

# INTERNATIONAL APPROACHES TO MODERNIZATION PROGRAMS

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I MIGHT preface my talk by taking up the question of the relationship between national and international programs of technical assistance, which was raised in the discussion of the preceding paper. We in the United Nations can only say that, according to our Charter, the members of the United Nations have committed themselves to take separate and joint action—that is the wording of the Charter—to promote the various purposes of the United Nations, including economic development. Therefore, any country which has a bilateral program of its own, far from competing with anything the United Nations is doing, is in fact aiding it and is behaving as a good and loyal member of the United Nations in fulfilling the words of the Charter.

I may also add that while a good many problems of coordination have inevitably come up in our work, any form of competition between our program and national programs, the American or any other, so far has not been among the difficulties that we have encountered.

It would be a commonplace to say that the United Nations is interested in a program of modernization of underdeveloped countries. It would also be a gross understatement. The promotion of economic development is at the life center of the work of the United Nations. It permeates all its activities and all the purposes that it stands for. It is the duty of the people working through the United Nations to look at economic problems from an international angle.

No one who does that can fail to be struck, not so much by the progress achieved in some parts of the world, but by the very striking fact of the enormous international disparity in various national incomes, and by the fact that that disparity

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shows no visible signs of reduction. In other words, as far as the readable signs go, the countries that already are ahead, are moving ever further ahead; the countries that have been stagnating in their national incomes, tend to go on stagnating.

That simple fact alone would be quite sufficient to explain the concern of the United Nations with the problem that we are discussing here today. I hope I am not flogging a dead horse, but if any further proof is needed, perhaps I could just quote a few sentences from the Preamble to the Charter of the United Nations which is meant to be the inspiration of the purposes of all the international organizations' work. The words used are ". . . to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind. . . ."

You can hardly deny that these extreme disparities of income which we witness today are a tremendous threat to peace. Superficially, we seem to be more worried about conflicts between nations of fairly equal standards of living, but ultimately and on the very long view there is no doubt that the present extreme disparities of standards of living create a highly explosive situation.

The Preamble goes on to talk of the ". . . dignity and worth of the human person. . . ." I need not remind you that in conditions of extreme poverty, starvation, and squalor, the dignity and the worth of the human person is very difficult to envisage. To me it becomes an empty phrase or formality unless it goes along with economic improvement.

There is mention of ". . . the equal rights of men and women and of nations large and small. . . ." The equal rights of nations also become empty formalities if one nation is immensely wealthy and backed up by the full force of modern technology, and other nations are stagnating and entirely dependent upon other countries for improvement or even sheer subsistence.

I need not go on quoting. I just wanted to emphasize the point that economic development is not a problem which concerns us merely because we are instructed by particular bodies,

by commissions, by assemblies and councils, to deal with those problems. The United Nations cannot possibly be the United Nations if it does not make that particular problem one of its main concerns.

I think you expect me to concentrate on our technical assistance program which, at the moment, at least, is the focal point of our work for the economic development of underdeveloped countries. I do not want to give the impression that we do not feel our work has been given a tremendous impetus by President Truman's inaugural speech. It has certainly been given that. However, I do want to say, very modestly, that our work started before that speech was made. As a matter of fact, it goes back to the tradition of the League of Nations.

The League of Nations had a very creditable program in China which perhaps now, in the light of the new developments in technical assistance, might call for more study than it received at the time. There were others, including a technical assistance program in Liberia with which Dr. Leland is very familiar. All I want to say is that this technical assistance tradition goes back a very long way but, of course, when we talk of a technical assistance program we really have in mind the developments of the last years.

When the previous paper was discussed, someone asked why there should be a United States program in addition to a United Nations program. To those of us at the United Nations this is a surprising and flattering question. I tried to answer the opposite question for myself: Why is there a case for a United Nations program instead of the various national programs that are being developed?

I think there are a number of answers to that. There are very special advantages in having technical assistance activities done through an international organization or a series of international organizations, including the various specialized agencies. But perhaps before I list those advantages we should consider briefly the technical assistance program in a broader context.

At the present moment everyone working on the problem is

very much involved in technical details. There are matters of organization to be discussed, such as allocations of funds and administrative problems in the Council and the Secretariat. There are many details to be decided, persons to be recruited, papers to be prepared, places of fellowships and scholarships to be founded in the colleges and universities, and other matters which I may mention later.

I think it is worth while, however, to look at this program from the ultimate aims and not so much from the present pressure. I think you could say that in this program of technical assistance to underdeveloped countries, if it is successful and if it ultimately becomes what we hope it will become, we will have an attempt, for the first time in economic history, to change the structure of comparative advantages throughout the world, instead of building a world trading system on the existing comparative advantages.

In saying that, I am not trying to minimize the importance and advantages of building a world trading system on the existing basis. Economists never have ceased to stress these advantages. However, the underdeveloped countries have always felt—more than economists have been prepared to admit—that they are not getting a fair share of the benefits of world trade on the existing basis. I think this technical assistance approach is, from the point of view of the underdeveloped countries, an inevitable supplement to the trading approach.

The two approaches are not, as far as I can see, mutually exclusive. We can go on building up trade on what we have. It would be foolish to stop trade now on the assumption that the country producing raw materials today may become the manufacturing country of a hundred or two hundred years from now. That would be an absurdity and no one is suggesting it. At the same time that the technical assistance work is going on, however, conditions may so change that we can arrive at a different type of trading which may be more satisfactory to all concerned.

The second point in this broader analysis of the field is that

any technical assistance work, including that which the United Nations might do, may serve to release very considerable productive forces which are now kept down in the underdeveloped part of the world by the lack of certain complementary factors. There is no doubt that technical knowledge is the result of a long tradition of scientific attitudes that have grown up in the Western world specifically. The Western world has behind it forces of education, of discussion, of passing on of skills, crafts, engineering, research, and so on.

It seems to me that that is a necessary export. Lack of this particular factor of production is the thing which holds back underdeveloped countries more than any other. If it should be possible, through technical assistance, to transmit or to transplant that catalytic factor of production which is now lacking in these economies, we might be able to succeed in our planning provided we give this program a chance to work for a sufficiently long period. We may in that way be able to release productive resources which might be a very high multiple of the amounts put in.

With those two very tentative and risky propositions before us we may see more clearly the special advantages of having a program of this sort done by an international organization and by international accord.

We must realize first of all, and it is a point not disputed by anyone, that the recipients of technical assistance are very often in a suspicious frame of mind. They are on the spot. They have to ask for technical assistance but they want to be certain that the advice given and that the technical assistance given is completely impartial. In saying that, I do not want to imply that when the approach is bilateral and purely national, the advice is not generally also impartial. What I do mean is that an international organization can, first of all, avoid a certain amount of friction. It can remove certain resistances from the minds of the recipients which might otherwise handicap the effectiveness of technical assistance programs. It has been very widely stressed that the effectiveness of technical assistance de-

pend upon the enthusiasm which the receiving countries have toward it, with which they follow it up, act upon it, and operate it.

Secondly, cases are known where, in the past, with purely national assistance there has had to be a duplication of expenditures. Requesting governments have had to ask identical teams of experts from two different countries to analyze the same problems. There may be a certain amount of economy in such cases where a government feels it would not like to be led by the advice of one single other nation.

Thirdly, I should say that an international organization has a wider choice in the trained personnel. When purely bilateral assistance is given, quite naturally the range of experts available for transmission or training programs or fellowships or whatever it may be, is nationally limited. The countries which are rendering technical assistance through the United Nations, however, might each contribute the best they have and contributions will not be limited to one or two countries. We expect that many countries will be, at one and the same time, recipients and donors of technical assistance.

In this economic world of ours there is an enormous amount of specialization in industrial development among the industrialized countries. That is reflected in the amount of trade being carried on in the world today. There was a time when any country feared that, with the industrialization of another country, it could no longer trade with the newly-industrialized country. Exactly the opposite has happened. The exchange of goods among individual countries where all sides are well industrialized is now the most effective type of trade.

If we apply the lesson of that to technical assistance, it also follows that there is an enormous amount of specialization of skills, knowledge, and industrial traditions in various fields. There is no doubt that by pooling these specialized developments among the various more or less industrialized countries, by "bunching" them through an international organization, and by sending them to underdeveloped countries—not sepa-

rately but jointly—enormous advantages can be obtained. Finally, and perhaps the most important point although related to the first, the underdeveloped countries will ultimately accept the advice given by international teams or international organizations with less resentment than they would from purely national experts. My point here is that the advice to be given is often not very palatable. As I said before, the success of these schemes generally depends upon cooperation; it depends upon on-the-spot cooperation.

For instance, when one of our missions went out recently the members were much impressed by the existence of fairly modern and very competently designed irrigation works. Technically, they were very competently done and could have been of immense value in the area. They were not operating. All that was required to bring a large area of land into greatly increased productivity was the small and simple work of cleaning out accumulated debris. Nobody seemed to be interested in doing it. The water was available, the land was available, but those responsible for the enterprise were unable to capture the interest and the imagination of the local people. The government had failed somehow to organize local effort and no spontaneous efforts were forthcoming. It literally was spade work that was required; no expenditure of money or anything else was necessary.

That sort of advice is very unpalatable if given from one government to another. Perhaps if governments receive teams from the United Nations and its agencies, they might be able to take advice of that sort more easily. They might feel fear of one nation trying to give advice to another nation. The United Nations, however, is an organization with prestige but without “designs”; it can give friendly and generally unpopular advice in such matters.

Having given several arguments in favor of international assistance programs, I should now like to emphasize that the current United Nations program in this field received much support and stimulus from “Point Four” developments in the

United States. In the present "Point Four" area there was originally what is now affectionately called our "little" program involving only \$200,000. That has grown now to about \$700,000. The initial program was extremely valuable to us. It enabled us to plan intelligently and put forward the much more ambitious program that Mr. Hayes has referred to.

I think the general trend of the discussion of that expanded program in the Economic and Social Council was to say that the program could have been improved with the help of priorities but that practically all of the things listed were worth doing. In fact, we were told that many other things worth doing were not even listed. I mention that to give an indication of the enormous range and scope of programs that have now become feasible, very largely as the results of the experiences gained through contact with governments in the early programs.

The expanded cooperative program of technical assistance will require a high degree of coordination between the United Nations itself, the central organization at Lake Success, and its various specialized agencies. We are trying to solve this problem by setting up what is, in a way, a new venture in international administration. A new Secretariat will be started not from the United Nations or from any single specialized agency such as FAO, WHO, or UNESCO. It will be jointly staffed from all of them; it will belong to all of the different international organizations, not to any one of them. Requests for technical assistance will go to this body.

In setting up this inter-agency Secretariat, a step was taken to avoid having the various agencies fight for funds. The governing bodies of the United Nations through the General Assembly have laid down, for the first year of the expanded program of technical assistance, a fixed series of percentages under which any funds that can be collected will be given to the various organizations. The top amount of 29 per cent is for FAO. The next highest is 23 per cent for the United Nations Secretariat directly, which operates in the fields of industry and land transportation, and in other fields not covered by



specialized agencies. The proportion goes down to 1 per cent for the International Civil Aviation Organization.

It is rather interesting, in the light of the discussion we had before, that the governments increased the percentages that they wanted allocated to the FAO and to the United Nations Secretariat, the two agencies which deal with economic productivity of agriculture and industry.

The social agencies, education, health, and social security were somewhat adversely affected in their share. I do not think that was in judgment of the very valuable work of those organizations. Everybody agreed that education and health are basic prerequisites, but there appeared to be the belief that technical assistance on economic problems could be made to pay more quickly. The prevailing opinion appeared to be that the whole program was on trial and that it would not be allowed to expand or even to continue unless it could show rather immediate returns. Hence it was believed expedient to favor projects which were deemed most likely to show results in two or three years time and which could then be put forth as substantial reason for continuing the program on its own merits. The assumption that more immediate results might be expected in economic than in health fields is at variance with some of the statements that have been made at this round table. Nevertheless it was largely on the strength of that argument that the funds for economic agencies were increased and those for social agencies reduced.

In the discussion of Mr. Hayes' paper a question was raised concerning coordination within the underdeveloped countries themselves. Should their various governmental departments operate independently in making requests for technical assistance? For instance, should the Chilean Ministry of Agriculture approach the Food and Agriculture Organization or should a centralized body in Chile approach the United Nations directly: It is interesting to note that in general the representatives of the more developed countries were the ones favoring the more centralized approach. It may be that the under-

developed countries wanted to keep the scheme as decentralized as possible since they themselves did not have sufficient centralization to make a joint general approach.

As indicated previously, we have a central technical assistance board and fixed general allocations of percentages. We respect the principle that the government is free to ask for assistance. The request has to go to this technical assistance board, which is a joint organization. The government is entitled to ask for technical assistance, specifying the field and agency in which they want technical assistance.

There is no possibility now for governments to put forward a request for technical assistance on economic development in general. It has to be a more detailed approach in a particular way. Governments, of course, are entitled to ask for general economic missions if they want to be advised on what sort of technical assistance to ask for. They are entitled, under the program, to come in and ask to be told what particular type of assistance they need. If they themselves feel they know what they want and ask for it specifically, then under our rules and statutes we are to give them that particular type of technical assistance.

In the foregoing discussion I have talked mainly in terms of future developments because the program has just started. There are now, however, groups of United Nations experts working in a number of underdeveloped countries, ranging from Ecuador to Burma. We have received formal requests for assistance from the governments of Guatemala, Mexico, Iran, Bolivia, Chile, Pakistan, Afganistan, and others. Informal approaches have been made by a great many other countries.

We already have some sixty technicians, including medical experts, from underdeveloped countries who have been given fellowships in more advanced countries to secure training or do research in private industries, laboratories, universities, and hospitals. The persons receiving fellowships have been very enthusiastic about the help which has been given to them in the industrialized countries. They have returned to their own

countries and their governments are using their newly-gained knowledge and skills. There is also a corresponding United Nations program of providing training inside the underdeveloped countries.

In general, this program has helped us in the United Nations to appreciate the magnitude of the problem, and the difficulties which lie before us. Some of our group are themselves nationals of underdeveloped countries. In a seminar which we recently organized on problems of financing economic development, we saw time and time again one or another of the group get up and say, "In our country we have come up against this particular problem. We do not quite know how to tackle it." Another member might say, "We have been up against that identical problem." Then they, in turn, discuss that problem and its possibilities with the officials of their own countries, their own colleagues, and try to follow through. So we feel that from this very small beginning the circle of analyses and study will spread in the underdeveloped countries.

*Technical Assistance in Relation to Finance.* One of the major problems in the underdeveloped countries other than technical assistance is that of finance. If we look at economic development in a broad way, however, the two problems are not separate, for external investment and technical assistance frequently go together.

It has been said before that the capital of industrialized countries is like an iceberg. Only one-tenth is above the water; nine-tenths is invisible. The normal, tangible accumulation of factories, machinery, houses, wealth, is very impressive, but nine-tenths of the total capital of a country is intangible capital. It is the accumulation of knowledge, of scientific tradition, of skill, which is submerged and which is not, at any given point of time, visible. Similarly, the results of technical assistance are submerged in underdeveloped countries; the investment is the visible one-tenth.

There are two views on the subject of the relationship of technical assistance and finance. One was the philosophy held at

Geneva when our expanded program was approved. This was the view, and I take it that this is also the feeling of the United States Department of State, that technical assistance can do a lot of good without finance.

The other point of view is that technical assistance serves to prepare projects and to ready them for financing. In the experience of the International Bank, one of the great obstacles is the lack of projects that are ready or sufficiently mature for financing. If technical assistance can help in preparing such projects that would be all to the good. Our own hope is that international approval and supervision of certain types of projects may help to stimulate the flow of private capital into underdeveloped areas.

There is also the more cynical view that technical assistance is merely the pretext under which the industrialized countries avoid having to spend larger sums. The contrast between the 45 million dollars for technical assistance in the United States bill and the billions of dollars for help to Europe has been mentioned in that respect. As I said before, the real hope of technical assistance is that for each dollar spent on technical assistance there will be released tens, hundreds, or possibly thousands of dollars in terms of increased domestic output in those countries, and also in the flow of external investments. If it is going to prove itself, the final results of the technical assistance program should be something equivalent to those of the Marshall Plan. It is the result which should be compared and not the amounts of money being spent.

*Trade.* Trade is a more important matter to underdeveloped countries than is commonly realized. It is by way of the export proceeds that use can be made of the domestic resources and that capital may be secured from abroad to modernize. There is the related problem of prices. The underdeveloped countries must be able to sell their exports at prices which are not disastrously low in terms of the prices of the things they have to buy.

One solution might be the materialization of the proposed

International Trade Organization. That organization would establish a very important principle of international agreement, namely, that commercial policy should be a function of economic development, and that countries which are presently at a low stage of economic development should be granted certain special privileges in international trade.

*Migration.* Finally, I should say that population is one of the crucial problems for international organizations to think about. Capital transfer from industrialized to underdeveloped areas often have previously taken the form of transfers of people with their enormous intangible capital of skills. If one considers the parts of the world into which industrialization spread during the nineteenth century—the United States, Australia, and Canada—one could almost say that during that period industrialization was spread by immigration rather than by investment.

Certainly it was not done by investment of capital alone but by the additional investment of people. This would seem to suggest that voluntary immigration and the direction of such a flow into underpopulated and underdeveloped countries supported by capital movements would be of great benefit to such countries. This is a problem which might in the future require an international approach.