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UNCTAD advocates better assessment of aid

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passing of a general preference system. Here the interests of potential donors and recipients are still differing widely.

One of the most difficult problems emerged when fixing the capital aid transfers to developing countries. Hitherto the former demand for a transfer of 1 per cent of the national income could not be fulfilled. The developing countries are no longer willing to accept the 1 per cent of aid as measured against the net national product—as up to now usual in the industrial nations—, but demand the gross national product as a basis. Moreover, they will no longer credit the transfers from private business as aid. Particularly the European industrial nations demonstrated their good will. But the ability of making farther-reaching concessions is hampered

by the own economic difficulties of most countries. But if one sums up the demands of the developing countries, the present development aid would have to be trebled. It does not require much knowledge to consider this demand as completely unrealistic.

Re-examine the Hitherto Practiced Strategy

After all, the conference has contributed to drag the difficulties of the developing countries, which are growing to catastrophic dimensions, into the light of day. The industrial nations will have to apprehend that their hitherto applied practice of giving credits ignores the realities, as long as the economic growth in the developing countries advances more slowly than is supposed in the more or less well-grounded devel-

opment plans. Interest payments to a growing extent turn out as additional burdens, which hamper the beginning development process. If the present tendencies continue, credit repayments will soon be nothing else than wishful thinking. India's repayment inability will not be long in coming. This ought to be a reason for a fundamental scrutiny of the hitherto existing strategy. This ought not to be restricted merely to a facilitation of trade and higher aid transfers, but ought to include above all a training in exports, which up to now has been neglected.

About some basic problems of the New Delhi conference our correspondent Gerhard Maurer had the opportunity to speak with the second man of UNCTAD, Sidney Dell.

UNCTAD Advocates Better Assessment of Aid

Interview with Sidney Dell, Director of the New York Office of UNCTAD

QUESTION: At the first session of the United Nations Conference on Trade and Development in Geneva in 1964 the demands of the developing nations were rather unarticulated. At the second Conference these demands were based on much statistical evidence. As a result of these research efforts, would you call the demands of the developing countries scientifically justified?

ANSWER: We do have a much clearer picture of the needs and resources of the developing countries now than we had at the first conference. The UNCTAD Secretariat has conducted a very extensive examination of the trade and development problems of about 30 individual developing countries, which account for over 85 per cent of the gross national product of the developing countries as a whole. We have examined past performance. We have made estimates of trade prospects. And we have estimated the requirements for domestic savings and foreign exchange that would

make it possible to achieve a higher rate of growth than now prevails in these countries.

It emerges from these analytical studies that the efforts of developing countries to promote a higher rate of growth will come up against severe obstacles resulting from restrictions maintained by the developed countries on imports from developing countries. It is, of course, the responsibility of developing countries to make goods available for export at competitive prices. It is the task of the international community, however, to remove the restrictions and to create market opportunities that would enable them to earn their way in international trade. If market expansion is denied to them they will need more aid in order to obtain the foreign exchange that they require for financing essential imports.

QUESTION: You referred to "higher rates of growth". What goal is the base of your calculations?

ANSWER: For each individual country we have set a growth rate which in our judgment, and on the basis of all the information that we had available seems to be a feasible rate of growth for that country.

QUESTION: Isn't "feasible" a non-scientific value judgment?

ANSWER: I quite agree that any such judgment is to some extent qualitative, although that by no means implies that it is unscientific. It is true that there are no precise standards available for telling whether a particular rate of growth is feasible or not. We have sought, however, to assess feasibility in as objective a manner as possible, in the light of countries' domestic savings potential, productive potential and absorbing capacity for external resources. We have not taken a particular rate of growth as being "desirable", but have examined what the feasible rate of growth for each individual country might be. In the case of Brazil for example we

projected two growth rates, a low one of 5 per cent per annum and a high one of 6 per cent per annum. Now the average annual growth rate for that country over the whole period from 1950 to 1965 was 5.5 per cent. But there were substantial periods of years in which Brazil achieved as much as 7 per cent per annum, and therefore we considered that for Brazil a 6 per cent rate of growth is a feasible high growth rate. In the case of India, we projected a low growth rate of 4 per cent and a high one of 5 per cent. We came to the conclusion that the prospective gap between exports and imports of developing countries by 1975 would be of the order of \$ 26 billion for a 6 per cent weighted average rate of growth for developing countries as a whole.

QUESTION: What role does this estimate of \$ 26 billion play in the deliberations of the second UNCTAD session?

ANSWER: This trade gap is not in itself an estimate of capital requirements. It is simply an estimate of the divergence between export earnings and import requirements of developing countries on the basis of existing trends, if a 6 per cent weighted average growth rate is to be attempted. The gap could be bridged in a variety of ways. One could try to accelerate exports above the historical rate; one could try to replace imports at more than the historical rate; or one could increase the flow of capital above the historical rate. Into these decisions value judgments certainly do enter.

QUESTION: A draft resolution put forward here in New Delhi by the developing nations in the Conference's Committee on Finance has suggested that only the net transfer of capital should be defined as aid. Do you consider this a rational approach?

ANSWER: If one wishes to examine the balance of payments aspect of the transfer of resources, that is the extent to which the developed nations are adding to the import capacity of the developing countries in a particular

year, it is rational to subtract from the gross flow of capital not merely the amortisation and capital repatriation, but also the reverse flow of investment income, private and public. The OECD itself calculates the net transfer of official resources to developing countries, net of interest as well as of amortisation, and the same reasoning can be applied to private as well as to public capital transfers. I do not want to suggest, however, that this way of measuring capital transfers necessarily provides a political basis for agreement on a capital flow target at the present Conference.

QUESTION: Does comparing the volume of aid give a valid measure for burden sharing among the developed nations?

ANSWER: One aspect of this problem involves the need to reduce to a common denominator different flows of resources supplied on different terms. The aid element in a non-repayable grant is of course much larger than in a repayable loan. The aid element in a loan on concessional terms is larger than in commercial credit. We are working on the problem of finding such a common denominator, which could provide the basis for comparing the aid element in different types of capital flow. A second aspect relates to the aid-giving capacity of various countries, which may differ for a variety of reasons such as the level of their per capita income and their balance of payments position. Thirdly, one ought also to take into account the extent to which a country provides market opportunities for developing countries to earn their way through trade.

QUESTION: In view of these objections do you consider the 1 per cent target as meaningful?

ANSWER: I do not regard these qualifications as objections to the 1 per cent target. The target does seem to me to play a useful role in stimulating countries to greater efforts in providing aid. We have found that if the developed countries were to provide aid equivalent to 1 per cent of their gross national product, this would go a

very long way towards bridging the afore mentioned trade gap. It would be reasonable to expect that the developing countries themselves by their own efforts would bridge the remainder of the gap.

QUESTION: The target of 1 per cent applies equally to the countries of the free market system as to the socialist countries. What difficulties are involved in quantifying the volume of aid from the socialist countries?

ANSWER: The socialist countries do not at the present time accept the 1 per cent obligation. We have information on commitments of socialist countries under their various credit agreements, but we do not have information on actual disbursements. It is estimated that the aid from socialist countries at present is far less than 1 per cent of their gross national product. On the other hand, they do provide certain advantages on the trade side, notably the acceptance of repayment of loans in the form of goods rather than convertible currency.

QUESTION: What contribution did the second United Nations Conference on Trade and Development make for better assessment of the flow of economic aid?

ANSWER: One of the most useful features of the Conference has been the exchange of ideas between developed and developing countries on the way in which the efforts of the one can supplement and re-inforce those of the other in the solution of the development problem. On the one hand, the developing countries recognise that there is no magic in aid and that development will come largely through their own efforts. On the other hand, the developed countries are somewhat more conscious of the fact that aid should not be viewed as charity, but that everyone stands to gain from acceleration of growth in the developing countries. Our future analytical work will concentrate very largely on the question of the interaction between the domestic performance of developing countries and the most effective use of external resources.