affordable, and low-emission technologies and help countries to introduce measures to save energy. A series of projects were successfully developed at the local or national levels, including one for lighting the city of Moscow. Energy efficiency is the best-funded technical assistance activity of the ECE and attracts resources in cash and kind from the Global Environment Facility (GEF), the European Commission and bilateral donors.

By 2000, progress was real, yet much remained to be done to close the gap between the ECE countries and between actual and best practices. Energy Efficiency 21 was launched to pursue the action undertaken under Energy Efficiency 2000 with special emphasis on strengthening the network of energy efficiency centres throughout Europe. It is indeed expected that making available up-to-date information on energy saving will reduce energy intensity and, as a consequence, improve energy security.

Bridges in Southern Europe and Central Asia

The Southeast European Cooperative Initiative (SECI) and the Special Programme for the Economies of Central Asia (SPECA) build on the ECE's sectoral experience and on the conviction, held by the ECE since its beginnings in 1947, that countries that have been caught up in conflict or have different political and national interests can nevertheless cooperate to find mutually beneficial solutions to technical and other problems.

Southeast European Cooperative Initiative

In Southern Europe, the break-up of the Former Federal Republic of Yugoslavia and the ensuing conflicts devastated some of the countries in the region, disrupted regional trade and discouraged investment, leaving the region mired in uncertainty. After the Dayton agreement, it was time to consolidate a fragile peace by promoting economic cooperation among countries of the region and facilitating their integration into European structures. SECI was launched in December 1996 with this purpose.²²¹ The American administration wanted to convince the Congress that it had not only an immediate objective of maintaining peace in the area, but also a long-term development perspective for the region. Since any proposal that could have been interpreted as an attempt to reunite the parts of the former Yugoslavia would have been stillborn, the initiative wisely included the neighbouring countries affected by the break-up of the Socialist Federal Republic of Yugoslavia: Hungary, Romania, Bulgaria, Turkey and Greece. But, because of violence in Kosovo and the hostility of some of the other participating countries, the Federal Republic of Yugoslavia was not included at first in SECI and only became a member in 2000, which reduced the economic impact of the Initiative. Ambassador Schifter, who orchestrated the creation of SECI for the United States, after considering other possible regional organizations, recommended that the ECE provide substantial support to the Initiative. Schifter declared in an interview soon after the inaugural meeting: "I have read about the work of UNECE and met here with the staff, and I am convinced that for the purposes of SECI, if UNECE did not exist it would have to be invented. ... This is the place where the relevant know-how is".²²²

The ECE provided substantive support and expertise to projects identified by the participating states. In its area of competence, it built upon existing ECE agreements so that countries that were not parties adhered to them and those that were parties, but did not comply with them, did so. In other areas, it involved competent United Nations entities so that their agreements and expertise could be used, as, for example, UNEP for global environmental conventions and the United Nations Office on Drugs and Crime (UNODC) on trans-border crime. The ECE proposed concrete measures to remove obstacles to border crossing, to improve local authority capacities to save energy, and to harmonise transport regulations. Thus, taking advantage of the experience gained in other parts of Europe, the ECE developed energy efficiency projects in the SECI area, using the United Nations Electronic Data Interchange For Administration, Commerce, and Transport (UN-EDIFACT), it facilitated the harmonization of trade documents and the reduction of paper work. Building on the transport agreements, it assisted the participating states to agree a Memorandum of Understanding on the Facilitation of the International Road Transport of Goods in the SECI Region. This was signed in Athens in April 1999 and dealt with practical obstacles such as quota regimes, permissible weights, weighing procedures, and the dimensions of lorries. Perhaps more important, by offering a

neutral, multilateral forum where SECI members and supporting States were on an equal footing, the ECE facilitated a dialogue where the competition for project finance was not the priority.

SECI also permitted the ECE secretariat to submit ideas on the development of the region to all the interested parties. The secretariat was concerned that emergency relief and reconstruction would distract attention from addressing the chronic and deep-seated structural problems of the region, namely, a large share of the capital stock that was economically non-viable, poor physical infrastructure and an incomplete structure of market economy institutions. It therefore proposed a long-term strategy whose components would include a realistic time frame; national programmes of reconstruction and institutional reforms elaborated by the governments to take into account their specific conditions and avoid the standard international approach of “one policy fits all”; coordination of national actions and international assistance in areas where there are public goods, externalities, and economies of scale; and rapid delivery of public assistance with ex post control on meeting intermediate targets. Some features of the Stability Pact were consistent with this approach, but it still fell short of the broader framework for national and regional development proposed by the ECE, which again drew on the methods of the Marshall Plan for inspiration.²²³

SECI was the result of an interesting combination of American pressure on the governments of the region and the capacity of the ECE to formulate projects and policies and to gather around the same table experts from countries with accumulated grievances. As it was an American initiative, some EU members were reluctant to cooperate and questioned the involvement of the ECE. The EU subsequently launched its own Stability Pact, which raised great expectations because it was taken as a sign that the EU was concerned by the marginalization of the region and that financial resources would be forthcoming.

Special Programme for the Economies of Central Asia

In contrast to SECI, which was a governmental initiative, Secretary-General, Boutros Boutros-Ghali, proposed SPECA in response to a request from the president of Kazakhstan, Nursultan Nazerbaiev, to create a United Nations Regional Commission for Central Asia. The Secretary General suggested that the ECE and ESCAP join forces to develop a special programme for the economies of the region. The Executive Secretaries of the two commissions visited together the presidents of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan to propose a programme, inspired by SECI, to strengthen subregional cooperation in Central Asia and support its closer integration with Europe and Asia, and more generally the world economy. The presidents were not all convinced of the need for a programme of regional cooperation limited to the five countries of Central Asia, President Saparmyrat Nyazow of

Turkmenistan even qualifying the concept of Central Asia as a “reality of the past”. Nevertheless, they signed the Tashkent Declaration in 1998 by which SPECA was founded with the objective of supporting “the Central Asian States in developing their cooperation, creating incentives for economic development and integration into the economies of Europe and Asia.” Azerbaijan joined in 2002 and Afghanistan in 2005.

SPECA developed projects on the use of energy and water resources, and on the harmonization of transport rules and border crossing formalities. It had some success in preparing a water-energy consortium and mechanisms for maintaining the safety of dams. SPECA suffered, however, from a lack of political interest, the unequal participation of its members, a lack of new projects, stable funding and supporting partners, and no regular coordination with parallel programmes. At the same time, Central Asia was gaining strategic importance from its position at the crossroad between a rapidly developing Asia and Europe, and, more important, from its possession of some of the largest underdeveloped oil and gas reserves in the world. One reason it was not benefiting from these assets was the lack of strong subregional cooperation. This was a reason to revitalize SPECA.

Early in 2005, the United Nations Secretary-General, Kofi Annan, confirmed the strong commitment of the United Nations to SPECA and emphasised the importance of providing it with system-wide support. He requested the executive secretaries of the ECE and ESCAP to consult again with the Governments of SPECA member States about strengthening the Programme. This led to a reform of SPECA in 2005 that established a more efficient decision-making process, opened thematic working groups to interested non-member countries, and invited potential donors, regional and international organizations and the UNDP to contribute to the formulation, funding and implementation of projects. The programme of activities was broadened to include areas such as trade facilitation, tourism, statistics, technology, enterprise development, and investment promotion. Member States also wanted SPECA Forums or high-level policy dialogues to offer them the possibility of discussing general development policy issues in the region with recognized international experts. That was an indication that the long-standing tradition of the ECE in contributing to economic policy debates corresponded to a need of its member governments.

A Word of Caution

In theory, technical assistance activities may give the staff hands-on experience with specific economic and institutional issues and improve their capacity to develop well-based analysis and elaborate effective proposals. And, indeed, it does sometimes happen. But, technical assistance can also be perverse in that it gives more immediate satisfaction to all

the actors than does the conduct of rigorous analysis or participation in lengthy negotiations. In other words, the drama of action can be more appealing than thinking, as it gives a sense of autonomy and the impression of doing something concrete. Technical assistance should neither be permitted to dominate normative and analytical activities nor become an end in itself, but it should support the implementation of agreed policies and norms. Technical assistance should “fit” in the programme of work and not become donor driven. It should be carried out within a comprehensive approach to subregional cooperation and be regularly subject to a rigorous and independent review. Provided that these criteria are satisfied, technical assistance can be a very useful service to member countries.

CHAPTER 5

LOOKING BACK AND PEERING FORWARD

INTRODUCTION

Looking back over the sixty-year lifetime of the ECE, one sees an extraordinary period of economic growth and rising living standards in Europe, probably without precedent in its history. The quality of life has improved considerably: people work less and live longer, more are better educated and despite the onset of various diseases of affluence, they also lead healthier lives. The pattern of daily life has changed radically as a result of rapid urbanization, the spread of the private motor car and the growth of the consumer society, which despite the charges of excess and frivolity frequently levelled at it, has greatly reduced the time spent on housework and other tasks, and liberated millions of women to take up paid employment. These gains have not been equally distributed, by region or class or by gender. They were much greater in the West than in the East, especially from the 1970s. Women have yet to achieve equality with men in many occupations, including government and the professions, and there are many who are still marginalized by their lack of education and skills.

The rate of progress slowed down in the 1980s and 1990s when there was rising unemployment in the West and growing shortages (and queues) in the East, and increasing levels of inequality throughout most of the region. In the modern economy an important factor in the widening differences in income has been inequalities in the acquisition of human capital, especially education although there are other components including good health. Nevertheless, the transformation of Europe, from the rubble of 1947 into one of the two or three most prosperous places on the globe is undeniable and most people have greatly benefited. Whether the increase in people's happiness has matched that in their material well-being, however, is another question and one that was only being asked towards the end of the twentieth century and was still unlikely to worry the vast numbers of people in the developing world who are still more concerned with how to get one square meal a day, adequate shelter and medical

attention when they need it. Moreover, the two authors of this essay, and their children, belong to generations who have never had to face the possibility of getting killed on a European battlefield and, given the carnage of the first half of Europe's twentieth century history, that is perhaps the greatest achievement of the second half, although even that is qualified by the violence in the 1990s that followed the break up of the Socialist Federal Republic of Yugoslavia.

By the end of the century, the western model of liberal democracy and the rule of law, together with a socially regulated market economy, had become the model for the entire region. In raising the issues that are likely to confront Europe in the years ahead, and asking whether or not the ECE still has a contribution to make in confronting them, an underlying leitmotif is a warning not to take all this for granted. Although anniversaries rightly recall that some of the greatest contributions to civilisation have come from Europe, it must also be remembered that it has also been home to quite a few of the worst. As the Prayer Book of the Protestant Church warns, "there was never anything by the wit of man so well devised, or so sure established, which in continuance of time hath not been corrupted". Good institutions, good policies, a willingness to maintain open and honest debate over important matters, respect for the views, interests and circumstances of others, and unrelenting hard work are among the virtues that can help to avoid decline, and anniversaries are as good a time as any to reflect on whether a particular body has outlived its ability to meet such demands.

EMERGING ISSUES AND CHALLENGES

Most of the changes that have occurred over these decades have occurred incrementally and steadily, and it is only when people look back and compare their lives with those of their parents and grandparents that they suddenly realise that they have lived through a revolution. Most change is gradual – *natura non facit saltum* was the motto chosen by Alfred Marshall for his *Principles of Economics* – and many of the revolutions in technology and social behaviour turn out to be just the top end of a logistic ("S") curve, which is the point at which people wake up to what has been happening over the previous decades. But revolution, in the sense of a sudden reversal of an existing order of political, social and economic arrangements, is what the peoples of Eastern Europe experienced in 1989-1991. Even at the start of 1989, and despite the evident crisis in Poland, there was little sign that the year would end with the collapse of communist regimes throughout the Eastern part of the region. With hindsight, it can be seen that there was a long-term deterioration in all the key elements that underpin the stability of a regime: its ability to sustain popular legitimacy for the exercise of its authority, its capacity to maintain, and have respected, an agreed corpus of laws, conventions, etc. governing relations within society, and its ability to provide for the material needs of the population in an efficient

and equitable manner. As discussed earlier, putting all these factors together into a credible forecast is extremely difficult, if not impossible. Social science is just not up to it.

The above is a warning to be very careful about making dramatic forecasts about the future which may catch the headlines, but miss the underlying trends. Indeed, as far as we can see, most of the challenges that face Europe and the wider world in the coming decade or so are already apparent if not yet in their appropriate place on the policy agenda. What is more difficult to grasp is how the various problems and variables are likely to interact, whether they can be kept in separate boxes or whether they will combine in unexpected and non-linear ways to produce an explosive situation. This points to at least two important requirements for an organization to be effective in such a policy environment: one, is the capacity to maintain a close analytical watch on what is actually happening in the region; and the second is to possess the institutional flexibility to be able to respond to the unexpected, for one of the few things one can be sure about is that events will not always turn out as expected. Before turning to the question of whether the ECE meets these requirements, let us first set out briefly what we see as the major issues, already apparent or emerging, facing the European region, both within it and vis-à-vis the rest of the world.

New factors of division

Within Europe the income gaps between countries or groups of countries, particularly when if they coincide with ethnic or religious boundaries, could be major sources of tension. The attraction for Russia, the United States and Central Asia of the fast developing Asian countries may weaken their attention to the ECE region and thus affect its cohesion.

Income gaps

The revolutions of 1989 ended the division of Europe which dominated the activities of the ECE for most of its history, but the consequent economic, social and political adjustments to the new institutional environments of liberal democracy and the market economy will take many years to work themselves out. The economic divisions in Europe remain and the differences in income per head between the Balkans and Central Europe are at least as great as those between the latter and western Europe and, as the secretariat has shown, it will take decades before the gaps are closed. In the meantime, these differences will remain a potential source of tension within the region, tensions that may manifest themselves in a variety of ways including large outflows of skilled people to the West (to the detriment of their home countries), illegal migration, the trafficking of narcotics and of young women, the drift of unemployed young

men with few prospects into criminal activities, and the emergence of aggressive nationalist political groups. Despite the considerable improvements that have occurred since the transition recession of the post 1989 years, and behind the glitter of some of the capital cities, there is still grinding poverty in many parts of the former communist countries and while such differences present a moral challenge to the prosperous Western half of the region they also constitute an important factor in the economic dimension of security and are therefore doubly the concern of international institutions. A crucial objective must be to ensure that the process of catch-up with the income levels of the West is maintained and not interrupted by setbacks, including by an inflexible interpretation of macro-economic rules resulting from their membership of the European Union.²²⁴

The Balkans lagging behind

Except for Slovenia and Croatia, most of the countries of South-East Europe, are marked by considerable areas of economic backwardness. Some, such as Albania and Romania, suffered worse deprivations under communism than Central Europe, while many were touched directly or indirectly by the wars following the break-up of Yugoslavia. Overcoming the legacies of the previous regimes is likely to take much longer than in Central Europe. Integrating these countries into the broader European economy is nevertheless a priority for stability and security in the region and for Europe as a whole. The entry of Bulgaria and Romania into the EU is an important step forward, but there still needs to be a more coherent and a much greater effort to promote development in the region and Serbia, the major economy of South-East Europe, must be fully a part of such a strategy. Developments in South-East Europe were always closely followed and analysed in the ECE but with the disappearance of the *Survey* there is virtually no comprehensive analysis of the region appearing regularly. That needs to be revived since “keeping a vigilant watch on economic trends”, to use Myrdal’s phrase, is an obvious necessity for any international effort to anticipate problems and make recommendation. Western Europe’s role in the Balkans in the 1990s was not exactly a glorious one and a more constructive and effectual approach should now be a high priority.

The lack of long-sighted perspectives for Russian-European relations

Another key issue is the relationship between Russia and the other European countries. The collapse of the Soviet Union and the central planning model has been succeeded by a *capitalisme sauvage* that has long since vanished from Western Europe. Massive fortunes, built on the acquisition of former state assets at hugely deflated prices, co-exist with an incidence and depth of poverty that is probably far greater than anywhere else in the ECE region. The

virtues of the market economy are also probably less appreciated than anywhere else. Social disarray, the considerable difficulties of developing democratic institutions, and disorganization in institutions such as the army have contributed to a resurgent nationalism and, for some, a certain nostalgia for the past. A share of the responsibility for this situation must be borne by the Western countries, which flooded Russia with inappropriate advice but little financial assistance and now tend to lecture and preach about the deviations from the market economy and from democratic practice.

But the problems of Russia are also problems for Europe as a whole and unless the Russian people can be persuaded that their country is a respected partner of Europe and that a prosperous and secure future can be theirs, the risks to stability in the region could be considerable. For this to happen, a more constructive and broad based approach to cooperation with Russia, and not only on the important issue of energy security (see below), should be seen in a similar, long-sighted perspective to that which, in 1947, saw the economic success of Germany as a guarantee of stability and lasting peace in western Europe.

The countries of Central Asia and those located between Russia and the European Union are countries where both the EU and Russia have declared interests and whose economic development and security depends on good relations between the two. The ECE supports SPECA in Central Asia (see chapter 4) and it could also be involved in some of the technical assistance programmes of the “EU Neighbourhood Policy”. These are, or could be, good opportunities for the ECE to contribute to the cohesion of the region by bringing to these activities its expertise and its tradition of even-handedness.

Challenges from the rest of the world

The weight of the ECE region in the world economy is considerable, which gives it responsibilities vis-à-vis other parts of the world, particularly the weakest. At the same time, in an interdependent world, Japan, for several decades, and, more recently, China and India are also major participants, which obliges the ECE countries to conceive of their future in a global perspective.

The Southern Shore of the Mediterranean

The other near region that raises important issues for Europe is the southern shore of the Mediterranean. North African countries are Europe’s close neighbours, yet very little attention is given to them in the regular analyses of political and economic developments published by West European and international institutions. They do occasionally appear in the news media when another boatload of illegal immigrants drown at sea or land on the shores of

Spain or Italy. This at least highlights one of the problems for Europe, namely the presence of poor developing countries on its doorstep. As this is a region with rich endowments of oil and gas, and since energy security is now high on the European agenda, it would seem sensible to seek to include North Africa in a European energy strategy. But to achieve that without weakening other dimensions of security – and also to discourage the flow of young men risking their lives in the straits of Gibraltar – a policy for European energy will have to be integrated with a policy for North African development.²²⁵ To address the current influx of the poor from neighbouring countries, as well as the ever-increasing number of environmental refugees from disaster zones, with tight immigration laws is simply an inadequate response on the part of ECE countries, all the more since many of them face the challenge of an ageing population. This is typically an issue where cooperation between United Nations regional commissions could help to work out sensible policies

The interrelated issues of energy, transport and the environment in a global perspective

The interdependence of transport, energy and environmental issues is now well appreciated, even if, as seen in chapter 4, integrated policies are still embryonic, and it will certainly be a major focus of work for the ECE in the coming years. But, solutions will have to be conceived in the broader perspective of development outside the region. With the emergence of China and India, and Asia in general, as major industrial powers, there is now greatly increased competition for energy and other raw materials. This has led to large price increases and considerable gains for many developing countries, not least in Africa, but if these resources fail to be invested efficiently in support of sustained and equitable development, one source of instability will have been simply exchanged for another.²²⁶

The challenge here is to engage countries such as China and India in an attempt to avoid the risks of the “resource curse”. Yet, in order to get their cooperation, a first step will have to be an attempt to build a shared vision of an interdependent and sustainable world where environment is no longer a constraint to growth but an opportunity of developing new equipments, new products and new services. Cooperation with these new industrial powers will be helped if the ECE member countries most heavily involved in assistance to developing countries were to be somewhat less triumphant about their own ways of doing things and to stop claiming that they know all that needs to be known about economic development.²²⁷ Second, a reform of the existing international financial institutions will have to make them more representative of the changing distribution of power in the world economy. The need for such reform is widely recognized, and not just by developing countries,²²⁸ but so far the changes, for example in the distribution of IMF voting rights, have been minor.

Globalization, economic nationalism, and the role of the State

The competition for access to energy resources and the risks created by the degradation of the environment are among the main areas where, it seems to us, the major economic challenges for Europe will arise in the coming years, where a framework for international cooperation will be necessary, and where the ECE can make a useful contribution. But there is also a more general issue that cuts across all of the above and which has led to growing concern in the last few years. This is the resurgence of various forms of nationalism and the growing resistance to the policies associated with globalization.

Globalization and Economic Nationalism

The backlash against globalization has emerged not only in Europe and the United States, but also across the world. It can be seen, for example, in the increased hostility to cross-border mergers and acquisitions, which make up by far the greater part of foreign direct investment. In the United States and the EU, reactions have been particularly strong against takeovers in sensitive sectors such as ports, energy and banking; restrictions on foreign investment have been introduced or maintained in China, Japan and across Asia. In the EU, there have been numerous challenges to the principles of the Single Market and attempts have been made to revive notions of “national champions” and “economic patriotism.

The liberalization agenda never included the free international movement of labour, – even if Raúl Prebisch, the first Executive Secretary of the Economic Commission for Latin America, denounced its exclusion as illogical²²⁹ – but, the resistance to immigration, legal or illegal is worldwide. The ECE member countries are engaged in efforts to control the overall levels of immigration and discourage permanent settlement without at the same time compromising their ability to attract skilled immigrants to fill the gaps left by inadequate education and training policies. Developing countries, from Latin America to Africa, have started to follow Russia’s example in seeking greater national control over their natural resources. The growth of resistance to further trade liberalization is seen in the painfully slow progress of the Doha Round of Trade negotiations. The proximate cause of this is usually presented as the dispute between the EU and the USA over farm subsidies, but the deeper problem is that the developing countries suspect, rightly according to some World Bank studies and independent estimates, that they stand to gain very little from liberalizing their own markets. *En passant*, developing countries have been especially critical about the restrictions placed on their domestic policies by WTO rules and IMF and World Bank conditionality and some of them have taken advantage of their gains from the recent commodity boom to pre-pay their loans to the IMF and escape what they see as its tutelage.

The response of many policymakers and neo-liberal economists to this backlash is simply to dismiss it as irrational economic nationalism and to warn that, if it is not firmly resisted, there will be a risk of a return to the tit-for-tat protectionism of the 1930s. Others recognize the poor record of mergers and acquisitions in delivering the promised gains in efficiency, understand the natural fears of workers for their jobs and the weakness or absence of effective adjustment policies to find new ones, and appreciate the not unjustified suspicion that the economic interests of the host country and those of foreign companies may not always coincide. Amid all these arguments there are also various critics of globalization who would like to see the disappearance of the market economy altogether, but these are largely fringe groups and it would be a serious mistake to conflate all these other reactions with a visceral anti-capitalism.

The backlash against the policies associated with globalization has been strengthening and public support for them has declined on both sides of the Atlantic (according to a German Marshall Fund poll in 2006) and not least in the two countries where they have been most enthusiastically adopted and promoted. In the United States, authoritative voices such as the Presidents of the Federal Reserve Banks of New York and San Francisco and former Treasury Secretary Laurence Summers were warning in 2006 that the stagnation of median wages and rising inequality are undermining political support for free trade in particular and globalization in general, and that the exposure of increasing numbers of families to rising levels of risk and insecurity was a threat to social cohesion and, ultimately, to the democratic system. These are precisely the dangers that preoccupied the authors of the ECE studies discussed earlier in chapter 3, as they did earlier realists such as Maynard Keynes and Otto von Bismarck. They are a reminder that the stability of the global economy ultimately depends on an acceptable distribution of its benefits, what Ricardo considered to be “the principal problem of political economy”.

The Nation State and International Cooperation

The issue goes deeper than adjustment and distribution policies, however, although if these were effective and seen by the populations most affected to be just, the resistance to liberalization would be greatly reduced. The broader question concerns the conception and role of the state. Despite wild claims from operators in the financial markets, a few multinational companies, and the occasional visionary that the nation state is dead or redundant, a remarkable feature of the new age of globalization is its resilience. Indeed, looking at its growth over the last sixty years or so the nation state has prospered: the membership of the United Nations in 1945 was 51 states, rising to 152 in 1979, the year when globalization was on the point of acceleration, and to 192 today.

There are very good reasons for this resilience and they derive essentially from the basic need of individuals for a sense of belonging to an entity that will command their allegiance and meet their needs for security, dignity, inclusion and prosperity. Despite conspicuous failures, the nation state has proved to be very effective in meeting these needs, and its various institutions invariably rest on some sense of civic or positive nationalism based in turn on shared local experiences and preferences. This notion of positive nationalism reflects self-confidence, a sense of the public good, and openness to the rest of the world, while its negative opposite arises from fear, anger at real or perceived injustice, and feelings of resentment at being a loser in a competitive world.²³⁰ The nation state remains the focus for political loyalties and social cohesion and the basic unit for legitimacy and accountability. If there has been any shift in this attachment to the nation state it has nearly always been in the direction of stronger regional identities, as in Spain, Italy or the United Kingdom, for example, not towards any form of supranationalism. The problem with globalists, whether neo-liberal interpreters of capitalism or old-fashioned simple Marxists, is that their insistence on a single market structure collides with this notion of the state and hence with those deep-rooted values that its citizens attach to it.

The recent upsurge in “economic nationalism” is far removed from that which arose in the 1930s and, instead, is a reaction to the indifference or hostility of the market to those values that, for the most part, are rooted *outside* the market. If that indifference, and the disdain of neo-liberals for those non-market values, continues unchecked then the risk of more destructive forms of wounded nationalism emerging will be increased, with damaging consequences for the market economy itself. For most of the period from 1945 to the early 1970s, the European market economies performed exceptionally well suggesting that capitalism is at its best when subject to various social constraints to correct the defects that were so apparent in the inter-war years. How far those constraints were, or became, excessive is another matter, although it is important to note that the economies that have gone furthest in adopting the liberal model of capitalism have not performed as well those who have retained the post-war social democratic model or its corporatist alternative. In terms of social well being, the superiority of these European countries over the United States is also very marked.²³¹

Since the 1980s and especially since 1989, neo-liberal policies have attempted to force the political and social entities in the state to adapt to the needs of the market economy, but this is a recipe for instability and the undermining of democratic politics. Stability requires that the market draw its legitimacy from the larger political and social framework, not the reverse. Of course there will be trade-offs between the interests or requirements of the two domains, but these have to be agreed within the democratic process.

None of this denies that the scope for independent national action is limited by economic interdependence among countries. This has always been the case and nation states have been responding to global pressures for a very long time and seeking ways to deal with problems that cannot be solved by their acting alone.²³² The array of international institutions providing structures for intergovernmental cooperation is now considerable and includes postal services and telecommunications, health, meteorology, a wide range of technical standards, intellectual property rights, and so on and so forth. (A large number of these are located in Geneva, giving it a strong claim to be the capital of the international public goods industry). Some of these activities deal with the negative effects of economic activity, others with market extending measures. In all of them, national governments give up a measure of national sovereignty in order to strengthen their ability to pursue their own national interests and meet the expectations of their electorates.²³³ The degree of commitment varies from formal treaty obligations through conventions to informal agreements to follow certain practices, but in all of these varieties of multilateral cooperation the nation state remains the basic unit of action and the source of legitimacy. These networks of cooperation, by establishing systems of international rules, are effectively a system of global governance that has evolved without the need for an overarching, global authority. This is the world to which a considerable part of the ECE's activities belong and to which it has made a significant contribution. Indeed it can claim a lot of the credit for reviving this "necessary cooperation" in the early post-war years

MEETING THE CHALLENGES: ASSETS OF THE ECE

A two-track organization

Myrdal's original conception of the ECE as a two-track organization proved to be very robust over more than five decades. On the one hand a research or "think tank" function carried out under the sole responsibility of the Executive Secretary exercising an independent judgment of what needed to be analysed in the interests of the region, and on the other a set of operational functions driven by the practical interests of member governments and based on a search for consensus. In the first decade or so of the ECE's existence, the relation between the two tracks was quite close with analytical studies throwing up issues in the fields of agriculture, timber, energy, steel, engineering, transport and housing. Studies in all these areas appeared in the *Survey*, the *Economic Bulletin*, or as special monographs. The ideas and proposals discussed were not always taken up, or indeed welcomed by the intergovernmental bodies, but they helped to provide a broader perspective for each of the specialized areas of work – just as the *Surveys* aimed to provide a broader, international perspective for national economic

policymakers. Some of these special studies (on steel and oil, for example) had an influence and resonance that reached far beyond the technical bodies in Geneva.

In the early years of the Commission the research function, both in the Research and Planning Division and the sectoral divisions, was relatively large, reflecting the urgent need to fill the considerable gaps in knowledge about the actual state of the European economies²³⁴ and also the fact that the technical work on norms and standards had yet to get under way. It should be remembered that the research work was very labour intensive in these years with the secretariat itself having to construct basic series such as industrial production from a variety of disparate sources. Later the balance of the two functions changed as the technical work of the ECE gradually expanded and then accelerated in the improved atmosphere created by détente. Another factor was the erosion of the ECE's virtual monopoly in analysing the European economies. The OECD's *Economic Outlook* appeared in the early 1960s, for example, but the ECE's *Survey* remained the only source with an in-depth and comprehensive analysis of the centrally planned economies of the east and, until its abolition in 2005, was still the only publication providing a review of the entire European region.

The interaction between the two tracks was relatively close in the early years of the Commission, with the Research Division contributing studies to the technical divisions or preparing them on a joint basis. That cooperation, however, tended to weaken over the years, partly because of cuts in the resources allocated to economic analysis and partly because the principal subsidiary bodies became dominated by technicians engaged in long-term processes of negotiation over norms, standards etc. This was also reflected in the composition of the secretariat with fewer trained economists in the technical divisions and more with technical or administrative backgrounds, a shift that made cooperation on economic studies more difficult. Technical negotiations often take years to reach a conclusion, and once the process has started resources are pre-empted and there is little scope for changing direction or taking new studies on board. This was perhaps inevitable given the overall constraint on the ECE's resources, but, although the ECE reacted very rapidly to the events of 1989, the weakened interaction between the two tracks did affect the overall response of the organization to the new situation in the region. Thus in 1990, when the *Survey* proposed a new Marshall Plan for Eastern Europe, and in 1999 when a similar strategy was outlined for post-war reconstruction in South-East Europe, it was not possible to back them up with sectoral studies in transport, energy and environment, major problem areas for the countries concerned and areas of special expertise in the ECE. Had this been pursued, the overall impact of the ECE's analysis might have been much greater.

The operational track

Most of the operational work in the ECE principal subsidiary bodies has consisted of what is sometimes described as “necessary multilateralism” or, less grandly, “nuts and bolts cooperation,” that is to say, cooperation on issues where all parties can envisage practical solutions to specific international problems and where the evident possibility of benefit to all encourages the parties to work together. But, the larger significance of the ECE experience is that this “necessary cooperation” developed among countries that were bitterly divided over broader political, economic and social values. It is often thought that the way to peaceful existence and cooperation is to seek to reconcile or eliminate the differences between countries and peoples. But this may sometimes be mistaken. The ECE experience shows that cooperation can move ahead by *accepting* certain differences in preferences and values. This does not imply accepting murderous behaviour and violations of human rights, but it does imply recognition that there are differences and preferences that may not be reconcilable and should therefore be accepted and respected by others. The ECE experience, founded on Myrdal’s basic approach, shows that the acceptance of a diversity of values and preferences is compatible with economic cooperation and progress.

The ECE second track, consisting of close intergovernmental cooperation over a wide range of practical and technical issues, gives the lie to the old jibe that the United Nations is “just a talking shop.”²³⁵ The key areas have been mentioned earlier and there is no need to summarize them here. Macro-economists and diplomats are often bored by the narrow focus of much of this work and it must be admitted that an afternoon at a meeting on standardizing trade documents is less of a draw than a seminar on corruption. But “nuts and bolts” hold things together, including institutions, and although these activities may be obscure to the outsider, they can yield considerable economic benefits. Thus, the work devoted to facilitating the electronic exchange of international trade documents has greatly reduced the transaction costs of international trade, and not only by an amount which appears to match the estimated benefits of the Uruguay Round, but also without the diplomatic drama surrounding that and similar higher profile events. Large gains will also have been made by the various conventions to facilitate the transport of goods across the various frontiers of Europe. More generally, in agreeing norms and standards, the ECE has helped to ensure that international economic relations in the region are non-discriminatory and market extending rather than being distorted by national protectionist forces, as was the case in the 1920s and 1930s.

Despite the abstruse character of many of these activities, a much greater effort should have been made to make them, or rather their benefits, more visible to policymakers in the capitals and to the populations who benefit from them. Trying to persuade the TV evening news to take a press release on the latest standard for cut flowers is unlikely to make much

progress. What would be more useful is some sound econometric work on estimating the economic benefits of the various standards, norms, and conventions. The estimate of the gains from standardizing trade documents, saving life by improving the security of transport or by reducing air pollution, are substantial and often surprising so. They ought to be able to capture the attention of the business and economics editors of the serious press. But, the estimate of the gain from standardized trade documents was not made by the secretariat and not even publicized by it: delegates who were disappointed at the lack of attention their work was receiving instead disclosed it.²³⁶ There are well-developed techniques for conducting such sectoral or micro studies and allocating some consultancy funds for such work might be a sensible investment, not least as an effective defence against the arbitrary nature of budget cuts.

The ECE networks of cooperation on technical matters are exceptional among the United Nation's regional commissions and they constitute a major contribution to cooperation in the region and, as argued earlier, to the evolution of new forms of global governance. But, it should be asked whether the historical basis for this success is likely to endure. It will be recalled from chapter 1 that Myrdal's approach to getting the two halves of Europe to cooperate, at a time when each side was predicting and hoping for the collapse of the other's political system, was to break down a given problem into its smallest components and then focus on those that were innocent of political or ideological overtones: in other words, "you may detest each other's social system, but perhaps we could talk about traffic lights?" This approach, as we have argued, was very effective, but its exclusion of all political and controversial elements is precisely what may weaken its impact in the future. The reason for this lies in the broadening of the technical agendas as they try to grapple with the interrelationships between different sectors, most prominently energy, transport and the environment. This broadening of the policy focus will automatically move it close to areas where the decisions to be made will involve more trade-offs and compromises between objectives that are likely to be a lot more complicated than those surrounding the negotiation of narrowly circumscribed issues such as trade documents. But these decisions, involving a more delicate balancing of national interests against the compromises needed for international agreement, are essentially political and cannot be left to sectoral specialists.²³⁷ Thus, to avoid a technocratic determinism overtaking democratic politics in ECE activities – especially in a continent where democratic deficits and falling voter turnout are matters of increasing concern – it might be wise for the organization to consider some changes in the ways in which it approaches its sectoral activities.

Member governments must of course make their own decisions about who represents their interests, but the secretariat can probably do a lot to increase the transparency of the cooperation pursued under its auspices. It would be desirable, for instance, to engage relevant NGOs including consumer groups, as was done in the negotiation of the Aarhus convention,

discussed in chapter 4. All such activity can be irritating to technocrats who like to “streamline” decision-making, but this is what democratic processes are about. If brushed aside, there will be the risk of a backlash, not only against particular measures – and the environment-energy-transport nexus is likely to be specially sensitive in this respect – but against the international bureaucracy in general. The Commission in Brussels, to a large extent unjustly, is suffering from such public scepticism. Another important reason for greater transparency in this work is that international processes for rule-setting are just as much at risk to “capture” by special interests as national policymaking, indeed the risks may be greater insofar as such negotiations are less visible than domestic politics.

Another contribution to transparency would be to abandon the phrase “best practice” to describe some of the recommendations coming from committees or the secretariat. In very specific cases, such as comparing the energy efficiency of consumer durables or household heating systems, it may be innocuous, but when transferred to broader domains such as economic policy or corporate governance it becomes highly misleading and may often amount to little more than a disguised attempt by one group to force its own ways of conducting its affairs on others. The further one moves away from micro-technical issues the less likely are there to be unique solutions to particular problems or unique compromises among competing groups or between the desirable and the feasible. To suppose otherwise is to slip into the presumption that “one policy will do for all”, a presumption that flies in the face of a considerable body of the ECE’s economic analysis which has emphasised the importance of context and initial conditions. It is the same presumption that has also contributed to the current backlash against globalization in much of the developing world and to strong criticism of the development policies of the IMF, the World Bank and the G7 countries. Since effective policies are often the result of experimentation by national policymakers, a better approach for an international organization is the one set out by the German Minister of Development at a Meeting of the World Bank’s Development Committee in 2004:

“...in particular the Bank and the Fund should actively advise on a range of policy alternatives and thus create “policy space” for countries. Here it is not so much a question of policy advice in the classic sense. Rather [their] role...is to identify trade-offs, show possible alternative policy options, make experience from other countries accessible and contribute to the establishment of national analytical capabilities”.

This was very much the spirit in which the ECE Spring Seminars were started in 1998, an approach that is likely to continue to be needed as the agenda of the sectoral divisions shift toward the macro issues already mentioned. But for analysis of this sort to be useful and credible, it needs to be conducted independently of the actors and special interests directly involved in the negotiations over, say, energy, transport, or the environment.

Economic Analysis

One of the principal functions of economic analysis has been, in Myrdal's words, to keep "a vigilant watch on economic trends in Europe." Until the 1960s, the ECE had little competition in this area and its assessments of both Western and Eastern Europe were at a very high level of competence and were influential throughout the region. In the late 1960s and 1970s, a certain routine began to affect the current analysis although that on Eastern Europe and the Soviet Union retained its virtual monopoly position and remained the key source for both academics and officials, not least in the East, following developments in those countries. This falling off in the current analysis was partly due to the diversion of resources to large special studies, but this was reversed in the 1980s and 1990s leading to a much sharper and livelier assessment of developments in the region. Myrdal's instinct here seems to have been sound: it is through the careful analysis of current developments that the well-trained, independent economist can hope to spot changes in the underlying trends, highlight the risks, and suggest possible changes in policy.²³⁸

The *Survey* team never had the resources to build its own short-term forecasting model, but this proved to be an advantage since it led to a more critical assessment of the "consensus" forecasts based on knowledge of the assumptions in the standard models and of the relatively important judgmental inputs which go into most forecasts. The ECE record in assessing the conjunctural outlook in the 1980s and 1990s, in both Western Europe and in the transition economies was certainly a respectable one and often provided an alternative perspective on current developments.²³⁹ Nevertheless, the special attraction of the *Survey* was always its comparative analysis of the Eastern countries and its disappearance leaves a gap in the annual conjunctural literature that has still to be filled.²⁴⁰

In its economic analysis, the ECE was never attracted by overarching models of economic organization or development, not least because it was always sensitive to the fact that the economy was always an integral part of a more complex political and social reality, and it always emphasised not only the varieties of capitalism in the West but also the heterogeneity of the countries in the East. The preference of ECE economists for market economies and democratic systems was always clear, but equally there was never an unquestioning belief in the overpowering wisdom of the market, or of member governments. In the 1990s the ECE continued to insist that there was no single model of a market economy, and that transition and developing countries should be encouraged to develop arrangements for the conduct of their economic and social affairs that were best suited to their histories and conditions in which they found themselves. One policy or model for all was ultimately a recipe for disappointment and conflict.

A problem that the authors of the *Survey* encountered from the early 1990s was that the support for an independent analysis, 'independent' meaning that it was published entirely on the responsibility of the Executive Secretary and not subject to prior approval by member governments, began to weaken. As quoted earlier, all the attempts to censor or suppress parts of the *Survey* or the *Bulletin* after 1989 came from Western countries that had previously been the secretariat's strongest supporters when similar pressures had come from the communist East. Such treatment was not confined to the ECE: OECD has suffered from similar attempts to suppress analysis or, otherwise, interfere with its publications.²⁴¹

It is discouraging that such negative attitudes should have emerged just when so many of the former communist regimes were embracing liberal democracy, of which one of the principal virtues is to encourage free and open debate, experiment and independence of thought. For philosophers such as Karl Popper, it was this virtue that was always regarded as the principal reason why democracies were better at solving problems than totalitarian forms of government. Perhaps the main explanation for this development lies in the triumphal tone of many policymakers and neo-liberals since the collapse of communism. This has led to a sharp polarization of debates over many of the key questions of both domestic and world politics. Any criticism of official views tends to be met with disdain and contempt and "spin doctors" exploit all the tools of the modern media to bend popular perceptions in favour of their chosen position. This behaviour is unworthy of democratic governments and ultimately it corrodes not only democratic politics, but, also, international institutions such as the ECE and the OECD because it undermines the trust that should exist between the secretariats and member governments. Ultimately, since the interference with secretariat studies is invariably surreptitious, it undermines the value of all such work since no one can be sure that the conclusions have not been biased in some way or another. It is to be hoped that this is just a passing phase and that the strong case for an independent and effective research function in the secretariat will again be recognized.

In our view the need for such a function is as strong as it ever was, although its focus might have to be on more special studies than on the regular review of current developments that absorbs a relatively large proportion of resources.²⁴² One area where we suggest an independent research role is needed is in the issues arising from the enhanced agendas of the sectoral committees and especially at the interface of energy, transport and the environment. Among the areas of likely critical interest for the ECE member governments in the coming years, we suggest that relations between Russia and the rest of Europe, especially but not only with regard to energy, the development of South-East Europe, Central Asia, and the group of countries between the EU and Russia, and cooperation with the North African countries should be given special attention in terms of monitoring developments and the preparation of special studies. More generally, the ECE should open up more than it has done in the past decade

or so to the rest of the world. In particular, it needs to pay particular attention to the likely effects on the ECE region of the shift in the global balance of economic power towards Asia. There is never a shortage of candidates for serious study, but serious study requires adequate resources and since these are not abundant the selection of topics needs to be taken with a strategic view of the region's interests in mind. Those suggested here are on areas that have been relatively neglected in recent years.

It is important to stress that for any study to be worthwhile, be it on economic or technical problems, it must be conducted according to the usual standards required in academic research, that is to say, with a clear analytical framework, an awareness of what is already known about the subject, and a rigorous effort to confront hypotheses (including the claims of policymakers) with empirical evidence. Academic standards, far from being remote from the "real world", are precisely those that need to be observed by those making policy and by a secretariat serving its member governments. They are also essential in any healthy democracy.

It is therefore important for democratic countries that at least some of their institutions recognize what Seamus Heaney has called "the necessity to confront the ruling intellectual pressures with a counter reality"²⁴³ even at the risk of being unfashionable or, at least in the short-run, without apparent influence. This is an apposite injunction for a secretariat of the United Nations, that must serve not one elected government but many with different views, priorities and preferences. The Charter of the United Nations opens with "we the peoples of the United Nations," not "we the governments", which implies, to twist an observation of Montaigne, that we must pay attention to those who are subject to policy and not just to the governments that make it. Bulent Ecevit once remarked that progress is only possible with "constructive scepticism" which is only possible with "free thinking that allows one to perceive the changes taking place in the world more quickly than someone who inclines to be committed to certain fixed explanations and stands."²⁴⁴ This is a disciplined not a destructive activity which is given a sense of direction by a clear understanding of the ultimate purposes of the economic system and of the value premises which underpin them.

Of all the outstanding people who led the United Nations secretariat in the early post-war years, the one who articulated this point of view most clearly was Gunnar Myrdal. In assessing the intellectual contribution of an institution to international policy discussions, at least one of the principal attributes we should be looking for is a capacity for "constructive scepticism." That was the rule whether the ECE was concerned with the reliability of statistics in the centrally planned economies, claims about the greater rigidity of wages in Western Europe compared with North America,²⁴⁵ or exaggerated claims about the extent of globalization.²⁴⁶ The ECE member governments have long been supporting that general approach.

The ECE, part of the United Nations

Focused on their regional concerns, the member governments of the ECE and the secretariat, sometime, tend to overlook the fact that the ECE is not only an integral part of the United Nations but also has obligations towards the ECOSOC and other parts of the global institution. But it does need to be emphasised that the ECE, the budget of which is part of the United Nations budget, is a regional arm of the United Nations. It adapts the general principles, policies and instruments of the United Nations to the circumstances and needs of the region and, together with the other regional commissions, it provides the United Nations with a better understanding of the regional specificities of its members.

It has to be admitted, however, that the interaction between the regional and global levels has often been weak and generally unequal. The central bodies have not integrated regional contributions very well into global positions and the ECE, perhaps for this reason, has often been reluctant to implement or preoccupy itself with global priorities or programmes. In practice, the ECE work has been guided, almost exclusively, by the decisions of its member States in Geneva and the initiatives taken by the Executive Secretaries. Principles and directives emanating from New York, at least for most of its history, have had little impact on the substance of its work; ECE members States saw little logic in the ECE acting as the “regional arm” of the organization to promote them in their region. When the United Nations gave prominence to economic development, the ECE member countries considered themselves as already developed and, at least until the end of the 1980s, not directly concerned by the development debates. They never considered for instance that it would be worth discussing in the ECE the potential costs and advantages for the region of the development of the third world countries, of the opening of their markets to the exports of the South, or the stabilization of commodity prices. The secretariat occasionally discussed some of these questions in the *Survey* and the ECE made contributions as mentioned in chapter 2 and 3. There was some progress in the 1990s on the environment in cooperation with the UNEP, on women’s issues and, in the early 2000s, on sustainable development and on financing for development.

In the future, however, the ECE is likely to find it necessary to place more and more of its work in a global perspective and to take advantage of the possibilities for conducting joint studies with other regional commissions. Some of the topics suggested earlier, for example on the implications of the rise of East Asia, the possibilities of cooperation with North Africa and Western Asia, and, obviously, energy, environment and migration would be good candidates for such joint work.²⁴⁷ Conversely, the United Nations as a whole must be able to draw on regional expertise in order to ensure that the diversity of the economic and social world is reflected in global strategies and policies and to enable those at the centre to distinguish between what is of universal application and what should remain regional or local. In this respect the

issues are no different from those facing, for example, the members of the European Union in their relations with the Commission in Brussels or within individual countries concerning the distribution of power and responsibility between the capital and the regions. The common thread is the discovery, or re-discovery, of the limits of centralization in an increasingly complex world and dangers of the mind-set that seeks to apply “policies-for-all” without consideration for the differences in regional and national conditions.

The diffusion of some of the ECE norms is an excellent example of an effective articulation between the regional and the global. As it is often easier to reach a regional agreement than a global one, many technical instruments have been developed in the ECE. Some became global or were adopted by interested countries outside the region. With its norms and standards the ECE is providing international public goods that can play a wider role in the process of global economic integration. These instruments can be diffused to the rest of the world in an efficient manner thanks to the fact that the ECE belongs to the global United Nations system and obviously ECE member countries have an economic interest in having others adopt their standards rather than the reverse. Given the weight of the European economies in the world economy, exporters of goods and service in other parts of the world will be anxious to enter European markets and will therefore have a strong incentive to conform to European standards, and especially those of the EU. As described in chapter 4, the ECE never aggressively promoted standards and norms outside the region. That should continue to be its style, especially as the economic challenge from the East Asian and other industrializing economies is likely to involve challenges to or competition over the norms and standards to be adopted. There are already differences in the approach to regulation within the ECE, essentially between the United States and the EU, and conflicts of approach and of interest may very well increase if Europe seeks to globalize its standards in an aggressive manner. This is where the experience of the ECE, with its strong traditions of treating all its members equally and ensuring that even the weakest members have a voice and that their concerns will receive attention, can help, in cooperation with other regional commissions, to ensure that such potential conflicts can be resolved without economic disruption.

SOME CONCLUDING REFLECTIONS

Institutions, as von Hayek and von Mises always insisted, evolve, and in general they do so gradually. There are obvious reasons why this should also apply to an international body such as the ECE. First, history is important and, not least, the initial conditions in which it is created. Both the agenda and policy orientations tend to show strong continuities over time. Second, secretariats acquire comparative advantages in certain areas and these specializations

are reinforced over time. And, third, institutional memory involves, among other things, the transmission from one generation to the next of certain intellectual attitudes and approaches, often implicitly. These elements can of course eventually lead to institutional sclerosis and an inability to adapt to changing circumstances, but our brief survey of the ECE sixty-year history does not point to an institution that has been incapable of adapting to changes in its environment. Its relative prominence in the region's institutional structure has declined, but that is largely due to positive and welcome developments such as the creation of the European Union, the Organization for Security and Cooperation in Europe and other pan-European bodies. Ensuring that all these institutions work together in reasonable harmony will be a continuing task for the heads of their secretariats and especially for their member governments. In our experience, duplication in the work of different organizations is nearly always the responsibility of governments, not of secretariats despite their often-tenacious defence of their parts of the international agenda.

The ECE's adaptability owes a great deal to two factors: first, its broad terms of reference, which allowed it to address not only the problems of post-war reconstruction as called for in its original mandate, but also to initiate and participate in activities for raising the level of European economic activities and for strengthening economic relations of the European countries both among themselves and with the rest of the world;²⁴⁸ and secondly, the ways in which its first Executive Secretary organized the secretariat and imbued it with a mind-set that was deeply influenced by those virtues of the academic approach to analysing problems and of constructive scepticism already mentioned. When the revolutions of 1989 occurred, no instructions had to be issued telling the secretariat to reform or adapt to the new situation: the, now, former centrally planned economies were for the most part already members of the sectoral bodies and the *Survey* published the first comprehensive study of what were now "transition economies" in less than five months from the collapse of the Berlin wall.

Another important factor was that for significant lengths of time, the ECE was led by Executive Secretaries, such as Myrdal and Stanovnik, who were both very active in defending the independence of the secretariat and proposing initiatives to governments, while retaining the confidence of both. The point here is that member States and the secretariat have distinct roles and that the organization will be effective and have influence only if there is confidence and trust between the two. A loss of confidence and trust can lead to decisions based more on sentiment than careful analysis, which can have a long-term detrimental effect on an organization. The recent reform of the ECE was, to some extent, a result of such loss of trust in some quarters. Thankfully, it appears that trust is being steadily restored.

Despite the loss of trust that may have been an impulse for the 2005 reform by those questioning the role of the somewhat difficult to define the "ECE as a whole" in the overall European architecture, the disaggregated ECE, its sectors, supported by intergovernmental

committees, have consistently enjoyed the confidence of the related line ministries that benefit from the work of the ECE and whose national experts contribute to studies and the negotiation of instruments. However, as we have argued in several parts of this essay, the ECE by broadening its sectoral approach, developing intersectoral activities, and addressing the interactions between the different parts of the region and between it and the rest of the world needs a capacity for economic analysis that has been dispersed by the latest reform. This capacity should be restored because the programme of work requires it. It will also be necessary for studies that will contribute to the better integration of the sectoral activities, respond to the problems of the sub-regions and provide a global perspective on the region's problems. It would be also be helpful if, in capitals, there was a broader constituency for the ECE's programmes than those of the sectoral activities.

This is a challenge that the ECE has recognized but, thus far, has not been able to meet successfully. Such a constituency would be better placed to review and access the overall direction and balance of the various programmes in the context of what is happening in the region and thereby provide strategic direction for the organization as a whole. Such a constituency could also serve to promote the organization as a whole, not the least in the forums that decide on its budget.

How to develop such a constituency? One idea would be to set up a group of independent experts, composed for example of senior economists from member countries' economics ministries, some academics and senior economists from other respected organizations to assess the overall direction and balance of the various programmes. Such a group, which must be substantive not bureaucratic, would meet periodically and operate on similar lines to the Independent Evaluation Group at the World Bank or the IMF's Independent Evaluation Office. It could make recommendations to the member States – i.e. to the Ministries of Foreign Affairs whose diplomats in Geneva currently decide on the direction of the organization. Admittedly, this would have to be well thought out. But, it would seem to us that some independent and substantive economic advice is called for to be able to help the decision-making. Otherwise there is a risk that the technical experts in the various sectoral programmes will always be in a strong position to pressure their local officials (whose background is usually more general in nature) to work for the continuation of their programmes. Moreover, such a situation can create incentives for individual staff members to lobby delegates in support of their sectoral programmes. Hence the need, as we see it, for the various sectors to be professionally assessed together in a wider strategic framework and by those with the capacity for such analysis.

Ups and downs are a normal part of an institution's history and ECE is no exception. But, overall, its history gives ground for a lot of satisfaction on the part of both its member governments and its secretariat. The competence of the organization, the engrained habits of cooperation, the treatment of all participants on an equal footing, and the demonstration that

respect for diversity is compatible with economic and social progress, all add up to a civilised message and inspire confidence in the capacity of the ECE to continue to provide good service to the governments and the people of the region and, thanks to its United Nations ties, to those in other parts of the world.

NOTES

1. Eric Hobsbawm, *Age of Extremes. The Short Twentieth Century* (London: Michael Joseph, 1999), p.49.
2. Mark Mazower, *Dark Continent: Europe's Twentieth Century* (London: Penguin Books, 1999), p. 217.
3. Ibid. p.26.
4. M. Djilas, *Conversations with Stalin*, translated from the Serbo-Croat by Michael B. Petrovich (New York: Harcourt, Brace & World, 1962), quoted by Mazower, *Dark Continent*, p.217.
5. ECE, *Economic Survey of Europe Since the War* (Geneva: United Nations, 1953), document E/ECE/157. Beneath the rubble of bombed buildings, sturdily-made machine tools, for example, were often found to be in more or less working order.
6. On the importance of gradualism in managing change in democracies see Richard Kozul-Wright and Paul Rayment, "The Institutional Hiatus in economies in transition and its policy consequences," *Cambridge Journal of Economics* 21, no.5 (September 1997), pp. 641-661.
7. See, for example, Barry Eichengreen, "Institutions and economic growth: Europe after World War II," in Nicholas Crafts and Gianni Toniolo, eds., *Economic Growth in Europe Since 1945* (Cambridge: Cambridge University Press, 1996), pp. 38-72.
8. André Newburg, "The Changing Roles of the Bretton Woods Institutions: Evolving Concept of Constitutionality," in Mario Giovanoli, ed., *International Monetary Law. Issues for the New Millennium* (Oxford: Oxford University Press, 2000), p.82.
9. Joseph Gold, "Transformation of the International Monetary Fund," *Columbia Journal of Transnational Law*, no.20 (1981), p.227, quoted by André Newburg, "The Changing Roles," p.82.
10. John Maynard Keynes, *The Economic Consequences of the Peace* (London: Macmillan, 1919).
11. ECE, *Economic Survey of Europe in 1948* (Geneva: United Nations, 1949), document E/ECE/91/Rev.1, p.5.
12. David Thompson, *Europe Since Napoleon* (London: Penguin Books, 1966), p.17.
13. These came into effective operation, respectively, in May, June and September 1945.
14. ECE, *A Survey of the Economic Situation and Prospects of Europe* (Geneva: United Nations, 1948), p.3.
15. "Reconstruction of Countries Members of the United Nations Devastated by War", Draft resolution proposed by the delegation of Poland: Report of the General Committee, document A/22, in *Plenary Meetings of the General Assembly. Verbatim Record, GAOR*, 1st Part of the 1st Session, 22nd Meeting, 2 February 1946, p.331.
16. "Report of the Economic and Employment Commission," document E/40, ECOSOC, ESCOR, 5th Year, 2nd Session, Annex 5, Part One, III.1 (2), p.249.
17. ECE, "Economic Reform in the East: A Framework for Western Support," *Economic Survey of Europe in 1989-1990* (New York: United Nations, 1990), pp.5-26; ECE, "Postwar Reconstruction and Development in South East Europe." *Economic Survey of Europe*, 1999, no.2, (New York and Geneva: United Nations, 1999), pp.1-21.

18. "Discussion of draft terms of reference for the Economic Commission for Europe", ECOSOC, ESCOR, 4th Session, 80th meeting, 27 March 1947, Point 58, p.199.
19. The issue arises in all complex organizations: transnational companies wrestle with the question of whether they should organize management by regional or global product markets. Foreign ministries are currently preoccupied with whether their policy analysis should focus on global issues or stick to country and regional desks. The point is that in both dimensions specific expertise is acquired and some of this will be lost if one approach excludes the other.
20. A detailed account of the negotiations from February 1946 to their conclusion in March 1947 is given in Václav Kostelecký. *The United Nations Economic Commission for Europe: The beginning of a history* (Göteborg: Graphic Systems AB, 1989). Kostelecký joined the ECE secretariat in 1948 and became one of Gunnar Myrdal's closest collaborators. This section draws on his account.
21. Plenary meetings of the General Assembly. Verbatim Record, opus cit. p.335.
22. Ibid., p.336.
23. The essential point in the US statement, that foreign aid from democratic countries ultimately depends on the support of legislatures and electorates, is well taken, but controversies have always surrounded the nature and extent of the actual conditions attached to it. A long-standing criticism of World Bank and IMF lending, for example, is that the conditions attached to their loans have intruded too far into the recipients' domestic policy space, a criticism that has also been made by the current Governor of the Bank of England. See Mervyn King, *Through the Looking Glass: Reform of the International Institutions*, Inaugural International Distinguished Lecture to the Melbourne Centre for Financial Studies, Australia, 21 December 2006.
24. "Discussion of draft terms of reference for the Economic Commission for Europe," Point 58, p. 198.
25. ECOSOC; *Amendments proposed by the delegation of Soviet Socialist Republics to the draft terms of reference submitted by the committee on the Economic Commission for Europe*, 22 March 1947, E/363/Rev.1/Add.1.
26. ECOSOC, *Committee on the Economic Commission for Europe. Draft Terms of Reference for the Economic Commission for Europe*, 20 March 1947, document E/363/Rev.1.
27. Albania, Austria, Bulgaria, Finland, Hungary, Ireland, Italy, Portugal, Romania and Switzerland. Switzerland participated in accordance with article 8 of the Commission's terms of reference until it became a member of the ECE in 1972, before finally joining the United Nations in 2002.
28. ECE Resolution 1(VII) of March 1952, "Resolution concerning the voting rights of European countries not members of the United Nations," ECOSOC, ESCOR, 14th Session, Supplement no.5, (E/2187), document E/ECE/150, p.20.
29. General Assembly Resolution 995(X) of 14 December 1955, "Admission of new Members to the United Nations," GAOR, 10th Session, Supplement no. 19, (A/3116), p.50.
30. ECE, *ECE The First Ten Years 1947-1957* (Geneva: United Nations, 1957), p.II-3.
31. In the Middle East, it would take 25 years and a major oil shock before agreement was reached to create the Economic Commission for Western Asia in 1973. On the background to the creation of the other regional commissions, see Yves Berthelot, editor, *Unity and Diversity in Development Ideas*, United Nations Intellectual History Project Series, Bloomington and Indianapolis: Indiana University Press, 2004.
32. Kostelecký, *The United Nations Economic Commission for Europe*, p. 25. More precisely, the idea of an ECE appears to have come from Walt. W. Rostow: "Early in 1946, while serving in the German-Austrian Economic Division of the Department of State, I concluded that if the United States restricted itself to housekeeping tasks within the American zone of Germany and of Berlin, it would ultimately preside over the split of Germany and Europe and harm the prospects for a sound European recovery. Consequently I wrote

a memorandum advocating a concerted approach to the continent's economic and security problems, which envisaged an offer of assistance to all of Europe, including the USSR, and was committed to proceeding in the West if Moscow's response was negative. This plan gained the backing of top State Department officials including Dean Acheson and William Clayton, but James Byrnes, then Secretary of State, rejected it, preferring to present the Russians with a proposal for a 50 year disarmament of Germany. Byrnes did, however, endorse the proposed Economic Commission for Europe, in which I later served within the office of the Executive Secretary." Walt. W. Rostow, "Lessons of the Plan: Looking Forward to the Next Century," *Foreign Affairs* (May/June 1997), p. 206.

33. See Annex I.

34. The annex table shows how the membership of the ECE grew over time, how long it took for its regional membership to be complete and how many countries chose to belong to more than one commission. The presence of former colonial powers, all members of ECE, in the membership of ECAFE, the Economic Commission for Latin America (ECLA), and the Economic Commission for Africa (ECA) was initially justified by their remaining responsibilities over territories in the respective region. When the Soviet Union was dismantled, the five newly independent states of Central Asia were automatically attached to ESCAP, but within three years all had also joined the ECE. Similarly, the three countries of the Caucasus became members of ECE but have since joined ESCAP as well.

35. Gunnar Myrdal, "Twenty Years of the United Nations Economic Commission for Europe," *International Organization* 22, no. 3 (Summer 1968), pp.617-628, and Kostelecký, *The United Nations Economic Commission for Europe*, p.37.

36. Peter Pulzer, *German Politics 1945-1995* (Oxford: Oxford University Press, 1995), p.40.

37. Charles Bohlen, *Witness to History 1929-1969* (New York: W.W. Norton & Co., 1973), pp. 262-263.

38. Kostelecký, *The United Nations Economic Commission for Europe*, p. 89.

39. *Ibid*, pp. 89-90.

40. Note from H. J. B. Lintott of the Board of Trade to Roger Stevens at the Foreign Office, PRO-UE 4615/168/53, quoted by Kostelecký *The United Nations Economic Commission for Europe*, p. 108.

41. ECOSOC, *ECE: Report of the 1st Session (2-14 May 1947) and the 2nd Session (5-16 July 1947)*, 18 July 1947, document E/451, p.9.

42. Paul R. Porter, "From the Morgenthau Plan to the Marshall Plan and NATO," in Constantine C. Manges, *The Marshall Plan From Those Who Made It Succeed*, (Lanham: University Press of America, 1999). Porter played an important role in the early development of ECE and was the US Resident Representative to ECE from 1947 to 1949.

43. See the interview with him, "Jetzt größere Schritte," *Der Spiegel*, no 43, 23 October 1989.

44. W. W. Rostow, "A Commission Europe Should Revive," *International Herald Tribune*, 20 April 1990.

45. Gunnar Myrdal, "The Research Work of the secretariat of the Economic Commission for Europe," in *25 Economic Essays in Honor of Erik Lindahl* (Stockholm: Ekonomisk Tidsknift, 1956), pp.267-293. It is interesting to note that at the fifty-sixth session of the ECE in 2001, the Ambassador of the Czech Republic praised the most recent *Surveys* for their quality, adding that "the *Survey* provides us with a large quantity of internationally comparable data and comments of high quality ... with its *Survey* ECE continues to be in a unique position among international institutions providing economic analysis. We appreciate ... the fact that the *Survey* generalizes from current experience, gives warnings as to possible risks in future economic developments, and recommends measures designed to avoid them."

46. In addition, the secretariat published the *Economic Bulletin for Europe*, which appeared variously on a quarterly, trimestrial, biannual and annual basis. Due to cuts in the resources available for economic

analysis, publication of the *Bulletin* ended with the 1997 issue. To simplify the text, general references to the *Survey* should be taken to refer to the *Bulletin* as well.

47. ECOSOC, "Economic Commission for Europe. Statement made by the Executive Secretary on item 8 of the agenda, 15 July 1947, document E/ECE/49, p.5.

48. Substantive criticism of course was another matter and the secretariat was able to take this into account because a pre-publication text was circulated at the Commission before the final version was printed.

49. The pressure was resisted and the study published in ECE, *Economic Bulletin for Europe*, 42/90 (New York: United Nations, 1991), pp.109-129.

50. ECE, "Enlarging the EU to the transition economies," *Economic Bulletin for Europe*, 48, (New York: United Nations, 1996), pp. 7-18.

51. Myrdal, "The Research Work," p.270.

52. The words quoted above were taken from a sound tape of the proceedings. One of the unfortunate economies resulting from the United Nations's recurrent financial crises in the 1980s and 1990s was the elimination of full reports of the proceedings of the Commission and other intergovernmental bodies. One may thus read what conclusions were reached but not the arguments that led to them or the positions taken by individual governments. In the name of economy the diplomats are thus able to cover their tracks. Whether magnetic tapes will survive as well as paper is an open question to which future researchers will discover the answer.

53. Myrdal, "The Research Work," p.270.

54. Stanislaw Raczkowski, "A few thoughts on the occasion of the United Nations' 50th anniversary," in Marie Lavigne, *Almanac(h)* (Pau: Lavigne, 1997), p.134.

55. Conversation with one of the authors in 2001. Danuta Hübner is a former Executive Secretary of ECE, a former Minister for European Integration in Poland and is currently Commissioner for Regional Policy at the European Commission in Brussels.

56. Arthur I. Bloomfield, "Review of ECE's *Economic Survey of Europe Since the War* and OEEC's *Europe-The Way Ahead*," *The American Economic Review* XLIV, no.1 (March 1954), pp.194-197.

57. Donald J. Johnston, "Japanese decision to allow OECD report's release commendable," *Financial Times*, London, January 24, 1997, p.14.

58. Thus, issues of adjustment and the distribution of its costs are often brushed aside with questions such as "are you in favour of the market economy or of central planning, of free trade or autarky?"

59. An Ipsos-Reid World Poll of 20 000 adults in 39 countries in the summer of 2000 asked respondents to rate their level of confidence in six global institutions – the IMF, the United Nations, the USA, the World Bank, the WTO, and multinational corporations – for addressing the economic problems of countries around the world. The United Nations "was the institution that overall seemed to engender the most confidence" and multinational corporations the least. *Ipsos-Reid Press Release*, 28 September 2000 (available at www.ipsos-reid.com/media).

60. Willy Brandt, however, the future Chancellor of the FRG, refused Myrdal's invitation to become ECE's first press officer. *Der Spiegel*, loc.cit., p.26.

61. ECE, *Opening Statement by the Executive Secretary to the Eleventh Session of the Economic Commission for Europe*, eleventh session, 5 April 1956, document E/ECE/242, pp. 5-6.

62. ECE, *ECE The first Ten Years 1947-1957*, p. 1-6.

63. Ibid. p. 1-6

64. Ibid. p. 1-6

65. ECOSOC Resolution 36(IV) of 28 March 1947, "Economic Commission for Europe," *Resolutions adopted by the ECOSOC*, 4th Session, 1947, p.11.
66. ECOSOC, "Report of the first and second sessions of the Economic Commission for Europe," Presentation by Mr. Myrdal (Executive Secretary), ECOSOC, ESCOR, 2nd Year, 5th Session, 97th Meeting, 28 July 1947, Point 25 (New York: United Nations, 1948), p.89.
67. Kostelecký, op. cit., p. 85.
68. ECE, *A Survey of the Economic Situation and prospects of Europe*, p.83.
69. ECE, *Economic Survey of Europe Since the War*, p.134.
70. Myrdal can also be credited with raising the general issue of the deleterious effects of corruption when it was still a taboo subject for most Western governments and development economists. See "Introduction to the Papers from the ECE Spring Seminar, May 2001," in ECE, *Economic Survey of Europe 2001*, no.2, (New York and Geneva: United Nations, 2001), p.58.
71. ECE, *Economic Survey for Europe since the War*, p.135.
72. Ibid., p.133.
73. Ibid., p.137.
74. Ibid., p.135.
75. Ibid., p.138.
76. Ibid., p.135.
77. Ibid., p.139.
78. Ibid., p.140.
79. ECE, *A Survey of the Economic Situation and prospects of Europe*, p.105.
80. Ibid., p.107.
81. ECE, *Fifteen Years of Activity of the Economic Commission for Europe 1947-1962*, (Geneva: United Nations, 1964), document E/ECE/473, Rev.1, p.97.
82. J. Herbert Furth, "Review of Economic Survey of Europe in 1949," *The American Economic Review* XL, no.5 (1950), pp.954-957.
83. A. K. Cairncross, "Review of the Economic Survey of Europe in 1951," *The Economic Journal*, Vol.62 (December 1952), pp.945-950.
84. See Furth, "Review of Economic Survey of Europe in 1949," and Furth, "Review of the Economic Surveys of Europe in 1950 and 1951," *The American Economic Review* XLIII, no. 4 (1952), pp. 652-657.
85. ECE, *ECE The first Ten Years 1947-1957*, p.XI-1.
86. Ibid., p.XI-2.
87. Ibid., p.XI-2.
88. Ibid., p.XI-3.
89. Ibid., p.XI-4.
90. Per Olaf Kjellström, "Coal: The Way Ahead," in ECE, *The Economic Commission for Europe: A General Appraisal* (Geneva: ECE, 2 May 1957), p.IV-2.
91. The League of Nations called for: "international agreement amongst producers on output, markets and prices; the establishment of an international committee representative of governments, producers, miners, merchants and consumers; the adoption of measures for assimilating, if not equalising, wages, hours and conditions of miners and the removal of existing artificial restrictions to trade in coal and the artificial stimulation of production". Per Olaf Kjellström, op.cited, IV-1

92. ECE, *International classification of hard coals by type* (Geneva: United Nations, 1956), document E/ECE/247, E/ECE/COAL/110.
93. *Ibid.*, p.IV-3.
94. *Protocol on Road Signs and Signals*, United Nations Conference on Road and Transport, New York, 19 September 1949.
95. See chapter 4
96. Paul Levert, "Les problèmes de transport en Europe," in ECE, *A General Appraisal*, p.IX-20.
97. Myrdal, "The Research Work," p.xi-6.
98. The most recent of these was published in 2005.
99. Egon Glesinger, "The ECE Timber Committee: the First Ten Years," in ECE, *A General Appraisal*, p.VI-7.
100. See ECE, *The European Housing Problem: A preliminary Survey*, (Geneva: United Nations, October 1949), document E/ECE/110.
101. ECE, *European Rent Policies*, (Geneva: United Nations, August 1953), document E/ECE/170.
102. Barrie Davis, "The Conference of European Statisticians," in Myrdal, "*The research work*," p.X-5.
103. *Ibid.*, pp.XI-11-12
104. Ludwig von Mises predicted in the early 1920s that socialist regimes would not survive because they were unable to calculate prices in, and therefore organize, a complex economy, but he suggested no date for their demise. Ludwig von Mises, 'Economic Calculation in the socialist commonwealth' in F. A. Hayek (ed.), *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism*, London: George Routledge & Sons, 1935. Perhaps the most accurate (or luckiest) long-term forecast of the collapse was made not by an economist or a Kremlinologist but by Winston Churchill: "To Colville, on New Year's Day in 1953, he predicted that by the 1980s Communism would disappear from Eastern Europe". John Lukacs, *Five Days in London*. May 1940, New Haven: Yale University Press, 1999, p.214.
105. On this point, see Michael Ellman, "The Social Costs and Consequences of the Transformation Process", *Economic Survey of Europe*, United Nations: New York and Geneva, 2000, No.2/3, pp.138-9 and p.46.
106. Decolonization also had a major impact on the United Nations. The General Assembly resolution of 1960 calling for the independence of all the colonies – the USA, the United Kingdom, France, Belgium, Spain, Portugal, and South Africa voted against – was the beginning of a process whereby the developing world began to challenge the economic and political dominance of Western Europe and the United States. That challenge is now a powerful one with the growing economic strength of China, India and several other Asian economies. In the 1970s and 1980s, however, the combination of the Group of 77 and the Soviet bloc, an alliance that remained fairly close from the Fourth Summit of the Non-Aligned Movement in 1974 to the Soviet invasion at the end of 1979, led to a series of resolutions in the General Assembly that were repeatedly vetoed by the United States which in the first twenty years of the United Nations had never been challenged to exercise its veto. The strong antipathy of various political groups in the United States towards the United Nations dates from this period and would be an important factor behind the various budget crises that began to hit the organization in the 1980s, the ECE included.
107. The Senior Economic Advisers first met in 1961 and 1962 and then were established as a permanent subsidiary committee of the Commission. It was terminated in 1997.
108. Ingvar Svennilson, *Growth and Stagnation in the European Economy* (Geneva: ECE, 1954), Sales no. 1954. II.E. 3, p.3.
109. *Ibid.*, p.6.

110. Ibid. p.7.
111. P.J. Verdoorn, "Fattori che regolano lo sviluppo della produttività del lavoro", L'Industria, 1949; Nicholas Kaldor, Causes of the Slow Rate of growth of the United Kingdom, Cambridge: C.U.P., 1966. Verdoorn was a member of Kaldor's team that produced the 1948 Survey, which contains what appears to be the first version of the 'law'.
112. One of the best expositions of the principle of cumulative causation is in Gunnar Myrdal, An American Dilemma, New York, Harper, 1944, pp.1065-1070.
113. Ibid. p.41.
114. Edward F. Denison, The Sources of Economic Growth in the United States and the Alternatives Before Us, Supplementary Paper no. 13 (New York: Committee for Economic Development, 1962).
115. Arndt was a member of the secretariat in 1960-61.
116. ECE, Economic Survey of Europe in 1961, Part 2: Some Factors in Economic Growth in Europe during the 1950s (Geneva: United Nations, 1964), Chap.V, p.23.
117. Ibid. Chap.VII, p.11.
118. Ibid. Chap.VII, p.12.
119. See ECE, *Structure and Change in European Industry* (New York: United Nations, 1977), especially Chap.3. Also, P.B.W. Rayment, "*Structural Change in Manufacturing Industry and the Stability of the Verdoorn Law*", *Economia Internazionale*, XXXIV, no. 1, pp.104-23.
120. "Is European monetary policy too cautious?" ECE, Economic Survey of Europe, 2001, no. 1 (New York and Geneva: United Nations, 2001), Chap.1, p.7.
121. ECE, *Incomes in Postwar Europe: A Study of Policies, Growth and Distribution*, (Geneva: United Nations, 1967), document E/ECE/613/Add.1, Chap.1, p.1. The leader of the team that produced this study was Christopher Saunders (1907-2000), Director of the Economic Analysis Division from 1965-1973. Saunders was a former Deputy Director of the UK Central Statistical Office and Director of the independent National Institute of Economic and Social Research in London. Like many of his generation whose formative years coincided with the depression of the 1930s, he abhorred unemployment and had long argued the need for a wages policy to curb inflation without destroying jobs. He had earlier played a major role in organizing the statistical basis of the European response to the Marshall Plan (see previous chapter), work for which he was honoured by the British government in 1953.
122. Ibid. Introduction, p.1.
123. Ibid. Chap.1, p.5.
124. Ibid. Chap.1, p.5.
125. Ibid. Chap.1, p.6.
126. Ibid. Chap.1, p.7.
127. Ibid. Chap.1,p.15.
128. Ibid. Chap.1, p.15.
129. ECE, "Some key problems of economic development in southern Europe," *Economic Survey of Europe in 1953* (Geneva: United Nations, 1954),
130. Ibid. Chap.15, Internal Aspects, p.184.
131. Ibid. Chap.12, p.161.
132. Ibid. p. 177.

133. Import protection combined with an outward, export orientation was to be an important feature of the Republic of Korea's successful and rapid development some years later, and indeed was a key element in the industrialization process of all the present developed market economy countries.

134. Ibid. p. 203.

135. In GATT, *International Trade 1959*, Geneva 1960, p. 56.

136. ECE, "Europe and the Trade Needs of Developing Countries", in *Economic Survey of Europe in 1960*, Geneva, 1961.

137. *Economic Survey of Europe 1953*, op.cit. p.180.

138. Ibid. p.181.

139. ECE, *Economic Bulletin for Europe* 23, no. 2 (1972), p.75.

140. *Economic Survey of Europe 1953*, op.cit. p.183.

141. Ibid. p.186.

142. Ibid. p.188.

143. Ibid. p.191.

144. Discussing the first industrial nation, a leading economic historian concludes: "all the figures suggest that...it was the success of British industries that caused exports to grow, not the success of British overseas trade that made industries grow". Sheilagh Ogilvie, "The European Economy in the Eighteenth Century", in T. C. W Blanning, editor, *The Eighteenth Century*, Oxford: Oxford University Press, 2000, p.123. Research on many of the East Asian economies in the twentieth century reaches a similar conclusion.

145. Douglas North, *The Role of Institutions in Economic Development*, (The 2003 Gunnar Myrdal Lecture), United Nations: Geneva and New York, 2003

146. For an extensive discussion of these issues see Richard Kozul-Wright and Paul Rayment, *The Resistible Rise of Market Fundamentalism. Rethinking Development Policy in an Unbalanced World*, London: Zed Books, 2007.

147. Marie Lavigne, *The Economics of Transition* (London: Macmillan Press Ltd., 1995), p.32.

148. Ibid. p.13.

149. Jacques Baudot, "Methods of analysing the Qualitative Aspects of Long Term Economic and Social Development," in ECE, *Long-term Planning, Papers presented to the seventh meeting of the Senior Economic Advisers to ECE Governments* (New York: United Nations, 1971), p.33.

150. Ibid. p.34.

151. Dr. Michael Bacharach, "The State of mathematical economic planning in the countries of the Economic Commission for Europe," in *Macro-Economic Models for Planning and Policy-Making* (Geneva: ECE, 1967), p.10.

152. A distinguished group of participants included E. Lundberg, L. P.Blanc, B. Horvat, E. Mason, J. Pajetska, C. T. Saunders and two Nobel Laureates, J. R. N. Stone and J. Tinbergen.

153. ECE, *Factors and Conditions of Long-Term Growth* (New York: United Nations, 1974), document ECE/EC.AD/7, pp.1-9.

154. ECE, *Employment, Income Distribution and Consumption* (New York: United Nations, 1979), document ECE/EC.AD/19, p.4.

155. ECE, *Employment, Income Distribution and Consumption*, p.8.

156. ECE, *ECE 1947-1987* (New York: United Nations, 1987), document E/ECE/1132, p.34.

157. Ibid. p.5.

158. Ibid. p.6.

159. Sometimes three or four officials from the same economics ministry were coming to Geneva to participate in the seminars. The level of the officials and academic attending was also a demonstration of their relevance. Such seminars could help to provide broader perspectives to the work of the sectoral committees.

160. ECE Resolution 3(XXIV) of 23 April 1969, "The Development of Foreign Trade," ECOSOC, ESCOR, 47th Session, Supplement no. 3, (E/4641), document E/ECE/747, p.59.

161. ECE, *Analytical Report on the State of Intra-European Trade* (New York: United Nations, 1970), document E/ECE/761/Rev.1.

162. Ibid. p.135.

163. ECE, *ECE 1947-1987*, United Nations: New York 1987, pp.18-35

164. Ibid, pp.93-94

165. Agreement Concerning the Adoption of Uniform Conditions of Approval and Reciprocal Recognition of Approval for Motor Vehicle Equipment and Parts.

166. Until the 1970s the emission limits of the main pollutants were not regulated. Therefore, setting the pre-1970 levels at 100, the successive amendments of the relevant ECE regulations have reduced the emission limits of CO, HC, NOx and particulates of private cars to about 3%, i.e. a reduction of about 97%. This means that new vehicles manufactured in accordance with the latest ECE emission standards pollute about 30 times less than similar vehicles in the 1970's. In other words, one vehicle manufactured in the 1970s pollutes as much as about 30 new vehicles. Meanwhile the number of vehicle/km has increased by a factor of about 4. The reduction has been less spectacular but also very important for heavy-duty vehicles. The above figures are orders of magnitude.

167. Ibid. pp.68-69

168. TIR is the acronym for *Transports Internationaux Routiers* or International Road Transport

169. Myrdal, *The Research Work*, p.XI-1.

170. ECE, *The Price of Oil in Western Europe* (Geneva: United Nations, 1955), document E/ECE/205, p.23. The principal author of this report was Jack Downie who later became Assistant-Secretary-General of the OECD in charge of economics and statistics. His book, *The Competitive Process*, (1958) has become a classic in evolutionary economics.

171. Ibid. p.37.

172. Ibid. p.39.

173. Ibid. cover page.

174. ECE, *Energy problems in Europe*, Progress Report by the Executive Secretary, 10 February 1970, twenty-fifth session, document E/ECE/768, para.6, p.2.

175. ECE, *A Comparative Study of some National Energy Models*, 22 March 1972, document ST/ECE/ENERGY/13, p.17.

176. ECE, *The Commission's activities and implementation of priorities*, Report by the Executive Secretary, 31 January 1972, twenty-seventh session, document E/ECE/817, p.28.

177. ECE, *Preliminary Report on some Medium- and Long-Term Problems of the Energy Economy in the ECE Region*, Prepared by the Executive Secretary, 14 March 1973, twenty-eighth session, document E/ECE/847, p.22.

178. Ibid. Chap.III, "Conclusions – Present needs, opportunities for further cooperation amongst governments of the ECE region," pp.54-57.

179. ECE, "Annual Report to the ECOSOC," ECOSOC, *ESCOR*, 55th Session, 1973, Supplement no. 10, document E/ECE/855, paragraph 186, p.41.
180. Conversation with one of the authors on 22 February 2001. Philippe de Seynes was Under-Secretary General for Economic Affairs.
181. ECE, "Annual Report to the ECOSOC," 1973, p.66.
182. ECE, *ECE Symposium on Problems Relating to the Environment* (New York: United Nations, 1971), document ST/ECE/ENV/1, p.2.
183. *Ibid.* p.12.
184. *Ibid.* p.3.
185. *Ibid.* p.3.
186. *Ibid.* p.4 .
187. Karin Bäckstrand, *What Can Nature Withstand? Science, Politics and Discourses in Trans-boundary Air Pollution*, Doctoral Dissertation, Lund University, January 2000, and ECE, *Economic Survey for Europe in 1989-1990* (New York: United Nations, 1990), p.23.
188. ECE, *Economic Survey of Europe in 1989-1990*, p.5.
189. Statement of the United Nations Secretary-General to the WTO Summit, delivered at Cancún, 10 September 2003.
190. Henry Kissinger, "Globalization and the World Order," A lecture delivered at Trinity College, Dublin, 12 October 1999, quoted in ECE, "*Globalization: A European Perspective*", see note 1, p 4.
191. "*Globalization: A European Perspective*", note prepared by the secretariat of the United Nations Economic Commission for Europe for the Interactive Debate with Heads of United Nations Regional Commissions at the UNCTAD X Meeting, Bangkok, February 2000.
192. ECE, "Productivity Trends in Eastern Europe and the Soviet Union, 1970-1983," *Economic Survey of Europe in 1985-1986*, (New York: United Nations, 1986), pp.209-223.
193. ECE, "Economic Reform in the East: A Framework for Western Support," *Economic Survey of Europe in 1989-1990*, (New York: United Nations, 1990) p.5.
194. ECE, *Economic Survey of Europe in 1989-1990*, p.13.
195. *Ibid.*, pp.14-15
196. *Ibid.*, p.23.
197. *Ibid.*, p.24.
198. Adam Smith, *The Wealth of Nations*, Vol. 1 (Oxford: R. H. Campbell & A. S. Skinner, 1976), p.469. Ricardo recommended a similarly gradualist approach to England's removal of restrictions on the import of corn after 1846.
199. ECE, *Economic Survey of Europe in 1989-1990*, p.16.
200. Address by Jacques Delors to the European Parliament, "Presenting the Commission's Programme for 1990," EC Press Release, Strasbourg, 17 January 1990.
201. Louis Emmerij, Richard Jolly, Thomas G. Weiss, *Ahead of the Curve – UN Ideas and Global Challenges* (Bloomington: Indiana University Press, 2001), p.162.
202. It cannot be argued that the Survey of 1989-1990 passed unnoticed, even though its print run was small compared with the publications of other international institutions. It was the first international report on Eastern Europe to appear after the 1989 revolutions and it received massive coverage in the press, radio and TV. It was a lead item in the main evening news programme in France, TF1, and its star presenter, Patrick

Poivre d'Arvor, held up the Survey before the camera so everyone could see what this obscure publication looked like.

203. This assumption was also behind the metaphors which decorated the rhetoric of the early 1990s: "jump starts", "big bangs" and, of course, "shock therapy" were all prescribed as quick fixes for setting up a market economy. It seems to escape those who employ it that a "jump start", for example, applies to a mechanism where all the constituent parts are in place and in working order and which only requires just one spark of energy to get the whole system working. This was not an illuminating or helpful metaphor for a transition economy.

204. "The IMF's first big mistake [over Russia] was its failure to support the reformers of the early 1990s with something akin to a Marshall Plan ... because a Marshall Plan was not forthcoming, Russia today looks more like Germany after the Treaty of Versailles. Of course, blaming the IMF for this historic failure misses the point: the US had no vision. Neither did its partners in Europe. It was too easy to believe that the move to a market economy would solve the problem itself." Rudiger Dornbusch, "Nothing left to steal," *Financial Times*, London (23 September 1999).

205. Thus, the Foreign Affairs Minister of Germany, Hans-Dietrich Genscher thought that a plan for Russia along the lines suggested by the ECE was desirable, and in the United Kingdom's House of Commons, the then leader of the Opposition, Mr. Kinnock asked the Prime Minister whether he accepts "the need for a coordinated international aid and support programme – a modern Marshall Plan – as proposed by the United Nations Economic Commission for Europe? Does he not agree that such a programme, amongst other things, establish an effective linkage between western support for economic development and the response from the newly independent States in terms of schedules for comprehensive, verifiable and quicker disarmament?" House of Commons, Hansard Debates for 3 February 1992, (London: HMSO, 1992), column 23. There was no reply from the Prime Minister, Mr. John Major.

206. Margaret Anstee, Under-Secretary-General and Director-General of the United Nations Office in Vienna, was deeply concerned by what she judged to be a very dangerous situation in the early 1990s in the countries of the former Soviet Union. She tried to persuade the Secretary-General, Boutros Boutros-Ghali, that the United Nations should take a lead in persuading the Western countries to make a major effort to help them with a very difficult transition but "he did not think that was a good idea at all". See, Oral History Interview with Dame Margaret Anstee, 14 December 2000, pp.133-4 of the transcript, Oral History Collection of the UN Intellectual History Project. Ms. Anstee was unaware at the time that the ECE secretariat shared her concerns and had published suggestions in support of the line she was proposing to the Secretary General.

207. The ECE staff members frequently wonder whether their senior colleagues in New York are even aware of what they do or even where they are. In his book, *Peacemonger* (London: John Murray, 2002), p.299, Murrack Goulding complains about the limited research capacity available to back him up when he was Under-Secretary General for Special Political Affairs and describes his unease at his "poor understanding of the deeper currents of Yugoslavia's ethnic politics at this time." But in the ECE there were people in the Economic Analysis Division with a deep knowledge of the Balkans and with an extensive network of contacts, within and outside the region, who could be called on to fill the gaps in their own knowledge of the region. It would have been a simple matter to arrange briefings or specialist seminars for Goulding and his colleagues, as in fact the ECE did on the subject of reconstruction after the Kosovo bombing – but no-one in New York thought of asking.

208. ECE, *Economic Bulletin for Europe*, vol. 48 (1996), p.13.

209. *Ibid.*, p.18.

210. ECE, *Economic Survey of Europe in 1956* (Geneva: United Nations, 1957), document E/ECE/278, Chapters V and VI.

211. ECE, *ECE 1947-1987*, op.cit. p.84

212. ECE, *Emerging Energy Security Risks and Risk Mitigation: a Global Overview*, note for the Committee on Sustainable Energy, August 2006

213. A note of the ECE secretariat for the Regional Implementation Forum on Sustainable Development, Energy for Sustainable Development, Industrial Development, Air Pollution Atmosphere and Climate Change: Achievements, Trends and Challenges in the UNECE Region, in October 2005, shows the diversity of bodies involved and the variety of recommendations made. But it is, also, an implicit invitation to mainstream environmental concerns in the work of the committees on transport and sustainable energy and to integrate their approach to the future of transport, energy and environment in the ECE region.

214. A convention was signed on combined transport, which, en passant, should help to reduce pollution from lorries; there was an agreement on the work-loads of drivers of vehicles engaged in international transport, aimed at improving security, and another harmonizing conditions for navigation on the Rhine and Danube, rendered necessary by the opening of a canal between the two rivers.

215. ECE Website, March 2007

216. Austria, Belgium, Federal Republic of Germany, France, Italy, Luxembourg, Netherlands, Portugal, Sweden, United Kingdom of Great Britain and Northern Ireland.

217. Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles

218. For instance, in 1962/1963, a mission of the Technical Assistance Office in Geneva helped Malta to prepare a detailed report on the development and outlook for the Maltese economy. This mission, which received support from the ECE Research and Planning Division, was conducted by Wolfgang Stolper, the co-author of the Stolper-Samuelson theorem, and Rune Hellberg of the ECE secretariat.

219. General Assembly Resolution 33/202 of 29 January 1979, Restructuring of the economic and social sectors of the United Nations system, Part V, p.131.

220. General Assembly Resolution 32/197 of 20 December 1977, Restructuring of the economic and social sectors of the United Nations system, Annex, Part IV, Para.20. p.124.

221. Before SECI, in 1994, a first attempt of the ECE secretariat to facilitate dialogue among the countries emerging from the break up of Yugoslavia was stillborn. Janez Stanovnick, former Executive Secretary of the ECE, who was President of Slovenia when it became independent, warned the then Executive Secretary of ECE that any initiative to bring together the former components of Yugoslavia, even to discuss technical matters of common interest, such as circulation on the Danube, would only unite them against the Commission.

222. *ECE Bulletin No 30*, February 1997

223. ECE, *Economic Survey of Europe*, 1999, no. 2, (New York and Geneva: United Nations, 1999), pp.1-21.

224. For a careful analysis and well-balanced discussion of this last point, see Rumen Dobrinsky, "Catch-up Inflation and Nominal Convergence: The Balancing Act for New EU Entrants", *Economic Systems*, Vol. 30, No.4 (2006), pp.424-442.

225. This extension of Europe's interests in regional cooperation to include North Africa underlines the somewhat fluid nature of a "region". The concept is invariably a malleable one and a region's unifying characteristics, which can change over time and with circumstances, are as much cultural and political as geographic. Since the purpose of creating a regional commission was to facilitate concerted action by a set of countries with shared interests and facing similar problems of reconstruction and development, ambiguity about membership concerned only countries at the boundary of the region or at the margin of the problems and that was resolved simply by allowing countries to decide whether or not they wanted to join the regional body.

226. There are also oil-importing developing countries that have been hit hard by higher energy prices but one of their ways out of the problem is to send more and more workers to the developed countries from where they remit a large part of their earnings back home. The huge flows of remittances in recent years are frequently presented as a triumph of the global economy and they certainly constitute a lifeline for the countries that receive them, but they really reflect a failure of development in the workers' countries of origin

227. The report of the United Nations *High Level Panel on Threats, Challenges, and Change*, United Nations: New York, 2004 stresses the need for policy coherence in the linked areas of international trade, finance, the environment, pandemic diseases, and economic development. Similar considerations about integrated policymaking arise in the context of post-conflict reconstruction. It would be convenient if the re-establishment of security, the provision of emergency assistance, the installation of effective governance, rebuilding infrastructure and getting an economic recovery under way could all be done in a nice linear sequence, but long experience, including the latest in Iraq, suggests that most of these need to be advanced simultaneously. This is certainly not easy: it involves analytical difficulties in working out the relationships between the different factors and considerable managerial and coordination problems. The latest round of United Nations reform, reflected in the "One United Nations" concept, is a step in this direction, but it is far from clear whether the analytical and organizational problems have been thought through.

228. See, for example, Mervyn King, Governor of the Bank of England, *Through The Looking Glass: Reform Of The International Institutions*, Lecture delivered at the Melbourne Centre for Financial Studies, Australia, December 2006.

229. ECLA, *Economic Survey of Latin America*, 1949, New York, United Nations Department of Economic Affairs, 1951, page 14.

230. On this notion of positive nationalism see Isaiah Berlin in N. Gardels, "Two Concepts of Nationalism: An Interview With Isaiah Berlin", *New York Review of Books*, 38 (19), 1991 and J. Saul, *The Collapse of Globalism*, London: Atlantic Books, 2005.

231. Mica Panić, "Does Europe need neo-liberal reforms?" *Cambridge Journal of Economics*, January 2007.

232. As a reminder, the International Telecommunications Union was founded in 1865 and the Universal Postal Union in 1874.

233. For an account of how such cooperation in the European Union "saved" the nation state", see Alan Milward, *The European Rescue of the Nation State*, London: Routledge, 992.

234. Copies of the first Surveys were rushed to OEEC in Paris as soon as they came off the printing press and the first issue was read into the Congressional Record of the United States.

235. This has always struck the authors as a particularly superficial remark since "talking shops" are central to our democratic institutions and what matters is the quality of the talk and of the decisions that result from it. The "criticism" often comes from those who prefer to act without thinking or considering the interests of others.

236. In 1986, M. Etienne Dreyfous (a director of Air France), Chairman of an ECE working party on trade facilitation, estimated that the agreement on an international standard for the electronic exchange of trade documentation, reached in September 1986, would save some \$600 from the production cost of a passenger car. (US Mission, Daily Bulletin, September 26, 1986). On the basis of passenger car production in 1982, a recession year, that would imply a cost reduction of some \$16 billion for the global car industry. The United States industry alone would have gained \$3 billion, which compares with the United Nations's regular budget at the time (which the US was seeking to cut) of \$700 million, and with the \$13.4 million that the Plaza Group was trying to "save" from the United Nations budget by abolishing the ECE. More recent estimates of the potential reduction in the transaction costs of international trade go to more than \$4 trillion (although the basis for the estimate is not clear). UNECE, Press Release, ECE/Trade/01/04, Geneva, 3 April 2001.

237. Such trade-offs are already implicit in some of ECE's work. For example, the negotiation of international safety standards for motor vehicles, given that representatives of the motor industry were included in some national delegations, must, at least implicitly, have involved some trade-off between higher safety standards and increased production costs, but whether the trade off was at all transparent to vehicle users and consumer groups is unknown.

238. Myrdal thought that one of the roles of the Survey was to serve as an alarm clock, and many years later there were others, including the OSCE ambassadors who came to an ECE Seminar in 1998 and the Czech ambassador quoted in chapter 1 who saw it in a similar way.

239. To mention just a few points at random: The Survey was well ahead of other international institutions in warning (Survey of 1990-1991) that the recovery from the 1990 downturn would take much longer than the official forecasts were suggesting because of the adjustment to high levels of personal and corporate debt in the United States and parts of Western Europe. Its prediction of a severe transition recession after 1989, the rapid collapse of intra-SMEA trade and their slow return to economic growth were accurate if not popular. Its forecast of the likely date of the EU enlargement appears to have the most accurate of all the assessments being made in the mid-1990s.

240. The official reasons for abolishing the Survey seem to be that it duplicated the publications of other organizations and that it was not read. The charge of duplication is a perennial one and was rejected by a number of independent assessments in the 1990s. A series of readership surveys clearly showed that a specialist audience, of which a large proportion consisted of academics who advised their governments on east-west relations, valued the Survey. The consultants who produced the External Evaluation Report on the State of the ECE, dated June 2005, recommending the abolition of the Survey, ignored deliberately this material and while the questionnaires for the readership surveys, signed by the respondents, were kept on file and were open to inspection, this was not the case for the questionnaires used by the consultants.

241. Among recent examples, it was reported in 2005 that the OECD secretariat was being forbidden to publish studies of EU policies, such as the CAP, which affected individual countries, and publication of one of its regular country analyses was delayed because the country in question did not think it timely for domestic political reasons. See, Financial Times, London, 19 May 2005.

242. Special studies, however, often require greater statistical effort as they may need to draw on a range of special statistics outside the traditional databases.

243. See Seamus Heaney, *The Redress of Poetry*. Oxford Lectures, London: Faber and Faber, 1995: "If we know in what way society is unbalanced, we must do what we can to add weight to the lighter scale." Perhaps there is a parallel here with the important role of a "loyal opposition" in a healthy parliamentary democracy.

244. *The Times*, London, 28 August 1978.

245. ECE, "*Wage rigidity in Western Europe and North America*" (New York: United Nations, 1988), pp. 99-113.

246. ECE, *Globalization: A European Perspective*, (Geneva: UNECE, January 2000. Paper prepared for UNCTAD X, Bangkok.

247. Cooperation with other regional commission and organizations was a feature of the secretariat's research work in the 1950s. For example there were joint studies of the trade of Europe with Latin America (done with ECLAC), and with Asia (done with ECAFE and the FAO), and a study with FAO on the problems of European Agriculture.

248. See paragraph 1(a) of the Terms of Reference and Rules of Procedure of the Economic Commission for Europe, United Nations: Geneva, 1947 and subsequent editions.

ANNEX I

**TERMS OF REFERENCE OF THE
ECONOMIC COMMISSION FOR EUROPE, 1947**

36(IV). Economic Commission for Europe

Resolution of 28 March 1947
(document E.402)

The Economic and Social Council,

Having considered the resolution adopted at the fifty-fifth plenary session of the General Assembly on 11 December 1946, namely, that the General Assembly "... recommends that, in order to give effective aid to the countries devastated by war, the Economic and Social Council, at its next session, give prompt and favourable consideration to the establishment of an Economic Commission for Europe...",¹

A. *Establishes an Economic Commission for Europe*, with terms of reference as follows:

1. The Economic Commission for Europe, acting within the framework of the policies of the United Nations and subject to the general supervision of the Council shall, provided that the Commission takes no action in respect to any country without the agreement of the Government of that country:

(a) Initiate and participate in measures for facilitating concerted action for the economic reconstruction of Europe, for raising the level of European economic activity, and for maintaining and strengthening the economic relations of the European countries both among themselves and with other countries of the world;

(b) Make or sponsor such investigations and studies of economic and technological problems of and developments within member countries of the Commission and within Europe generally as the Commission deems appropriate;

(c) Undertake or sponsor the collection, evaluation and dissemination of such economic, technological and statistical information as the Commission deems appropriate.

2. The Commission shall give prior consideration, during its initial stages, to measures to facilitate the economic reconstruction of devastated countries of Europe which are Members of the United Nations.

3. Immediately upon its establishment, the Commission shall consult with the member Governments of the Emergency Economic Committee for Europe, the European Coal Organization and the European Central Inland Transport Organization with a view to the prompt termination of the first, and the absorption or termination of the activities of the second and third, while ensuring that the essential work performed by each of the three is fully maintained.

4. The Commission is empowered to make recommendations on any matter within its competence directly to its member Governments, Governments admitted in a consultative capacity under paragraph 8 below, and the specialized agencies concerned. The Commission shall submit for the Council's prior consideration any of its proposals for activities that would have important effects on the economy of the world as a whole.

5. The Commission may, after discussion with any specialized agency functioning in the same general field and with the approval of the Council, establish such subsidiary bodies as it deems appropriate for facilitating the carrying out of its responsibilities.

6. The Commission shall submit to the Council a full report on its activities and plans, including those of any subsidiary bodies, once a year, and shall make interim reports at each regular session of the Council.

7. The members of the Commission are the European Members of the United Nations and the United States of America.

8. The Commission may admit in a consultative capacity European nations not Members of the United Nations, and shall determine the conditions in which they may participate in its work.

9. The Commission shall invite representatives of the Free Territory of Trieste (when it is established) to participate in a consultative capacity in the consideration by the Commission of any matter of particular concern to the Free Territory.

10. The Commission may consult with the representatives of the respective Allied Control Authorities of the occupied territories, and be consulted by them for the purpose of mutual information and advice on matters concerning the economies of these territories in relation to the rest of the European economy.

11. The Commission shall invite any Member of the United Nations not a member of the Commission to participate in a consultative capacity in its consideration of any matter of particular concern to that non-member.

12. The Commission shall invite representatives of specialized agencies and may invite representatives of any intergovernmental organizations to participate in a consultative

capacity in its consideration of any matter of particular concern to that agency or organization, following the practices of the Economic and Social Council.

13. The Commission shall take measures to ensure that the necessary liaison is maintained with other organs of the United Nations and with the specialized agencies.

14. The Commission shall adopt its own rules of procedure, including the method of selecting its Chairman.

15. The administrative budget of the Commission shall be financed from the funds of the United Nations.

16. The Secretary-General of the United Nations shall appoint the staff of the Commission, which shall form part of the Secretariat of the United Nations.

17. The headquarters of the Commission shall be located at the seat of the European Office of the United Nations.

18. The first session of the Commission shall be called by the Secretary-General of the United Nations as soon as practicable after the Commission has been created by the Economic and Social Council.

19. Not later than 1951, the Council shall make a special review of the work of the Commission with a view to determining whether the Commission should be terminated or continued, and if continued what modification if any should be made in its terms of reference.

B. *Draws the attention* of the Economic Commission for Europe to those parts of the first report of the Transport and Communications Commission relating to functions in the field of European inland transport; and

Requests the Economic Commission for Europe to convene at the earliest possible date a meeting of transport experts drawn from its member Governments, from other European Governments admitted in a consultative capacity, and the Allied Control Authorities of the occupied countries and from appropriate European inter-governmental transport organizations, to formulate recommendations which shall form the basis of a report by the Commission to the Council at its fifth session, if possible on the functions and organizational arrangements within the framework of the Commission required to deal with European inland transport problems in general.

¹ See *Resolutions adopted by the General Assembly* during the second part of its first session, page 73.

ANNEX II**EXECUTIVE SECRETARIES OF THE
ECONOMIC COMMISSION FOR EUROPE**

Gunnar Myrdal	1947-1957
Sakari Tuomioja	1957-1960
Vladimir Velebit	1960-1967
Janez Stanovnik	1967-1982
Klaus Sahlgren	1982-1986
Gerald Hinteregger	1986-1993
Yves Berthelot	1993-2000
Danuta Hübner	2000-2001
Brigita Schmögnerová	2001-2005
Marek Belka	2006-

ANNEX III

DATES OF MEMBERSHIP OF THE ECONOMIC COMMISSION FOR EUROPE

56 MEMBER COUNTRIES

Albania	14 Dec 1955		Lithuania	17 Sept 1991	
Andorra	28 July 1993		Luxembourg	28 March 1947	
Armenia	30 July 1993	a	Malta	1 Dec 1964	
Austria	14 Dec 1955		Moldova	2 March 1992	
Azerbaijan	30 July 1993	a	Monaco	27 May 1993	
Belarus	28 March 1947	b	Montenegro	28 June 2006	h j
Belgium	28 March 1947		Netherlands	28 March 1947	
Bosnia and Herzegovina	22 May 1992	c j	Norway	28 March 1947	
Bulgaria	14 Dec 1955		Poland	28 March 1947	
Canada	9 Aug 1973		Portugal	14 Dec 1955	
Croatia	22 May 1992	c j	Romania	14 Dec 1955	
Cyprus	20 Sept 1960		Russian Federation	28 March 1947	i
Czech Republic	28 March 1947	d	San Marino	30 July 1993	
Denmark	28 March 1947		Serbia	1 Nov 2000	j
Estonia	17 Sept 1991		Slovakia	28 March 1947	d
Finland	14 Dec 1955		Slovenia	22 May 1992	c j
France	28 March 1947		Spain	14 Dec 1955	
Georgia	30 July 1993	e	Sweden	28 March 1947	
Germany	18 Sept 1973	f	Switzerland	24 March 1972	k
Greece	28 March 1947		Tajikistan	12 Dec 1994	a
Hungary	14 Dec 1955		The former Yugoslav Republic of Macedonia	8 April 1993	l
Iceland	28 March 1947		Turkey	28 March 1947	
Ireland	14 Dec 1955		Turkmenistan	30 July 1993	a
Israel	26 July 1991	g	Ukraine	28 March 1947	m
Italy	14 Dec 1955		United Kingdom	28 March 1947	
Kazakhstan	31 Jan 1994	a	United States	28 March 1947	
Kyrgyzstan	30 July 1993	a	Uzbekistan	30 July 1993	a
Latvia	17 Sept 1991				
Liechtenstein	18 Sept 1990				

Source: United Nations, Yearbook of the United Nations (New York: United Nations, various issues).

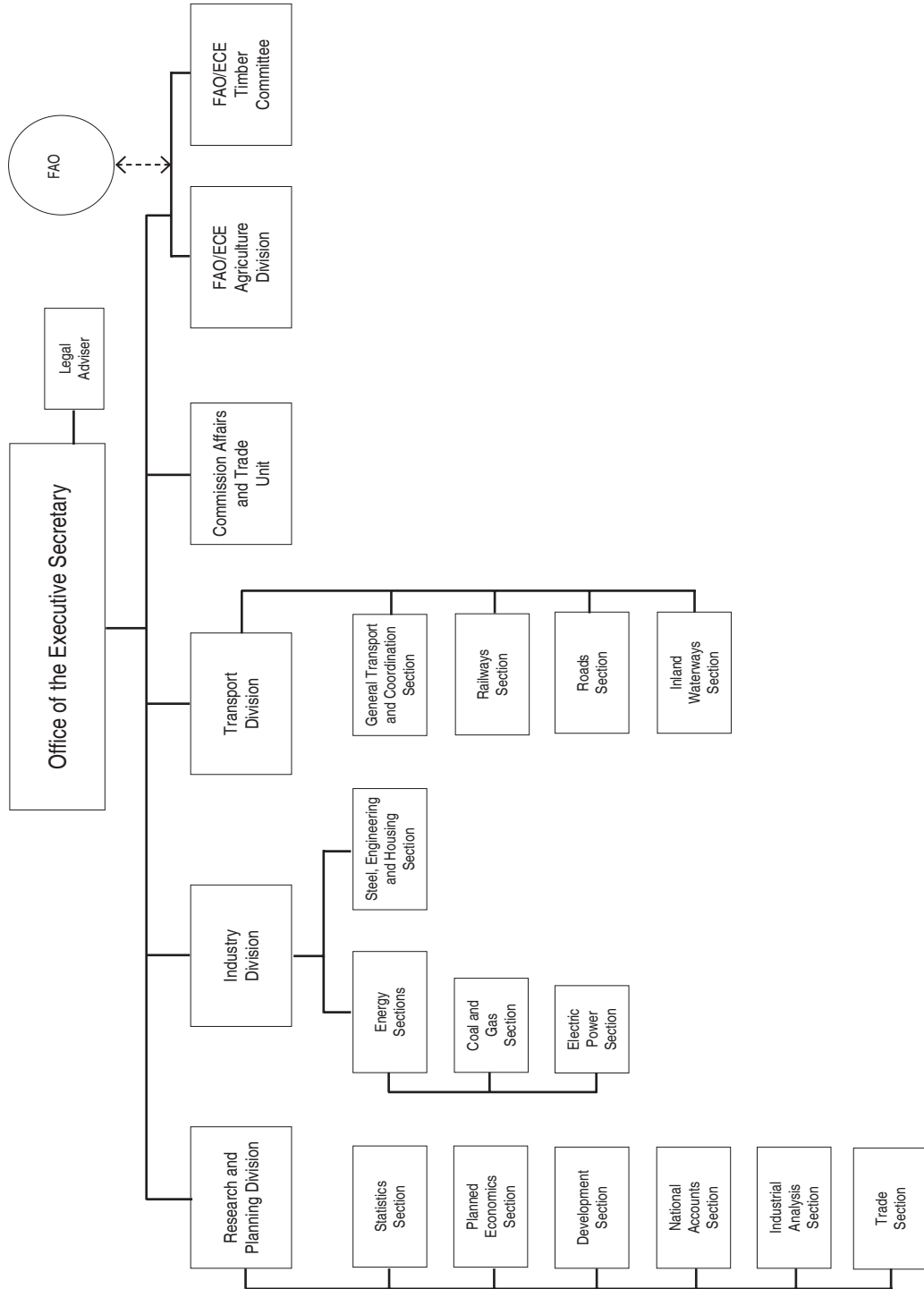
Note: The table includes all the members of the Economic Commission for Europe until 31 March 2007. More information about some countries can be found below.

- a Member of the United Nations, 2 March 1992.
- b Date refers to the former Byelorussian Soviet Socialist Republic; the Byelorussian Soviet Socialist Republic was an original member of the United Nations from 24 October 1945. Its name changed to Belarus on 19 September 1991.
- c Member of the United Nations, 22 May 1992.
- d Date refers to former Czechoslovakia; Czechoslovakia was an original member of the United Nations from 24 October 1945. The Czech and Slovak Federal Republic ceased to exist on 31 December 1992, and the Czech Republic and the Slovak Republic, as successor states, were admitted as individual member states on 19 January 1993.
- e Member of the United Nations, 31 July 1992.
- f The Federal Republic of Germany and the German Democratic Republic were admitted to membership in the United Nations on 18 September 1973. Through the accession of the German Democratic Republic to the Federal Republic of Germany, effective from 3 October 1990, the two German states united to form one sovereign state. Before their union, the Federal Republic of Germany had been an ECE member since 21 February 1956, pursuant to ECOSOC resolution 594 (XX) and the German Democratic Republic since its admission in the United Nations.
- g Admitted to ECE on a temporary basis; member of the United Nations 11 May 1949.
- h Activated by the Declaration of Independence adopted by the National Assembly of Montenegro on 3 June 2006, the membership of Serbia and Montenegro in the United Nations (including all organs and organizations of the United Nations system) is continued by the Republic of Serbia. Montenegro was admitted as a member on 28 June 2006.
- i The former Union of Soviet Socialist Republics, which was an original member of the United Nations from 24 October 1945. In a letter dated 24 December 1991, the president of the Russian Federation informed the Secretary-General that the membership of the Soviet Union in the Security Council and all other United Nations organs was being continued by the Russian Federation with the support of the eleven member countries of the Commonwealth of Independent States.
- j The Socialist Federal Republic of Yugoslavia was an original Member of the United Nations, the Charter having been signed on its behalf on 26 June 1945 and ratified 19 October 1945, until its dissolution following the establishment and subsequent admission as new members of Bosnia and Herzegovina, the Republic of Croatia, the Republic of Slovenia, The former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia. The Federal Republic of Yugoslavia was admitted as a Member of the United Nations by General Assembly resolution A/RES/55/12 of 1 November 2000; this name was changed to "Serbia and Montenegro" on 4 February 2003 and to Serbia after the declaration of independence of Montenegro.
- k Member of the United Nations, 10 September 2002.
- l Member of the United Nations, 8 April 1993. By resolution A/RES/47/225, the General Assembly decided to admit as a member of the United Nations the state provisionally referred to for all purposes within the United Nations as "The former Yugoslav Republic of Macedonia" pending settlement of the difference that had arisen over its name.
- m Date refers to the former the former Ukrainian Soviet Socialist Republic; the Ukrainian Soviet Socialist Republic was an original member of the United Nations from 24 October 1945. Its name changed to Ukraine on 24 August 1991.

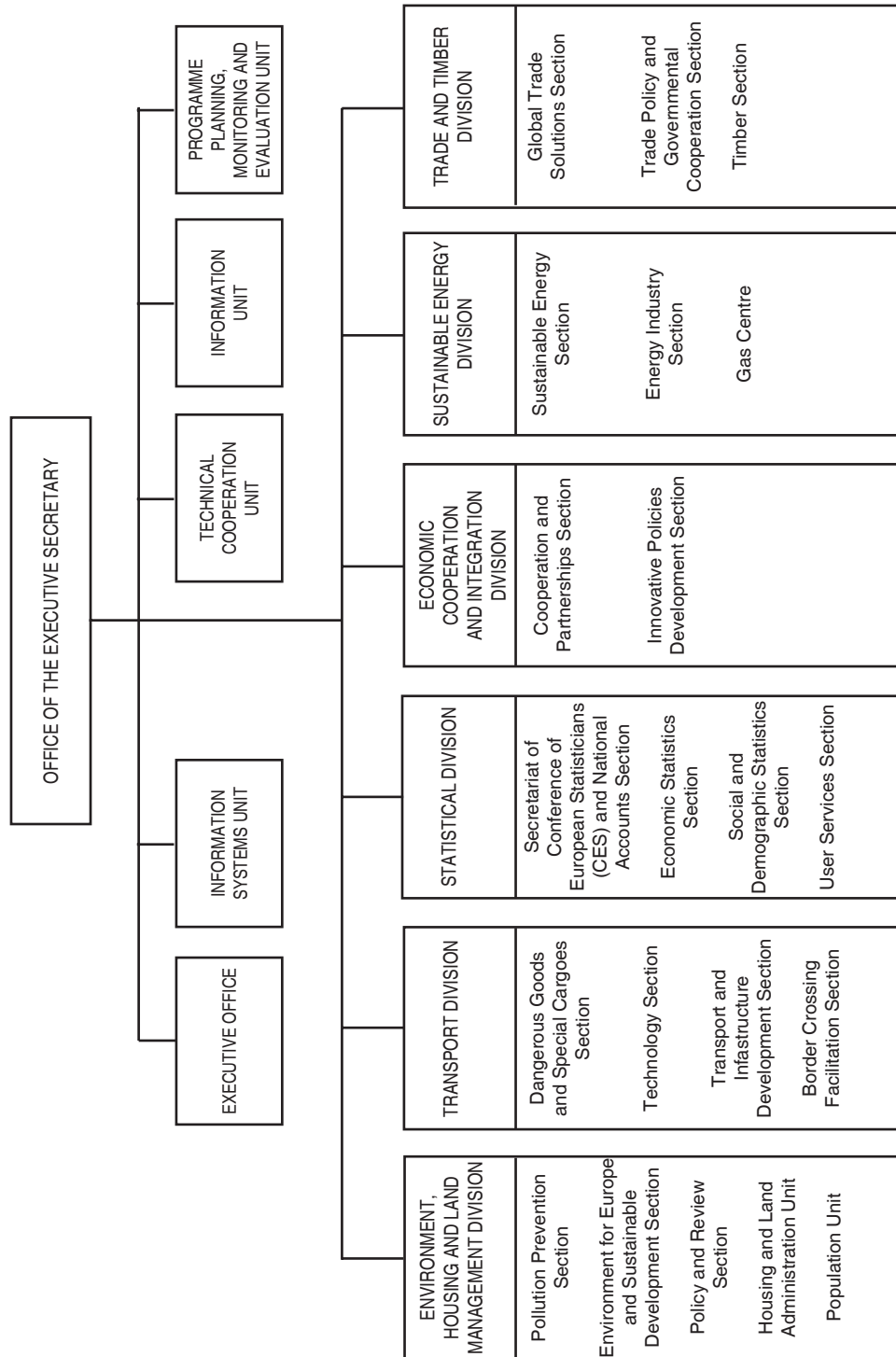
ANNEX IV

**ORGANIZATIONAL STRUCTURE OF THE
ECONOMIC COMMISSION FOR EUROPE
1957 AND 2006**

JUNE 1957



2006



ANNEX V

PARTICIPATION OF NON-ECE COUNTRIES IN ECE ACTIVITIES AND INSTRUMENTS

Non-ECE countries benefit from the activities of ECE in different ways: they can participate in some subsidiary bodies of the Commission that establish non-binding standards and decide to apply them or they can ratify ECE instruments. Examples are given in the table. They can also use ECE products without participating in their elaboration as, for instance, the United Nations Framework Classification for Fossil Energy and Mineral Resources.

Legend and footnotes:

P = Participant; S = Signature; X = Ratification, accession, definite signature

- 1/ Done by the former Republic of China
- 2/ The CES adopts standards that non-ECE participants accept as relevant for their national use
- 3/ Hong Kong, Macao, and the Asian Pacific Council for Trade Facilitation (AFACT) also participate in UN/CEFACT

