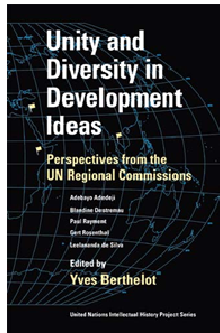




## UN Regional Contributions: Europe

This briefing note is largely based on the UNIHP



publication *Unity and Diversity in Development Ideas: Perspectives from the Regional Commissions* (2004), edited by Yves Berthelot, and more specifically on the contribution in that volume by Berthelot and Paul Rayment "The ECE: A Bridge between East and West."

After the end of the Second World War in May 1945, most of Europe lay in ruins with economies in deep trouble and populations traumatized by the war-time events of the previous half decade and the economic travail of the 1930s. The First Session of UN General Assembly in February 1946 unanimously adopted a resolution submitted by the Polish minister of labor and social welfare concerning the "Reconstruction of Countries Members of the United Nations Devastated by War." This resolution was the first step toward the creation of the UN Economic Commission for Europe (ECE) just over a year later, in March 1947. ECE was the first UN regional commission to be set up, followed shortly thereafter by the establishment of the UN Economic Commission for Asia and the Far East (ECAFE) later to become the Economic Commission for Asia and the Pacific (ESCAP).

One week after its creation, Gunnar Myrdal, then Sweden's minister of trade, accepted the post of executive secretary at the beginning of April 1947. The case for regional commissions—which was not clear cut in a global organization like the UN in spite of Chapter VIII of the Charter—had been won. The ECE had strong support from the western powers, including the United States. However, a serious setback for the UN's role followed almost immediately. The Marshall Plan was set up outside of the ECE. And so it happened that the responsibility for the financial and macroeconomic aspects of European recovery were handed to the Organisation for European Economic Co-operation (OEEC, later the Organisation for Economic Co-operation and Development, OECD), especially set up for the Marshall Plan, and the Bretton Woods institutions. The ECE had

to content itself with concentrating on the technical aspects of economic development. Ministers of finance and economic affairs met in the OECD, while ministers focused on sector affairs met in the ECE.

The same thing happened in 1989 with the fall of the Berlin Wall. The ECE was largely ignored as an institution that could play a most positive role in the transition of Central and Eastern Europe to a market economy. After all, it was the one organization that had continued cooperation between the two Europe's for over forty years. Walt W. Rostow, the distinguished American economist who had worked in the ECE in fact recommended that the ECE be used for this purpose. He wrote that the "ECE was also a distinguished center for research on Europe's post-war problems and possibilities....The research division of the ECE should become a center for the analysis of [the transition] process and the relinkage of East and West" (62). But it was not to be. Instead, a new Centre for Co-operation with European Economies in Transition within the OECD was created in March 1990. This small shop, however, was insignificant and closed down after ten years.

### The Beginning

Gunnar Myrdal, operating in an already divided Europe, met the challenge by concentrating on specific problems and establishing a dialogue based on serious economic and technical analysis. He was able to attract an outstanding group of talented economists, including Nicholas Kaldor, W.W. Rostow, Ingvar Svennilson, and Pieter Verdoorn. His major achievement probably was that he laid the foundation of the ECE's keeping alive the idea of a larger and older Europe that transcended the boundaries of what was to become the Common Market. The "big idea" was the pursuit of European economic integration across the divide of the Cold War by looking carefully at a wide range of technical issues.

Another "first" of Myrdal was launching the *Economic Survey for Europe*, which was on his own initiative and published under his sole responsibility. This independence became the track of research and policy analysis within the ECE.



The second track consisted of the development of practical cooperation in a whole series of technical areas. Myrdal made a virtue out of the constraint of working on technical problems, an apt illustration of what David Mitrany and others called "functionalism." The postwar phase of rebuilding was hampered by transport problems and by scarcity of basic materials, including coal, steel, and timber. Eliminating these bottlenecks required international cooperation across Europe, West and East. Other examples illustrate how the ECE secretariat and governments interacted in addressing technical problems to come up with practical ideas that changed attitudes and permitted durable cooperation. First, there was the difficult dialogue to get East-West trade going through the establishment of a Committee for the Development of Trade. Second, committees were established on meeting energy needs, such as coal and electricity. Third, the Transport Committee examined the efficiency of the transport network. Fourth, the Timber Committee was set up jointly by the Food and Agriculture Organization and the ECE. Fifth, the ECE Housing Committee examined the industrialization of house-building. Finally, almost as important as the restoration of international trade, the availability of raw materials, and the removal of key bottlenecks in specific areas, reliable statistics were essential. This led to the standing Conference of European Statisticians.

Through its two-track approach of research, on the one hand, and cooperation on specific problems, on the other hand, the ECE within five to seven years became firmly established as the unique pan-European forum for economic cooperation.

## The Middle Years (1955–1989)

After ten years at the helm, Myrdal left in 1957 with the ECE firmly established and well recognized. The European economies were changing rapidly. In March 1957, the treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) were signed in Rome. Socialist Europe created CMEA (Council for Mutual Economic Assistance) mainly to organize a "socialist division of labor." The trend toward regionalism was more successful in Western than in Eastern Europe.

At the same time, a precursor of what became "globalization" became visible. The Dillon, Kennedy, Tokyo, and Uruguay Rounds under the auspices of the General Agreement on Tariffs and Trade considerably reduced custom tariffs.

With the most pressing problems of the postwar recovery period were solved by the first half of the 1950s, the interest of governments shifted to longer-term economic growth, intra-European trade, the development of the less industrialized countries of Southern Europe, and later of the developing world. These problems had been examined in the first track initiated by Myrdal and were continued by his successors, with the resulting studies published in the annual *Surveys* or as independent documents to be discussed at the annual sessions of the commission by the senior economic advisors.

Major analyses that were published under the longer-term growth theme include *Growth and Stagnation in the European Economy* by Ingvar Svennilson in 1955 and *Some Factors in Economic Growth in Europe during the 1950's* in 1964 on which Heinz Arndt collaborated. From these major studies on long-term growth emerged a strong conclusion that recognized the dynamic interactions between growth expectations, fixed investments, rising productivity and employment, and mild or falling inflation rates. Another important study published in 1967 is *Incomes in Postwar Europe: A Study of Policies, Growth and Distribution*. This is a most comprehensive review of income policies and may well be worth revisiting in the coming years.

The second track concentrated, among others, on practical approaches to stimulate lagging East-West trade; international energy cooperation, particularly after the Organization of the Petroleum Exporting Countries (OPEC) price hikes; and environmental issues.

The ECE secretariat did not attempt to create an overarching development model as was done by Raúl Prebisch and his collaborators in the Economic Commission for Latin America (ECLA, see Briefing Note #19). This would have been impossible in an ideologically divided Europe. The more modest but maybe more useful contribution that the ECE made was by comparing national policies, methods, and outcomes resulting in added knowledge and



understanding of many aspects of development in industrial countries.

Many ECE committees were able to agree on recommendations to guide domestic policies, especially standards and norms. By the end of the 1980s, the problem was that these instruments were unequally applied between East and West. But this was bound to change.

## The Transition Era (1989–present)

On 9 November 1989, the Berlin Wall fell. This extraordinary event was not really anticipated. It changed the face of Europe and the work of the ECE. It is true that the secretariat had been recording a steady weakening of the economic performance of the European socialist countries. By the time of the collapse of the Berlin Wall, it was clear that Eastern economies were facing chronic structural disequilibria.

Contrary to the shock therapy that was in the end adopted, the ECE argued in favor of a more gradual approach. The *Economic Survey of Europe 1990-1991* argued in favor of a Marshall Plan for Eastern Europe and a set of economic and social policies that took account of the complexities inherent in moving from a planned to a market economy. The ECE—the only organization that had worked on the ground with the socialist countries—understood and emphasized the lack of political consensus in countries such as Russia and Yugoslavia and the possible consequences of economic and political reform.

The ECE framework for the transition focused on comprehensiveness (how much to change), speed (how to introduce change), and sequencing (what to change first). It also suggested the need for a country-specific approach that differed from the uniform transition mold applied by the Bretton Woods institutions and many bilateral donors. The ECE was explicitly cautious about shock therapy. Its stress on social consensus was based on its analysis of the failure of the draconian reforms implemented in the former Yugoslavia. The federal reform package for the introduction of a fully fledged market economy in the medium term never found deep support from the republics and fell apart as a result of centrifugal political forces and political manipulation. As one reflects upon the role of ideas and missed opportunities, the ECE's approach makes one

ponder if alternative policies could have yielded different political realities than the implosion of Yugoslavia and the unraveling of the social fabric in the fifteen independent states created by the dissolution of the Soviet Union, including the armed conflicts in Azerbaijan, Armenia, Georgia, Moldova, Tajikistan, and Russia itself.

In the end, the Group of 7 made it very clear that the Bretton Woods institutions would be largely responsible for overseeing the transition rather than the United Nations and the ECE. It will be up to future historians to decide who had the better approach in terms of minimizing the suffering of transition and maximizing the economic take-off of Eastern Europe.

## Conclusion

Gunnar Myrdal's original conception of the ECE as a two-track organization has proven to be robust. On the one hand, it has a research function carried out under the sole responsibility of the executive secretary, who exercises an independent judgment of what needs to be analyzed in the interests of the region. On the other hand, it offers a set of operational functions driven by the practical interests of member countries.

The interaction between the two tracks has tended to weaken over the years, among other reasons because of the well-known fact that research resources are the first to be cut. This cut coincided with the expansion of the ECE Eastern European membership from eight to twenty-seven countries. The decline in the research and study track has resulted in the sad fact that proposals like the Marshall Plan for Eastern Europe in 1990 could not be backed up by sectoral studies.

While ECLA in 1949–50 started out with a big bang when Raúl Prebisch launched his center-periphery framework with the imperative for Latin America to industrialize, the ECE ploughed away with less fanfare but no less serious consequences. Gunnar Myrdal was faced with a divided Europe, and his choice had to be to demonstrate that diversity of values is compatible with economic cooperation and progress. As Yves Berthelot observes in *Unity and Diversity in Development Ideas*, "Under Gunnar Myrdal's leadership, the Economic Commission for Europe...from its earliest days



sought a middle way between the neoclassical approach and the Marxist alternative, which continental Western Europe translated into the so-called social market economy of the 1950s–1960s....For more than fifty years, it sustained the idea of an undivided Europe by constructing and maintaining a bridge between its western and eastern halves, even when no other institution was able or willing to do so and when the prospect of achieving it was far more remote than it appeared at the end of the 1980s" (5).

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