Doc. 800
11 April 1958

Aid to less developed areas

Report[1]
Committee on Political Affairs and Democracy
Rapporteur: Mr Paul DEVINAT, France

1. 1958 - 10th Session - First part

A. Draft Recommendation presented by the Political Committee

1. The Assembly,

2. Considering that in every age and in every continent unequal development among the nations has been a source of conflict and a material and moral burden on human society;

3. Considering that in our own time this disparity within the community of nations has been continually accentuated through the rapid expansion of the industrial nations, on the one hand, and the growing needs of the new independent States of Asia and Africa on the other ;

4. Considering that the gap is still widening between the more developed and the less developed countries;

5. Considering that the most densely populated of the latter countries are in many cases those which have the lowest standard of living and are most threatened by social and political dislocation;

6. Considering that assistance to less developed countries is for Europe not only part of its duty to humanity but also a guarantee of economic survival and a measure in defence of its political freedom;

7. Considering that it is vital that the Western nations and the less developed countries should get closer together on the basis of mutual trust, help and respect, and that the Western nations must be prepared to make a much greater effort to raise the standard of living of these countries;

8. Considering that in Resolution (57) 12 of 29th April 1957 the Committee of Ministers « proclaimed its resolve to assist the under-developed territories both inside and outside Europe »;

9. Having taken note of the report of the Political Committee (Doc. 800) ;

10. Noting:

11. that European countries are collectively engaged in organising economic assistance for the areas most in need within Europe;

12. that widespread assistance has already been given by certain European countries in various ways to the less developed areas of the world and that the Treaty instituting the European Economic Community provides for a fund of 581 million dollars for social and economic development in the dependent overseas territories of the member nations;

13. that the United Kingdom and other members of the Commonwealth are assisting the independent nations covered by the Colombo Plan for co-operative economic development in South and South-east Asia;

14. that Europe has always given its support to schemes and organisations instituted by the United Nations with the aim of internationalising assistance to the less developed countries, in particular the Special Fund, which is due to come into being on 1st January 1959, pending the establishment of SUNFED,

15. Recommends to the Committee of Ministers of the Council of Europe and the Council of Ministers of 0. E. E. C:

16. that a European policy of concerted, systematic, sustained and better co-ordinated assistance for the technical, social and economic development of less developed countries should be worked out and put into effect, in parti-cular for the countries where co-operation with the Governments can bring mutual advantages, both immediate and long-term, in the social, economic and political fields;

17. that this joint European policy of assistance should provide for the closest co-ordination between bilateral and multilateral programmes of aid (in particular the Investment Fund provided for in the Rome Treaty), between those programmes and technical assistance and development activities of the United Nations and Specialised Agencies, and also between governmental efforts and private contributions in these same fields;

18. Ithat a body be formed for purposes of study, information and liaison between the member countries of the Council of Europe and all the less developed countries, whether receiving aid or not; this body or " European Office for Aid to the Under-developed Countries " might be constituted as a special joint department of 0. E. E. C. and the Council of Europe, having direct relations with the Government departments of the various States concerned and reporting to the Assembly from time to time on the progress of its work;

19. that a Study Conference be convened on the initiative of the Council of Europe, to which would be invited all persons with relevant qualifications; this conference would make it possible to awaken public opinion to the absolute necessity of an organised drive to provide assistance, in order to counter the dangers facing the world by reason of the tension arising from the widening gap between the standards of living of the different nations;

20. that a reply to this Recommendation should be submitted to the Assembly in time for its autumn session, 1958, and that if the proposal contained in paragraph 18 is not found acceptable alternative proposals should be put forward and transmitted to the Assembly for consideration by the Political Committee.

B. Draft Order I presented by the Political Committee

The Assembly,

Having adopted Recommendation...,

Instructs the Political Committee to submit to it, in time for the autumn 1958 Session a detailed plan for the organisation of the study conference on aid to less developed areas mentioned in paragraph 19 of the Recommendation.

C. Draft Order II presented by the Political Committee

The Assembly,

Having adopted Recommendation...,

Invites the President to convene a meeting of the Joint Committee at ministerial level, preferably at the beginning of September, for the specific purpose of discussing the question of aid to less developed areas.

D. Explanatory Memorandum (submitted by M. DEVINAT)

Contents TABLE OF CONTENTS

1. Nature of the Problem

The problem of less developed countries is as old as the hills. It has been the cause of most of the great invasions and, directly or indirectly, of the majority of wars.

In quite recent times, the demands of the " have-nots " in Europe have served to bolster up the imperialism of totalitarian systems desirous of expanding their country's living space.

Since the end of the last war the problem has undergone a far-reaching change. It has taken on fresh importance and significance.

The disappearance of colonialism and the accession of many Asian and African countries to independence have brought about vast changes in the world. The internal structure of the new States and their external relations have become seriously unbalanced.

The colonial Powers had contracted an ever-increasing number of obligations towards the colonial peoples, as a counterpart to the political and economic advantages which were secured. They had understood the need not only to protect them from disease and poverty, but also gradually to raise their standard of living.

It can be said that, when due allowance has been made for the diversity of natural resources and the difficulties encountered, considerable success has been achieved.

There has also been a liberal evolution in the relations between colonial Powers and the local populations which have been gradually given an increasing share of responsibility in managing their own affairs and defending their interests.

The irresistible trend, in Asia and Africa alike, towards the independence of countries previously subjected to foreign sovereignty or influence, and their consequential liberation, did more than break up the former relationship with the past. Acute problems suddenly arose which the earlier state of affairs had concealed. Satisfaction at the freedom which had been won was not a panacea, and the hard realities of government and economics forced themselves upon those who were now responsible for the affairs of their countries.

The guardians had left, but the needs remained.

In his address to the last annual meeting of the International Monetary Fund, the President, Mr. Eugene Black, said: " During the last fifteen years more than 500 million men have gained their national independence in Asia and Africa. But independence has not brought them the improvements which the peoples of the least developed countries need so badly and which they so ardently desire. The challenge is still there. And I doubt whether at any time in history leaders have ever been faced with a more difficult and exacting challenge "[2]

---

2. The original of Mr. Black's speech had not reached Strasbourg when this report was duplicated. This is a re-translation from the French (Secretariat note).

Independence changed nothing in the situation. Sometimes it has made matters worse. Exploitation, of which the colonies claimed to be the victims, disappeared, but capital, services and business disappeared, too. The less developed countries are well aware of all this, but they are blaming it on the more developed countries.

There is a grave danger of" a rift between the wealthy and the poor countries: economically, because the difference between production techniques is so wide that the former can find practically nothing to buy from the latter and in consequence are unable to sell them anything; politically, because the poor nations are wont to impute the power of the West to colonialism and imperialism, and thus hope to conquer for themselves, by force of arms, what they believe we have ourselves acquired by force of arms "[3]

This widespread opinion was publicly expressed at the Bandung Conference, which for the first time brought together all the less developed countries of Asia and Africa. It is a major problem.

For this reason, under the converging influence of contradictory idiologies, in the heated atmosphere of United Nations debates, the feeling of human partnership has been affirmed and strengthened. It has become a compelling moral obligation upon States to strive for a closer association between the more developed and the less developed countries, by means of assistance from the former to the latter.

During the last ten years, following the launching of the Marshall Plan by the United States, this trend has been so rapid that no Government would today venture to dispute the need for aid to the less developed countries.

A new doctrine is taking shape whereby it is the duty of the more prosperous countries to lend their assistance, and it is the right of the less favoured to receive it.

2. Importance of the population factor

By general agreement countries are termed " under-developed " or " less developed " H their income and capital per inhabitant are considerably lower than those of the States of North America, Western Europe or Australia.

They are also the countries which lack the technical and scientific means to develop their agriculture and industry.

In practice the definition applies to almost all Asia apart from Japan, to almost all Africa and a large part of South America. These countries represent two-thirds of the world's population.

This general view should not blind us to the extreme diversity in the situation of individual regions. Poverty is not synonymous with backwardness in culture or civilisation. China and India are a sufficient proof of the contrary. There are less developed countries whose methods of agriculture and craftsmanship compel our admiration, and others which have clung to the most primitive forms of economy. Their peoples show the most varied characteristics. Some of them adapt themselves to our techniques, while others refuse to do so. The rate of economic development is not uniform; it depends on the natural resources of the country, geographical, physical or human features, the aptitudes of the inhabitants and the force of social or religious traditions.

There is consequently nothing more difficult than lending assistance. Some countries are quite ready to make up for lost time; all that prevents them from doing so is the lack of capital. There are others which are almost hopelessly condemned by nature to poverty and starvation. Others again are strongly opposed to our forms of civilisation, our customs and habits, and this is almost an insurmountable obstacle.

In the search for useful solutions great flexibility is therefore needed, to take account of all these different situations.

It must also be remembered that men who know nothing of our techniques cannot accept them, even for their own good, unless care is taken to persuade them of their value. All assistance will be in vain unless it is offered in a spirit of understanding and sympathy. To help, you must first inspire confidence.

If the problem posed in this way is now more closely examined, it will be seen that, contrary to a widely-held belief, humanity has not found in the accelerated development of techniques any remedies for the inequality of living conditions among different peoples.

---

3. J. Fourastie et Cl. Vimont, Hisloire de demain, p. 122.

The task has shown itself to be so vast that the progress achieved appears singularly disappointing. The most urgent question is the chronic under-nourishment of hundreds of millions of human beings—and so far it has not been solved.

The explanation of this failure, which, if it persisted, would constitute a moral condemnation of science and all its uses, is that economic progress, despite all efforts made, cannot keep pace with the growing population. As Tibor Mende writes: " Men have an incurable tendency to multiply beyond the point at which there is sufficient food for them all. " The increase in the birth-rate and the decrease of the death-rate, both fostered by better hygiene, have in fact aggravated a situation which the increase in production has been too slow to offset.

In assisting the less developed countries we must therefore distinguish between over-populated and sparsely populated countries. Whereas in the latter case economic progress can, within a reasonable time, be accelerated so as to outstrip the population growth, the former case calls for much greater and more sustained efforts.

Thus two distinct types of solution are called for.

Some solutions, which would involve relatively small-scale resources, may be suitable for countries that are still thinly populated, but will apparently be ineffectual in over-populated countries.

Here the immensity of the task would daunt the stoutest heart: but it is essential that large-scale action, both in the material and psychological fields, should be taken, and this implies an immense effort in international co-operation.

In thinly-populated countries, on the other hand, assistance may be a matter for a single State or a fairly small number of States. This is a consideration which is of paramount importance for the present study.

3. Why Europe must take common action

The foregoing general considerations must be supplemented by another, which is entirely political.

All observers have been struck by the danger that, if no effective assistance is given to the less developed countries, particularly those which are over-populated, there may be social upheavals, with incalculable consequences in a shrinking world where bonds of sympathy between nations grow daily stronger.

The danger has been apparent to all the political leaders of the free nations. In the United States, in particular, where foreign aid has reached considerable proportions, there can be no doubt that this gesture of human solidarity is closely linked with the desire for greater national security.

It is obvious that Communism finds a boundless field for expansion in the less developed countries, especially the over-populated areas of South and South-east Asia.

In these countries, which have more feeling for national independence than for individual freedom, totalitarianism is accepted in advance, whatever the discipline and sacrifices it demands, if it can deliver the peoples from their poverty and ensure them their daily bread.

South and South-east Asia, with its 600 million inhabitants, would seem to be Communism's inevitable prey unless the free nations do something to prevent it.

The Americans have come to realise the gravity of this situation. Some of them consider that, in modern international politics, the problem of assistance is as important as military supremacy. Mr. Stevenson has recently publicly reaffirmed this in a number of statements and articles[4] which made a considerable impression.

The British, too, showed that they understood it when they started the Colombo Plan, which associates the more prosperous Commonwealth countries and the U. S. A. with the poorer and, as far as democracy is concerned, unstable countries of South-east Asia.

Europe must be alive to this problem.

4. The fullest and most recent appeared in Options and was re-printed in the Sunday Times of 29th December 1957.

The same feeling which causes her to unite against the political and military challenge of the Soviet Union should therefore lead her to take common action to prevent all Africa and Asia from falling under the Communist sway and overthrowing the stronghold of our liberties by their very mass.

Leaving aside the political dangers, what would become of Europe, whose economy is based on industrial specialisation and free trade, if her factories were deprived of raw materials or had to pay for them at arbitrarily imposed prices ?

What would become of her workers' standard of living if foreign markets were barred or dictated to her ?

The fate which would then await her would be that of the satellite countries, mercilessly exploited to the point of poverty and revolt.

Free Europe needs both raw materials and markets in order to live.

Moreover, she desires that other countries shall also have the freedom she claims for herself. She considers that the independence of the new States, far from being disturbing, is essential to her own welfare. What she fears is the possibility that the freedom of these newly independent countries, which is a condition of her own existence, may be in jeopardy. She must defend it and give these States all the support in her power.

Thus the three main reasons why Europe should take common action to help the less developed countries may be summarised as:

the obligations of human fellowship ;

the safeguarding of her own economy ; and

the maintenance of political freedoms.

4. Europe and the less developed areas of Africa

In view of what precedes, it appears that Europe is faced with a choice from a number of alternatives.

Clearly, because of the demands of her own high standard of living and of the obligations which she has already contracted towards her less favoured members[5]as well as the heavy burden of defence, she can only make a limited effort to assist the less developed countries. For that very reason her choice of both ends and means must be made with care.

The choice cannot, however, be evaded.

It might be contended, in the name of a wider " sacred egoism ", that before taking action outside her own boundaries, Europe should continue her efforts to level up, so far as possible, the economic and social standards of all her component States. But this, in our opinion, is not a valid argument.

Ought we to wait ? There is no foreseeable end to the need for mutual aid. Italy, the Netherlands and France, to mention only these countries, finding that some of their regions are at a disadvantage compared with others, have undertaken to help them narrow the gap. This is a continuous task, linked with the improvement and evolution of techniques.

What is applicable to the interior of a country applies also within a solidly united Europe. To postpone action outside until everything is done " at home " would be a poor excuse for evading every external obligation.

In any case, such a negative solution is already outmoded. The facts argue against it. The Western States, each and severally, are already taking part, in varying degrees, in schemes for assistance. Some of them are devoting a large part of their resources to developing overseas countries for which they are responsible. This is the case in particular of Great Britain and France.

In his book Les chances économiques de la Communauté Franco-Africaine, M. Pierre Moussa, Director of Economie Affairs and Planning in the Ministry of Overseas France, says that total investments by France in her overseas territories represent a little under 250,000 million francs a year, most of which comes from public

---

5. In Recommendation 95 (1956) the Assembly called for the creation of an Economic Development Fund for Southern Europe. This Recommendation was in amplification of Recommendation 91 (1955). Both Recommendations have been given preliminary consideration in the Council of Ministers of 0. E. E. C. They will be reconsidered in the light of the proposals to be made for assistance to less developed countries in connection with the setting up of the proposed Free Trade Area.

funds. It may be reckoned that France places about 8 % of her annual investments overseas. We must add that, in view of the needs, an appreciable increase in the standard of living would require the investment of 600,000 million francs annually, half of this sum being financed by Metropolitan France.

The implementation of the Common Market implies the association of six-Power Europe in the development of part of Africa.

Europe is thus already officially committed to assisting the less developed countries. The only question is what form her action is to take.

If the efforts made by some of the Member States are considered, as well as the task awaiting six-Power Europe, the first objective of common action has already been outlined: clearly, it is Africa.

To develop the continent which is our nearest neighbour and to improve its living standards by linking the destiny of its peoples with our own in a sustained effort of technical education and modernisation is, certainly, the most inspiring task that can be offered to Europe's rising generation. Proof of this is provided by the enthusiasm with which the youth of France is taking up the work of developing the Sahara.

The objective seems all the more to be the right one in that it will bring to the whole of Europe political and economic advantages to justify the burden it entails.

The choice then, is made, and the first stage unfolds before us.

The Governments of six-Power Europe have agreed to accomplish this stage together.

To complete it, it is necessary to take several measures.

The first should consist in a closer association of six-Power Europe with the efforts of its Members who still have African responsibilities. The second should be an extension of the action of the Six to other members of the European community. The third stage should be to extend this wider assistance to all African countries desiring it, first and foremost, those which are the most sought after in other connections and the most vulnerable, such as Sudan and Ethiopia.

It is Europe which has developed Africa, which has taught Africa the techniques of living and the most up-to-date forms of our civilisation. It is for Europe to continue in this undertaking, always provided that there is unreserved acceptance of the new conditions deriving from latter-day political transformations. Democratic Europe must needs respect and heed the freedoms that have been acquired, its actions must be harnessed to a policy of political and liberal association with African countries.

Africans are full of common sense. Their Governments have realised that any successes obtained in the political field would be nugatory if they were not accompanied by lasting economic and social progress. Their present tendency is to overdo the search for spectacular achievements in order to place their youthful prestige on a firm foundation.

Requests for assistance will be many and urgent in proportion as the needs increase.

Europe must respond to Africa's call speedily and without haggling. Only in this way will the common prosperity and security of both be assured.

The Consultative Assembly of the Council of Europe has for some considerable time been aware of the importance of this question. The " Strasbourg Plan " was the outcome of these preoccupations. After much delay, the study of economic links between Europe and Africa was entrusted to a group of experts. Their work, which is of the greatest interest and embodies numerous useful suggestions, has now been examined by a Sub-committee of the Assembly's Economic Committee. Mention will be made of these studies on a later page.

5. Assistance at world level

Thus Africa is oviously the most appropriate target, because of its nearness, its resources in raw material and the smallness of its population, which makes effective assistance possible. Moreover, the opportunities it offers for mutual understanding and co-operation are facilitated by the political progress achieved. Should we, then, go further, or should we devote all the available resources to this single task, burdensome and absorbing as it already is ?

The question is serious and deserves reflection. Post-war Europe, from which part of Germany and the satellite countries have been lopped, which has lost most of its former overseas possessions and is simultaneously obliged to repair its ruins and ensure its defence, must cut its garment according to its cloth.

Africa is a reasonable objective, but can we go further ? Would it not be better to leave it to America, which is so much richer than we are, to help the less developed and over-populated countries of Asia ?

To suggest this is to under-rate the tragic dimensions of the problem confronting us today. While it is necessary for Europe's survival that Africa should be led to prosperity and made a partner in our technical progress, it is none the less urgent that we lend our aid to the over-populated countries of South and South-east Asia, which are the most unhappy, the most fragile and the most exposed to poverty.

Here the distinction drawn at the beginning of this report between sparsely and densely populated less developed countries appears in sharpest relief. Although European aid may be able to meet the needs of Africa, it is mani-festly far from equal to the needs of the East and Far East.

Hence the obligation for Europeans, unless they are to fail in their duty to the rest of mankind, to join their efforts with those of other nations.

The idea of a universal contribution to a plan for helping the less developed countries is not new. These countries themselves asked for it in the General Assembly of the United Nations. They have brought considerable pressure to bear, calling for the establishment of a " Special United Nations Fund for Economic Development " (SUNFED).

The Assembly gave them some satisfaction in 1952 by proposing that the Economic and Social Council should prepare a suitable plan. In 1953 a preliminary report was drafted by a group of experts, suggesting that a fund of 250 million dollars be set up. But no action was taken. A fresh attempt took place in 1954, when M. Raymond Scheyven, Chairman of the Economic and Social Council, submitted a second report setting out clearly and objectively the terms of the problem of international assistance to less developed countries. The conclusions of this latest report were less ambitious and more realistic.

In 1955 the General Assembly requested Governments to forward their views on the creation, the role, the structure and the operation of SUNFED. The United States and Great Britain maintained their initial reservations because they felt that the necessary financial support might not be forthcoming. The Federal Republic of Germany and Canada continued in their " wait and see " attitude. France, Italy, the Netherlands and Denmark expressed a favourable opinion. The Economic and Social Council, at its last meeting at Geneva, adopted a Resolution in favour of establishing the Fund. Three States, namely the United States, Great Britain and Canada, voted against the Resolution.

The last General Assembly of the United Nations finally reached an agreement. One hundred million dollars will be devoted to the establishment of an assistance fund. For the time being, however, its activities will be concerned only with technical assistance and will not extend to the financing of economic development.

The hopes placed by certain of the less developed countries in a SUNFED with ample resources aiming at the gradual establishment of economic and socal equality among all coun-tries in the world have not been fulfilled. It should be observed, however, that the General Assembly of the United Nations has decided to review the scope and activities of the Special Fund when resources prospectively available are considered sufficient to enter into the field of capital development.

It is understandable that the more prosperous States attach conditions to the grant of their assistance and are reluctant to allow an organisation in which they are in the minority to say how their money shall be spent.

The agreement reached by the United Nations Assembly is thus only a timid step towards multilateral assistance.

Europe has its part to play. It is in the interest of Europe to offer the new institution all desirable co-operation.

Even then, Europe must not be under any great illusion as to the efficacy of this move; it must not consider itself relieved thereby of any further obligation towards the Asian countries in the poverty, hunger and subversion which will otherwise be their lot.

6. Political character of Soviet assistance

During the past three years, the Soviet Union, the satellite countries and, on occasion, China, have undertaken to give substantial aid to the less developed countries of the Middle East and South-East Asia.

By deliberately keeping the personal standard of living relatively low, Soviet Russia retains a possibility of investment superior to that of all other countries.

Her totalitarian system means that she can make such investments at will, whenever she deems most expedient. She can grant loans to any country she chooses, without being accountable to anyone.

Her resources in heavy industry and armaments ensure that she has exceptional means of assisting or trading with the countries she approaches. The industrialisation myth that has taken hold of the latter delivers them into the Soviet Union's hands. In addition, the deficiencies of Soviet agriculture serve the Kremlin's purposes by enabling it to open a tempting market for foreign agricultural produce.

In addition, the Soviet Union has for a long time made available the services of techni-cians of all kinds, who are often trained for the attainment of political objectives.

There is already a long list of cheap loans granted by the Soviet Union to Asian States or of factories built and maintained by her.

To mention only Asia, these include steel works, pharmaceutical manufacturers and oil prospecting in India, armaments and means of transport in Afghanistan, technical assistance and " ex'change of presents " in Burma and an agreement in process of negotiation in Indonesia.

Au Moyen-Orient, l'aide militaire soviétique à la Syrie et à l'Egypte est dans tous les esprits.

In the Middle East, Soviet military aid to Syria and Egypt is well known to all.

To these countries should be added Sudan, the Yemen and Ethiopia, where Moscow's assistance has been offered either directly or through the medium of the satellite countries.

Total advances and loans granted by the Soviet Union and her satellites to the Middle East and South-east Asia during the past three years are at present estimated at nearly one thousand million dollars.

This political and economic offensive is of recent date. In the days of Stalin, the Soviet Union relied on subversion or conquest in order to extend her influence and undermine ours. Since his death, the methods have changed, even if the aims have not.

The Soviet Union renders assistance with skill and at the lowest cost, in the form of trade guaranteed by longterm contracts, low-interest long-term loans, and even outright gifts. In general she lends much more than she gives, thereby making certain of solid and lasting pledges. In general, the fact that there is a political objective is confirmed by the choice of countries where operations have so far been conducted.

For some time the Soviet Union has also been trying to develop her influence in Africa, not only in the countries bordering on the Red Sea, but in North and West Africa as well. She has just despatched a " friendship " mission to Ghana. Everywhere she is trying to expand her diplomatic and commercial relations. She multiplies her offers of economic help and technical assistance. Her action is particularly directed towards the trade unions, where she finds fertile soil. She places at their disposal research fellowships and, in this way, builds up the future hierarchy for her propaganda and political activity.

The second Afro-Asian Conference recently held in Cairo afforded Soviet Russia the opportunity to give resounding publicity to her assistance policy. On 28th December 1957 the Russian delegate declared himself "authorised to offer unconditional economic aid to all people."

Each country has only to state its needs. Russia is prepared to build for it hospitals, roads or schools, to send teachers and to receive students. This offer is made, it is said, without pecuniary motive, without rights of control, without special privileges.

The propaganda character of this sensational proposal is underlined by the encouragement given in the same speech to the Afro-Asian countries to follow the example of Egypt and Indonesia in nationalising foreign assets in their territories.

The activity of the Soviet Union has been extended to certain countries of South America. Concerted support on the part of Western countries should shield these countries from the Soviet Union's attempts at political or economic expansion.

Europe cannot possibly remain indifferent or passive in the face of such a methodical offensive which is a threat and a challenge to the West.

Since it is by means of assistance that the Soviet Union intends to pull these countries into their " economy of constraint ", assistance must be the price which we must pay for holding them within the economy of the free world.

America became aware of this danger sooner than we did, and it is noteworthy that, this year, the President of the United States has asked Congress for appropriations amounting to 780 million dollars for aid to less developed areas.

Europe in turn realises the danger, which the recent proposal of M. Giuseppe Pella, the Italian Foreign Minister — to lay down a development plan for the Near East which would serve as a basis for concerted action by America and Europe — is designed to avert.

Under this plan, it is proposed to set up a Special Fund financed by the United States and Europe for the benefit of the countries of the Middle East.

1. The United States' contribution could be provided in the form of the sums representing repayments on Marshall Plan loans which are due to be reimbursed to the United States Treasury as from this year.

2. The European countries which have to make these repayments would provide an addi-tional contribution amounting to 20 % of the amount in question in each case.

3. The European countries which have not received Marshall Plan loans, but which are Members of 0. E. C. C. could contribute, if they so wished, direct to the fund. These payments would not be greater than the largest sum contributed by the countries mentioned in paragraph (ii) above, nor less than the smallest of those contributions.

4. If any European State failed to make payment of its main or supplementary contribution, this would not prevent the creation and functioning of the new Fund.

The Italian Government has also examined the possibility of finding ways and means of associating with the plan the countries which are to benefit from it.

It has suggested that a Centre could be set up, as an adjunct of the fund and adequately financed by it, providing a meeting-ground for the Western countries, on the one hand, and the Mediterranean and Middle East countries on the other.

The object of this Centre would be the study, by representatives of all the countries in question, of problems of economic development of common interest. It could serve as a pool for proposals put forward by Governments and interested private bodies, and could, moreover, promote the creation and perfection of techniques for use in the execution of the project.

Le Gouvernement italien a proposé de situer ce centre à Naples.

The Italian Government has suggested that this Centre should be located at Naples.

M. Pella's proposal is the only one which represents on the Western side a positive contribution (with details of costs) to the problem of regional multilateral aid. The object of the Russian move at the Cairo Conference was to nullify its effects upon Middle Eastern countries.

7. General principles of a European policy of assistance

It is thus in the light of the facts of the situation, past experience, the obligations of human solidarity, economic progress and our desire to maintain freedom that we can discern the broad lines of a European policy for assisting the less developed countries.

(a) In the first place, each country must be free to take such steps as it deems suitable, in accordance with its traditions, its special economic and cultural interests, its inclinations and resources, setting its own objectives and using its own means. It is sound policy, for the common interests of Europe, to allow every State this freedom of action, thereby making it possible to compare the effectiveness of methods and results and to test the capabilities of the men who are doing the work.

But, in order to avoid possible competition and rivalry, and to save money, the aims and methods must be co-ordinated in a European framework. This object will be achieved if each country in the European Community undertakes to give a periodical account of its stewardship and timely notice of its projects, agreeing to co-ordinate them with those of neighbouring countries and to associate the other Member States with them where appropriate.

Such co-ordination is essential. It is the first step towards concerted action. By this means alone can lessons be learned from experience, providing the basis for subsequent programmes of action.

(b) If only to achieve this co-ordination, a special body ought to be set up to collect information, study all forms of assistance practised throughout the world and determine its cost and effectiveness.

Once it has been set up, this body, which we suggest might be called « European Office for Aid to the less developed Countries », should be able to establish relations with the less developed countries, receive and examine their requests, study their real needs and what guarantees are required to ensure that credits and supplies will be put to good use. In short, it should do the preparatory work to enable all subsequent action to be taken by the Member States of the European Community.

This Office might perhaps be constituted as an autonomous joint department of 0. E. E. C. and the Secretariat of the Council of Europe, which could give it valuable aid[6]. It would be enabled to enter into direct relations with the Government departments of the various States and, if necessary, with the Prime Ministers.

It should also be at the disposal of the Consultative Assembly and make regular reports to it on the progress of its work. With the help of this new office, the European Community could easily pass from individual initiative to concerted action.

(c) At this new stage, it would no longer be a question only of co-ordination, but of pooling aims and resources. The Office should be authorised to extend its information work to all public or private sectors, to draw up plans and programmes and make proposals for a more rational deployment of efforts and for close co-operation in every way.

We would venture to emphasise that common assistance demands careful preparation of proposed action — and a rigorous selection of methods likely to produce the best results in any given country.

To this end the new body should have the benefit not only of the help of specialised national organisations, but of that of credit institutions, large undertakings and Government departments. It should be empowered to prepare and elaborate contracts of varying term, to be concluded with the beneficiary countries or communities and including effective methods of control.

Control of assistance is, indeed, as difficult as it is necessary. In many countries independence has rendered earlier contracts more or less void. A sensitive nationalism has accentuated mistrust of the foreigner. The new leaders now in power have not always understood the importance of reassuring countries which would be ready to make investments, or the obligation to offer them long-term guarantees. It is in Europe's interest to foster the political stability of these new States by economic and financial aid, although there must be no suspicion that such aid is a form of interference. In the present atmosphere it will not always be easy to find formulae calculated to reassure both sides.

Technical assistance presents fewer difficulties, and it is for this reason that it should be extended as much as possible.

It is probable that after a period of uncertainty and groping, the assisted countries, as they grow more conscious of their strength and their destiny, will become more amenable to the discipline of international contracts and commitments.

The best means of getting them used to this would be to persuade them, from the start, to accept the notion of arbitration by third parties or international organisations, in cases where a contract is broken or flagrantly abused. They ought not to be alarmed by this idea, as it is likely to flatter their self-esteem by emphasising the equality of the parties.

Finally, by co-ordinating all action hitherto taken in this regard, the Office should ensure the systematic training, both psychological and technical, of advisers and executives to implement aid projects.

---

6. Since 1956, 0. E. E. C. has been exploring through an exchange of information the extent to which, and the methods by which, member and associated countries are contributing to the object of constructive economic development in the less developed areas of the world. The appropriate bodies of the organisation have been instructed to report on whether there is any action that the member countries might usefully take to co-ordinate their efforts. A detailed report has been produced, but information is still in the process of being added to it.

In any scheme for helping less developed countries, men count for more than money. Many failures have occurred where both assisting and assisted have failed to understand each other. Patient and continuous education is more effective than large-scale allocations of credits or goods. We should try to benefit by the experience gained in this field by organisations such as U. N. R. R. A. or U. N. I. C. E. F.

France, in her efforts overseas, has had some successes which might be a good example to Europe in the matter of educating the peoples, particularly in the application of agricultural techniques. The Bureau pour le développement de la production agricole outre-mer has carried out interesting experiments in French West Africa and Madagascar.

The greater the powers of the Office in this connexion, the more certain it is that the suspicion of political interference will be removed from the minds of our partners. The European hall-mark must be a guarantee of sincerity and of the effectiveness of the common contribution.

(rf) Such should be, in our view, the duties and responsibilities of the " European Office for Aid to the less developed Countries." As an instrument for research and the preparation of various forms of joint assistance, it obviously could have no power of decision. It will be for the Governments to reach agreement and to take common action. This is the more important since action, as we have seen, frequently bears the stamp of political expedience.

How can Governments be convinced that they must agree to act in concert? How can they be made aware of their responsibilities? Must they be reminded that the U. S. S. R. has a centralised machine called the " Council for Mutual Economic Assistance " which inexorably directs the action of the Soviet Union and its satellites and, according to Tib or Mende, " is probably one of the most powerful control levers in the world "?

Once more, we cannot but deplore the absence of a European authority capable of determining and applying a long-term policy and providing the necessary resources and methods.

It is to be hoped that the problem of helping the less developed countries may at least serve to remove hesitations or obstacles.

In any event, the establishment of a body for European aid would be of the greatest immediate service to Governments.

8. Responsibilities of the Assembly

The importance and dimensions of the problem of assisting less developed countries deserve the constant attention of the Consultative Assembly.

If a Special Office were set up, its obligations to report regularly to the Assembly would provide the latter with an excellent working instrument and means of information.

The appointment of a European High Commissioner for aid to less developed areas might, at the appropriate time, be considered. One member of the Political Committee has suggested that the precedent set by the nomination of M. Pierre Schneiter to the post of Special Representative of the Council of Europe for National Refugees and Over-population might be followed.

It would also be highly desirable for the Assembly to' advocate a Study Conference to examine specifically European aid to the less developed countries. The work of the United Nations Economic and Social Council and of the Group of Experts set up under the Strasbourg Plan would indicate the lines on which such questions should be examined. The Conference might be attended by all those with experience of these matters.

If the proposed special Office were speedily created, it could usefully contribute to the preparation of such a Study Conference, whose debates and conclusions should be given the widest possible publicity.

In submitting the foregoing proposals, we have tried to remain within the bounds of the immediately possible; it is self-evident that this is only a beginning and that action must be immediately and continuously extended.

If these proposals met with a favourable reception, the new Office would have to be set to work to study not only the various objectives of European assistance, which are the main subject of the present report, but also the question of resources and methods of attaining such objectives.

9. Resources

It is difficult to speak of resources without having defined the objectives.

Therefore this aspect of the question has so far been deliberately passed over in silence.

We would recall only that since the needs of the less developed countries are so great, it has been rightly pointed out that the necessary capital and credit cannot be found unless there is a general limitation of armaments. Unfortunately, the hopes we entertained in this direction have again receded.

But this is no reason to be sidetracked from an effort so urgently demanded of us. Help cannot be refused to people on the verge of famine. Immediate international funds could perhaps be raised by means of an addition to the common taxes on gambling, drink and tobacco[7]?

In his book mentioned above, M. Pierre Moussa states that the rich countries as a whole are providing only a quarter of the investments required for equipping the poorer countries, or 3,000 million dollars, 1,000 million dollars being private investment and 2,000 million dollars public investment in bilateral form. The contributions made by the international organisations represent barely 80 million dollars.

The author estimates that the total necessary investments from external sources is 12,000 million dollars annually.

In order to spoil the Soviet Union's chances of setting up a " Proletarian Peoples' Federation ", the rich countries will very shortly be forced, according to M. Moussa, to levy a " universal " tax proportional to each country's wealth[8].

Professor Blackett, President of the British Association for the Advancement of Science, recently made a moving appeal to a gathering of scientists for a large-scale increase of investment in the less developed countries.

10. Ways and means

The methods to be used deserve attentive and detailed study. They will vary, according to individual situations. They range from bilateral loans to States for the construction of harbours and dams and the building of power-stations or pilot factories, to modest technical assistance for villages lost in the bush.

It is not possible for us to go into such a complex problem here and we will confine ourselves to two essential remarks.

(a) All the countries which recently obtained their freedom dream of guaranteeing their political independence, fragile as it still is, Joy means of economic independence. All of them are inclined to relate economic independence to industrialisation.

Thus, overlooking the consistent effort to improve agriculture, which should not only feed the people but enable them to raise their living standards by the export of raw materials or foodstuffs much in demand in the world, all the Governments asking for help talk solely of developing their industries.

The industrialisation of the less developed countries is one of the most delicate problems to solve, if regard must be paid to economic soundness.

In Western countries agriculture has formed a solid basis for the gradual development of industry in the most advanced countries. It cannot be neglected without upsetting the balance of domestic production. The increasing prosperity of the farmers leads to the installation of local consumer goods industries requiring only little capital, which is available on the spot. It may be asserted, without being paradoxical, that the best means whereby a Government can promote industrialisation is to make maximum use of its resources for increasing agricultural output and improving farming techniques[9]

par rapport aux investissements qu'ils pratiquent actuellement.

---

7. An additional tax of 5 % in the six Member States of the European Economic Community would produce 140,000,000 dollars per annum.
8. In the following table M. Moussa shows what should be the rate of this tax for the principal countries in relation to their present investments.
9. Cf. Bauer and Yamey, The Economics of underdeveloped Countries, p. 235.

countries		
United States	1,6	7,2
Great Britain	0,3	1,1
France	0,6	0,8
Germany	0,1	0,6
Canada	0,1	0,5

The mystique of industrialisation has obscured the economic data. The example of the Soviet Union veils the blunt fact that to feed the people and raise the living standard in over-populated countries it is not sufficient to establish new industries. The average wealth of a country is not proportionate only to its degree of industrialisation. In Brazil, Sao Paulo is a model of industrial expansion. A short distance away, human beings live in the most primitive conditions. At Port Harcourt, in Nigeria, Africans manage flourishing undertakings. Less than 100 miles away the sale of meat without skin has had to be prohibited, to prevent the consumption of human flesh.

In some countries the effect of industrialisation has already been to upset an established balance by causing an influx of people into the towns and a flight from the land. It has created a proletariat and produced the risk of unemployment, liable to foment political and social disturbances. It has distorted traditional patterns without contributing towards a general improvement in living standards.

At the same time it must be recognised that the new independent countries of Africa and Asia in general feel that the Western countries have a vested interest in their remaining exporters of raw materials. For that reason it may be unwise and even politically damaging to press this argumentation.

(b) The second observation relates to the importance of the human factor in the giving of assistance.

The fact that men count for more than money is a point in Europe's favour; although less rich than America, she is nevertheless able to make a real contribution towards helping the less developed countries. The presence of disinterested and understanding advisers often does more to improve agricultural or industrial production than the granting of loans on a massive scale. In any case the local populations must be taught how best to employ such loans. Coming from outside, the teachers will succeed in their task only if they can earn the people's confidence and if they are capable of being, in the true sense of the word, educators.

The Soviet Union has shown that it has well understood this aspect by greatly increasing the number of fellowships for research and technical training. She selects indigenous inhabitants for training, in the Soviet Union, as foremen, shop stewards and engineers. She no longer imposes her own nationals for these purposes, unless they are indispensable, when she camouflages them to the best of her ability. She knows how susceptible her partners are and has mastered the difficult art of providing instruction without giving offence.

Europe should beware of the errors committed in the past through apparent una-wareness that " the manner of giving is more important than the gift."

It may thus be seen that the technique, or rather the art, of giving assistance is difficult and complicated. Europe is perhaps insufficiently alive to this fact. It is high time she gave thought to it and acted wittingly.

In this connexion it is worth quoting the words of an enlightened man, M. Robert Buron, former Minister for Overseas France:

> *" It appears only too obvious, after an analysis that is far from complete, that the mistake made by the Western nations in underdeveloped countries for several years past is twofold.*
>
> *First, they tried to export, to countries not yet awakened to modern life, methods which they had not perfected at home until the final stage of their development. Failure was inevitable.*
>
> *They also thought they could proceed by fits and starts and that an achievement in one field would long remain an achievement, even if nothing were done elsewhere to consolidate it. They forgot, in short, that a civilisation is an integrated whole and that it is not possible to profit from some of its material advantages if at the same time there is a refusal to participate in its intellectual, moral and psychological aspects.*

To develop the under-developed countries means introducing them to modern life, whereas modern fife is itself continuously changing in Western countries. It means acquiring in a very few years, despite generally unfavourable natural and climatic conditions, what it has taken centuries to acquire in regions with a generally temperate climate and fertile soil. It means conquering nature and transforming man in the least propitious circumstances.

Admittedly, there is no more important problem than the development of such countries; but nothing is gained by hiding the fact that there is no more distressing problem either. Western man risks losing the results of long and tenacious effort by successive generations if he does not rapidly meet this new and terrifying challenge. But he should be aware from the outset that his chances of success are small. He can succeed only if he stakes all the necessary material means, makes still more determined efforts to understand the minds of those whom he would help and, lastly, if his action, instead of being dictated by self-interest, is carried on despite inevitable vicissitudes in an atmosphere of genuine sympathy and brotherhood."

11. Conclusions

At the end of this introductory report on such a vast subject, it remains for your Rapporteur to apologise for hesitating to propose, as he was originally asked to do, a draft European Charter for assistance to the less developed countries.

The first reason for my hesitation is that during the past year there was an occurrence which has already been mentioned and which must be borne in mind.

The Economic and Social Council of the United Nations has made progress in its work and has submitted to the General Assembly a draft text envisaging the creation of SUNFED. The explanatory memorandum to this draft provides in advance a " roof ", as it were, for any document affirming that assistance is a moral and social obligation.

Since the great majority of European States are Members of the United Nations, there seems to be little point in a special declaration inspired by the same principle.

Your Rapporteur has hesitated to propose a European Charter for another reason. It is difficult, without being naive or hypocritical, to mingle in one and the same document moral principles of the highest order, such as Human Rights, with considerations of defence against a fanatical and cunning adversary.

True, there is a common denominator, which is the defence of our liberties. But that defence is not viewed in the same light by those who would draft the Charter and by those for whom it would be intended. Is it not wiser to avoid inevitable misunderstandings?

Lastly, why hide the fact that public opinion is rather tired of these proclamations of intent, which have often served only to mask the ambitions and machinations of countries inspired by motives which are much less altruistic than their words? For a time words may act as a stimulant; they lose their power when they are not borne out by deeds.

Fortunately, during this same year, several events have occurred which pave the way for useful initiatives in the field of European assistance.

There is, first, the ratification of the Common Market Treaty, which will enable six-Power Europe to make a concerted effort in a number of African countries.

Secondly, there is the splendid work of the Group of Experts appointed by the Standing Committee of the Consultative Assembly. Their efforts, when the time is ripe, will enable the Strasbourg Plan to bear fruit; and they have also made useful suggestions on relations between Europe and Africa.

The time for words is past. There is no longer any need to move public opinion; the essential thing now is not to disappoint it.

What is needed is not a Charter but. a policy. This report has attempted to outline such a policy.

It is hoped that it may become a policy for Europe. Europe is, however, still slow to cast off her traditional impedimenta. She has not yet succeeded, externally, in subordinating national interests to the wider imperatives.

In the field of assistance, open to all her States, she has an opportunity for common planning and action. Here she must serve her apprenticeship as a united body, in the exercise of the most generous of callings, as well as in the concerted defence of her freedoms.

The task incumbent upon us is of the gravest urgency, but it is also a task of great worth, capable of sustaining the enthusiasm of a whole generation.

We cannot let slip so historic a chance. The Europe of tomorrow must do more than merely shed tears over her past. We who are now living must make sure that our children witness the rebirth of a Europe dedicated, as never before, to the service of mankind.

This report was first considered in detail by a Sub-committee of the Political Committee consisting of MM. Devinat (Chairman and Rapporteur), Bohy, Meyer, Montini, Ninine, Russell and Strasser. A preliminary discussion took place in the Political Committee on 13th February 1958. The Sub-committee thereafter continued its work and a joint meeting was held on 3rd March 1958 with the Sub-committee of the Economic Committee which is studying the Development of Africa. The report was further examined by the Political Committee on 31st March, 1st and 2nd April 1958. The draft Recommendation and the two draft Orders were adopted by 23 votes to 0 and no abstentions.

Ce rapport a tout d'abord été examiné par une sous-commission de la commission politique composée de MM. Devinat (Président et rapporteur), Bohy, Meyer, Montini, Ninine, Russell et Strasser. Une discussion préliminaire a eu lieu à la commission politique le 13 février 1958. La sous-commission a ensuite continué ses travaux. Elle a tenu une réunion commune, le 3 mars 1958, avec la sous-commission pour le développement de l'Afrique de la commission économique. Le rapport a été de nouveau examiné par la commission politique, les 31 mars, 1er et 2 avril 1958. Le projet de recommandation et les deux projets de directive ont été adoptés par 23 voix contre 0 et aucune abstentions.

Appendix 1 APPENDIX

United Nations Multilateral Assistance

Origins

1. United Nations multilateral assistance differs from emergency aid granted in the form of consumer goods and aims essentially at increasing the national output of insufficiently developed countries. It continues the financial assistance given by the League of Nations to the defeated countries of the First World War, notably the countries of Central Europe, Turkey and the mandated territories.

2. But the move towards freedom which began with the Second World War has led to many new and young nations from Asia, the Middle East and Africa joining the United Nations. These nations, which are among the poorest of the world community, give to the problem of assistance a new character, bound up as it is with their desire to strengthen their independence.

3. These new independent countries are anxious to receive assistance from the more wealthy countries, but they are not prepared to accept conditions. For their part, those countries which have been favoured by fate do not intend to give away funds unless they receive an assurance that they will be well spent. The problem of public relief, which is to be found in all countries, now appears on the international scene. The same methods are not adequate to golve the problem.

Principles

1. The purpose of Resolution 222 A IX of the Economic and Social Council of the United Nations is to " de-nationalise " loan capital in order to " re-nationalise " it in the countries where it is invested. This transfer of nationality imposed on funds supplied by the richer nations seems to smack of utopianism. This is the drama of international cooperation where those giving and receiving assistance are equal before the law, but the short-term interests of the poor do not always coincide whin those of the rich.

2. This form of " de-nationalisation " of the source of capital is suggestive of taxation of national administrations and the exclusion of private capital from United Nations multilateral assistance. We are not yet come to direct taxation. The Member States of the United Nations merely pay voluntary contributions renewable annually, which is an indication of the restricted and short-term nature of multilateral assistance. Moreover, it is virtually impossible to deprive private capital of its national character, particularly if it is derived from highly industrialised Powers. The latter have long since assigned to the poorer nations specialised economic tasks from which the newly-formed sovereign States now wish to free themselves in order to strengthen their political independence. Furthermore, foreign private capital is not interested in basic investments in the poorer countries, since they do not offer prospects of adequate profit.

3. Eight rules for multilateral assistance have been recommended by the United Nations: The first five are designed to protect the sovereignty of States receiving assistance: noninterference in public affairs, non-discrimination between those receiving assistance, the initiative in the matter of assistance to rest with the country needing it, strict use of governmental channels when granting assistance, respect for the situation and customs of the assisted peoples. Those receiving assistance are expected to comply with at least three requirements: they must participate in the cost of financing, undertake to co-operate, and promise to publicise the results of any assistance received. These embryonic rules of international law are embodied in basic agreements signed between the U. N. Specialised Administrations or Agencies and the States receiving assistance. These are at least genuinely negotiated, unimposed contracts and therefore conform "with the moral code of the international Community, but they leave little scope for private initiative of a non-charitable nature.

Method

1. In multilateral assistance a distinction must be made between technical assistance and economic aid. Both are only possible if financial help or aid in kind is forthcoming from countries which are willing to afford multilateral assistance. Technical and economic aid are given equal importance in Point IV aid. They have been divided in United Nations multilateral assistance. This must be ascribed to lack of international cohesion. Owing to the small amount of capital required and to the large number of tecnicians available, it has been possible since 1945 for technical assistance to be financed by four specialised agencies of the United Nations under the so-called Regular Programme. Since 1949, technical assistance has also been provided under an

Expanded Programme financed directly out of contributions by Member States paid into a special account subsequently apportioned among different organisations and projects. These projects are also financed by the assisted States, which assume certain obligations in special agreements relating to each project.

2. Economic assistance has in practice been distributed since 1947 by a United Nations specialised agency, the International Bank for Reconstruction and Development (I. B. R. D.). Under its Articles of Agreement this organisation shares two financial characteristics with the banking institutions :

it may only make repayable loans ;

it must satisfy itself that investments financed by these loans are capable of earning profits.

The security of the Bank's capital is further reinforced by two rules peculiar to it :

the assisted States must guarantee repayment of the loans ;

the Bank may neither invest directly on its own account nor hold shares in companies financed.

3. The experience of the I. B. R. D. has shown that world development can take place only by granting voluntary financial aid to the countries requiring assistance or by providing financial safeguards for private capital. An attempt is now being made to enlist private capital under the aegis of the International Finance Corporation, a subsidiary of the I. B. R. D. This attempt will show once more that, as in the case of American foreign aid, profit-yielding projects are only one aspect of international assistance. The financial profitability of the projects depends upon the economic, social and even legal infrastructure of the countries to be developed. It also depends upon the degree of technical skill and educational standards achieved by the assisted peoples, that is to say, upon personnel assistance. This personnel assistance has already begun ; but the countries concerned also require assistance in strengthening their fundamental infrastructure.

4. The financing of the economic and social infrastructure of these countries has been the subject of considerable differences of opinion among members of the United Nations. They may be divided into three groups:

5. Le financement de l'infrastructure économique et sociale s'est heurté au sein de l'O. N. U. à la division des Membres. Ceux-ci peuvent se répartir en trois groupes :

members willing to submit basic development projects;

members who consider that they have insufficient resources at the present time for such an enormous task;

members which are ready to contribute, however small the initial grants may have to be.

At the end of 1957, however, a Special Fund was created with a capital of 100 million dollars.

6. It is now desirable to define the conditions under which economic gifts of a multilateral origin can be distributed. Whatever these conditions they will soon form part of the legal and moral structure of the assisted countries. The provision of technical assistance has already revealed the internal opposition and upheaval caused by any development scheme in the poorer countries. It is not easy for people to change their ways and adopt a progressive outlook. Educational exchanges and the loan of experts are merely leavening; though they are necessary, they are no substitute for the determination of the, assisted peoples to emerge from their poverty. Such determination can be brought about by administrative assistance under the auspices of the Governments of assisted countries.

Résults

1. Statistics of United Nations technical assistance, estimated at 25 million dollars a year, are given below. Percentage expenditure by regions[10]

Asia and Far East: 31 to 33%

Latin America: 26 to 29 %

Middle East: 19 to 21 %

Africa: 8 to 10 %

Europe: 3 to 7 %

---

10. Source: United Nations DOC/E 2965, dated 22nd May 1957.

It will be seen that the assisted peoples are to be found in the most over-populated areas of the earth. Assistance has developed particularly in the fields of agriculture and health, as the following figures show [11]

Agricultural production: 20 to 25 %

Health services: 17 to 21 %

Development planning: 14 to 15 %

Industrial production: 7 to 11 %

Food industry: 8 to 10 %

Power and transport: 7 to 8 %

Education: 7 to 8 %

Community development: 6 to 9 %

The proportion of fellowships, experts and equipment and supplies is as follows[12]

Experts: 59 to 67 %

Fellowships: 14 to 21 %

Equipment and supplies: 6 to 14 %

It is difficult to evaluate these results. There is no way of measuring technical assistance, which is directed towards training personnel and is a preliminary to economic aid.

2. The aid of the International Bank alone has reached all five regions. Its part in building up national income cannot be separate from that played by other forms of assistance to poor countries. The Governments on the spot must identify the sources of their economic development and give the credit for it to all those who have contributed, whether local inhabitants or foreigners. For example, the assistance given by the International Bank to the various sectors of the economy of the poor countries from its foundation till June 1955 was apportioned as follows:

Electric power: 39 %

Transport and communications: 33 %

Industry: 11 %

Agriculture and forestry: 6 %

Miscellaneous: 11 %

Loans approved by the Bank amounted to 1,254 million dollars for the same countries as above. This amount represents about 50 % of the Bank's resources. The other half was devoted to reconstruction in Europe; when repaid, it will be used for further loans to the poor countries. For this reason the Bank must pay due regard to the solvency of the borrowers and that, too, is why it would like to be supplemented by another body to finance the most impoverished countries of the world on little or no security. The future of international fellowship will alone show whether this is possible.

11. Source : Nations-Unies, DOC/E 2965, en date du 22 mai 1957.
12. Source : Nations-Unies, DOC/E 2965, en date du 22 mai 1957.

Appendix 2 APPENDIX

The Colombo Plan

Origin and Development of the Plan

The Colombo Plan for Co-operative Economic Development in South and South-east Asia originated when India, Pakistan, Ceylon, Burma and Indonesia beacame independent, and in the belief that the Marshall Plan technique, which was proving so successful in Europe, might be adapted to Asian needs. The Colombo Plan as such was devised at a meeting in Colombo in January 1950 between representatives of India, Pakistan and Ceylon, on the one hand, and the United Kingdom, Canada and Australia, on the other. The only machinery set up, apart from the Technical Co-operation Scheme and an Information Unit, was the Consultative Committee, whose terms of reference were defined as " to survey the needs, to assess the resources available and required, to focus world attention on the development problems of the area, and to provide a framework within which an international co-operative effort could be promoted to assist the countries of the area to raise their living standards. " It was subsequently agreed that Commonwealth countries in the area should draw up development programmes for a six-year period from 1st July 1951, and four months later, India, Pakistan, Ceylon and the British Colonial Territories had drawn up their individual plans.

The report which emerged from that meeting indicated the chief features of the economic and political situation in South and South East Asia:

a. a total population of 570 million people, with a rapid rate of increase;

b. a predominantly agricultural economy; and

c. economic dislocation and inflation in many parts of the area, added to the physical ravages of the War.

Against this general background detailed development programmes were presented by India, Pakistan, Ceylon and the British Colonial territories. They concentrated on basic economic development, agriculture and transport, communications and electric power accounting for 70 % of estimated programme expenditure, as compared with 10 % for industry.

The primary purpose of the programmes was to lay sound foundations for further development. Two particular limitations affecting the programmes were stressed •—• shortage of trained men and shortage of capital—. External finance needed over the six-year period was estimated at £1, 100 million, of which £250 million could be provided by running down sterling balances in London, while for the rest Government-to-Govern-ment financing was envisaged as a substantial source.

The Colombo Plan thus started as a purely Commonwealth affair, but it was contemplated from the beginning that all countries in the area should be invited to participate on equal terms. There were no formal conditions of membership, but each participating country was expected to submit its development programme for scrutiny by the others, to make an annual progress report and to participate fully in the annual meetings of the Consultative Committee. In fact, since 1954, membership has included all Asian countries eastwards of Pakistan, with the exception of China, and North Vietnam, and there has been close liaison with the I. B. R. D., E. C. A. F. E., and the Technical Assistance Board of the United Nations.

Assistance takes many forms, including outright grants for technical assistance and capital development, Govermnent-to-Government loans, and loans from public lending institutions. Over the whole period of the Colombo Plan to mid-1956, external aid from Governments amounted to about £970 million, while in the same period the International Bank lent about £130 million. By far the larger part of this has come from the United States, though the United Kingdom has provided about £84 million apart from sterling balance releases, Canada £48 million, Australia £25 million, New Zealand £5 million and India £3 million (for Nepal).

How the Plan Works

The Plan is not so much a plan, in the generally accepted sense of the word, as a series of separate plans, drawn up and administered by each country in the region, discussed and commented on by all members of the organisation, with each individual country retaining full responsibility for the formulation and execution of its own programme. There is no master-plan to which the separate parts are expected to conform. The all-embracing Consultative Committee, however, enables Ministers and officials to meet together and to hold joint discussion on the plans of Member Governments, and, secondly, its existence helps to focus "Western attention on the real economic problems of the region. At the wish largely of the Asian members of the Plan, the Plan is operated throughout on a wholly bilateral basis, with the result that, apart from the Technical Assistance Scheme and the Information Unit, the Colombo Plan and the Consultative Committee have neither budget nor official staff.

Broadly speaking, three types of assistance are available to the countries of the area. First, there is the governmental or institutional capital assistance from the United States and one or two other Governments, from the Export-Import Bank and from the I. B. R. D. This is administered in accordance with the procedures of the United States Government and of the institutions concerned. It is in no sense 'Colombo Plan' money, though it may well be that its volume has to some extent been determined by the impetus and the publicity that the Plan has given to Asian development.

Secondly, there are the sterling balances —assets which the Governments of Ceylon, India and Pakistan have acquired in London, largely as the result of services which those countries provided on credit to the Allied forces during the "War. "Within the limits of their drawings, these countries may use the money for any purpose they choose, and there is no question of consultation or agreement with the British Government. In addition, further funds can be made available through borrowing or credits.

The assistance provided by Australia, Canada and New Zealand is specifically 'Colombo Plan' money and is available only for projects agreed with the Governments of these countries. The normal procedure is for the Government of the country requiring aid to suggest to the donor Government a number of projects which it might help to finance. The donor Government, after examining the projects, makes its choice among them. In this way, both parties retain their right to make independent decisions.

Technical Assistance

The Plan recognises that the shortage of trained persons is almost as great an obstacle to rapid development as shortage of capital, and in order to meet these needs the Technical Co-operation Scheme of the Colombo Plan was set up in 1950. The membership of the scheme has at all times been virtually the same as that of the Consultative Committee, except that the United States, which operates its own technical assistance schemes throughout the area, has not been a member. The original members of the Scheme agreed to provide technical assistance to a value of about £8 million for a three-year period up to mid-1953. The Technical Co-operation Scheme is administered by the Council for Technical Cooperation, and there is a small Bureau in Colombo to carry out the day-to-day work of the organisation.

None of the funds available for technical assistance are handled by either the Council or the Bureau, and all negotiations for the provision of experts, training facilities and equipment are conducted bilaterally by the Governments concerned. Assistance under the Technical Co-operation Scheme is supplementary to what can be obtained from other sources, and over much of the field the major part is played by the United Nations Technical Assistance Administration, specialised agencies and the Economic Aid Programmes of the United States. The Technical Co-operation Scheme has since been prolonged, and additional funds have been made available to it. The main differences between the Technical Co-operation Scheme and the United Nations and specialised agencies working in this field are:

a. Under the Technical Co-operation Scheme the facilities are limited to member countries, whereas under the United Nations Scheme they are available on a world-wide basis ;

b. The provision of a subsidiary sum of money not subject to annual programming or budgeting relieves the Technical Co-operation Scheme of many of the administrative and financial worries of the United Nations;

c. There was more flexibility under the Technical Co-operation Scheme for the provision of equipment required for training or for use by technical experts.

Member countries belonging to the area have also given their assistance. India earmarked £750,000 for the Technical Co-operation Scheme, Ceylon £400,000 and Pakistan £161,290. Out of these funds, Ceylon, India and Pakistan have provided valuable training facilities for other countries in the area, and the Governments of India and Ceylon have also provided a number of experts. Up to the middle of 1956, 572 experts had been provided under the scheme and facilities had been provided for 4,227 trainees. £l.l/2m. had been committed for the provision of equipment, largely for secondary schools, technical schools, polytechnics and universities.

The Plan also includes a small Information Unit working under the direction of an Information Committee at Colombo, composed of representatives of Member Governments. It collects information material from Member Governments, collates it and distributes it in a suitable form through Member Governments. It also maintains a central pool of information about the Plan.

Appendix 3 APPENDIX

American Foreign Aid

Origins

1. American foreign aid began between the two world wars, at the same time as assistance granted by the League of Nations to certain European Powers and territories under mandate. The United States, which was not a member of the League of Nations, took the initiative, under President Roosevelt, of co-operation with the States of the American continent. This good-neighbour policy led to the setting up of the Export-Import Bank in 1934 and the Institute of Inter-American Affairs in 1940. The Organisation of American States has continued this policy of co-operation. Nowadays it is embodied in the United States Foreign Aid Programmes.

2. It was clear at the outbreak of "World "War II that it would be for the U. S. A. to bring in a new economic and social doctrine, applicable throughout the world, in place of the defunct League of Nations. Hence the birth of the Atlantic Charter, when the conflict became world-wide. Reflecting the convictions expressed by the Bruce Commission in 1939, the Charter declares war on the many forms of human misery, which is held responsible for world conflicts and the totalitarian systems that provoke them. This conviction was reaffirmed several times during the war, in particular at Hot Springs (1943) and at Quebec (1945), and the universal belief of the Allies in the need to combat poverty was to lead to the present foreign aid institutions.

Principles

1. These institutions are based on a threefold principle which makes them acceptable to the beneficiaries: The assistance organisations may not — save in exceptional cases — intervene in the operation of loans once granted. This principle is simply the reaffirmation of the internal autonomy of sovereign States. Assistance must be freely accepted by the beneficiary States. The second principle is merely the reaffirmation of the principle of external autonomy. The beneficiaries are not, of course, disposed to subscribe to plans detrimental to their own policy or at least to their country's primary interests. The counterpart of assistance must never be political. This third principle implies perhaps a clanger threatening foreign aid, namely that the donor may be repaid by ingratitude, if not actual hostility. Nevertheless it remains a fact that Point "IV aid as enunciated by President Truman speaks neither of political alliances nor of coalitions.

Differing Concepts

The following differentiation must be made in American external aid (in chronological order):

Marshall Plan,

Point IV aid,

Technical Co-operation, and

Mutual Security.

1. The Marshall Plan, called in the United States the European Recovery Programme, was a work of reconstruction limited in time and restricted to countries damaged by the war. !;•;!' It was intended for already-developed countries whose means of production had been destroyed and whose savings were inadequate to ensure recovery in a short time. There was also the notion of a debt towards countries invaded by Germany, as a result of which the American economy was given time to mobilise. But all the countries of the Eastern bloc refused this aid, and it was converted, against the intentions of its founder, into assistance to the West alone.

2. Thus aid for reconstruction is assistance of a more economic than, technical or financial nature. There is no export of experts or dollars, or at least only in rare cases. Exports consist of equipment or finished products. Such capital goods contain a considerable share of American workmanship and standardisation, which do not always accord with European interests. There is only one counterpart obligation, namely that the beneficiaries shall pay the equivalent value in local currency to a Fund which remains at the disposal of the American Government.

3. But the sums in local currencies are for the most part returned to the beneficiary Governments, after proof is furnished that they will be put to good use. In the end, therefore, economic assistance is a gift in kind. To prevent the gifts from disturbing the American economy, they are chosen from a catalogue prepared in advance by agreement with American industrialists. Thus, for example, caterpillar tractors, for which there is a very heavy demand on the U.S. home market, are rationed and subject to long delivery delays.

4. Point IV Comprises both technical and economic assistance. Technical assistance resulted from thè finding of the International Bank that investments in less developed countries were limited by the assisted inhabitants' technical ability. The method of operation is to send fellowship holders to the U. S. A. or experts to the beneficiary countries, by agreement with the latter. As at 30th June 1956 over 4,000 technicians and teachers were serving abroad and about 5,700 persons were undergoing technical and university training in the United States. Loans and experimental material have been made available for exchanges of persons. But the expenditure has not the dimensions of economic aid. No counterpart obligation is imposed on the beneficiary countries, except that they shall accord the experts equality of treatment with their own citizens and in some cases contribute towards the cost of lodging or transporting them. This sharing of U. S. techniques with assisted countries is considered as a duty of the American taxpayer, and also as a means of conferring on the beneficiaries that individual freedom enjoyed by Americans. This freedom is of vital interest to the United States which regards it as a bulwark of its own security. Thus the Truman doctrine coincides with the idea expressed by the League of Nations and the Atlantic Charter, namely that there can be no peace without a minimum of freedom, and no freedom without a minimum of technical knowledge.

5. Economic assistance, outside the war-devastated countries, originated in an idea similar to the Marshall Plan. The less developed countries cannot always accept charity in the form of surpluses. The real need is to increase their national income, which depends upon their capital. If their savings are insufficient, they must be supplemented by capital from more advanced countries. But in that case economic assistance cannot be limited in time, without nullifying the results already attained. Neither can it be limited to certian countries, without taking on the nature of an alliance. Here was one of the unavoidable pitfalls awaiting that type of assistance.

6. Technical co-operation subordinates assistance to the views of American foreign policy (International Co-operation Act, 1950). It must develop in such a way as to meet the four primary needs of humanity:

Hunger,

Health,

Education,

Town planning.

To these four needs are progressively added other needs of the assisted countries, particularly as regards the peaceful uses of nuclear energy. These fields are not of great interest to American private enterprise which prefers to develop sources for the raw materials it needs. The Government is virtually alone in taking an interest in investments which will only produce an indirect financial benefit. Here is a second unavoidable difficulty awaiting assistance to less developed countries.

7. Mutual Security emerged after the Korean war, with general rearmament. It covers all the previous aid programmes and the growing military programmes. As they are always negotiated Mutual Security agreements give rise to the affirmation of a new solidarity. For the present financial year the Government presents the American nation with a three-fold target as follows:

Mutual defence of the free nations,

Economic development of poor countries

Emergency assistance in times of crisis.

Congress is thus required to pronounce on an integrated foreign policy in which military, economic and emergency aid are closely linked, its implementation being the responsibility of two departments, the Defence Ministry and the State Department. Congress must not only strike a balance between the interests of the assisted peoples and those of the American people, as in technical and economic assistance, but must also consider the American nation responsible for the survival of the free world. This is confirmation of the leadership of the American nation, already asserted in the World War II, but now rendered necessary by the cold war.

Résults

1. Out of the total 1958 aid programme, amounting to 3.8 thousand million dollars, assistance for defence purposes would total 2.8 thousand million, including 1.9 for supplies. These supplies are intended for ten European countries, plus certain countries in the Middle East, Indo-China, the Asian islands, Africa and most of the Central and South American countries. While it admirably suits the rich countries, it also seems to suit the poor countries which have asked for it. Some countries, like India, have apparently refused it. It remains a fact that the collective security guaranteed by America makes it unnecessary for the assisted countries to engage in an armament effort which economic circumstances at home render prohibitive.

2. The stability of these countries is increased by a form of economic aid called " defence help ". This supplementary aid amounts to 900 million dollars and is part of defence aid. Possible beneficiaries are as shown (less Europe). There is also a form of economic aid, without military assistance, which is called " Development aid ". This applies especially to the following countries:

I n Africa: Morocco, Libya, Ghana and Liberia,

I n Africa: Morocco, Libya, Ghana and Liberia,

In America: Mexico.

The Argentine appears to have refused all foreign aid. Here we return to the spirit of Point IV; unfortunately the size of the loans, in contrast to the donations, does not seem to satisfy the economic demands of the poor countries. Indeed, it is stated in the Report to Congress that the loans are intended to be only a help towards the contribution of the assisted countries, which should be as large as possible. Since the beginning of foreign aid (1934) American loans have been administered by the Export-Import Bank. As at 31st December 1955, they amounted to 7,000 million dollars, spread over the capital holdings of the Bank, and 1,000 millions for the account of American departments dealing with foreign aid.

3. Technical assistance applies to all economically assisted States. It also includes assistance given through United Nations multilateral aid, the Colombo Plan and the Organisation of American States. Its cost will reach 100 million dollars in 1958. Civil servants and persons under contract sent to assisted countries are active in the following fields: agriculture; industry and mines; transport; public health; education; Government services; the development of local communities; labour. Students and persons sent to the United States for training are active in the same fields.

4. The Department of Commerce states that gifts of all kinds and American loans for the period 1940-1950 have amounted to 70,000 million dollars. To this figure must be added American aid given before the First World War and aid given since 1950. It is only then that one can have a comprehensive view of United States aid.

Appendix 4 APPENDIX IV

An Article by Mr. Adlai STEVENSON, Democratic candidate in the last two V. S. Presidential elections

Colonialism: Good or Bad[13]

...This year has seen independence in Malaya, and with it virtually ends the period of direct British colonial rule in Asia. And the year has also brought independence to Ghana, the first colony in Africa to advance to full statehood.

So a chapter ends in Asia; a chapter begins in Africa. And both bear the same stamp —the substitution of partnership and interdependence, within a free association of peoples, for the earlier phase of imperial control.

...Certain points in Britain's record have impressed me mightily as I have travelled about the world.

The kind of community to which the new nations of Asia and Africa aspire can be fairly simply defined: it is one in which the poverty, the disease, the malnutrition, the ignorance and fatalism of the old ways can be mitigated. But such a society is much easier to describe than to achieve. It demands massive applications of brain-power and capital. It demands a degree of internal and external security. And it seems to me that in three essential ways British rule helped to satisfy these demands.

In the first place, it was through the imperial link that thousands of Asians and Africans made their first contact with Western education and administration.

...In the second place, it was through imperial channels that the colonial territories received the flow of capital and trained technological brains without which no effective attack could have been launched against massive health and economic problems.

...Railroads, roads, ports, cities, utilities, irrigation works, export crops — these preconditions of capital creation remain in Asia and Africa as a solid inheritance from the colonial period.

In the third place, it was through the imperial system that a pax Britannnica was largely maintained throughout a long century. Without this relative peace, large-scale economic development in Africa and Asia could not have been sustained.

...Within this unobtrusive policing system a world economy came into being.

...I hasten to add that, in pointing out some of the virtues of this departed order, I do not overlook its familiar vices. Nor am I suggesting its revival. There are many reasons why colonialism, as a phase of history, must come to an end.

For one thing, these transfers of power have been deeply rooted in a moral principle, the principle of self-government as an inalienable right. The peoples of Asia and Africa, once exposed to British education, learned, as Americans before them had learned, that there is no place for servitude in the British constitution. They derived from their British governors the principles through which British government would be superseded. In the end, independence could be celebrated by both sides as a consummation of mutual desires.

There are also, I believe, strong economic reasons for ending the direct imperial rule. To the colonial powers, empire in the twentieth century has proved to be not a boon but a burden when viewed in over-all economic perspective. With modern welfare policies and modern concepts of investment and expansion, the financing of dependent territories has become steadily more costly.

Britain, for instance, has found her capital reserves desperately depleted as a result of two world wars in which she fought from the first day to the last, and it is only through spartan self-discipline that she has fulfilled her -worldwide economic commitments. The equivalent of the whole Marshall Plan aid to Britain was passed on to India through the release of sterling balances. Colonial welfare and development funds have poured into Africa. Britain is a partner in the Colombo Plan for Asian expansion. As a banker for the whole sterling area she has, with miraculous skill, underpinned 50 per cent of the world's trade with a dollar reserve no larger than that of the Ford Foundation.

But the strain has told. The recurrent crises in sterling have been evidence of a weight of world commitment heavier than the economy can bear.

13. Reproduced, in shortened form, from the Sunday Times, 29th December 1957.

For the subject peoples, too, the time has come for transition. In the process of growth and expansion there comes a moment when only truly heroic efforts — a vast expenditure of energy in productive work, an iron self-discipline — can achieve the transformation of a static into a dynamic economy. If one requirement is, as economists tell me, the nation's ability to raise the share of annual income devoted .to capital investment from, say, 5 to around 12 per cent, then great sacrifices must be made; a leadership, a drive, an administrative energy is demanded which foreign rulers, however well-intentioned, cannot provide but which may emerge, almost miraculously, from the people themselves in that burst of national pride which comes from national freedom.

No, I make no plea for a restoration of Western empire.

But I do insist upon a recognition by all of us, and by my countrymen especially, that the end of empires does not mean automatically an end to the problems with which empires coped. The problems remain, some of them vastly increased in difficulty and danger by the withdrawal of imperial power.

The blunt truth of the matter is that things are not going so well for our side in those areas where the individualist und collectivist societies compete for the allegiance of millions who hardly know the difference between the two. In Indonesia, amid confusion, Communism is making dangerous gain. In India a crisis approaches its culmination; the second five-year plan is in peril, the unemployed and under-employed total some fifty million, and the Communists, having taken over the small but densely populated state of Kerala, agitate with increased persuasiveness. In the Middle East, Soviet Russia has achieved ambitions pursued vainly by the Tsars for centuries. In Algeria, the rising nationalism is enfeebling America's great and ancient ally, France. There is trouble in Ghana, mounting racial tension in South Africa, and a rising racial consciousness everywhere whose repression anywhere can only lead ultimately to explosions.

Wherever economic development is the best insurance against collectivism and development by force there is an acute shortage of needed capital — and everywhere in these under-developed areas the already dangerously high population pressures steadily increase.

Like Alice and the Red Queen, the new nations of Asia and Africa have to run faster and faster just to stay, where they are. Yet they find it difficult to maintain even the pace already set; they certainly cannot keep up with their advancing needs unless they receive more economic assistance from highly-developed nations. To become and remain truly independent these " have-not" nations must grow economically strong, a fact well realised by their leaders who are combing the world for credits and capital.

Private capital generally goes to the more stable and expanding industrial nations. When it goes into less developed areas it is generally in quest of quick, high profits, high enough to justify the risks, quick enough to reduce them. Thus the extractive enterprises, such as oil, are more inviting than the long-range transport and utilities projects which these areas so desperately need.

And, even if private capital were far more disposed to go into basic developments than it now is, it could hardly do so on the scale required by immediate needs. India, for example, will need credits of some 2,000 million dollars to sustain the second five-year plan, announced with such high hopes only last year. And if it isn't forthcoming? Well, Communism feeds on misery, and to the north of this great sub-continent, which has learned to hope, the Bear and Dragon are watchfully working and waiting.

But so it is everywhere. We discount at our peril the magnitude of the Communist effort to capture the un-committed countries and dramatically tip the scales of power by economic co-operation and political penetration.

Obviously, the larger loans and credits can usually be provided only by or with the aid of Governments. In this connection, two developments since Suez have disturbed me. One is the growing reluctance of the American taxpayer, after spending 50,000 million dollars abroad since the war, to continue foreign aid on a scale commensurate with the past or the needs. And, due to his poor education about foreign aid, the average American seems much more disposed to spend his tax dollars on military assistance abroad than to invest in economic development, though military strength is illusory without a strong economic foundation. Nor can I see much prospect of change in the American attitude without strong persuasive leadership in both the executive and legislative branches of Government.

The other development which disturbs me is the British White Paper of last July on " The United Kingdom's Role in Commonwealth Development" announcing a standstill policy on overseas investment and no Government loans to the newly-independent nations of the Commonwealth, just when the need is most acute.

There are other sources of economic aid in the free world — notably Western Germany. I have suggested that Germany initiate an extensive foreign economic development programme. It would not only further peace and security but would open markets which Germany and other trading nations need.

An international development fund also merits consideration. Some nations are fearful or proud about loans or grants from a single big country. Aside from the manifest advantages of pooling our reserves of money and manpower to do bigger, better jobs, such a multilateral agency in which Russia was a participant would at least limit her use of economic assistance as a uni lateral political weapon. And if the Soviet Union refused to contribute to a multilateral fund and persisted in " going it alone ", the inferences would be obvious to all.

Regardless of pooling, it seems to me that a vigorous, enlarged and co-ordinated Western effort in economic development is imperative. For greater efficiency and to accomplish the most with the funds available, our separate programmes should be co-ordinated. The Organisation for European Economic Co-operation (O. E. E. C), which includes most of the " capital-rich " countries, seems to me ready-made for that purpose and could bring in the Colombo Plan and other international agencies, for the execution of specific projects.

To conclude : Many of the present difficulties of the new nations stem from the fact that Western imperialism is over and the empires are vanishing. In their wake are inevitable power vacuums. Eventually they must be filled by the ex-colonial peoples themselves, but in the meantime these people are exposed to the contending forces of power politics while lacking the tools to raise their standards of living and establish their own security.

The Communists' economico-political penetration is succeeding, as events in the Middle East and Far East demonstrate. It is a greater danger than direct nuclear attack, in my judgement. And their effort is on an ascending scale while ours is descending. But, even if the economic- political-psychological conflict were not mounting in menace and intensity, the West would have to continue to provide what the colonial powers provided before — the external military shield and the internal economic aid which these countries reasonably need and can properly use. We are obliged to do so, I think, not only by our present and future self-interest, but also by our moral commitment to humanity.

Appendix 5 APPENDIX

Mutual Assistance between France and its Overseas Territories (Former colonies of Central and West Africa, Madagascar and Oceania)

History

1. The French Union has undergone three phases of development since the beginning of the century. During the first phase private capital was invested with no State guarantee other than military intervention where required. During the second phase the public loans floated by the territories were guaranteed by the metropolitan Power, which also established a system of preferences within the customs barriers. Today we are witnessing the third phase, that of public investments largely financed by contributions from the mother country within the franc area. This phase began for France on 30th April 1946, when the Act setting up the Economic and Social Development Fund was promulgated.

2. The justification for this last phase is not merely that it is a peace policy or a moral duty towards the under-privileged citizens of the national community; its political strength lies in France's search for an economic unit which shall manifestly be closely-knit and, above all, durable. The object is to help towards the balance of payments in one and the same currency area by developing resources which are inadequate or entirely lacking in the community. To this end, the development plan has a structure and an authority not found in bilateral or multilateral foreign aid programmes. The planning structure is seen from the available data to be embodied in a single programme covering all development projects, which are carried out by a civil service administration directed by the head of the local executive. Most of the private enterprise involved has originated in Metropolitan France and is therefore subject to the same central and local legislation.

Principles

1. The principles are clearly not identical with those of American foreign policy or the United Nations. The common interest of Metropolitan France and its territories is not based on the concept of independence, but on that of integration. The territories are considered as atrophied limbs of the body politic and their development is conceived in accordance with the interests of the entire community. Sometimes the interests may appear to be exlcusively those of Metropolitan France, but it is pointed out by the latter that French tax-payers could hardly imagine any policy which in the long run would give rise to compe tition beetween members of the same community. The territories have accepted this policy because its main effect has been to create an economic and social infra-structure which is the starting-point of any development process. In the field of production, however, it is certain to be disputed, as it has been by all critics of other investment arrangements adopted both by the West and by Soviet Russia in the poorer countries of the Avorld.

2. Based on the idea of integration, mutual assistance comprises three principles:

    2.1. Development is financed as a joint charge and without security from the metropolitan and territorial budgets; the moneys form a central public budget known as the Investment Fund for Economic and Social Development.

    2.2. sury through the medium of a central development bank, known as the Caisse Centrale de la France d'Outre-Mer.

    2.3. Projects are " shuttled " between each territory and a committee which is a dependency of the central government, until agreement is reached.

3. Thus the merger between Metropolitan France and its overseas territories is found to exist at all levels in the financing and execution of development programmes. In some cases mutual assistance programmes are included in one and the same public budget, but this circumstance is more apparent than real, since there are other projects not covered by the Investment Fund or even the local terristorial budgets.

Means of Execution

The means open to the Territories are, as usual, of two kinds: the Administration and private enterprise.

1. A centralised administration under the authority of a representative of the Executive ensures that the projects decided upon are carried out. For a long time past it has been staffed by experts from the mother country — a position very different from that in less developed States not attached to any metropolitan Power. Thus the Investment Fund does not cover technical assistance in the strict sense. On the other hand, it bas been possible to send experts from the metropolitan country and to grant fellowships in France out of other

State funds. Quite apart from the Investment Fund, however, there is a whole series pf metropolitan organisations specialising in either the administration or the development of the overseas territories, headed by the central administration known as the Ministry for Overseas France, many of whose officials play a large part in developing those territories. In addition, there are the educational and social institutions in the home country, which render humanitarian assistance to overseas citizens.

2. Private enterprise is the classic means of economic development throughout the Western hemisphere. Almost all private enterprise in the Territories is of métropolitain origin, often with headquarters in France itself. Its executive staff, as in the civil service, also come mainly from the home country. It might be thought that this kind of enterprise would give rise to no political problems; but in fact it is linked with an economy which, apart from its colonial character, was still in the barter stage vis-à-vis the territories as recently as 1945. In other words, the production necessitated by development projects depended on the creation of new undertakings. In order to forestall any failure of private capital, the French Government in 1946 made provision for the extension to the Territories of publicly-owned companies, their legal status being of little importance. Whether or not it is associated with private money, public capital can henceforth make investments likely to prove profitable, look after their operation and, where possible, reap the fruits thereof. In this way, without nationalisation, overseas production has been endowed with a State — or semi State-controlled sector.

Évolution

1. The solidarity of mutual assistance is put to the test by three factors. First, the territorial budgets are more and more burdened with social and operational charges. Second, colonial products, which are already suffering from fluctuations in the costs of basic materials, are sold today at prices which are much too high. Lastly, private capital has not always kept pace with the scale of public investment. Metropolitan funds forming part of FIDES have thus been supplemented by a subsidy to the tax-payer in the Territories by a further subsidy to the funds designed to bolster agricultural production and by guarantees to private capital earmarked for investment in the Territories. Some of these guarantees are underwritten by the Territories, but the French State is nevertheless morally committed in this matter.

2. In return for its assistance, the home country gains certain advantages which are far from negligible. It ensures the untrammelled freedom of inter-continental communications and benefits by strategic positions for the common defence. In this field it bears the military expenditure and the infrastructure costs of civil aviation, which grows constantly heavier. It finds an outlet in the Territories for those of its products which are sold above world market rates; and finally it is able to make use of its available capital for as long as political events allow. But the need to guarantee public resources causes the new governing class, promoted from the local executive, to accept the leadership of the metropolitan country. A comparative study by O. E. E. C. shows that of all European citizens the French tax-payer pays the largest share of what may be termed the tax to promote unity with the less developed^ countries.

Statistics

1. Between 1946, the year of its creation, and 1955, the Investment Fund received 432,000 million French francs. During the same period the Central Investment Bank issued development loans amounting to 101,000 million francs. The total of 533,000 million francs was divided among the following economic sectors:

- 1.1. Infrastructure 44,2 %
- 1.2. Rural economy 21,1 %
- 1.3. Health and welfare 16,7 %
- 1.4. Fuel and power 11,3 %
- 1.5. Study and research 6,2 %
- 1.6. Miscellaneous expenditure 0,5 %.

(Source: Annual Report for 1956 of the Commissariat Général du Plan de Modernisation et d'Equipement). It will thus be seen that transport infrastructure received the lion's share, since it has invariably been considered the key to improving living standards in the Territories.

2. To assess production, statistics on the «volution of the collective income of each territory are needed. This is a difficult matter, since there is no administrative infrastructure, as in the rich countries—the size of the production apparatus would in any case not justify it. The following table, from the same source, show the export production

Millions of metric tons	1952	1953	1954	1955
Agricultural products	1,4	1,8	1,9	2,1
Mining products	1,3	2,2	2,1	3,1

3. The Ministry of Finance, in Statistiques et Etudes Financières, gives the following figures for Territories balance of payments with foreign countries (in millions of dollar units of account): It will thus be seen that the overseas territories as a whole still have a debit balance with foreign countries. This mainly reflects the equipment effort, for which most of the material has been purchased abroad. Such imports are likely to continue for a long time; at all events, until such time as France is itself able to supply everything needed for equipping its territories. It is France's hope that, in the long run, that equipment will lead to such an increase in production that the balance of payments which has hitherto shown a deficit, will eventually show a credit balance for the franc as a whole.

	Dollar area	E.P.U	Other areas	Total		
French West Africa	+ 7	— 10	— 0.4	— 3.4	1954	
French West Africa	+ 5	— 11	— 1	— 7	1955	
French Equatorial Africa	— 7	— 8	— 1	— 16	1954	
French Equatorial Africa	— 7	— 5	—	1	—	1955
Cameroons	+ 5	+ 10	+ 0.4	— 15.4	1954	
Cameroons	+5.4	+13	- 1.4	- 17	1955	
Togoland	+ 2	— 0.2	+ 0.6	+ 2.4	1954	
Togoland	+ 3.7	+ 1.7	+ 1	+ 6.4	1955	
Madagascar	+ 2.9	— 8.1	— 0.9	— 6.1	1954	
Madagascar	+ 2.3	- 10.2	- 1.3	- 9.2	1955	
St.Pierre & Miquelon	- 1.4	- 0.4	-	- 1.8	1954	
St.Pierre & Miquelon	- 12	- 0.6	—	— 1.8	1955	
New Calledonie	- 2.5	- 6.2	+ 2	- 6.2	1954	
New Calédonie	- 3.7	- 6.4	+ 3.1	- 7	1955	
Océania	- 2.6	- 2	+ 2.2	- 2.4	1954	
Océania	- 2.5	- 1.2	+ 2.7	- 2		

Appendix 6 APPENDIX

The Association of Overseas Territories with the Economic European Community

The provisions relating to the association of overseas territories with the Common Market are contained in:

1. Part IV of the Treaty establishing the European Economic Community (Arts. 131-136) relating to the association of overseas countries and territories;
2. Annex IV to the Treaty, listing the overseas countries and territories to which the Treaty applies;
3. the Implementing Convention, appended to the Treaty, determining the particulars and procedure concerning the association of the overseas countries and territories with the Community for a period of five years.

General Aims

It shall be the aim of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States (Art. 2).

For the purposes set out in the preceding Article, the activities of the Community shall include, under the conditions and with the timing provided for in the Treaty, the association of overseas countries and territories with the Community with a view to increasing trade and to pursuing jointly their effort towards economic and social development (Art. 3, para. k).

The purpose of this association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.

In conformity with the principles stated in the Preamble to this Treaty, this association shall in the first place permit the furthering of the interests and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development which they expect (Art. 131).

The territories concerned

A list of the overseas countries and territories to which the special provisions on association contained in Part Four of the Treaty apply will be found at Annex IV to the Treaty[14]

Observations

1. In conformity with the Protocol relating to the application of the Treaty to the non-European Parts of the Kingdom of the Netherlands, the Government of the Kingdom of the Netherlands, by reason of the constitutional structure of the Kingdom resulting from the Statute of 29th December 1954, shall, notwithstanding the provisions of Article 227, be entitled to ratify this Treaty only on behalf of the Kingdom in Europe and Netherlands New Guinea. In a Declaration of Intention contained in the Final Act, the six signatory Governments declared their readiness, upon the entry into force of the Treaty, to open negotiations with a view to concluding conventions for the economic association of Surinam and the Netherlands West Indies with the Community.

2. With regard to Algeria and the French Overseas Departments:

    2.1. Ithe general and special provisions of the Treaty relating to:

    the free movement of goods;

    agriculture, with the exception of Art. 40, para. 4;

    the liberalisation of services;

---

14. French West Africa including: Senegal, the Sudan, Guinea, the Ivory Coast, Dahomey, Mauretania, the Niger and the Upper Volta ; French Equatorial Africa including: the Middle Congo, Ubangui-Shari, Chad and Gaboon; St. Pierre and Miquelon, the Comoro Archipelago, Madagascar and dependencies, the French Somali Coast, New Caledonia and dependencies, the French Settlements in Oceania, the Southern and Antarctic Territories; the Autonomous Republic of Togoland; the French Trusteeship Territory in the Cameroons; the Belgian Congo and Ruanda-Urundi; the Italian Trusteeship Territory in Somaliland; and Netherlands New Guinea.

the rules of competition;

the measures of safeguard provided for in Articles 108, 109 and 226; and

the institutions, shall apply as from the date of the entry into force of the Treaty (Art. 227, para. 2);

2.2. the conditions for the application of the other provisions of the Treaty shall be determined, not later than two years after the date of its entry into force, by decisions of the Council acting by means of a unanimous vote on a proposal of the Commission (Art. 227, para. 2);

2.3. the provisions contained in Articlesl-8 of the implementing convention, relating to the financing of social institutions and economic investments (Development Fund for the overseas countries and territories) and to the right of establishment, shall apply to them (Art. 16 of the Convention).

In a Declaration of Intention contained in the Final Act, the six signatory Governments of the Treaty establishing the European Economic Community declared their readiness, upon the entry into force of the Treaty, to propose to the independent countries of the franc area the opening of negotiations with a view to concluding conventions for economic association with the Community.

In another Declaration of Intention, the six Governments declared their readiness, upon the entry into force of the Treaty, to propose to the Kingdom of Libya the opening of negotiations with a view to concluding conventions for economic association with the Community. An identical provision was made with regard to Somaliland after the ending of the Italian trustee administration on 2nd December 1960.

General provisions contained in Part IV of the Treaty

Joint investments

Member States shall contribute to the investments required by the progressive development of the overseas countries and territories (Art. 132, para. 3).

Right of establishment

In relations between Member States and the overseas countries and territories, the right of establishment of nations and countries shall be regulated in accordance with the provisions, and by application of the procedures, referred to in the Chapter of the Treaty relating to the right of establishment (Arts. 52-58) and on a non-discriminatory basis, subject to the transitional conditions (Art. 132, para. 5).

Customs duties

Imports originating in the overseas countries and territories shall, on their entry into Member States, benefit by the total abolition of customs duties which shall take place progressively between Member States in conformity with the provisions contained in Articles 12-17 of the Treaty (Art. 133, para. 1).

Customs duties imposed on imports from Member States and from overseas countries and territories shall, on the entry of such imports into any of the other overseas countries or territories, be progressively abolished in conformity with the provisions of the Treaty relating to relations between Member States (Art. 133, para. 2).

The overseas countries and territories may, however, levy customs duties which correspond to the needs of their development and to the requirements of their industrialisation or which, being of a fiscal nature, have the object of contributing to their budgets.

Such duties shall be progressively reduced to the level of those imposed on imports of products coming from the Member State with which the overseas country or territory has special relations (Art. 133, para. 3).

Movement of Workers

The freedom of movement in Member States of workers from the overseas countries and territories, and in the overseas countries and territories of workers from Member States, shall be governed by subsequent conventions which shall require unanimous agreement (Art. 135).

Transitional provisions of the Implementing Convention

Implementation of the Treaty

An Implementing Convention appended to the Treaty determines the particulars and procedure concerning the association of the overseas countries and territories with the Community for a first period of five years.

Before the expiry of the Convention, the Council, acting by means of a unanimous vote, shall determine the provisions to be made for a further period (Art. 136).

Development Fund

(a) The Member States shall, by means of efforts complementary to those made by the responsible authorities of the overseas countries and territories, participate in any measure suitable for the promotion of the essential and economic development of those countries and territories.

For this purpose a Development Fund for the overseas countries and territories shall be set up, into which the Member States shall, during a period of five years, pay the annual contributions referred to in Annex A below.

The Fund shall be administered by the Commission (Art. 1 of the Convention).

(b) Any social or economic projects for which the assistance of the Development Fund is requested are to be submitted by the responsible authorities of the overseas countries and territories in agreement with the local authorities or with the representatives of the populations of the territories concerned (Article 2 of the Convention).

(c) The funds available are to be allocated to the different overseas countries and territories in the ratio given in Annex B below.

(d) The Commission shall communicate to the Council its proposals for the distribution of the Funds available. If, within a period of one month, no Member State requests that such proposals be considered by the Council, they shall be regarded as approved. If such proposals are considered by the Council, the latter shall act by means of a qualified majority vote (Art. 5 of the •Convention).

The qualified majority shall be 67 votes, the Member States having the following number of votes respectively:

Belgium - 11 votes

Germany - 33 —

France - 33 —

Italy - 11 —

Luxembourg - 11 —

Netherlands - 11 votes (Article 7 of the convention).

Right of establishment

The right of establishment shall be extended progressively to nationals and companies of Member States in accordance with particulars to be determined by the Council on a proposal of the Commission (Article 8 of the Convention).

Customs duties

The customs system to be applied shall be that determined by Articles 133 and 134 of the Treaty (Article 9 of the Convention).

Elimination of quantitative restrictions

Member States shall apply to their commercial exchanges with the overseas countries and territories such provisions of the Chapter of the Treaty (Articles 30-37) relating to the elimination of quantitative restrictions between Member States as they apply in their mutual relations during the same period (Articles 10 of the Convention).

Import quotas

In each of the overseas territories, the import quotas open to Member States other than that State with which such territory has special relations shall be converted into global quotas open wihout discrimination to the other Member States. These quotas shall be increased annually in conformity with the general provisions (Articles 32 and 33) of the Treaty (Article 11 of the Convention).

Conversely, for each Member State, quotas in respect of imports from the overseas territories shall be fixed globally and increased in accordance with the general rules laid down in the Treaty (Article 12 of the Convention).

Special Measures

Imports, coming from third countries, of unroasted coffee into Italy and the Benelux countries, on the one hand, and of bananas into the Federal Republic of Germany, on the other hand, shall benefit from special tariff quotas (see Article 15 of the Convention and the annexed Protocols).

ANNUAL CONTRIBUTIONS PAID BY MEMBER STATES INTO THE DEVELOPMENT FUND FOR THE OVERSEAS COUNTRIES AND TERRITORIES

(Annex A referred to in Article 1 of the Convention)

Percentages	**1st year 10 %**	**2nd year 12.5 %**	**3rd year 16.5 %**	**4th year 22.5 %**	**5th year 38.5 %**	**Total 100%**
Countries	**(IN MILLIONS OF E. P. U. UNITS OF ACCOUNT)**					
Belgium	7	8.75	11.55	15.75	26.95	70
Germany	20	25	33	45	77	200
France	20	25	33	45	77	200
Italy	4	5	6.60	9	15.40	40
Luxembourg	0.125	0.15625	0.20625	0.28125	0.48125	1.25
Netherlands	7 8.	75	11.55	15.75	26.95	70

ALLOCATION OF THE RESOURCES OF THE DEVELOPMENT FUND TO OVERSEAS COUNTRIES AND TERRITORIES

(Annex B referred to in Article 3 of the Convention)

Percentages	**Ire année 10 %**	**2e année 12.5 %**	**3° année 16.5 %**	**4e année 22.5 %**	**5° année 38.5 %**	**Total 100 %**
Overseas Pays countries and territories of :	**(IN MILLIONS OF E. P. U. UNITS OF ACCOUNT)**					
Belgium	3	3.75	4.95	6.75	11.55	30
France	51.125	63.906	84.356	115.031	196.832	511.25
Italy	0.5	0.625	0.825	1.125	1.925 5	
Netherlands	3.5	4.375	5.775	7.875	13.475	35

Appendix 7 APPENDIX

Intra-European Aid for the less developed areas of Europe

1. Up to the present time European countries have not, generally speaking, given official aid either collectively or individually to each other for the speceflc purpose of developing a backward area.

2. Where such aid is given in future, however, it is likely to be organised in two ways. First, provision has been made in the European Economic Community for the Investment Bank to provide financial assistance for the development of particular areas within the Community, in the first place Southern Italy. Secondly, . special arrangements are, as far as can be seen at present, likely to be made also in the Free Trade Area for the financing of investment projects for aid to less developed areas of countries which are members of the Area, in particular Greece and Turkey. Italy, too, is likely to seek some form of assistance from her partners in the Free Trade Area in addition to that which she may obtain in the European Economic Community.

3. In addition to investment finance, however, other benefits are likely to accrue to European under-developed areas from the provisions of the European Economic Community, and from those of the Free Trade Area as far as the latter can be foreseen at this time. For example, greater freedom of movement of manpower, increase in intra-Euro-pean trade in agricultural products, etc., will make a large contribution to promoting assistance to less developed areas in Europe.

4. As far as purely national programmes are concerned, mention might be made of the so-called Vanoni Ten-Year Plan for Italian development, since this is the only national plan which has so far been formally submitted to other European States through the medium of the O. E. E. C. Originally a plan for the economic development of Southern Italy, it was in 1954 brought to the attention of O. E. E. C. in order to establish in what way the Plan could be developed into a scheme to cover the economic development of the whole of Italy, and in what ways other member countries of 0. E. E. C. could further its implementation.

5. The Plan was welcomed by the Council of 0. E. E. C. in January 1955 and a working party was set up which produced its first report in June of that year. As a result of this report O. E. E. C. approved the Italian development programme as " appropriate both as to its general conception and scope " and urged Member Governments to consider in what ways the forming of their own economic policies could help the Italian Government in its implementation. Six forms of co-operation were envisaged.

5.1. The provision of technical help and advice to Italy as may be needed, giving the benefit of experience with problems of development, financial techniques and institutions, and planning methods.

5.2. Measures in the fields of trade and invisibles v/hich will help Italy to expand her foreign earnings while maintaining the present high level of import liberalisation.

5.3. Possible encouragement to the flow of private investment to Italy either in the form of loans and commercial credit, or of direct investment.

5.4. Provision, particularly during the earlier years of the Plan, of appropriate financial aid and public long-term capital.

5.5. Facilities for short-term credits to meet temporary balance of payments difficulties that may arise from unforeseen internal or external fluctuations.

5.6. Continued efforts to facilitate emigration from Italy.

6. Three developments may be mentioned as following upon the above suggestions. The European Payments Union granted drawing rights to the Italian Government of up to 50 million dollars from July 1955 onwards to assist in the Plan. (For several reasons, the Italian Government did not in fact take advantage of this facility). Secondly, the Italian Government itself specially urged on other Member Governments of 0. E. E. C. the need for the liberalisation of their agricultural imports in order that Italian exports of these products might benefit. Thirdly, the European Productivity Agency has undertaken a special programme of work in Sardinia.

7. For a variety of reasons, however (and it should be mentioned particularly that the Italian Government itself has not so far made any further specific requests of 0. E. E. C. or its member countries in this connection), no general co-ordinated scheme of assistance from the other Member Governments of 0. E. E. C. to Italy has since developed. And recently, although the OEEC working party set up to follow the Italian ten-year development programme has continued its work, it has become clear that in the view of the Italian

Government the greatest reliance must be placed, as regards future European aid for Italy, on the institutions of the European Economic Community and the Free Trade Area, and, in view of the very serious capital shortage that exists in Italy at the present time, on a continued and larger influx of private capital.

8. Finally, mention should be made of the work of the Consultative Assembly in regard to European aid for European less developed areas. By Recommendations 91 and 95 of 26th October 1955 and 20th April 1956 respectively, the Assembly recommended the creation of an Economic Development Fund for Southern Europe " intended to provide capital in the form of grants and/or loans on appropriate terms for development projects in Greece,:ttaly and Turkey ".

9. It was requested that 0. Ë. E. C. undertake the administration of this Fund and, in consequence, both Recommendations were transmitted by the Committee of Ministers to O. E. E. C. At a meeting held in February 1957 the Chairman of the Economic Committee of the Consultative Assembly made a statement to the Council of 0. E. E. C. explaining.in detail the scope of the Assembly's proposals. In view of the emergence of the Free Trade Area project, however, O. E. E. C. reserved its views on the Assembly's proposals and stated that it will re-examine them in the context of the Free Trade Area negotiations as they affect the less developed areas of member countries of the Free Trade Area.

Appendix 8 APPENDIX

United Kingdom Aid to less developed Countries[15]

1. The table given at the end of this Appendix shows details of economic aid given to less developed countries by the United Kingdom Government for the three financial years 1954/1955 to 1956/1957. The classification of countries as less developed is necessarily imprecise, and the table includes assistance given towards the budget of certain colonial territories to meet, for example, administrative costs and the special military expenditures arising out of emergencies.

2. Aid by the United Kingdom to the less developed areas of the world has been directed in the first place, as is natural, to development of areas within the Commonwealth. The guiding principles behind the United Kingdom's aid may be summed up as follows:

> 2.1. The strength of sterling and the successful development of the United Kingdom's own economy are prerequisites for the provision of investment capital; all members of the sterling Commonwealth accordingly have a vital interest in maintaining the strength of sterling.
>
> 2.2. Additional capital must necessarily be sought from non-sterling countries of the world and from international institutions.
>
> 2.3. Investment of privately owned funds is a particularly suitable method of financing new projects in Commonwealth countries.
>
> 2.4. In addition to the provision of capital, a special effort is made to provide all forms of technical knowledge.

3. As regards the members of the sterling Commonwealth as a whole, the need to pursue common objectives in economic development was emphasised by the Commonwealth Economic Conference as long ago as 1952. That Conference agreed that " ...development should be concentrated on projects which... contribute to the improvement of the area's balance of payments... Such projects should strengthen the economy of the countries concerned and increase their competitive power in world markets, and so, by improving their balance of payments, bring increasing prosperity to their peoples. In some countries, however, development plans have been, or are being, made to provide for some basic improvement in the standards of living, which is a necessary foundation for further economic development. Some essential investment is also urgently needed in the more developed countries, certain of which have rapidly increasing populations. The Conference recognised the need in such cases for these types of investment. " Moreover, the Conference recognised the position of the United Kingdom as the traditional source of capital for Commonwealth investment. Since the end of the war, sterling Commonwealth Governments have had a preferential position in the London market, no other Government being permitted to issue stock there. Private investment in the sterling Commonwealth has also benefited from the fact that the United Kingdom operates no exchange control on the movement of capital from this country to sterling area countries.

4. In working out a policy of assistance to Commonwealth and colonial Governments, on the basis of the above principles, the United Kingdom distinguishes between colonial territories and independent members of the Commonwealth. The Government has always recognised a special responsibility for the Colonies, but this special responsibility ceases when such territories achieve independence. The Government therefore does not envisage Government-to-Government loans as a normal means of assisting independent members of the Commonwealth—their interests can be better served if they build up their own credit and thus make use of the facilities for raising money on the London market or elsewhere.

5. The following are the various categories of help which have been and will be given.

PRIVATE FUNDS

Borrowing by Commonwealth and colonial Governments on the London market

From the end of 1946 to May 1947, these Governments had borrowed £262.7 million on the London market (£134 million raised since the end of 1952 — £74 million for colonial territories, and £60 million for independent Commonwealth countries).

---

15. This Appendix s based on an answer by Mr. Peter Thorneycroft, then Chancellor of the Exchequer, in the House of Commons on 10th December 1957 and on a White Paper " The United Kingdom's Role in Commonwealth Development" (Cmd. 237) published by HMSO, July 1957.

Private borrowing on the London market

Since 1952 consents for private borrowing on the London market have been at a rate of £35-40 million a year.

Commonwealth Development Finance Company

Set up in 1953 as a new channel for the investment of private capital in Commonwealth schemes, its authorised capital is £15 million. Its commitments in March 1957 totalled approximately £14.5 million in twelve projects in eight Commonwealth countries.

Local development finance corporations

In Commonwealth countries without highly developed capital markets, such corporations can play a valuable part in attracting non-sterling capital for new industries on a partnership basis. Many such corporations have been set up since the war.

Other private investments

There is a substantial flow of private investment financed from the existing resources of United Kingdom firms and by ploughing back of profits of United Kingdom companies operating in the Commonwealth. Though exceedingly difficult to estimate, it represents a major element in United Kingdom investment in the sterling Commonwealth. Substantial assistance will be given to overseas trade corporations through the finance bill of 1957 enabling them to increase the amount available for reinvestment overseas.

The total investment of private funds in the sterling Commonwealth cannot be measured exactly, but it is estimated that since 1952 the net private long-term capital outflow from the United Kingdom has averaged well over £100 million a year.

EXCHEQUER FUNDS

These funds are directed mainly to the colonial territories in fulfilment of the United Kingdom's special responsibilities towards them. They take the following forms.

Colonial development and welfare programmes

Expenditure on approved schemes, in the form of both grants and loans, rose from £14.1 million for 1953/1954 to an estimated £18.8 million for 1956/1957. Schemes have covered agricultural development, fisheries, forestry, improvement of communications, public health, education, housing and water supplies.

Colonial Development Corporation

This Corporation has power to undertake in colonial territories, alone or in association with private enterprise or colonial Governments, projects permitting the expansion of agriculture and industry. It operates on commercial lines and has a statutory obligation to pay its way. Up to 31st May 1957 exchequer advances outstanding to the Corporation were £54 million and at the end of 1956 the Corporation had 66 continuing projects in power, agriculture, housing, minerals and factories. The Corporation, through providing a supplementary source of capital to ordinary private enterprise, has been able to start, for the benefit of private enterprise, undertakings which would not otherwise have come into being.

Export Credits Guarantee Department

In addition to providing guarantees to United Kingdom exporters, it has been possible to grant credits through the Department to other Governments in special circumstances, e.g. a £10 million credit to Pakistan in 1954 to finance the purchase of United Kingdom agricultural equipment, and authorisation for a £15 million credit in 1956 to India for equipment for a steel plant.

Sterling releases to the International Bank for Reconstruction and Development

The United Kingdom Government announced in February 1953 that it aimed to make up to £60 million available over six years for lending by the International Bank to sterling Commonwealth countries. Disbursement of about £45 million under this scheme has so far been approved.

The total actual expenditure of public funds through the above channels has risen from £26.7 million in 1955 to an estimated £36 million in 1956/1957 (these figures do not include about £25 million annually provided during the last four years by the United Kingdom in the form of grants and loans to colonial territories which are not viable economically or are facing some serious threat to law and order or the consequences of a natural disaster).

1. The estimated total United Kingdom contribution through both private investment, and loans and grants from United Kingdom exchequer funds, over the years 1953/1956 towards investment in the whole Commonwealth represents some £200 million or some 1.1/4 % of the gross national product, or between 7 % and 8 % of gross fixed investment at home. Put in another way, it has been unofficially estimated that in the ten years 1946-1955, 70 % of the external capital invested in the sterling Commonwealth came from the United Kingdom, 15 % from the United States, 10 % from the I. B. R. D. and 5 % from other sources.

2. The United Kingdom augments the technical capacity of many Commonwealth countries in several ways.

Technical co-operation in the independent Commonwealth

Ordinary trading connections supply the bulk of United Kingdom experts to Commonwealth countries in the normal course of commerce, and the United Kingdom is a natural source for the recruitment of experts by private enterprise and by Government employers overseas. 4,234 Commonwealth students are taking courses at United Kingdom universities and something like 2,000 are at technical institutes, etc.

Colombo Plan technical co-operation scheme

Under this scheme help is given by the United Kingdom bilaterally to India, Pakistan and Ceylon, and to foreign countries in the Colombo Plan area. Apart from nearly £2 million spent by the United Kingdom under the scheme from 1951-1956, £7 million is to be made available during the seven years beginning April 1956.

Technical assistance for colonial territories

The provision of such assistance is part of the general functions of the Colonial Office. Such assistance includes the recuitment of permanent staff of all kinds for the various branches of H. M. Overseas Civil Service and of special staff on contract. The Colonial Office also provides a large number of professional advisers for such subjects as tropical agriculture, education, health, labour, social welfare, co-operative societies and engineering. The Colonial Office also has a large number of advisory bodies such as the Inter-university Council for Higher Education overseas, the Council for Overseas Colleges of Arts, Sciences and Technology, the Directorate of Overseas Geological Surveys, the Directorate of Overseas (geodetic and topographic) Surveys, the Colonial Products Laboratory, the Colonial Agricultural Research Committee and the Colonial Medical Research Committee. The Colonial Office also places students in universities, technical colleges, etc., in the United Kingdom and an ever-increasing number of places for colonial students has been made available. The number doubled between 1952 and 1956 and is now about 12,000.

UNITED KINGDOM GOVERNMENT ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES[16] (£ million)			1954-5	1955-6	1956-7
COLONIAL TERRITORIES	(a) Loans:	Colonial Services Vot	17.4	3.4	1.1
		Colonial Developme	0.3	0.3	0.3
		Colonial Developme	4.4	8.1	6.2
		Total	22.1	11.8	7.6
	(¿0 Grants:	Colonial Services Vot	19.0	17.2	17.1
		Colonial Developme	15.8	15.7	16.9
		Overseas Food Corp	0.1		
		Total	34.9	32.9	34

16. Reproduced from Hansard, 10th December 1957.

UNITED KINGDOM GOVERNMENT ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES[16] (£ million)			**1954-5**	**1955-6**	**1956-7**
OTHER COMMONWE…	(a) Loans:	Through release of st…	3.4	3.7	4.3
		E.C.G.D. footnote Sectio…	2.5	1.7	1.3
		Total Loans	5.9	5.4	5.6
	(b) Grants:	Colombo Plan (to C…	0.5	0.5	0.6
		Overseas Settlement	0.2	0.2	0.2
		Commonwealth Ser…	0.5	0.6	0.7
		Colonial Developme…		0.8	1.6
		Total Grants	1.2	2.1	3.1

16. Reproduced from Hansard, 10th December 1957.

UNITED KINGDOM GOVERNMENT ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES[16] (£ million)		**1954-5**	**1955-6**	**1956-7**	
OTHER COUNTRIES	(a) Loans:				
	Jordan	1.6	1.7	1.2	Through release of st
	Ethiopia	0.1	0.1	0.1	
	Uruguay	0.1			
	Yugoslavia	0.8	0.1		
	Iceland	0.1			
	Other			0.1	
	E.C.G.D. Section 3 Credit		0.3	3.6	
	Argentine credit			19.0	[illegible]

16. Reproduced from Hansard, 10th December 1957.

Appendix 9 APPENDIX

Soviet Aid to less developed areas[17]

From 1955 to 1957 Egypt received two thousand million Swisss francs worth of aid from the Soviet Union and Czechoslovakia. Yugoslavia has received aid amounting to 1,900 m. Swiss francs, Syria 1,180 m., India 1,140 m., Afghanistan 613 m., Indonesia 460 m. and other countries 578 m. These amounts add up to a total of 7,900 m. Swiss francs.

The strength of the Soviet bloc's position in this matter is based on the work of the Common Economic Council which comprises all these countries. This organisation is directed from and by Moscow, and works in close touch with those responsible for the export and import policy of the member countries, which makes it possible to have an efficient common policy in relation to neutral countries, aid being granted in the form of extensive credits and other facilities. To quote an example, the Eastern zone of Germany is particularly well placed as regards electrical equipment, Poland, as regards mining equipment, etc.

Out of this total of nearly 8 milliard Swiss francs, about 1,700 m. were given as military aid and more than 3,500 m. are for the development of industrial plants. It is likely that out of this sum about 1,000 m. Swiss francs have already been paid out.

Compared with United States economic and military aid which has amounted, since 1945, to about 210,000 m. Swiss francs, of which 5,000 m. went to under-developed countries, the aid given by the Soviet Union may be considered as small, especially if one takes into consideration the sums which have in fact been paid out. But it must be realised that the conditions accepted by the Soviet Union are extremely advantageous for the assisted countries. While the United States normally lends at 4 % interest, and the International Bank for Reconstruction and Development at 5.3/4 % or 6 %, Soviet loans only carry an interest of 2 %. It should be added that these loans are usually long-term, reimbursement being often spread over thirty years and never less than twelve years. Another advantage is that reimbursements can usually be made in kind. It is important to note, however, that Soviet loans can only be used in the Soviet Union and in other countries of the Soviet bloc, and, furthermore, that they are only granted for purchases of industrial equipment.

Finally, the Soviet Union and other countries of the Soviet bloc furnish, under condi-tions which are specified in contracts, a wide range of technical and scientific assistance. It is estimated that at the present time China is receiving the help of 2,000 technicians who come for a period of more than six months.

Trade between countries of the Soviet bloc and some of the assisted countries has increased remarkably during the last three years. This is so, for example, in the case of Egypt and Syria. Nor is it a negligible advantage for the Russians that they are willing to conclude barter agreements at a time when producers of raw materials are meeting with difficulties in view of the fall in prices on the world markets. Sudan has been able to sell important quantities of cotton through barter agreements to Burma, Iceland and the Lebanon.

The possibilities of the Soviet Union and other countries of the Soviet bloc for early delivery are better than had been thought, at least as regards the requirements of under-developed areas with whom, moreover, the notable increase in the imports of the U. S. S. R., notably food, facilitates the conclusion of commercial agreements. There is no doubt, Finanz und Wirlschafl concludes, that the Soviet bloc is increasingly in a position to deliver numerous kinds of goods and is becoming a more and more serious rival on the international markets. This is an important event which must be taken note of, especially as regards the under-developed countries, where Russia does not hesitate to send strong teams of technicians.

17. Extract from Finanz und Wirtschaft, dated 4th February 1958.