

INTERNATIONAL APPROACHES TO ECONOMIC DEVELOPMENT OF UNDEVELOPED AREAS

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THE peace aims of the United Nations and their determination, in the opening words of the United Nations Charter, "to save succeeding generations from the scourge of war" have prompted them to adopt a new approach to problems of economic prosperity and social progress—an approach which has as its objective an expanding and integrated world economy. To achieve that objective the United Nations created "international machinery for the promotion of the economic and social advancement of all peoples."

The Economic and Social Council, consisting of representatives of eighteen governments, can make studies and report on matters in its field of competence, it can make recommendations to members of the United Nations and to the General Assembly, it can create Commissions to assist it in its work, it can call international conferences on economic matters of international importance, and it can draft international conventions.

One commission created by the Council is the Economic and Employment Commission. A major function of the Commission is the "promotion of economic development and progress, with special regard to the problems of less developed areas."

The Economic and Social Council also directed the Economic and Employment Commission to establish two Sub-Commissions, one of them on economic development. The function of this Sub-Commission is "to study and advise the Commission on the principles and problems of long-term economic development with particular attention to the inadequately developed parts of the world, having the objectives of:

1. Promoting the fullest and most effective utilization of internal resources, labour and capital.

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2. Raising the level of consumption.
3. Studying the effects of industrialization and changes of a technological order upon the world economic situation.

Integration and Interdependence. The breadth of the new international approach to the question of economic development is perhaps best illustrated by the following statement which was made by the Economic and Employment Commission in its report on its First Session: "The greatest and most lasting improvements of the standard of living of the less developed countries or areas are likely to flow from projects which are integral parts of long-term and balanced programs of development. Such programs should embrace not only the economic aspects of development but should include the social, scientific, health, educational, and cultural aspects of community life, and every member country should ensure, so far as possible, that all of these aspects are comprised in an harmonious programme of development."

Having in mind, however, that "even small beginnings could be important as opening the way to larger undertakings in the future," the Commission, during its Second Session, added that "even small initial projects should be developed without waiting until a particular development can be included in a fully comprehensive project, the adequate formulation of which may require considerable time."

The stress that is laid on the promotion of economic advancement of the less-developed countries is itself without precedent. Likewise new is the emphasis on the interdependence of the several economic, social, and cultural objectives to be pursued under international auspices, and on the economic interdependence of the nations of the world. Every nation is committed, as a matter of international obligation, to the promotion of the several economic objectives within its own boundaries and to cooperation with the other nations to achieve similar world-wide ends. The underlying assumption is that prosperity is indivisible.

The "conditions of economic and social progress" which members of the United Nations, individually and jointly, are committed to promote include a set of interrelated economic objectives, namely reconstruction of war-devastated areas, economic stability and full employment, and economic development. Wherever underdeveloped countries have been the victims of war devastation, as for example in the Far East or in South-eastern Europe, the objectives of reconstruction and development are likely to merge. Neither is segregation of objectives feasible in those underdeveloped areas—as in Latin America, for example—which though not physically devastated by the war, have suffered from the economic dislocations caused by it. Fluctuations in production and employment and in the flow of incomes in the industrially advanced countries do, of course, affect vitally the underdeveloped countries and the world at large. And the objective of economic development of underdeveloped areas reflects a realization that living standards should be very much higher and that the achievement of such standards is a matter of international concern.

Of course, the prevailing standards of living, even in the most advanced countries, are not as high as the possibilities afforded by the technologies they have at their disposal; there are no countries that might be regarded as fully developed. The heaviest and most urgent task of economic development is, however, in the least developed countries, those that lag far behind the few industrialized countries with regard both to technological levels and to standards of living.

Self-Determination within International Cooperation. The new international approach to the economic problems of the underdeveloped countries is still in process of evolution, both with regard to their domestic development policies and programs and to international actions and policies in relation to them.

As regards domestic development of policies and programs, the initiative rests entirely with the individual nations as to the pattern of their economic development, its type, scope and pace.

United Nations agencies can enter the field only if and when requested and then only on terms acceptable to the individual country. Article 7 of Chapter I of the United Nations Charter specifically provides that nothing in the Charter "shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state."

However, the very opportunities for discussion of economic development problems within the organs and agencies of the United Nations should serve to stimulate development and to perfect the many development plans already adopted. Contributions to economic development may well be expected to come, for example, from such international gatherings as the one on Tropical Housing Problems, to be held under United Nations auspices next month in Venezuela, or the United Nations Conference on the Conservation and Utilization of Resources, scheduled for early in 1949.

Technical Assistance. In addition, the terms of reference of the economic agencies of the United Nations provide that, if requested by member countries, they are to give technical advice and assistance in development matters whenever that is feasible within their budgets. Requests have been coming in. The Food and Agriculture Organization has sent missions to Greece and to Poland to assist in making economic surveys and has been asked to send similar missions to other countries. The International Labour Organization recently sent advisers on various aspects of labor problems and social security to China, Iran, Egypt and Colombia. Direct assistance on monetary and financial reform has been extended to a number of requesting countries by the International Monetary Fund, and the Fiscal Division of the Secretariat of the United Nations has provided assistance to Venezuela on fiscal and taxation matters. This function of advice and assistance is certain to expand.

International dissemination of technological knowledge should prove another activity of major importance. Provisions are contemplated for the training of technical personnel in less-developed countries, possibly with the aid of international

fellowships similar to those instituted by the World Health Organization; and the promotion of technological research along lines suited to the development requirements of the less-developed countries is beginning to appear as another and new task.

These activities of the United Nations are not of a routine nature since technological knowledge cannot be viewed as an article available for export from the more advanced countries and readily usable by others. There is an infinite variety of situations in the less-developed countries with regard to demographic conditions, natural resources, levels of economic development, cultural standards, and proposed patterns of development. This implies a considerable variety in the types of technology required. In order to become transferable the technologies of the more advanced countries may have to undergo considerable adaptation. In fact, technological research as it has developed in the highly industrialized countries, where it was largely geared to the requirements of mass production, may not prove to be usable at all in the initial development programs of the least-developed areas, those at the very bottom of the scale. There it may prove necessary to stress the promotion of technological improvements designed to serve very small local markets at least until the growth of transportation permits further rationalization. In the service of such areas, which comprise the bulk of the world's population, a re-orientation of technological research along new lines is required.

Creation of Favorable Atmosphere. The assistance which can be rendered by international organizations to underdeveloped countries will vary with the degree of their development. With respect to the least developed countries, the creation of an economic atmosphere favorable for development calls for international assistance to national governmental efforts towards

1. The eradication of illiteracy and disease.
2. The training of technical personnel needed for economic development.
3. The evaluation of the existing private and governmental

economic apparatus for the production and distribution of the goods and services required to raise the consumption level of their populations, for the promotion of industrialization, and for the formation and domestic investment of capital.

4. The creation of the institutional framework for such bodies and services as may be needed to promote economic development in the interest of their own people.

With respect to underdeveloped countries which have already made considerable progress in the direction of economic development, the promotion of further economic development calls for international measures for pooling the experience in the field of economic development in a manner which would enable the United Nations to serve as a center for

1. The collection of information.
2. The dissemination of the most suitable techniques of organization and methods of planning economic development.
3. Other technical advice with a view to promoting concerted measures of mutual assistance and international collaboration.

Special Trade Measures. The economic development of less-developed countries also gives rise to certain special problems in international economic relations. Particularly in the early stages, development may involve special provisions for the promotion, direction, and regulation of foreign trade as well as of domestic production and prices.

The progress already achieved along the lines of developing a new international attitude is illustrated by the gradual evolution of the Draft Charter of the proposed International Trade Organization. In the earliest draft, of November 1945, the approach was practically entirely from the standpoint of the countries which have already had an important part in international trade. The stress was on the elimination of trade restrictions as the main obstacle to the growth of international trade. Since then, there have been several revisions of the Draft Charter broadening the scope of the functions of the proposed International Trade Organization with respect to the economic

development of the underdeveloped countries. In the place of "infant industries" as a special case justifying protective measures there is now explicit recognition of youthful and nascent economies calling for special measures of promotion in the international interest.

Regional Arrangements. International cooperation for the economic development of less-developed countries must not, however, be visualized exclusively in the form of outside aid, extended by international organizations and highly developed industrialized countries. There is plenty of room for self-help and for mutual aid among groups of less-developed countries in which economic development may be either along similar or complementary lines. The several regional economic agencies of the United Nations are likely to play a leading part in this. There are now two in operation, the Economic Commission for Europe and the Economic Commission for Asia and the Far East. Similar commissions have been proposed for Latin America and for the Middle East. All those regional agencies will have within their jurisdiction a number of underdeveloped countries, and some of them will deal to an overwhelming extent with the requirements of such countries. They are likely to have an important part in regional arrangements for the promotion and planning of that economic and social progress and development to which all Members of the United Nations have pledged themselves.

Financial Problems. No discussion of international action in the field of economic development of undeveloped countries can fail to mention their crucial needs for capital and capital goods from abroad. But I shall no more than mention it because I understand that Mr. Rist of the International Bank for Reconstruction and Development will speak to you in some detail on this matter. I do, however, want to point out that although a large part of the costs of development will have to be financed by foreign loans or by the foreign exchange balances accumulated by countries like India and many Latin American countries, it is also true that a substantial part of the cost will

have to be financed at home. This aspect of the development problem is bound to create a certain amount of inflationary pressure for which appropriate precautionary steps will have to be taken by the countries involved. Unless direct taxation is increased in step with the increase in the domestic financing of the development programs, the inflationary effect is likely to be rather severe. But even if the domestic development expenditures are entirely offset by direct taxation, the problem of inflation is not likely to be avoided entirely. Direct taxation, especially in underdeveloped countries, can never be expected to eliminate the inflationary pressures on food prices because such direct taxation is likely to affect mainly the higher income groups, whose demand for food would not thereby be reduced, whereas even slight increases in income of the lowest income groups are bound to increase their demand for food almost directly. With the exception of such underdeveloped countries as are major exporters of a variety of foodstuffs, for example the Argentine, the economic development of most underdeveloped countries is therefore likely to involve the import of food, if inflation is to be minimized, at least in the early phases of development and until such time as food production can be increased in the underdeveloped countries themselves.

Demographic Problems. Finally, I should like to make a brief comment concerning demographic questions which have been raised in connection with development. It is no doubt true that in the early phases of the economic development of a country the death rate will decline more rapidly than the birth rate, that every newly developing country is therefore likely to experience a rather rapid population increase, and that this increase is certain to create problems which, in those undeveloped countries which are already thickly populated, may be difficult to solve. It should, however, be kept in mind that one of the aspects of the new international approach to the development question is that it is an *integrated* approach and that it is deliberately intended to *raise* the standard of living of the peoples of the undeveloped countries. Those peoples are moving, consciously, by economic,

social, cultural, political and every other means, to achieve that objective of a higher standard of living, as they understand that standard. I believe that so long as they move, as peoples, to achieve their own social objective, in contrast to the usual objectives of past colonial development, their evolving problems and solutions are bound to include the demographic aspects just as naturally as they will include the educational, health and other aspects of an integrated approach to development. I doubt that there can be a general solution to those problems; it will always have to be specific to the specific situation. And it is one of the tasks of the international organizations to help the undeveloped countries solve those problems by technical assistance in the planning and execution of their development programs and by keeping in the forefront the idea of integration on a community and national as well as on the international level.