FOREIGN AID AND INDUSTRIALISATION

A NEW PROPOSAL

The following aspects of foreign aid will be examined in this essay: the scope of foreign aid; the dangers that face it; the particular aims of foreign aid; a new proposal regarding its operation; an exposition of the results to be expected were this proposal to be put into operation.

I

Before 1945 foreign aid was granted mainly to countries struck by natural disasters (particularly when these were poor countries), and in time of war it was provided by either allied or neutral countries with the desire to mitigate the sufferings of the inhabitants of those areas most affected by the hostilities. In the course of the last twenty-five years, however, foreign aid has become an institution and tends to be regarded as a permanent means of transferring funds from the richer to the poorer countries through the administration of foreign aid commissions. [1] Such machinery does not normally exist within the sphere of international economy, or if it does (as in the case of the Marshall Plan) it is of a rather particular nature and does not exhibit the characteristics of modern administration as found in developed countries, but aims at being impersonal and neutral (even though it is often not so at all). Moreover, as far as the results in the recipient countries are concerned, foreign aid has tended to be used to replace foreign loans which have been defaulted or foreign investments which have failed to recoup adequate profits and achieve repatriation of capital. Indeed, unfavourable experience with foreign loans and foreign investments has often discouraged those concerns which might have been willing to risk investing or lending abroad. Thus, in cases where a reduction in the flow of foreign capital threatens a country's internal and external equilibrium, preventing development and causing great hardship to the poorer inhabitants, foreign governments or international

1. Cf. M. Byé, *Relations économiques internationales*, Paris, 1958, pp. 399-404; I.M.D. Little and J.M. Clifford, *International Aid*, London, 1965, p. 334; and G. Friedman, G. Kalmanoff, and R.P. Meagher, *International Financial Aid*. London, 1966, pp. 382-391.

institutions grant aid;[2] and this is specially so when the political, social and economic repercussions of that country's plight prove disagreeable not only for its inhabitants but for their own people and for their own interests; or when, in the case of international institutions, their ideals and aims are compromised and the policies they are pledged to support are in jeopardy.[3]

The institution of foreign aid began even before the end of World War II with the setting up of UNRRA,[4] to whose finances the United States contributed 66%.[5] This nation continues to be the one most concerned with aid, though one must not overlook the lesser contributions of other states,[6] chiefly the United Kingdom,[7] in collaboration with the more developed countries of the British Commonwealth, and France. For a short period after 1945 Sweden contributed what was, in proportion to her national income, quite a notable sum. Likewise Israel is proportionately making a significant contribution in Africa, and in the sixties West Germany and Japan have begun to make a substantial effort. The Eastern bloc has attempted with some success to concentrate its efforts on just one project, or on a very limited number, (e.g. the Aswan Dam) in order to impress the country or countries concerned, and in order to secure whenever possible political advantages deriving from such assistance.[8]

II

Foreign aid is without a doubt a most useful institution,[9] but it is faced with a number of dangers which may be summed up as follows:

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2. Cf. Friedmann, G. Kalmanoff and R. F. Meagher, *op. cit.*, p. 378.

3. K. E. Rhode, *Auf welchen Ebenen der vielschichtigen Entwicklungspolitik erhebt sich die Frage nach der "Wirtschaftsordnung"? Eine Systematik*, Ordo, 1968, pp. 331-334.

4. It began operating in Greece on 1 April, 1945, while hostilities were still continuing in Europe and Asia.

5. The major part of the balance was supplied by the United Kingdom, while the Soviet Union's contribution was insignificant. However, this did not prevent the latter from participating to a considerable degree in decision-making and in the operation of distribution.

6. The United States contributed 60% of the total aid. G. Friedmann, etc., *op. cit.*, p. 16; and M. Negreponti Delivanis, *The Pressure on the Dollar*, Leyden 1964, pp. 61-63.

7. The United Kingdom received up to June 1963 $ 4 billions, and gave only 1,4. Cf. G. Friedmann, op. cit., p. 87.

8. Cf. D. J. Delivanis, *Courses of economic and of monetary policy*, Thessaloniki 1965, 3rd edition, p. 159-160 (in Greek). *Die Neue Zürcher Zeitung*, Fernausgabe No. 218, of 9 August 1964 estimates the total foreign aid in 1963 to about $ 10 billions, of which 5% was supplied by the Eastern bloc.

9. Cf. G. Myrdal, *An International Economy*. New York, 1956, pp. 119-136.

1. bilateralism
2. political dependence
3. the balance of payments deficits of the United States and the United Kingdom [10]
4. excessive claims from recipient countries
5. bureaucratic delays, leaks and lags, discrepancies between promises and possibilities.

Because of the substantial contribution made in the way of foreign aid by the United States, all problems connected with this aid tend to be negotiated between the United States and the individual countries concerned on a strictly bilateral basis. There can be no doubt that the recipient countries endeavour to obtain for themselves the largest possible amount of aid from the United States, and in so doing show not the slightest concern about the effects their demands might have on the satisfying of other countries' needs; they would never contemplate cutting down their demands so as to relieve the burdens of the taxpayers of the United States and of other countries. Nor would they consider whether they themselves might find it possible to provide aid for those countries which were deprived of United States assistance because of their own excessive demands. This is not to say, of course, that it is simply a matter of a recipient country's putting in a claim for foreign aid. The United States government cannot ignore the limits of the funds it has available for aid to foreign countries nor the growing opposition to foreign aid in the minds of its own citizens[11] as well as in Congress and in the Senate. To a certain extent the payment of such large sums in foreign aid exerts an unfavourable influence upon the United States' balance of payments and upon the dollar rate on the foreign exchange market. Nor can the matter be treated without regard to the problem of how a percentage of the national income is to be devoted to the improvement of the living conditions of the nation's poorer citizens, and of its less developed areas without making too great an increase in taxes; and last but not least, there are the implications of the Vietnam War upon the economy and the people of the United States.

Bilateralism of foreign aid leads, at least to a certain degree, to the political dependence of the recipient upon the donor country, particularly if the one is dominated by the other, [12] or if the suspension of foreign aid will have a powerful and unfavourable influence upon the economy of the reci-

10. Cf. I.M.D. Little and J. M. Clifford, *op. cit.*, p. 241.
11. Cf. I.M.D. Little and J. M. Clifford, *op. cit.*, p. 241, who find this attitude shocking.
12. Cf. F. Perroux, *Note sur le dynamisme de la domination*, Paris 1951.

pient country. Political dependence does not necessarily involve an active participation on the part of the recipient country in the Vietnam war or in the cold war as it was waged ten or more years ago. Certain recipient countries of world importance, like India for example, try to avoid such implications by obtaining the formation of a consortium of all possible donor countries, even of those from behind the Iron Curtain.

The quasi-permanent deficits in the balance of payments of the United States and the United Kingdom do not encourage these countries to increase their foreign aid or even to maintain it at present levels. As a matter of fact, foreign aid, even if not used for the purchase of commodities in the United States or in the United Kingdom, will sooner or later lead to an increase in the exports of the donor country concerned, unless the recipient country or the central bank of the country where the proceeds are to be spent should demand gold from the Federal Bank of New York or should increase her dollar balances.[13] Even if the United States refuses to sell gold (and this is easier for her to do since the decision of 15th March 1968), her foreign liabilities cannot but increase and this is bound to incur the displeasure of those concerned in the United States. On the other hand, it is only the sterling area countries that keep sterling balances in excess of the amounts needed for the smooth effectuation of their payments in the United Kingdom and throughout the sterling area. But even these countries seem now to have a tendency to reduce their sterling balances. This induced the Bank of England to negotiate a stand-by agreement with certain central banks in Basle in the autumn of 1968 in order to prevent a new crisis of sterling. Such a crisis would have been unavoidable if the sterling countries had decided in view of the continuing deficit in the United Kingdom's balance of payments, to make substantial reductions in their sterling balances whether by transferring them to New York or by abstaining from converting into sterling their own dollar receipts. Let me add, however, that the total sum of foreign aid cannot be regarded as an item belonging to the debit side of a country's balance of payments without bringing some compensation to the credit side. Certain exports would have been impossible and certain repayments from the recipient countries would have been at least postponed were it not for foreign aid. Furthermore, it must be stressed that strings may be attached, whether it be officially or tacitly, in as mush as the recipient country does not have the

13. This is very often forgotten as F.Machlup points out in his *Real Adjustment, compensatory corrections and foreign financing of inbalances in international payments*, Princeton, 1965, pp. 211-212.

choice of either getting aid with strings or getting it without, but only the choice of either getting aid with strings or not getting aid at all.

Excessive claims on the part of recipient countries have already been analysed in the discussion of bilateralism. It is to be additionally emphasized that as a rule recipient countries believe that they have a right to unlimited foreign aid and that their own economic development and industrialisation have to be financed exclusively by foreign gifts, foreign loans and foreign investments, without guarantees for the transfer of interest or profits and the repatriation of capital, and guarantees that plants, buildings, mines, plantations, hotels and firms will not be nationalised unless a fair indemnity is fixed and paid to those concerned, in the country where they are domiciled. The contribution that might be made by the savings, voluntary or compulsory, the labour force and the administration of the recipient country are usually not taken into account. And the same applies to the need to persuade the taxpayers of the donor country—particularly if it is a free country—to pay increased taxes or not to get the tax reductions they might otherwise enjoy, in order to finance foreign aid, while taxation in the recipient country is not as high as in the donor country and while at least some people in the recipient country are able to evade taxation and live in luxury, notwithstanding the unimportance of the amounts involved in proportion to the national budget and the sums required for development. [14]

Foreign aid has not as a rule been effected without considerable delays, friction, leaks and lags.[15] Authorities and firms, in both the donor and the recipient countries, are mainly responsible for these hazards through their overestimating of the capacities involved and their underestimating of the problems to be solved, of the unavoidable delays and obstructions, and of those unforeseen events which can so often undermine the best of plans. Foreign aid is particularly prone to such drawbacks, since it is usually channelled through governments and large units where bureaucracy takes its toll.

III

Foreign aid is first and foremost used to cope with such needs as cannot be met by local resources; secondly to accelerate a country's development either by securing foreign exchange that is badly needed and which

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14. Cf. G. Myrdal, *op. cit.*, p. 121 in a rather different appreciation of the issue.

15. These delays are particularly long in the disbursement of aid from communist countries. Cf. I.M.D. Little and J.M. Clifford, *op. cit.*, p. 27.

current income does not yield, or by meeting simultaneously local expenses, provided that these serve to increase the propensity to consume foreign commodities and have recourse to foreign services. In the majority of cases the development concerned lies in the industrial field, whereas such indispensible prerequisites as improved agriculture, expanded services and up-to-date infrastructure are underestimated as long as commodities of satisfactory quality and competitive in price are forthcoming.

As far as industrialisation is concerned, the ambition of both the governments and of the firms involved is first of all the substitution of imported commodities by home-made ones, and only secondly the promotion of exports abroad. The export [16] of manufactured commodities by developing countries was considered more or less unfeasible, since it is difficult for newcomers to compete with long-established firms and since custom duties have to be neutralised; moreover, advertisement, establishment and success in competitive markets usually prove very expensive. This defeatist attitude stemmed from impressions and experience gained during periods of depression, when there existed a considerable amount of unemployment and underemployment. However, a radical change came about in the era of full employment that began in the early fifties when the export of manufactured commodities from developing countries reached quite a substantial level, with Hongkong among the leaders. The island colony's success in this was no coincidence, for Hongkong's industry developed without any protection and even with a free harbour without custom duties. Moreover, the growth of her industry was often in the face of unfavourable political conditions. Hongkong has achieved this success because she enjoys an abundance of cheap but quite high quality labour, because capital is secured from profits and savings sent back to the island from Chinese emigrants all over the Western world (and some even from 'neutral' countries), and because thanks to a continuous inflow of workers from mainland China trade unions in Hongkong are not strong enough to initiate campaigns for salaries that are not justified by output from the point of view of both quantity and quality. But Hongkong was and is certainly not the only developing country to start exporting manufactured commodities on a growing scale; consequently industrial concerns in those developed countries whither manufactured commodities from developing countries were and are imported have become anxious about their own sales and have tried, not without some success, to persuade their respective governments to limit

16. Increased exports render possible increased savings. Cf. I.M.D. Little and J. M. Clifford, *op. cit.* p. 159.

the import of manufactured commodities from developing countries.[17] Of course, those countries which are members of GATT cannot increase custom duties nor impose quotas or prohibitions except in a particular emergency; the freedom of the members of the European Economic Community and of the European Free Trade Area is even more limited. Such limitations, however, cannot obviate the increasing difficulties arising from the export of manufactured commodities from the developing countries, and in certain instances these developing countries have even gone so far as to accept to impose quotas on their own exports. What is more, these restrictions and the difficulties affecting the export of manufactured commodities are exceeded by those affecting the export of agricultural goods, so that while both the developed and the developing countries strive for an accelerated development of the export of agricultural goods on the part of the developing countries, whenever results are forthcoming every obstacle is put in the way of such exports and many hundred millions of people are unable to buy the commodities involved, since their purchasing power is insufficient and because these prohibitions either increase the prices of the commodities, prevent the prices from falling or reduce their supply. Such restrictions are imposed when there is a strong desire to reduce governmental interference, and this object is achieved on quite a substantial scale in Western Europe and to a certain degree in North America. In these two areas, as far as foreign trade between the countries embraced therein is concerned—and particularly as regards trade within the European Economic Community or within the European Free Trade Area-custom duties have been abolished (on 1 July 1968 within the EEC and on 1 January 1968 within EFTA). In the European Free Trade Area the abolishment applies only to manufactured commodities. In the Western world custom duties have never been so low or import restrictions so few as at the present time. The gradual diminution of the purchasing power of money all over the world serves to reduce even further the importance of custom duties whenever they are fixed irrespectively of the price of the commodities involved.

The necessity for developing countries to restrict to their home market the consumption of the manufactured commodities they are able to produce limits the scope of industrialisation to those commodities whose cost is not

17. This is not justified, for it has been estimated that an increase in the export of manufactured commodities by one million dollars leads to an increase of 900,000 dollars' worth of manufactured goods imported into Hongkong. Cf. *Neue Zürcher Zeitung*, Fernausgabe No. 307 of 7 November 1964, p. 10.

pushed up by their reduced output. At the same time, the limited operation of established plants constitutes a useless waste, reduces employment, income and demand, makes maintainance and amortisation more expensive and discourages new investments. Thus we are faced with excess supply, reduced investment and reduced employment at home, [18] while abroad the demands of at least a billion people go unsatisfied.

IV

It has been stressed more than once [19] that multilateral aid is more useful than bilateral as long as the former permits the most rational employment of available resources, the satisfactory fixing of priorities (provided of course that this is feasible), the production along the most economic lines of the goods required for development (particularly in the case of capital goods), the shifting of redundant factors of production to the countries where they are needed, and the best use of experience. On the other hand, multilateral aid needs as a rule a huge bureaucratic apparatus and its operation is never as satisfactory as might be expected theoretically. This applies even if multilateral and bilateral aid are merged, as happened to a certain extent with the operation [20] of the Marshall Plan, which rested on United States grants, but also involved an obligation on the part of the recipient countries to supply to the member states certain commodities free of charge, with the right however to draw from the United States the corresponding amounts in dollars, which could be used for purchases there or anywhere else. This part of the aid was indirect, and I believe that experience derived from its operation may help us to find the solution for coping with the actual deadlock of excess supply, reduced investment, reduced employment and unsatisfied demands for manufactured commodities.

The aid to be granted to a recipient country during each year of the Marshall Plan's operation was fixed through negotiations between the United States and the country concerned. In carrying out this agreement the relevant authorities strove to avoid as far as possible expenses that were not indispens-

18. Cf. I.M.D. Little and J. M. Clifford, *op. cit.*, p. 334. They attribute this to aid-tying when carried to excess.

19. Cf. G. Myrdal, *op. cit.*, pp. 124-128, and I.M.D. Little and J.M. Clifford, *op. cit.*, pp. 246-257.

20. It was discovered that any import to Greece within the framework of the Marshall Plan had to be approved by 16 different authorities, firstly in Greece, secondly in Paris at O.E.E.C., and thirdly in the United States.

able. A rather similar scheme could be elaborated if donor countries were persuaded to make over their aid to a special international authority or better still to the International Bank for International Settlements. The amount could be fixed, let us say, at 1% or even less of their gross national product as provisionally estimated two years ago, and this would be paid in 12 monthly instalments. [21] The Bank would be credited in the currency of the donor country and would dispose of this in monthly instalments with due respect to any conditions stipulated by the donor country in the light of its own economic, financial and monetary problems. Thus the International Bank for International Settlements would know well in advance the amounts to be placed at its disposal by the donor countries and the limits imposed by them on the use of their contributions. There is no doubt that a donor country could continue giving the same bilateral aid as before either by allotting more than 1% of her gross product or by taking a proportion of the 1% for that purpose. On the basis of the figures published in the monthly statistical bulletins of the United Nations, the International Bank for International Settlements could estimate the total amount available for aid in the coming year.

In order to exclude any friction or misunderstanding, the distribution of this amount must be carried out on an automatic basis between the countries where the income per head does not exceed, say $ 150 per year. The share to be received by each country will be fixed as a function of its inhabitants on the basis of the last census to have been published in the United Nations monthly statistical bulletins, and eventually some control will be exercised by officials of the Bank for International Settlements in certain instances. This means that if, for example, the amount to be distributed in a given year amounts to $ 15 billions and the total population of the countries eligible amounts to one billion, the aid per head will work out at $ 15. It follows that a country with 20 million inhabitants will be entitled in the year under review at $ 1.350 millions, which will be available in 12 monthly instalments. The recipient country will have, however, to comply with the special conditions laid down by the donor countries and, more important, will be under obligation to use the proceeds for purchasing manufactured commodities produced in developing countries where the annual income per head does not exceed, say, $ 1,000. [22] Countries of the Eastern Bloc would have to be excluded from this

21. International solidarity is best served with recourse to an international institution. Cf. W. G. Hoffman, *Die Idee der internationalen wirtschaftlichen Interessensolidarität*, "Jahrbuch für Sozialwissenschaft" 1963, Heft 3, pp. 29-47, particularly p. 30.

22. Unctad voted in favour of purchases in the best markets, both of recipient and of

proposal unless the Soviet Union, East Germany, Czechoslovakia and Poland, should they figure among the donor countries, carry out punctually the obligations they have assumed. A purchase will be permitted from a developed country, and particularly from one of the donor countries, only if the industry of the developing countries proves unable to supply the goods required and if this fact is confirmed by the Bank's advisers within, let us say, six months.

In accordance with the procedure which proved so successful in the last years of the Marshall Plan, every country to receive aid will do its best, through its authorities or through firms suitably authorised, to obtain the most profitable offers in manufactured commodities (both consumer and producer goods) in respect of price, quality, maintainance, know-how and delivery dates; but such commodities must have been produced in a developing country with an annual income per head of less than $ 1,000, unless this proves impossible and this is confirmed by the Bank's advisers within, say, six months. The relevant shipping documents and the payment will be handled in the same manner as with the indirect aid of the Marshall Plan. The quota of every country ordering goods will be duly debited, but payment will be effected by debiting the donor's grants.

The developing country whose industry has been successful in securing the order will be credited in due course with the amount involved, which will be paid in the respective currencies of the donor countries, unless the latter choose to waive this obligation. The conversion will be made on the basis of the official parities. Of course, the proceeds will have to be used by the exporting countries according to whatever stipulations and limitations may have been laid down by the donor countries. There is no doubt that these limitations are stricter in the case of aid from the United Kingdom than that from the United States.

The results to be expected if this proposal were accepted would be as follows:

(a) foreign aid will be granted on a multilateral basis with advantages as analysed above and with the minimun time consumed by formalities;

(b) industries of developing countries will secure a practically unlimited

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other developed countries. Thus the best markets would get all orders while those of developing countries none.

market and competition will compel them to innovate, rationalise and compress costs;

(c) industries will be able to expand with their own profits, whilst the proceeds accruing in foreign currencies will contribute to a certain degree to the solution of the problem of a balance of payments deficit that is usually so acute for developing countries;

(d) costs of these industries will diminish with increased output until they are operating at full capacity;

(e) the needs of the inhabitants of low income countries will be better satisfied, particularly if the quotas allocated to each country may be put into use even after the year they concern has passed, and even more so if no formalities and expenses are involved;

(f) the special requirements of countries with balance of payment difficulties will be met without any necessity on their part to demand a reduction in the foreign aid they grant, for such a reason as Mr. Roosa gave at the symposium held in September 1968 by Brown Bros., Harriman & Co., Bankers on behalf of the United States (Dr. Emminger stated on this occasion that grants should be fixed in proportion to the gross national product of the donor country);[23]

(g) the diminution of competition in the markets of developed countries whither the industries of developing countries have at present a tendency to channel all their exports (usually considering it not worth while to try the markets of developing countries, perhaps from fear that payment or transfer would not be possible, or at least not easy and punctual);

(h) better employment in the secondary sector of the developing countries, which in turn will reduce the number of those inhabitants wanting to emigrate and thus contribute to a reduction of the brain and manpower drain from the developing countries (though this factor, albeit facilitating the solution of present problems, may prove to complicate those of the future).

V

The results which may be expected to accrue from the present proposal will tend to get larger under the influence of

23. Cf. *Neue Zürcher Zeitung*, Fernausgabe No. 259, 21 September 1968.

(1) an increased propensity to consume,

(2) an increased propensity to invest,

(3) the multiplier effect of increased investment, increased public expenditure and increased exports, though monetary repercussions ought not to be underestimated with respect to the rules in force. As a matter of fact, monetary repercussions will differ according to whether the members of the International Monetary Fund comply or not with the obligations they have assumed.

The enforcement of my proposal will encourage consumption, since employment will increase and since manufactured commodities will be sold at lower prices. Indeed, industry all over the developing world will become involved in strong competition and taking advantage of the economies of scale will reduce prices. The propensity to consume will be further strengthened by increased employment arising out of the need to provide durable consumer goods whose demand and use are the usual signs of improved living conditions amongst those groups whose income is or used to be rather low.

The increased propensity to invest will be the result of an increased demand for manufactured commodities, provided that numerous groups of new consumers are able to buy these and are thus obliged to repair, maintain and eventually replace them with better and newer types. It is to be expected that the demand for manufactured commodities in the developing countries will be strengthened by the envisaged diminution in prices, while at the same time incomes will be rising. A further consideration is that the increased propensity to invest will be observable not only in the developing countries but also in the developed ones, so long as with adequate imports from the developing countries the supply of the necessary commodities within the developed countries expands no further. These increased investments will augment the demand for raw materials, semi-manufactured commodities, fuels and transportation, and will intensify the necessity for an expansion of infrastructure. Whenever full employment constitutes an obstacle in the developed countries and whenever nationalisation fails to reduce the manpower needed, a further recourse will be had to the developing countries, and this will lead to an increase in their development.

The multiplier effect of increased investments and of increased exports will be even stronger. To this must be added the multiplier effects of increased public receipts and of increased public expenditure. [24] The growth of the latter

24. Cf. N. Marmatakis, *Method of equal development of supply and demand*, Athens 1965 (in Greek).

may be explained in the case of countries receiving foreign aid as being the favourable repercussions on incomes and on the flow of goods arising from the more rational operation of the plan and from the substantial reduction to be expected in the present defects that are inherent in a system of foreign aid granted on a bilateral basis.

It is, on the other hand, more difficult to anticipate what repercussions the application of this new proposal might have in the monetary sphere. It is only to be expected that developing countries will not be very keen to dismantle their foreign exchange and foreign trade controls following the increase in their export proceeds. It is highly probable that they will choose to follow the example of those developed countries which have gradually secured an external equilibrium and even achieved substantial surpluses without abolishing controls or at least by doing so after a considerable delay. Developing countries will most likely take advantage of this opportunity to increase imports, reduce foreign debts which have matured but have not been repaid, and increase their foreign exchange reserves, before they apply the principles of free trade that have shown such satisfactory results in the Western world over the last 15 years. They will also prefer to wait until it becomes quite certain that the new system will be kept operating long enough for their own development.

Naturally, the policy of the developing countries receiving this aid will be even more conservative in view of the long process of development needed for these countries to reach the stage of development enjoyed by those countries whose industry is to supply them with manufactured commodities within the framework of the new plan's operation.

The operation of this plan should secure the results briefly analysed in this essay because it will constitute the application of economic principles in the field of aid. Furthermore, it will permit a more accurate assessment of eventual needs and of available resources, making it easier to avoid overinvestment and to cover gaps which otherwise would not be evident in as much as those in need were not in a position to purchase the appropriate commodities. It is not altogether impossible that the rationalisation of future investments will facilitate the formation of free trade areas even between developing countries, provided it has proved possible for them to make substantial reductions in unemployment and to secure markets for their production. The experience derived from the activities of the European Economic Community and of the European Free Trade Area is that customs unions and economic integration are considerably facilitated by full employment and by the full utilisation of plant, transport and other production facilities. On the other hand, it does not seem probable that the application of this proposal would diminish the need for foreign aid in the near future. This could only occur if the whole developing world were to reach a stage of self-sustained growth, and there does not seem to be much likelihood of this happening for some time to come.

Theoretically, of course, the same principle could be applied to the import of agricultural foodstuffs by those developing countries where the annual income per head does not exceed \$ 150, but it would seem advisable to limit the application of the proposal, as a first step, to manufactured commodities only.

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