ments everywhere intervene, to a lesser or a greater extent, in agriculture but these interventions often respond to demands made by pressure groups rather than reflecting a conscious long-term policy. Yet a rational policy for agriculture can hardly be formulated without considering the future demand for and supply of foodstuffs and agricultural raw materials at home and abroad, trends in productivity, and the need for transferring manpower from agriculture to industry. Similarly, transport and energy policies should be based on an evaluation of future needs as compared to availabilities.

Differences in private and social profitability may further be associated with interregional differences in economic development, and in the postwar period several of the industrial countries have undertaken policies aimed at assisting undeveloped and declining regions. These policies have often lacked coordination, however, and little attention has been paid to their cost in terms of alternatives foregone. Thus, efforts have been made to support the economy of declining regions or to develop regions with poor natural resource endowments, thereby reinforcing the rigidity in the locational structure. With regard to Sweden, it has been suggested, for example, that by reserving government assistance “primarily for localities with high unemployment, or where a relatively small proportion of the population is employed in manufacturing industry, the Committee (in charge of regional problems) has probably selected with a high degree of precision regions with especially poor natural facilities, and thus also with limited development potential”. 18

A rational policy would take account of the long-term development potential of the economy, and would aim at facilitating the process of transformation rather than hindering it. This, in turn, would require the evaluation of possible costs and benefits that can hardly take place without establishing a consistent framework for decision-making. Regional economic policy in Norway appears to be moving in this direction by favouring larger and stronger units instead of trying to help small, unviable communities as in the past, and by attempting to avoid the possibility that local authorities outbid each other in attracting industries.

It would appear, then, that the recent emphasis on planning on the industry level in developed countries has been largely misplaced. In the face of the uncertainties associated with foreign trade and the limitations of policy investments available to governments under GATT and OECD regulations, government intervention in the private industrial sector has little to commend it. On the other hand, long term planning has a useful function in the public and semi-public sectors. It would ensure the rationality and consistency of government decisions in the public sector where prices do not provide a yardstick for choosing among alternatives. Further, a conscious long-term policy would appear desirable in the semi-public sector—agriculture, transport, and energy—where ad hoc interventions, taken often in response to special interests, give rise to inefficiencies. This shift in the objectives of long-term planning cannot fail to have a beneficial effect on the economies of developed countries.

NORTHERN EUROPE

Approaches to Commercial Integration

By Dr Alfred Dietrich, Stockholm

On November 21, 1966, an agreement has been concluded in the Ministry of Foreign Affairs at Stockholm, that, according to the statement of the Swedish Minister of Commerce, Gunnar Lange, is a “very obvious proof” of the North European countries' cooperation and, so to speak, has to be considered the climax of endeavours to obtain a commercial integration of this group of nations—efforts lasting for decades already. On this day an agreement on joint actions of the Northern countries within the Kennedy Round of negotiations on world-wide tariff reductions within the framework of GATT was signed by Denmark, Finland, Norway and Sweden. The chief negotiator, Mr Montan of Sweden, is in charge of conducting the negotiations of the North European delegation and after having been authorised by the Governments of the four countries will make binding offers in Geneva, to take binding decisions and make binding arrangements.*

A judgement on the importance of this historical step of the Northern countries requires a short retrospective view at the structure of the economies of Denmark, Finland, Norway and Sweden as well as a description of former and present trade policy currents and developments in Northern Europe.

Structure of the National Economies

During the last hundred years Denmark developed a production of meat and dairy produce on the basis of cheap grain imports from abroad that sets an example for the whole world and as regards cost and quality was—and practically still is—superior to that of most other countries. In former decades industry was hardly of major importance, handicrafts, however, always have had a strong position.

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However, the development of Denmark's economy, whose emphasis is on agriculture, was for the first time suddenly interrupted already in 1932. The worldwide depression of that time was the main reason for this development. Food exports declined so much that the country's currency reserves were completely spent within a short time. In spring, 1932, Denmark had to introduce import regulations and exchange control which only after the establishment of OEEC were abolished again. Protected by import regulation a new phase of the country's economic development began in the form of an at first slow and cautious expansion of industry which during the last ten years has been accelerated. Denmark's commercial situation has always been difficult but, nevertheless, it belongs to the group of countries with the lowest tariffs.

Before the war Finland's economic structure was characterised by the fact that agriculture and forestry had a stronger position than industry. During the first post-war years these two economic sectors approximately counterbalanced each other. The outcome of the war enforced extensive structural shiftings of the Finnish economy. The resettlement of several hundreds of thousands of Carelian farmers resulted in the development of an agriculture in Central Finland that up to now could only be kept going by high subsidies. The fulfillment of reparation obligations required an expansion of the formerly small-scale metal industry. However, in spite of intensive efforts and large-scale development activities even today the metal industry is one of the most sensitive points in the structure of the Finnish economy, for the metal industry's viability depends to a large degree on sales to the Eastern countries, above all the Soviet Union. For reasons of its employment the Finnish metal industry almost completely depends on the East.

Already before World War II the woodworking and wood-processing industries were the focal point of Finnish industry. Since the beginning of the West European integration efforts but also for reasons of its employment the Finnish wood-processing industry has been strongly developed on the basis of the country's huge forests. Finland's overall economic structure is one-sided since even today almost four fifths of total exports fall to the share of the woodworking and wood-processing industries. Thus these industries are predominating. This again causes a weaker position in the field of trade policy. Besides, the fact that Finland has always had the highest tariffs among the Northern countries tells its own tale.

Norway, too, does not hold a favoured position among the Northern nations. Its agriculture is developed to such an extent that apart from grain it can supply the country with all the food it requires. Up to twenty years ago and partly even today the Norwegian industry—similar to agriculture—is handicapped by its structure which is characterised by small and medium-sized enterprises. Apart from a few large scale firms the Norwegian industry was not able to succeed in the world markets. However, after the war there have been changes in this field. Today there exist large-scale enterprises in the wood-processing industry, in mechanical engineering, shipbuilding, mining and a.o. in the chemical-technical industry, enterprises that can compete with similar corporations in other parts of the world. After the war Norway built up an electrical industry which in spite of high investments is superior to that of many other countries as regards costs. Cheap power is one of the reasons for the brisk expansion of industry and for the increasing settlement of foreign enterprises.

The dominating economic sector, however, is shipping. Tonnagewise Norway is holding the third place among the shipping nations. Through its shipping the country is more closely integrated into the international economic process than the other Northern nations. For this reason, however, its dependence on international economic developments is also more pronounced. Due to not very favourable conditions applying to industrial locations Norway has always had high tariffs.

Sweden has always been the economically strongest country in Northern Europe. Beginning a good hundred years ago with Swedish quality steel, via "Tändstickor" (matches), the ball-bearing industry, the electrical industry up to the at present most modern