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International Economic Policies in Aid and Trade

Introduction

ONE speaks of policies when there is a set of mutually consistent principles to guide action towards some long-range objectives. International policies in the sphere of aid and trade should in this sense be geared to promote the sustained material advance of the human community at large. It is questionable whether there exists such a set of principles which is recognized and acted upon by any authority vested with executive power in this field. There is no such authority whose writ runs beyond the limits of its own national state. Its mandate is from its own people to whom it owes ultimate allegiance. From time to time the representatives of these national authorities may meet together to compare their experiences. Very often the proclaimed purpose of these gatherings is to advance the collective interests of all nations. But the requirements of growth of particular national groups may appear to come into conflict with the needs of others, and then it is collective interests which give way. It can be demonstrated that in the final analysis prosperity, like peace, must be undivided, that all national groupings are parts of the human race as a whole, that no part can benefit for long while others are suffering and that therefore the interests of the whole should override the interests of the parts. However, the final analysis takes time to run its course and practical wisdom is claimed by those who, quoting a clever saying out of context, are apt to quip that 'in the long run we shall all be dead'. Although individuals are mortal, the continuity of the human race must surely be assumed for any time period, for which it is worth making plans for human betterment, and sensible policies must look beyond the lives of their authors to several generations ahead. It is also being increasingly realized that different parts of the world have now become closely interdependent, so that it is no longer an exaggeration to say that all of us humans will have to swim or sink together. Thus, there are some national spokesmen who are prepared to understand why the immediate interests of their own countries should be subordinated to the long-term benefits of all, including themselves.

It is all a question of degree. This understanding is still uncertain and fitful and its progress and spread lag far behind the requirements of technological advance for closer integration. The most obvious manifestation of this development is the coming together of groups of nations into blocs in order to protect their privileges from the depredations of others or to wrest increased privileges from them. This can be illustrated from the

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proceedings of regional and global meetings held both inside and outside the U.N. system, of which there is now a spreading rash all over the world through all seasons of the year. Many find this an encouraging portent. It is at least teaching people that criteria for planning must go beyond the interests of one's own nation to those of other neighbouring or similarly placed nations. It is claimed that a specially beneficent feature of the growth of regionalism, which is one aspect of this trend, is the movement for production and marketing agreements which is discernible among certain countries of Europe, the Americas, Africa, and South-east Asia. But these arrangements, while consolidating advantages for those embraced by them, can increase the difficulties of those who are excluded, and by further impoverishing the latter, prove in the end to be restrictive rather than expansive even for the former.

The truth is that nobody can be now left out. For everyone of us today our actual inheritance is the entire planet, we share it with every other member of the human species and all of us are jointly responsible for its optimum use for ourselves and for the coming generations. No planning can be sound and adequate if it ignores this basic truth. At the same time, since plans are meant to be implemented in practice, the planners must equally take cognizance of the grave and widespread deficiency in the awareness of this truth. The usual practice is to put all the stress on this human limitation and brush aside the other no less important truth as utopian and idealistic phantasy. But since both are facts of life to which we have to accommodate ourselves, the rational course of action is not to lower the sights from what are perceived as the right objectives, but to chart our advance to these goals in stages which match the spread of a wider understanding of these objectives, while we bend all our educational efforts to this latter end.

It must be acknowledged that it is not easy for spokesmen of national governments to take such a stand. They are bound by mandates drawn up in the light of the limited and short-range political commitments of their governments. That is why the outcome of intergovernmental meetings discussing the problems of aid and commerce among nations strikes so many observers as thin or sterile or otherwise disappointing. This is so not only, for example, in the U.N. General Assembly and its Economic and Social Council, but also in more specialized bodies such as U.N.C.T.A.D., G.A.T.T., and F.A.O. Commodity Committees. Fortunately, there are other gatherings where invitees are selected in their individual capacity and need obey only their own reason and conscience. This conference is such an occasion. Therefore, this paper will make an attempt to sketch in broad outline the rationale and proposals for valid action to achieve more effective international aid leading to expanded trade and increased prosperity for all the people of the world. This may appear to be a very ambitious, if not pretentious, task to set oneself. But it is more meaningful and promising than ploughing the barren sands of recent controversies and debates conducted on the basis of restricted and often misleading postulates. If men of reputed wisdom will hesitate in addressing themselves to it, someone else with much less to lose should consider the risk worth taking.

Trade and aid

The expansion of both aid and trade are aimed at overcoming the basic problem of poverty which afflicts a very large part of the world. Poverty is, of course, a condition which applies not only to the countries which are referred to as 'underdeveloped' or by the more hopeful and euphemistic term of 'developing', but also to groups and individuals in every country, including the richest. The only difference is that it is more pervasive and acute in the countries classed in the developing category, because their average national income is low. This does not imply that the difference is not significant. Indeed, the difference in degree is so vast as to make for a difference in the quality of the life lived in the countries found at the two ends of the scale. But the nature of the problem and its cure are the same, whether we are tackling it for deprived groups within one nation or for deprived members of the comity of nations. There is only one sure and sound way to rid oneself of poverty for good, and that is to acquire the power to produce more wealth. Aid, through redistribution of existing wealth from the rich to the poor, may help in this process by providing the retarded and the poor with the means and the opportunities to improve their productive power. This, however, is not automatic and requires the fulfilment of many other conditions.

One essential condition is that a substantial, if not the major, effort towards improvement must be forthcoming from the beneficiaries of the aid programme themselves. Without this the programme will speedily degenerate into one-way charity, undermining the recipient's self-respect and, therefore, all capacity for his self-sustained growth. And growth is assumed to be the acknowledged fundamental purpose of all aid. In the absence of the utmost exertion of self-help, the programmes will also fail to be fully grasped and assimilated, remaining alien to the local people and requiring operation and maintenance by outside management and skills for an indefinite time, even if most of the cost can be recovered from the locals by compulsory levies in cash or kind. Let it be made clear that assistance from outside has an indispensable function. It provides the spark to dormant local energy and thus plays a crucial, seminal role. But the development process will not germinate and take root until the locals are enthused into joining their own efforts to outside assistance, and they will not be so enthused until they can see where and how the product can be woven into their current existence to make a meaningful and promising pattern for their foreseeable future. In other words, the measures intended to be carried out with outside assistance must promise an immediate alleviation of pressing problems and utilize local supplies and services to the maximum. It must not, however, make impossible demands on them for their continued support and sustenance. Further, they must be initiated only after education, extension, and demonstration have prepared the climate for adequate response.

Intermediate Technology

This means that the equipment, technique, and methods which embody these measures, while constituting an appreciable advance over those in current use, must not be too far ahead of them, that is to say, they must not be too sophisticated or complex. For most sectors of the economy in most developing countries this means the adoption of what has been called an intermediate level of technology between what they practise now and what prevails in the most highly industrialized countries of the world. The higher the technology, the greater is the need for capital and the less the need for labour, particularly of the lower grades of skill, in its installation and running. Since developing countries are notoriously short on capital and long on labour, this is the most widely used argument in favour of intermediate technology, but it is certainly not the only reason for preferring it and perhaps not even the most important one. Even if capital were to become available in plenty, other limitations would inhibit its effective use, frustrating the application of advanced technology, making it wasteful and, above all, weakening the base for self-sustaining growth. Were it otherwise, some of the oil-rich countries would occupy the vanguard of progress overnight.

There are, however, real problems flowing from the application of intermediate technology, and it is surprising that few of its protagonists have faced them squarely and analysed their implications in any detail. They arise from the admitted fact that the products of intermediate technology cannot expect to compete freely with the output of the most modern plants, which are equipped to produce goods of uniformly high standard in vast quantities at very low unit cost. The easy way out of the trouble has been to seek resort to protection or subsidy. Both types of measures are, however, esentially restrictive, aimed at reserving a part of the existing market for the weaker producers, thereby penalizing the more efficient and, depending on the nature of the demand for the product, either maintaining the total outlay of expenditure for a reduced offtake of the product, or increasing the outlay to meet its higher sale price at the cost of reduced sales of other products.

Such an approach is basically undesirable when the over-all context is of poverty and under-production and the economic orientation needs to be expansive at every point. There is a further risk. Although the professed intention is always to assure special advantages for the weaker units only to give them breathing time to catch up with the strongest, vested interests are apt to lose no time in taking shelter behind these advantages and lobbying for their indefinite retention. To yield to this pressure would be to remove the incentive for improvement and perpetuate inefficient production. It is of the utmost importance, therefore, that the answer to the marketing problem for the output of intermediate technology be sought in a course of action which will not be inward and backward looking, but will safeguard the dynamic quality of continuous outward thrust in every direction.

The answer, in brief, lies in creating a new, supplementary or additional market for these products, instead of claiming a share in the market already established by the more efficient producers. A place could be found for them in the existing market only through incurring fresh social costs on subsidies, cesses, and tariff duties. In the varied armoury needed for use in development there may be valid scope for deploying protective devices for immature enterprise; but the first consideration should go to positive measures for building up the intrinsic strength of such enterprise rather than to negative measures for imposing handicaps on the strong. There is no better way to build up such strength than to school them for trading in a restricted, if necessary even a nursery-scale, market which can be opened out for the purpose.

How is such a new market brought into existence? By producing a variety of goods and services that can satisfy the mutual needs of this group of immature producers themselves. A market is created whenever there is effective demand for a product brought out for sale and there is effective demand whenever the buyer can offer anything which the seller is willing to take in return. This amounts to saying that if there are producers in many diverse lines who cannot dispose of their supplies in the open market because these have not yet attained the standards of efficiency and refinement demanded by that market, they can still trade this output among themselves. That is to say, besides the known and customary market where the most advanced producers are able to meet the more exacting requirements for one another's goods and services, there is always an untapped potential market for products of more modest specifications which can suffice to meet many of the needs of others in their present stage of development. Not realizing this and not knowing how such a market can be organized and operated, the weaker producers have either to remain without an outlet for their products altogether or accept whatever they can get on terms which are necessarily adverse to themselves, trading many manhours of their own labour for one manhour of standard efficiency. There is, of course, a third course open to those who have fallen behind, which is to agitate for a place in the sun of the known market on more favourable terms. Reference has already been made to the reasons for not preferring this course. Sometimes such concessions can no doubt be exacted, though more often by political pressure than on economic grounds. Even then, these concessions are minimal in character, as the most cursory review of international proceedings on these questions will show. The result is that vast numbers of people remain in enforced idleness and without income, many others are progressively impoverished, and their needs, not only as consumers, but also as producers, for improving their technological capacity, have to remain unsatisfied.

Marketing the products of intermediate technology

This does not have to be so. There are only two essential steps to be taken for the organization of a special market. The first is the identification of the matching needs and productive capacities of trading parties. In any deprived group, there will always be one or more members who can already produce or easily learn to produce some goods and services of which other members can make good use. These goods and services may not reach the standard needed for sale in the normal market, but the members of the group, having no income and therefore no access to that market, would often be glad to have a crude version rather than none at all. The takers would then obtain their quittance by offering other goods and services which they, in their turn, are able to produce and for which other members of the group have need. The second essential step is to establish a system for mutual set-off of debits and credits, including payment of any long-term outstanding balance due from or to any member. The mechanism is that of a clearing house, for which many models are available, ranging from the simple and informal, suitable for *ad hoc* transactions among friendly neighbourhood groups, to the more regular and elaborate establishments called for by more stable trading arrangements entered into between nations.

It is important to appreciate that the need for establishing a new and special market arises from the fact that traders in this market do not command the unrestricted purchasing power available to the technologically superior and, therefore, wealthier traders in the normal market. It would, however, be wrong to conclude from this that the less fortunate have no purchasing power at all and have to be given concessional tickets for admission into the market of the wealthy. They have the power to buy as long as they have the power to produce and sell anything at all which is in effective demand by others, and there will be such demand as long as there are others as ill placed as themselves, who are prepared to make and offer articles and services of corresponding value in return. Only, this purchasing power is of the more restricted kind, consequently of weaker quality, and a great deal of it has to be used if it has to be stepped up to the level current in the open market.

In these circumstances, wisdom lies in conserving as much of this power as possible for trading among equals, sparing only the minimum needed for indispensable purchases from the wealthier market. One part of this wisdom is reflected in the familiar practice of developing countries reserving their holdings of freely convertible foreign exchange, which are equivalent to unrestricted purchasing power, only for essential and appropriate capital imports unavailable elsewhere, such imports being needed to raise the level of productivity and purchasing power within their countries. At the same time, they pursue a programme of import substitution, attempting to replace as many as possible of the supplies and services imported previously with products of indigenous enterprise. There is, however, less recognition of the scope that exists for expanding trade among the technologically less advanced nations. Valid import substitution must be conceived in the larger terms of not disfavouring everything originating outside the national boundaries, but of replacing, wherever feasible, products of advanced technology with those produced with simpler techniques. Other nations working at a simpler level should therefore also qualify as appropriate sources for this replacement. The replacements themselves must also be seen to be mainly destined for the newly created market of the less advanced. In the absence of an adequate understanding and practical follow-up of these implications, a programme of import substitution will speedily degenerate into the pursuit of costly and self-defeating national self-sufficiency, with new problems of marketing to surmount.

Least of all is there any recognition that the same approach applies equally well, particularly among countries of the developing group, to the trading relations between rural and urban areas within any one country. The technological disparities between producers of the two areas are by every measure as large as between the developed and the underdeveloped nations, and continuation of free trade between them must spell as disastrous a drain on the weaker partner in the one case as in the other. There is a dim acknowledgement of this situation in the statement sometimes heard that rural and urban people constitute two different nations with two disparate economies. Again, the grasp of this particular manifestation of disharmony or unevenness in development has in general not been deep enough to prompt a positive approach to its solution. The commonly advocated measures have, once again, been the negative ones of subsidies for the weak or handicaps for the strong to reserve a share for the former in the already established market, which does not remain the same but begins to dwindle in consequence. Examples are support prices for farm produce and various types of cesses, levies, and quotas for reservation of resources aimed at restraining modern industry in favour of small-scale artisans and craftsmen.

Scarcity-ridden economies do not call for these restrictive devices borrowed from the armoury of the rich; indeed they cannot afford them. They need to produce more, not less, and more of everything. There is need for farm produce in excess of market demand to feed the hungry, in both cities and villages. Most of them can pay for it, not in current coin, which they do not have the skill to earn, but with the humbler products of their present low capacity. The farmers can be induced to accept these products as recompense for their surpluses, provided they can be assured of one thing, namely that the prices they can obtain for their marketed supplies will remain unaffected. The farmers will then be ready to trade their surpluses because they, too, have vast unsatisfied needs for supplies and services of many kinds which they have no means to pay for in the normal market.

A special type of bargain counter can thus be brought into existence for trading in all types of 'surpluses', actual agricultural surpluses, no less than potential non-agricultural supplies and services, which are presently non-existent, because they will not profitably sell in the normal market. This arrangement will, however, work to all-round advantage on only one condition, that the transactions at the new bargain counter are truly additional and do not displace supplies already selling in the normal market. Such displacement would reduce the earnings of the more precious (because unrestricted) purchasing power available only through normal sales. This will be clear if it is realized that the traders in the two markets may often be the same people. The farmers will welcome the soft earnings from the special market only if they can sell their surpluses there without foregoing any of the hard currency they now get from their normal sales. For many of the artisans and other producers, this will be a means to supplement their present income, not an acceptable substitute for any part of it. To ensure this, the two markets have to be kept clearly segregated. This is why a special payments arrangement is needed for the new market. The transactions in this market can be accounted for and settled in either of two ways. They can be dealt with entirely by book transfers with no handling of cash at all, outstanding balances being always carried forward for subsequent discharge in kind. Or else traders in this market may adopt a special medium of exchange, which will only buy goods and services offered in this limited and closed market, but will have no currency outside.

A village exchange scheme

It would be interesting at this stage to turn from a discussion of these proposals in general and hypothetical terms to an account of two cases, one at the village level, the other at the international, where the author of this paper was personally concerned in attempts to put these ideas into actual practice.

On 26 December 1954 a carpenter and a blacksmith in an obscure village called Kulkuri in the State of West Bengal in India were persuaded by the local extension agent to use their idle time and waste material to make two simple products, and exchange them at an agreed price. They each needed one of the products but neither had means to buy in the normal way. This example was quickly followed the next day by the village basket-maker and the weaver joining with the smith in a triangular transaction. What occurred is best described by quoting from a record which was made when the experience was still fresh and vivid in the mind:

> A strange thing happened while we were still discussing this (that is, the previous day's transaction between the carpenter and the smith). A man came into the courtyard where we had assembled and began to push into the crowd. He was holding aloft some bamboo articles in both hands. Summoned before us and asked to explain what he wanted, he said his name was Bhakti and he was a scavenger by caste. He had made a *morah*, a small circular seat, a *kulo*, a winnowing tray, and a *chaluni*, a sieve, working the last two evenings at home. He had heard that the *Babus*, meaning the staff of the community development project in the area, had made some arrangement by which he might be able to exchange these for something he needed. What was it that he needed which somebody in this village might make? He smiled nervously, scratched his head and said he was poor, the season was cold, and he would best like a *chadar*, a cotton wrap. We asked him what price he thought his bamboo goods would sell for. He asked for one rupee eleven annas at first for the lot, but agreed to reduce the price to one rupee eight annas.
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> The village weaver, Kesto Das, was present. Did he have use for these bamboo goods in his home? He said, yes, but a *chadar* would cost six or seven rupees, and how could anyone expect to get it for articles worth no more than one rupee eight annas? He could, however, make a wrap of boys' size for two rupees; and Bhakti said he would be glad to have that. But the weaver would still have to have eight annas more for the price of the

wrap and Bhakti had no money at all. May be, the weaver could have some more bamboo articles made? But he said he had enough of such things for the present.

The blacksmith came to the rescue. He thought the weaver needed an *ans-banti*, a curved fish knife with a foot-rest, which the smith could make him for eight annas. The smith himself would like a *kulo*, the bamboo winnowing tray, in return. This was also worth eight annas. Bhakti promised at once to make him one. Thus the accounts were squared. Four people (counting the preceding day's transaction), by working extra over what they did now, had already produced or contracted to produce goods worth more than five rupees in all. Each of them, by making what the other had needed, created a market for one another's products. These goods were new wealth, being in excess of what everybody, including the four, was producing heretofore. And this new wealth was booked for a new market, without any encroachment on the existing market for current production.

The new scheme, conceived in the beginning as one of development of rural industry as a parallel and symbiotic support for agricultural extension, which was threatened by its own success with price declines, was referred to in the early days as the 'Village Exchange'. But as the programme spread and village after village came forward to take it up enthusiastically, the villagers themselves were quick to adopt it as their own and invented many local names for these operations:

They called it *nilong-dilong* or give-and-take in Dinhata; *dik-fazil* or squaring of accounts in Mahammad Bazar; *shikpi-chakra* or the artisans' circle in Ahmedpur; *sampad sopan* or steps to prosperity and *binimoy-bipani* or exchange shop in still other places. They composed songs and dramas in local dialects to explain what the scheme meant to them now and how it could help to build their future.

Hind-sight now indicates that it was an error on the part of the scheme's sponsors to have been taken in by this first flush of emotional enthusiasm, to have relinquished their leadership prematurely and left the programme to make headway on its own impetus. The first signs were certainly promising:

By the end of January 1955, that is, in scarcely over a month, the scheme had spread to 94 villages among 364 producers, and the value of the goods and services exchanged was Rs. 983. After another month the number of participants in the programme was 779 in 220 villages and the resultant new wealth was valued at Rs. 2531. After one more month, the figures had gone up to 1112 participants in 309 villages and the total value of the new wealth created up till then was Rs. 4189. Not only artisans, but also cultivators, landless labourers and professional people like tailors and primary school teachers had joined the scheme. Exchanges were no longer confined to two parties at a time. There were many instances in which accounts were squared through chain transactions involving three, four, five or a still larger number of different producers. Balances due were allowed to stand over in some cases for adjustment through future supplies.

By the end of September 1955, that is, in nine months since its start, the programme had spread to 846 villages with 4,335 participants trading goods and services valued at the rupee equivalent of U.S. $3,500. After that, official support and guidance waned, no records were maintained, and the progress became first uneven and then faltered and languished, until now no trace is left except as warm memories in the minds of a few old workers. The story will not be complete without drawing the major lessons of the failure. A programme of cure for retarded growth is a long and complicated business. Each stage of recovery must make new and more arduous demands for further resources to be fed into the process, until complete normalcy of functioning is restored. The first few trading transactions in additional wealth produced for the new market will quickly exhaust the simplest and most superficial needs, with no incentive for further work, unless the energies released are deliberately guided to turning out those products which can replace current commercial purchases. Such replacement alone can release conventional purchasing power for obtaining capital goods from the open market or offering acceptable security for loans and thus provide scope for saving and investment in technical improvements. To exploit this possibility, the sponsors will need to be ready to jump in at once with credit and training facilities. The resultant increase in productivity will demand an expansion of the market. Yet, since the increase will still be far short of what will be necessary for access to the normal market, this expansion must be sought in the increased productivity of others in the same predicament. That is to say, the plans must provide that the trading partners in the new market are able to march in step in their progress. This, in its turn, will imply that the resources appropriated for provision of credit and training are not concentrated on one or two types of enterprise, but are applied to different lines of production at the same time; that the improvements in tools and techniques appropriate to each stage of advance for each of these different enterprises are designed, fabricated, and supplied in time; also that labour and other resources can be smoothly moved over from one location and one vocation to another with the changing requirements revealed in successive stages of the recovery process. During all this time the restricted market will have been undergoing enlargement, extending from exchanges among immediate neighbours to trading among more distant villagers. That is, the special market will be shedding more and more of its disabilities and restrictions. The therapy will not, however, be complete until the technology practised by producers trading in the restricted market is on a par with those trading outside, when the need for a special market will disappear altogether. The nearer they approach this point, the stronger they will be and the less their need for outside attention and help. The pace at which outside assistance should taper off over this period for this reason will have to be a matter of careful judgement. But there is no doubt that in the West Bengal case cited here, the very earliest positive responses to treatment were misread in the most wildly optimistic fashion. As the official archives show, all the elements and stages in the needed treatment had been carefully charted out before. But the people were left to their own devices to organize them when they were far from ready. The conclusion must be, not that the treatment prescribed was mistaken, but that it was abandoned long before the full course was complete—indeed as soon as the patient showed the first symptoms of recovery, in the hope that natural powers of recuperation could then take over. It is now also clear that the programme was allowed to spread too fast over too wide an area, considering the limited training and other aid facilities which were available for its support. In particular, the exhilarating effect of popular enthusiasm made the sponsors underrate the crucial importance of a cadre of extension agents thoroughly conversant with the far-reaching implications of the programme, so that they could provide indispensable guidance to people through its early stage of evolution.

The world food programme

In telling the other story, one turns from the miniscule, and what may appear to many as the unfamiliar and the awkward, to a scenario and dimensions which are more conventional, where it is possible for this author to move with less self-consciousness. It is also more cheerful to recount. At the end of 1963 the U.N. and F.A.O. jointly initiated a three-year experiment to aid developing countries in the novel form of food and feed commodities. Until then aid for development provided by international organizations had been in the form of money and technical experts only. Relief agencies gave aid in kind also, but that was for consumption to alleviate suffering and not for investment. The new experiment, which was called the World Food Programme, was permitted to reserve a small part of its resources for relief; but the heart of this programme and its special significance lay in using food and feed commodities directly as development capital. In the present context the true novelty does not lie even in this fact. The real resources used as ingredients in all development projects are in kind, such as land and other raw materials, machinery and labour, skilled and unskilled. Money capital is used only to buy these. In poor countries, in particular, food is always a large ingredient in a capital project, because a major part of the money cost of the project goes to buy food for the labour engaged in it. What is of present interest, however, is the fact that the new programme, referred to as W.F.P. for short, provided for the first time an internationally recognized device for using supplies of certain commodities in excess of market demand to put to work labour which was also in excess of market demand and, therefore, unemployed. This was, thus, a typical example of bringing into existence a new and additional market for trading in surpluses. It is true that the commodities pledged by donating governments to W.F.P. could not be always identified as surpluses, since very few governments like the U.S.A. had stockpiles of commodities deliberately removed from the market to hold prices at pre-determined levels. Most of them discharged their pledges to W.F.P. by purchasing the commodities from the market whenever supplies were called for by W.F.P. The W.F.P. authorities themselves have been allergic to the use of the term surplus with reference to their operations, lest these appear to be designed only or even mainly to relieve the rich of their burden of unwanted abundance. There would no doubt be less embarrassment in acknowledging the true nature of W.F.P. if the realization were equally vivid that W.F.P. handles another type of surpluses at the same time and these represent the even greater burden of abundance of manpower of the poor. It is natural that no government would wish to pledge commodities to W.F.P. which could fetch a good price in the market. Even when there are no officially recognized surplus stocks, governments prefer to select commodities for pledging because their harvest is expected to be plentiful and to buy them for delivery to W.F.P. when their market prices are low. There is nothing reprehensible in this attitude, just as no exception can be taken to labour having a first preference for working for cash wages in the open market. Where W.F.P. plays an invaluable role is in establishing a productive outlet for commodities in excess of what, at a particular moment, could be profitably sold and an employment outlet for manpower in excess of what, at that moment, could be gainfully employed. To the extent the W.F.P. uses food and labour already selling in the normal market, its role would be only diversionary, transferring resources from one kind of use to another, which, depending on circumstances, may or may not be of greater social benefit. Its unique contribution to development is to direct to new investment factors which were previously sterile. This it can do when it deploys both food and labour which are either already shut out of current commerce or spell serious threat to market stability and long-term production if they are not shut out and, therefore, deserve to be.

There is no need to give a detailed account of the facts about W.F.P.'s origin and practical accomplishments in the field because, unlike the West Bengal experiment, these are widely publicized in literature made available regularly by U.N., F.A.O., and W.F.P. itself. It should be sufficient to mention that the participating governments considered the experiment so successful that they resolved to continue the operations indefinitely even before the experimental period had expired. Resources were to be found by voluntary pledges by governments every two years. These were to be used on the basis of free grants for financing specific undertakings in developing countries at their request. By 31 July 1969 commodities worth U.S. $519 million had been used in this manner in 356 projects in 76 countries. The indications are that as both donors and recipients of this form of aid gain a better insight into the benefits it can do to themselves, it will not only be strengthened in its present form but will open out in new directions.

What is worth deeper consideration for the present purpose is this programme's appropriateness and potentialities as an instrument of development, of which there appears to be an imperfect understanding even among those closely associated with its working. All these flow out of its basic character as a mechanism for using unwanted and idle factors of production as building materials in the development process. In the earlier stages of development the output of wealth issuing from this process cannot be expected to command a high exchange value in normal commerce. These early stages may last longer than is now usually allowed for, if the process has to be smooth and gradual. A great deal of the early work, moreover, while of considerable intrinsic value as sound preparation for the future, will fetch no price in the market at all. The great need in these circumstances is to discover and engage factors of production in excess of current market demand in this work. W.F.P. opens the eyes to the true significance of the term capital. We can now recognize, not merely in theory, but in actually realized practice, that capital consists not only of machines, expertise, and supplies which are costly and scarce. There is another category of capital which can be spared more easily and therefore mobilized more cheaply. This category is not commonly identified as 'capital goods' but as 'consumer goods', which, by satisfying the elementary needs of masses of the world's unemployed, could infuse in them the energy and give them the incentive to start on the long march to progress. Food locked up in surplus stock or threatening to create a glut in the market is the most vital of these consumer goods and this is already finding an investment outlet through W.F.P. The two next most urgent needs would be for clothing and shelter. Supplies which could meet these needs, which could be produced in excess of market demand at little extra cost in many countries, would make other welcome elements in a more comprehensive surplus programme.

The problem of unused labour

We may pause here for a little time to consider the growing concern in the world amounting to near-panic at what is called the population explosion. Many authorities have made frantic attempts to mount preventive and control measures, and have come to slow, sobering realization that even with the best of success in their campaigns, they cannot now stop an enormous swelling in the numbers of the work-force pressing on already over-burdened labour markets. These age-groups are beyond their reach, being on their way to be born, if not already born. The spectre of hunger having now become over-familiar, headlines have begun to shift their accent to unemployment. All public men are quick to point out that labour is the priceless asset of most poor countries and I.L.O., as the U.N. agency specially charged with the task, has announced an ambitious and world-wide programme to demonstrate how this labour can be mobilized for useful work. The argument made in this paper becomes pertinent at this point.

The potential asset of labour now remains frozen and cannot realize a price because there is no market demand for it at its current level of skills and no magic incantation or formula can change this fact. If a poor government were to engage this labour on wage for a public works programme, such as unskilled earth-moving, however useful such a programme might be in the long run, it would mean a sharp rise in the market demand for food and other necessities through disbursement of these wages. However, there would be no prospect of immediate expansion of production to make sure of increased supplies to take care of this larger demand. The resultant price inflation would dislocate the economy and be intolerable if allowed to occur on any appreciable scale. To invite the unemployed to do patriotic labour for no remuneration would be to add insult to the injury already done to them by past neglect. It would be an evasion of the responsibility for finding gainful employment and, in any case, one could not shift much earth on an empty stomach. There is only one way to unfreeze the vast asset of unemployed labour in the poor countries, and that is to engage this labour in a depreciated new market, which can be opened with the surpluses of the affluent part of the world. This would not only provide honourable employment. It would accomplish many needed things which are too costly for the poor but well within the means of the rich. It would also put the problem of global overpopulation in perspective.

There is no reason for regarding W.F.P. as a second-class, inferior programme because it deals with surpluses. On the contrary, it enables the world community to undertake certain types of investment which are vital for sustained development and would be apt to be neglected otherwise. Such undertakings are concerned with the conservation and bringing up into full maturity of human and natural resources, such as through better nutrition of mothers, infants, and children, training and education of all types, afforestation, and conservation of soil and water. Outlays on these ventures yield their benefits after a long period of gestation and the economic returns from them, although significant, are general and diffuse, not specific and clearly measurable. Therefore, conventional finance capital accords them a low priority. The building of the social and economic infrastructure, such as roads and communication facilities, sanitation, water-supply and housing, epidemic control and medical facilities, when not exclusively installed for particular economic enterprises, come very near the same category. Yet all these are preconditions of hard-core economic development and their lack constitutes a basic hindrance to growth. In these circumstances the invention of a way to make use of previously wasted assets for financing these undertakings wholly or in part must be counted an inestimable boon. In order to make sure of this objective, the resources used through W.F.P. should be entirely new resources, that is, factors of production previously unused and wasted, and must not take the place of factors already selling in the open market, that is, already engaged in production rated to be of higher value. There are two practical implications of this principle. It means, on the one hand, that aid provided through W.F.P. cannot do the work of aid provided through other channels, such as aid in terms of hard currency for equipment and expertise. W.F.P. aid would be welcome only if this other aid is maintained at its old level. It also means that a new undertaking started with W.F.P. aid, for which no financial provision had been made previously, should not take away resources already otherwise engaged. Yet there are few undertakings which can be planned and executed without calling upon some resources other than surpluses of labour and food. At the very least, these complementary resources will be storage and transport facilities, some equipment, and technical and managerial skills. As developing countries will be suffering from a chronic shortage of these resources, W.F.P. regulations envisage the pledging of a minimum of cash along with commodities to meet the costs of ocean transportation and administration of the programme in any case, and other costs in exceptional circumstances. A better alternative for meeting the other associated costs would be to plan a W.F.P. project jointly with other aid-giving agencies, and this is being explored with increasing success.

In time it may be possible to adopt a bolder and more rational approach. Governments which go in for comprehensive planning may be able to deploy surpluses as part of a complete inventory of all their resource requirements anticipated in advance, instead of using them piecemeal and *ad hoc* as they think of each new separate venture. Then there will be no fresh scramble for the scarce complementary resources each time. But few governments are as yet ready and equipped for this task and the intergovernmental authority which lays down the law for W.F.P. has so far declined to permit this so-called Programme Approach as distinguished from the current Project Approach in providing food aid. It may also be possible to add some of the complementary requirements themselves to the present surplus list. As indicated earlier, this would imply that countries possessing unused capacity may agree to work in excess of market demand to produce goods and services to supplement food and food items and convert W.F.P. into an expanded surplus programme. Such proposals have been debated before with reference to chemical fertilizers and certain other production requisites in agriculture, but these, too, remain to be approved.

It may be observed at this point that one of the difficulties in appreciating all the implications of W.F.P. has been that its character as an arrangement for trading in surpluses is not readily evident. More clearly apparent is its character as a programme of aid in kind, especially because no charge is made to governments for the commodities provided to them under the programme. Nevertheless, the economic realities are different. There is insistence on a return for the food issued to a project, either immediately, by rendering labour in a work project, or promised in the future, through a healthier and more skilful work force or increase in soil fertility or improvements in other ways. From one point of view, the parties in the exchange are the farmers who produce the food and the workers and others engaged in carrying out the conditions laid down and approved for the projects. There is, however, no direct confrontation between these two sets of people, who are the immediate beneficiaries of the exchange, because they are separated by a chain of three intermediaries, namely, the donor governments, the recipient governments, and the W.F.P. authorities administering the programme.

The farmers in donor countries sell their supplies to their governments in current coin in the open market, but these governments pass them on free of charge. This means that the cost is met through the national budget by the tax-payers at large in the donor countries. It is to be assumed that they agree to do so because they are persuaded that although there will be no return directly and immediately for this cost, there will be worth-while benefits both indirectly now and in the future. The direct gain in the present is the avoidance of storage and administrative costs of holding surpluses where this practice prevails or in imparting a needed buoyancy to the market in other cases. The long-range benefit would be the increase of prosperity in the recipient countries leading to expansion of trade in which the donor countries could expect to take a share. Thus, it is not the farmers who offer food to the surplus market. The producers of food receive full market value and have been eager supporters of W.F.P. because they see in it an opportunity to expand their normal scales. It is the donating community as a whole which supplies the surplus and bears its cost. This is equitable because agricultural producers are economically more vulnerable than others and the benefits from enlarged trade expected in the future will not go to them alone. Yet, if this arrangement is to remain effective, there is one indispensable condition which must be met. This is that no part of the supplies destined for the special outlet created by W.F.P. can be allowed to seep back to the existing normal market where it would depress ruling prices. This is the logic behind the stringent principles of surplus disposal established by F.A.O. and for W.F.P.'s own preference for segregating its operations through transactions in kind instead of in current money. If the surplus programme is expanded to include industrial goods, the same safeguards will need to be observed. That is to say, there will be the same need to make sure that the goods used in the surplus programme do not replace normal commercial purchases. The policy for procuring industrial surpluses may, however, quite justifiably be different. Unlike agricultural surpluses, these goods are often produced under quasi-monopolistic conditions by giant concerns with world-wide affiliations, there is no reason why pledging governments should not negotiate to obtain the output of their present idle capacity at differential and concessional prices.

Summary of conclusions

It should be now possible to gather together the various threads of the present argument, a few of them implied or only briefly referred to, but many explicitly developed in this paper, and see the picture as it emerges as a whole. The wealth which is necessary for and leads to well-being can be created, maintained, and enlarged as a continuous, self-sustaining process only when the human participants in this process have an understanding and control of its methods and techniques. Modernization of the outfit of production in developing countries should therefore avoid a precipitous rush and be effected in progressive stages to keep pace with the advance made by the people at large in their general awareness of the process and their organizing capacity. Expansion of wealth also demands increasing specialization of production and corresponding increase in the exchange of products, that is, trade. This can proceed unimpeded and to the greatest mutual advantage of the parties engaged in it, however, only when they stand on a level of equality in their productivity and skills. The greater the disparity in this respect, the more onerous and exhausting will the weaker parties find their terms of trade with the strong. Consequently, while the expansion of unrestricted trade should be the goal, the relatively unskilled —that is, technologically retarded—should progress towards this goal only in carefully controlled stages.

In the interim period the strategy should be to confine their trading with their equals to the maximum possible extent, restricting their trade with the more powerful to obtain essentials only. These essentials are usually understood to be capital goods as opposed to consumer goods. Most of the capital goods and skills in current use in advanced technology will, however, be unsuitable for application in the early stages of sound growth. The need in these stages is, first and foremost, not for capital goods, but additional wage-goods to give instant employment to additional manpower for resource development work of long-range benefit. Secondly, it is needed for equipment, organizational models, and operating, maintenance, and management skills of a simple kind. These requirements can be met through normal channels of trade by developing countries steeling themselves to submit to the harsh terms which must characterize such trade. But it would smooth and accelerate the course of development if they were provided free of charge or on concessional terms.

This is where aid comes into the picture as an interim measure until trade can become unfettered and freely expand. In this sense trade is the end and aid only the means, its true role being investment in future trade. But to serve as an effective instrument to this end aid should discountenance self-defeating attempts to transplant sophisticated technologies overnight. Where it can be most helpful is in applying the wealth and productivity of the more advanced to meet the specific requirements of the retarded for their self-sustained growth. The primary necessities of newly employed labour will be for food, clothing, and shelter in immensely larger quantities than can be immediately produced locally. Aid can provide not only food, but all these, taking scrupulous care to see that they are absorbed by new workers and do not compete with current sales, to the detriment of current production, either in the international or in the national markets. There can be also direct aid to specific enterprises, sometimes by fabricating and supplying the tools and equipment of simple design needed in them, sometimes by drawing upon existing inventories of outdated models of advanced technology for the purpose. By these means aid can be made at once more effective and to bring benefits to the givers at the same time as to the receivers.

It may be observed that one of the tests of the historical validity of any measure of reform or construction in the social field lies in finding out whether it is likely to benefit the people as a whole or serve only sectional interests. The approach to aid and trade outlined here will succeed by this test. The prospect it holds out of immediate succour and progressive betterment of the weak and the retarded is obvious. It should be equally welcome to the aid-givers, not only for its promise of expanded trade in the remote future, but for its offer of a new market here and now for their present surplus products or currently idle capacity for further production, although the earnings from the new market will be 'soft' at the start and can 'harden' only in course of time. The approach has also the widest general applicability to all cases of uneven development, whether between local groups within one region, or between regions within one country, or between different countries themselves. It would be worth noting, finally, that the benefits of the course of developments proposed here will transcend the economic field. The advance of technology being geared to the growth of the powers of the people at large to control it, there will be greater chances of avoiding the afflictions of affluence, that is, of escaping the evils which come with people having more wealth than they have so far learnt to use wisely. Not only the weak and the poor, but even those who have already attained their might and their riches following a different way in the past may find this of interest and relevance in their present condition.

It would be worth charting out this course of desirable development even if there were no immediate prospect of its practical adoption by those who make national government policies and, therefore, determine the broad lines of action to be pursued by international bodies also. For the deprived the glamour of modern technology with its assurance of not only material abundance but also political power is understandably overwhelming, their temptation for its instant acquisition irresistible. The privileged, who own and operate this technology and are better aware of the taxing demands it makes on its institutional setting and support, have too much on their conscience to be convincing advocates of a regime of disciplined and measured advance. Moreover, few of them have a clear notion of how to modernize except by travelling the same path that they took in their own history. There is, therefore, a clear need for expositions and discussions of possible alternatives. The signs are, however, not altogether wanting that the world is ready to experiment with new ways. There is much dissatisfaction expressed with the present accomplishments of both aid and trade. On the positive side, there is growing appreciation of an international programme which carries the seeds of a dynamic system of aid with the power to evolve in due course, through its own built-in characteristics, into progressively expanding and unimpeded trade. The moment may therefore be ripe for an exposition of this kind.

P. C. Druce *Australia*

Dr. Dey has presented a lucid and interesting paper on some aspects of international aid and trade, with particular reference to the World Food Programme. Dr. Dey appears to be an idealist and there are few who will argue in principle with his views on the need for international action—few who will disagree with him when he says 'For everyone of us today our actual inheritance is the entire planet, we share it with every other member of the human species and all of us are jointly responsible for its optimum use for ourselves and for the coming generations.' Nevertheless, I must confess that I find his approach to international aid and trade somewhat disappointing and somehow rather hard to come to grips with.

From the title of his paper, 'International Economic Policies in Aid and Trade' one might have expected a review of the major issues of economic aid and trade but Dey has not provided this. Rather he has concentrated his attention upon a few aspects related to his experience in the World Food Programme. His main proposal is that an intermediate, less sophisticated technology is appropriate for developing countries, which should develop trade amongst themselves and exclude purchases from developed countries as far as possible.

His argument for an intermediate technology in developing countries has considerable validity—failure to recognize this is possibly one of the greatest mistakes which has been made in international aid. However, Dey appears to suggest that this can be achieved purely by selecting less sophisticated techniques and processes for the manufacture or production of any given commodity rather than by selective development, eschewing those industries which are dependent upon immense amounts of capital and highly sophisticated methods and which are most vulnerable to shortages of skilled labour and management. His analysis of the problems in intermediate technology is done entirely in terms of unit costs when greater recognition of the principle of comparative advantage might have helped.

His suggestion for the creation of a supplementary market for the products of intermediate technology with mutual trading preferences amongst developing countries, to conserve as much as possible of their purchasing power amongst themselves and to expand markets for the products of intermediate technology, has several basic shortcomings. First, it ignores the grave adverse long-run consequences of not buying on the cheapest market—at no point in the paper is this even discussed. Secondly, he suggests that to ensure that transactions in the supplementary market are truly additional the two markets have to be clearly segregated, something which in practice has been shown to be impracticable.

Dey's arguments for aid through trade fail to recognize that this form of aid contributes less to development in the recipient country than an equivalent amount of aid provided directly as untied grants or as gifts of capital items for project development. In many developing countries increased trade receipts will be largely swallowed up by higher consumption expenditures of wealthy classes. Even in countries where the propensity to save (and invest in productive enterprises rather than to hoard) is high, there will be some leakage to consumption from aid provided as increased trade receipts, so that a given amount of direct aid does more towards economic development than the same amount of aid provided through payment of higher prices for goods imported from developing countries by means of trade preferences or sheltered markets of one form or another.

World Food Programme

Dey instances the World Food Programme as a 'typical example of bringing into existence a new and additional market for trading in surpluses' and he goes on to paint quite a glowing picture of the operations of the W.F.P. since its inception in 1962. Without suggesting that the W.F.P. has not made a valuable contribution in many countries in which it has operated one feels that Dey might have examined its operations and its longer term implications more critically.

For instance, it can be argued that surplus disposal through W.F.P. can depress prices for local farmers in recipient countries and deter the development of market-oriented production. It can also be a substitute for tax initiative on the part of governments of developing countries and serve merely to defer the mobilization of local resources for development. To the extent that it results in factors of production being retained in unwanted lines of output, it reduces the real G.N.P. and the ability to finance aid of the donor country.

Another development of very recent years which Dey appears to overlook in his discussion of the W.F.P. is the so called 'Green Revolution'. This must tend to curtail future opportunities for surplus disposal programmes such as W.F.P. If large scale disposal programmes continue they could increasingly disrupt trading opportunities of developing countries, such as Pakistan, which are now approaching export surpluses in food grains.

A highly explosive political situation could develop if giveaways of food produced in affluent countries damage the trading opportunities of developing countries.

Dey places particular emphasis on the problem of surplus labour—a problem which confronts most developing countries. The displacement of rural labour into towns and cities in advance of employment opportunities in the urban areas continues to be, and will long remain, one of the basic problems of many developing countries. However, he fails to discuss the possibility that surplus disposal programmes such as W.F.P. will aggravate this problem through the distribution of surplus food supplies from the affluent developed countries. Surely the developing countries must be assisted to develop their own food producion—not to rely on the distribution, either as grants or at prices greatly below the market price, of food surpluses from the world's more affluent areas.

While Dey's approach to the problem of aid and trade or perhaps one should say, aid through trade, does not to me appear convincing one can agree with him when he says 'There is much dissatisfaction expressed with the present accomplishments of both aid and trade'. What is needed is more aid and more effective aid; with this, I think there will be little dispute.

How then, can aid programmes be made more effective? Without attempting to offer any complete solution to the question posed—indeed, I would not feel competent to do this—I would suggest a few areas, which if given the attention they deserve, could well result in a marked imporvement in the effectiveness of aid programmes.

First, aid should be given in the form of direct, untied grants rather than loans. The build up of reverse flows of funds in servicing and repaying development loans from other countries commits very substantial proportions of export receipts in many developing countries thus inhibiting the rate of subsequent development because little foreign currency is available to finance the imports of further capital goods and needed raw materials. Recent rises in interest rates on I.B.R.D. and other loans have greatly aggravated this problem.

It is important also that aid, whether in the form of grants or loans, should not be tied to the use of goods and equipment from the donor country. Tied aid, while attractive in the short term to the donor, has nothing to recommend it from the developing country's point of view and may in fact greatly reduce the value of the aid as it may prevent the recipient from buying in the cheapest market and may even force him to purchase goods or equipment which he does not really want because the equipment most suited to his purpose is not available from the donor country although an inferior (from the recipient's viewpoint) substitute may be procurable.

Some developing countries tend to discourage private investment in development—appearing frightened that private investors may make good profits—yet private capital can have an important role in development and—subject to necessary limitations should be encouraged, not discouraged.

Another problem which is not uncommon in developing countries is that much capital equipment (whether or not provided as part of an aid project) is underutilized because of shortages of raw materials resulting from import restrictions. It is not unknown for incentives to install still further imported capital equipment to be created by procedures for licensing imports of raw materials and components at a time when existing plant is operating substantially below capacity because of shortages of imported raw materials. This points to the need for greater co-ordination in aid—a programme rather than a project approach and the need also to look more closely at the problems inherent in commodity (not necessarily surplus) aid. Commodity aid is not generally favoured by international lending authorities because it is easy to substitute commodities received for normal imports or even to re-export then. Nevertheless commodity aid may, at times, be essential if optimum use is to be made of capital equipment.

There is too much self interest in some technical assistance programmes. This applies to some extent to *all* tied aid programmes and projects but apart from tied aid, *per se*, there is some evidence that some advisors and consultants owe prior allegiance to their employers in the developed countries and, as a consequence, push a particular form of development or a particular type of equipment irrespective of its merits in the particular circumstances and regardless of the social or economic consequences of the adoption of the particular practice or machine. It is difficult to see how these practices can be completely eliminated but those responsible for the administration of aid should endeavour to see that such practices are minimized if they cannot be completely eliminated.

Finally developed countries should examine their agricultural policies with a view to making adjustments that might be needed in agricultural price policy and structural reform of agriculture to eliminate the accumulation of surpluses which result from protective policies, price supports and subsidization generally. The developed countries should not indulge in the luxury of avoiding adjustments in industries producing too much for the market to absorb at satisfactory prices, especially when marketing opportunities of developing countries are prejudiced thereby, as is increasingly likely to be the case with the continued expansion of the 'Green Revolution'.

Glen R. Purnell *Department of Agriculture, Canada*

A. Review The author has presented his views on some basic principles which he feels are essential to international policies with respect to aid and trade. He has indicated that the ultimate goal of these policies should be 'geared to promote the sustained material advance of the human community at large'. Variations in resource endowments and technological development are recognized as the fundamental basis for both trade and aid in the international arena. Dr. Dey issues a plea to all nations to recognize these differences and to individually and collectively establish domestic and international policies which will have the greatest long-term aggregate benefit. Here aid is considered a temporary measure to assist economic growth and development. The degree of effectiveness of this aid will depend in large measure upon the attitudes of the recipients, with this attitude shaped by extension, education, demonstration and (I assume) social framework.

Defining the concept of intermediate technology to be somewhere between the least advanced and the most advanced (determined by labour/capital balances), Dey states that the products of this intermediate technology cannot compete freely with products of more advanced technology. The use of subsidies and protection is denied as a solution since they impede economic development. The answer to the dilemma is outlined in the body of the paper to include:

(a) the creation of a new or additional market for products of intermediate technology;
(b) trading those goods of intermediate technology only within this new market;
(c) restricting the entry into this market of goods produced at a higher technology;
(d) payment in kind as acceptable in the new market;
(e) the establishment of a comprehensive continuing education programme to stimulate the use of the new market.

The author attempts to demonstrate the use of this approach by referring to a pilot scheme in a village economy in India and to the World Food Programme at the international level. In the village economy the use of a barter system to reap some benefit from surplus labour was deemed successful initially but apparently failed eventually due to a lack of continued external stimulation and education. The author commends the success of the World Food Programme and attributed this success to the use of surplus food from the donor country to pay for the application of surplus labour (in the recipient country) within a system separate from the commercial food and labour market.

We are indebted to Sushil Dey for presenting to us an interesting and thought-provoking paper on this topic of such great importance to all of us as professionals, as consumers and (I presume) as producers within our various countries. There is no doubt about the weight of the subject and the economic, social and political complexities which surround possible solutions to the problem of establishing meaningful international policies in aid and trade.

B. Appraisal Although one perceives an air of idealism around the principal policy elements proposed by Dey there is still a dash of realism accented by the personal experiences of the author in both domestic and international settings. One must agree with many of the elements contained in the paper, such as the basis and goals of trade and aid, the inability of all areas to achieve instant equality in levels of technology and purchasing power, the detrimental effects of subsidies, tariffs and other barriers to trade, and the restrictions on economic development which can result from excessive drive to achieve self-sufficiency in both developing and developed nations. On the other hand several major questions arise as one probes more deeply into the paper presented here. At the risk of appearing to criticize individuals or major world programmes on which I am not an expert I should like to take a few minutes to examine more closely the principals for policy proposed by Dey. Let us take a look at some of these points.

First of all it is not at all clear to me that the local village scheme is parallel in principle to the World Food Programme. While the village example contains commodities produced by intermediate technology, the food surpluses of the World Food Programme may be produced by all levels of technology and in practice the greatest volume comes from countries with advanced technology. Thus the concept of using a 'new market' for goods produced under intermediate technology is not maintained under the World Food Programme. In addition, the village barter system lacks the middleman represented by the donor government in the World Food Programme and, more importantly, the village system operates without the wide price gap which exists under the World Food Programme as a result of the donor government purchase at market value and disposal at a near zero price. Here then we find the donor government looked upon as an integral part of the normal market by the producers in the donor country, so that you are not buying on a 'new market' even though you may be 'selling' on a 'new market' separated from commercial sales. Although it may not be absolutely essential to have a parallel in the two areas (village and World Food Programme) some of the questions I will raise concerning the one area may not have strict application in the other.

The establishment of a 'new market' separate and distinct assumes that there is no productive use of abundant labour under the existing or normal market. From personal experience it is my view that cultivators in developing countries (where surplus labour exists) are indeed 'economic men' and thus will respond productively to incentives such as increasing the food supply to their families, obtaining increased returns from commercial sales, or improving economic stability and security of existance. The artificial establishment of a 'new market' creates a buffer between the economic man controlling resources and the inducements to produce which may be latent in a normal market economy. Perhaps the realization of this relationship following experience by the individual described in the village system by Dey underlies the failure of the system to maintain momentum

I would also question the ability of the proposed system to completely and continuously separate the 'new market' from the normal market. In the case of the individual in the village system, he will eventually react according to the inducements in the 'new market' much the same as he would in a normal market system. Thus it is difficult to understand how the new market would be maintained. In the case of the WFP, the treasury of the donor country is often simply another element in the normal market. Such a role of the treasury tends to have an effect similar to a direct subsidy with the result of inefficient resource use in that country.

To the extent that the 'new market' and the normal market are effectively separated it appears that such separation would have the same effect as trade protection which was deemed by Dey as a solution and could be detrimental to economic growth and development since it would tend to reduce com petitive pressure for improved efficiency and effective resource use and productivity. This market isolation if followed to the extreme would minimize or even eliminate international commerce. Thus goods produced in the less developed countries would be traded only within that country or with another country of equal technology and by the same token goods produced with advanced technology would be traded only within or between those countries with advanced technology. An exception to this might be trade in items required but not produced domestically.

C. An alternative As stated earlier in these remarks the basis for international trade arises from variations in resource endowments and levels of technology among nations. Dr. Dey has chosen to view the trade and aid problem through the end of the telescope emphasizing surplus labour. Thus he has seen the need for the establishment of the 'new market'. Proceeding down this avenue Dr. Dey has even recommended the establishment of training and *credit* schemes to support and maintain the 'new market' as a separate entity. If we turn the telescope around and look through the end accentuating a surplus of capital relative to labour one may very well be able to accomplish more effectively the objectives of increased economic development and growth for the advancement of 'the human community' by transferring input capital. Thus cloaked in ones robe as citizen of the world without allegiance to any particular ideology or nation one might look towards one possible and to a solution of the problem through a direct transfer of capital, this transfer to take place through private enterprize and market machinery with the prospect of ultimately *establishing the principle of comparative advantages* as the true basis for production and international trade.

Obviously this approach is even more idealistic than the proposal made by Dr. Dey. This is particularly true if one carries forth the concept of permitting a free flow of labour and management resources as well as capital while providing for the free movement of all goods in trade. Although the realities of economic, social and political life make the above ideal virtually impossible to achieve. I think that Dr Dey could have more usefully treated his topic by examining the economic impact of some current trade policy features which establish semi-closed trading blocks, erect barriers to trade, *and* to the flow of agrucultural productive inputs among the nations and lead towards self sufficiency in both developed and developing countries. Such an examination could have gone further by proposing policies stimulating increased international trade through an adaption of some form or element of the principle recognising differentials in resource endowments and economy of production and transfer between countries. I would like to conclude my remarkes by urging this professional body to continue to recognize one of the basic principles of our economics profession and the application of this tool to international trade in agricultural products. Mankind would be better served by a movement in this direction and the establishment of international economic policies promulgating a freer movement of resources and agricultural products than appears to be the trend of the day.

Again let me extend appreciation to Dr. Dey for a stimulating paper and my thanks to you for your consideration of the points I have raised.

Ivan Matiukhin *U.S.S.R.*

After the second world war, in the place of the former colonies there have been formed over 70 new States. The gaining of political independence by the former colonies is not in reality a deliverance for these countries; there can be no political freedom without economic emancipation. The first task of these new countries is to achieve economic independence and in this the new States have various difficulties to overcome. Among them the first difficulty is the scarcity of capital to put into industry and their economic development and their lack of trained personnel. The developing countries do not have enough resources in order to overcome these difficulties by means of their own efforts.

The report of Mr. Dey on the international policy in the sphere of aid and trade is, to my mind, very interesting and to the point. I can only share the opinion of the author of the paper that the main efforts in the development of the national economy of these countries must proceed from the very countries who gave that international aid, and this international aid can be only to a certain extent a catalyser of this process of economic development. Understanding all these difficulties that the new countries have before them in solving the problems of their economic development, we must extend all-round economic aid to them

The economic co-operation of the Soviet Union with the developing countries is based on equality, on integrity, not interference in internal affairs; the basis of the economic aid of the Soviet Union to these States is mutual profitability and assets. At present the Soviet Union has trade relations with over 70 developing countries of Asia, Africa and Latin America; with 46 countries the trade relations are carried out on a contractual basis. The treaties and protocols signed with these countries envisage that the regime shall enter into agreements on the best terms. The Soviet Union has long-term trade contracts with these countries where the volume of the goods to be exported is laid down. This gives the central government plan of the trade relations of the Soviet Union with the developing countries.

During the period 1965–1969 the trade turnover of the Soviet Union with these countries has increased six-fold. Over 60% of the goods exported by the Soviet Union are goods that are necessary for the national economy of these countries; over one-third of exports are machinery and equipment. And here I must note once more that the exports of the Soviet Union into these countries includes up-to-date machinery. The Soviet Union buys in return traditional export goods, among them such agricultural produce as cotton, wool, citruses and other produce.

The existence of long-term agreements between the Soviet Union and these countries, particularly the continuity of the export trade gives these countries the possibility of secure planning and of ensuring that their goods are on the markets of the Soviet Union. Lately, due to the development of the national economies, the greater part of the Soviet imports from these countries are the goods of the industries of these countries. Certain other economic ties of the Soviet Union with these countries have been strengthend too. The Soviet Union has extended to these countries long-term credits and extends aid in the realisation and building of other industrial projects, among them obviously agriculture figures largley.

Oddvar Aresvik, *Ford Foundation, Beirut, Lebanon.*

Regarding the use of intermediate technology a cautious approach is necessary. This represents a very complex question and it is dangerous to generalise. In many cases, for example in connection with production for export, the most up to date technology usually is the best choice. Development can be slowed down by the introduction of intermediate technology in cases where up to date technology would represent the optimum choice.

The problem of unused labour should now for many developing countries be discussed against the background of the so-called Green Revolution. The new varieties and the chemical inputs like fertilisers and pesticides represent divisible inputs which can be used by all sizes of farms. Available data indicate that total labour used on the farms depending on local growing conditions, is from 10% to 60% higher with the new varieties. Since many of the varieties have a shorter growing season than the traditional ones they may permit an extra crop in cases where water is available and the total use of labour will increase more. Since the total domestic production for wheat in India and Pakistan will be more than doubled, the total use of labour will increase in spite of a certain decrease in labour input per ton of grain.

In addition, there will come the employment effect on other sectors like manufacture of inputs, transport, processing, marketing and manufacture of consumer goods in order to meet the increase in demand created through the Green Revolution.

Through a rapid increase in production agriculture per capita income will reach higher levels. This again will facilitate a higher standard of living for the rural population including increasing use of industrial products and modernization of the villages through new types of housing, running water, electric power, sewerage systems, etc. The demand for rural infra-structure will increase rapidly. The intensification of agricultural production, the investments in rural infra-structure and the modernization of the villages will again create employment. This can also help to reduce the exodus to the urban slums and provide a better market for the growing industrial sector.

An expansive economic policy generally in developing countries is also greatly facilitated by the Green Revolution, making it possible to increase agricultural production at decreasing costs per unit of output more rapidly than population rises. This removes a major constraint on a policy aiming at increasing employment and income per family among the masses, as the resulting rise in demand for food can be met by the rapid increase of production at constant or even falling prices. A full employment policy may be possible through a labor intensive growth path in agriculture and consumer goods industry, and labor intensive public works programs. These programms tested in India and Pakistan for production of rural infra-structure such as roads, schools, dispensaries, irrigation and drainage, etc. Under the assumption of a continuing strong technological advance in agriculture, the structure of demand will change towards agricultural supplies, rural infra-strucuture and domestically produced consumer goods. The pressure on foreign exchange under an expansive policy will be less through growth in agriculture and consumer goods industry than with primary emphasis on heavy industry. Rapid agricultural growth, based upon technological change in agriculture, can thus be of great help to solve many of the most urgent problems in the developing countries, including employment, excessive urbanization, the low income level for the masses and thereby also the most seriours social and nutrition problems. A widespread expansive economic policy in developing countries could however, only suceed under a system of parallel expansive policy also in the developed parts of the world and under expansion of mutually beneficial trade on global basis. The full potential benefits of increased food production in the developing countries can only be realized as part of a world-wide expanding economy, industrial as well as agricultural.

The effects of a production breakthrough in agriculture have been demonstrated in India and other countries. During the past three years, the cumulative increment in the value of the gross agricultural product above that of the 1965 record crop for wheat in India was $1,850,000,000. In addition comes the increased income from rice and coarse grains. This has affected both agriculture and general economic development. About 300,000 pumps are installed annually and about 70,000 tube-wells dug. About 55,000 tractors are bought annually with a waiting-list of about the double number of units. A large number of mechanical threshers are being produced and sold. The consumption of fertilizers has doubled since 1965/66. The industrial production, which nearly came to a standstill before the green revolution, increased by more than 7% in 1969. Radio production increased by 60%, sewing machines 16%, bicycles 13%. In many areas, there is a notable increase in the number of improved homes in the villages, with brick construction replacing mud structures.

Odd Gulbrandsen, *UNCTAD, Geneva.*

I appreciated very much Mr. Kumar Dey's exposition of the WFP as such, but I have, like Druce, to say that it covered a futile part of the problem area announced by the title 'international economic policies in aid and trade'. As an example, the total aid in terms of capital flow to the developing countries amounted in 1969 to 13 billion dollars, a figure which is roughly 100 times the yearly value of the WFP. To the aid should be added the economic effects of trade policy changes which are negotiated through various international bodies in favour of the developing countries. I have made some very rough calculations on the probable size of the attainable value of these effects. The question I have tried to answer by the calculations is: what increase in yearly income could be obtained by the developing countries by the removal of all prohibitionistic restrictions now hampering their exports. As you may know, a preference scheme allowing duty-free entrance for most industrial products on the markets of developed and some socialist countries has been offered to the developing countries. I have calculated the value of this scheme, including both price and volume effects, to amount to 1½–2 billion dollars in the middle of the 1970s and 3–4 billion dollars at the end of the decade. The scheme includes, however, exceptions from a completely duty-free entrance. Further, there exists a number of non-tariff barriers on industrial products. Removing these restrictions over the decade could add another 6–8 billion dollars of income to the developing countries. Of greatest importance to the developing countries would, however, be a removal of the agricultural protectionism in the form of domestic support to the farms in the developed countries. My calculations indicate an additional income of 8–10 billion dollars if domestic support, both through import restrictions and price subsidies, were removed around 1980. Summing up these figures and adding the effects of some other policy undertakings, I don't have the time to mention, a total gain of about 25 billion dollars is obtained. This figure is of the same size as the value of the 1 per cent target of aid to the developing countries, assuming that the total GDP of the developed countries will amount to 2500 billion dollars in 1980.

It can be calculated that both a complete removal of trade restrictions and the 1% aid target has to be achieved during the decade before us, in order to make it possible for the developing countries to start to decrease the income gap between them and the rest of the world. Sad to say, the efforts to give the developing countries a real take-off during the '60s have failed, as the per capita income gap has continued to broaden.

In conclusion, enormous efforts have to be made in the field of trade and aid policies during the 1970s, in order to avoid an economic lagging behind of the developing countries.

A. Ganev. *Bulgaria.*

In his report Mr. Dey has raised a number of important and interesting questions in the field of production and trade of agricultural products.

In order to rationally allocate the available labour and national resources for the increase of wealth and exchange and the raising of living standards of all peoples, Mr. Dey correctly emphasises that international groupings must be seen as a part of the whole of humanity. No group must block other groups or ignore their need if they suffer from deprivation and starvation. Nobody's individual interest must predominate over the social interest. The success of socialist Bulgaria shows that under conditions of rapidly developing scientific and technological progress trade and economic connections achieve a greater and deeper significance in the development of individual countries. To these our high annual rates of trade exchange testify. They amounted to 60% over the last 10 years. At present our country has trade connections with the majority of the world's countries including a great number of the developing countries. The impact of international co-operation on the development of agriculture is revealed not only through international trade but also in other ways, including the specialisation and co-operation of certain branches, the co-ordination and meeting of the national economy plans, and scientific exchange. The Soviet Union, using all forms of socialist co-operation, rendered assistance to the socialist countries at all stages of their development in the course of industrialisation and in developing their own chemical and machine tool industries, which was followed by a rapid modernization of production.

All this shows that the socialist community has created new forms and methods for the rational use of the labour and natural resources of our countries, for the rapid development of the national economy and the elimination of the backwardness carried over from the past. That is why I would disagree with Mr. Dey in his statement that there are no positive signs of experiment with new ways for the promotion of international co-operation, and finally I would like to emphasise that at the initial stage of development it is not sufficient to confine assistance to the development of the internatioanl trade of the developing countries but it is most necessary to develop all kinds of assistance scientific, trade and economic.

D. Paarlberg. *U.S.A.*

I have a somewhat different reaction to Mr. Dey's paper. I view it not so much as a paper on trade as a paper on how we might meet the needs of those people who are unable to buy sufficient amounts of food in the conventional market. Now we economists have long neglected the problems of those people who were unable to meet their food needs in an adequate fashion in the conventional market. We treated as non-existent those demands which were unaccompanied by the ability to buy. I believe there are indications in many countries of the world, including my own, the United States, that this attitude will not indefinitely to tolerated. We are working in my country with a variety of food programmes intended to meet the needs of those who cannot buy adequate food. We are doing a great deal of innovating. The economists have helped in the development of these new techniques, but not as much as they might, not as much as they should and, I think, the programmes are not working as well as they would work if the economists had devoted themselves more directly to this problem. I am convinced that we are going to have to work out, at least in my country and perhaps in others also, new ways of meeting the food needs of people who are not adequately served. Some things have happened in the world's conscience with respect to these people. We will have to innovate, we will have to experiment, we will have to devise new techniques. I believe there is growing evidence that straight donation is not the best solution to this problem; it creates a degree of dependence upon the donor that is enervating, it creates a bond of dependence between him who gives and him who receives that is difficult for either to break. It may be that some form of a differentiated market is at least, in part, a solution to this problem. Now undoubtedly there are many difficulties in devising these techniques and economists are very adept at pointing them out. It has taken many, many years for the conventional market to develop to its present advanced state which brings together supply and demand around price in the conventional fashion. It may take some time to devise new techniques to meet the needs of people who cannot satisfactorily meet their needs in the conventional manner. And perhaps it is good to turn this question around and examine it from the standpoint of those who are on the receiving end. Our orientation is agricultural, we are agricultural economists, and we think of these matters usually from the standpoint of the supplier. It is surprising how many insights one obtains when one turns the question around and looks at it from the other angle, and I detect some of that in Mr. Dey's paper. It seems to me that it is a good paper because it does address a problem of growing concern and it may be a good initial effort at a problem that is likely to come increasingly to the attention of economists.

V. Marrama (*UN/FAO World Food Programme, Rome Italy*).

In replying to some of the questions raised on Mr. S. K. Dey's paper, I shall confine myself to those which refer to the World Food Programme. I shall, therefore, not reply to the objection formulated by Mr. Purnell of Canada about the real possibility of establishing a comparison between the village self-aid programme described by Mr. Dey in his paper and the experience under the World Food Programme.

Mr. Druce from Australia has expressed preoccupation about the long term implications of food aid. According to him this type of aid can have, *inter alia*, a depressing effect on the agricultural prices of the receiving countries and thereby discourage local output, and may, in addition, have the effect of lessening the efforts of the receiving countries to promote their own agricultural development. These are no doubt real dangers. However, dangers such as these arise only if food aid is dumped in the markets of the receiving countries without any regard to local production trends and possibilities and to existing or potential foreign trade.

This is certainly not the way in which the World Food Programme operates in employing food aid. Apart from emergency operations, this Programme assists with food aid *specific* social and economic development projects in developing countries. Examples of these projects are given in Mr. Dey's paper. The central philosophy of the Programme is that of ascertaining whether, on the project to be assisted, the food to be provided would, or would not, meet an *additional* demand. Only when this additionality element is present is the project adopted by the Programme. Certainly it is not easy to ascertain such an element, but, assuming that the assessment is reasonably satisfactory, there is no danger of interfering either with local output or with existing or potential foreign markets.

Turning now to the point raised by Mr. Gulbrandsen of UNCTAD about the limited size of the World Food Programme, I would only like to say that, surely if the size of W.F.P.'s operations is measured against the annual capital transfer from the developed to the developing countries, the significance of the Programme is really small. This is not so, however, if the Programme's operations are assessed against the background of the U.N. activities. So far in about 8 years of life, the Programme has committed for social and economic development projects in developing countries more than $1 billion. Commitments in 1969 were about $350 million and the expansion could well continue along the lines described by Mr. Dey in his paper, if only sufficient resources would become available to the Programme. The bottleneck is not in the lack of valid projects worthy of assistance but in the amount of resources available to assist them.