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THE INTERDEPENDENCE OF NATIONS

by Lewis Perinbam
Liaison Officer
Development Services Department
The World Bank

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One of the most striking features of our era is the extraordinary transformation that has taken place in the world in which we live. Since the turn of the century more than one billion people, who were formerly ruled by Western powers, have gained their freedom. The United Nations, whose Charter was signed in 1945 by 50 countries today embraces a membership of 115.

This accession to sovereignty of some 60 countries and their translation from dependent to independent status represents a remarkable historical and political phenomenon. For it marks the first time in our human experience when international relations are based on mutual respect for freedom, equality, and dignity, and when all mankind constitutes one single community.

As new nations are thrust into the vortex of world affairs, they begin to discover the realities of independence and the formidable problems that freedom and responsibility bring in their wake. How can they develop stable and self-sufficient societies? How can they achieve reasonable standards of living for their people? How can they maintain their hard-won freedom, preserve their independence and establish their place in the community of nations?

These questions are not new. Throughout history men have sought answers to such problems. What is new is the recognition in our age that the problems of other nations are our problems, that the prosperity of others affects our prosperity and that the future of our fellow men in other lands is part of our own future. In short, we live in an interdependent world which science and technology have reduced to a small neighborhood.

It is about this interdependence that I wish to speak and especially the opportunities which it offers for international co-operation between the developing countries and the more developed societies. In doing so, I wish to refer to the part which the World Bank is playing in this context.

Our contemporary world consists of an economically advanced minority of peoples on the one hand and, on the other, a highly diversified group of

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peoples who make up the vast majority of mankind and are at varying stages of economic development. In the developed world one farmer produces food for 23 people; in the developing world one farmer can barely feed his own family. The privileged, almost one-third living in the industrialized world enjoys a per capita income of over $1000 a year; two-thirds of the world's population have a per capita income of less than $100 a year. In the developed world there is spectacular scientific and technological progress; the developing world is characterised by a lack of educational momentum. And so we are confronted by this great and growing gap between the very few who have not only the necessities but also the amenities of life, and the vast majority of mankind that is usually sick and always close to starvation.

Unfortunately, political freedom has not brought liberation from economic and social problems. Despite the symbols of sovereignty, millions languish in conditions of abject poverty, disease and despair.

This contrast between the small world of abundance and the huge and growing world of poverty presents a great challenge to international co-operation and an opportunity to recognize the interdependence of nations.

Before we consider the present predicament facing the vast majority of the human family we should not overlook the part that the less developed countries have played in shaping our civilization.

Before the Christian era, the Egyptians, the Babylonians, the Chinese, the Hindus and the Greeks all made impressive contributions to human thought, science and practical engineering. When we discuss modern refinements in cultivation, irrigation and soil conservation we need to remember that the principles and practices of all of them have existed for thousands of years in the canals of Egypt and Mesopotamia; in the plant drainage which in the Sumerian-Babylonian and Oxus civilization kept salinization under control for centuries; and in the Persian horizontal wells, which exploited the ground water with a minimum of loss through evaporation. It was Indian metallurgists of 1600 years ago who made the iron of the Delhi Pillar and the iron girders of the Konarak

Temple, which have remained rustless for centuries, and who exported steel to the West to make Damascene swords. The mathematical figures now used by western scientists, financiers, and school children were brought to Europe from India by Arab mathematicians. Western scientists need not be reminded that James Watt was anticipated in Egypt, in A.D. 140 by Hero of Alexandria whose steam engine was "uneconomic" in an age of slavery when labour was abundant and mechanical power unessential. Indeed, when Marco Polo returned from China to his native Venice, he felt that the superior civilization was the one he left behind. And Basil Davidson has suggested in his fascinating book, "Old Africa Re-discovered" that long before the arrival of the Europeans, "Africans went through 15 or 20 centuries of successive, distinctive and notable phases of growth and development."

A British scientist has said that "If a man from Mars had arrived on earth any time between 3000 and 500 B.C. he would have concluded that the people of the Near and Middle East were the superior beings of the earth; but between 500 B.C. and A.D. 1500 he would have decided in favour of the Chinese and the Indians."

For a variety of reasons these nations were left behind in the march of progress. As a result, crushing poverty grips most of them and has resulted in the division of the world into the less developed and the highly developed sectors. This division holds great peril if it is ignored, and unimaginable promise if it can be overcome.

Economic development, therefore, is of central importance and holds the key to a better future for all mankind. It is, in effect, the bridge between the developing and the highly developed societies. It is the means whereby the less fortunate sector of the human family can build up their agriculture, utilize their natural resources, develop their productive capacities, industrialize and release their creative energies and skills. Above all, it could be the means of drawing the developing nations once more into the field of scientific and technological progress.

The response of the developed countries to this challenge has been encouraging but not spectacular. According to the Organization of Economic Co-Operation and Development (OECD) the flow of capital, including public and private grants and loans from all sources (excluding the U.S.S.R. and the Socialist countries) to the developing countries is approximately $8½ billion a year and reached $9 billion last year.

These funds have been of major importance to the recipient countries in providing resources for development purposes. In fact, it is estimated that approximately one-third of the investment resources of the developing world have come from the highly developed countries. The proportion has varied, of course, from country to country but it does provide a rough average.

It is apparent therefore that the flow of capital from external sources has been a major element in making growth possible. But what is more important is that two-thirds of their capital formation

has come from their own resources and is a tribute to their efforts in difficult circumstances.

The developing countries represent, at the present time, a wide spectrum of societies in transition, characterized by differing stages of growth — some advancing rapidly, others making slow but steady progress, a few actually losing ground.

On the whole, however, the post-war period has been one of substantial achievement; incomes have risen, the infrastructure of physical facilities such as roads, ports, power, and factories has been greatly strengthened and expanded; government administrations have become more effective and better staffed; the promotion of economic growth and social reform is assuming increasing importance; and greater educational opportunities are beginning to create an enlightened citizenry whose productive capacity is showing encouraging improvement. Above all, the developing countries have gained a better understanding of the problems that must be solved if their economic growth is to be sustained and accelerated, and a realization that their progress depends primarily on determined and dedicated domestic effort — that it cannot be imported from abroad.

In spite of this encouraging progress, however, the rate of economic growth of the developing countries remains slow. The reasons for this are complex since the problems inherent in the development process are many and varied. This is evidenced by the fact that economic development has not only been uneven between countries and regions, but also within most economies in the world. I shall refer, therefore, to only four factors, all of which are of considerable interest to the World Bank.

First, there is international trade, an area of crucial importance in an interdependent world. The developing countries *rely on their export earnings for foreign exchange far more than on aid and investment* — the ratio is about four to one. However, their foreign exchange earnings have not kept pace with their economic growth. While there has been a substantial increase in world trade in the post-war period, most of the expansion has taken place between the highly developed countries, and from them to the developing countries, while exports from the developing countries have not significantly risen. For instance, the Latin American countries increased the volume of their exports of primary commodities by 25 per cent during 1956-62, but they earned less foreign exchange in 1962 than in 1956.

It is evident, therefore, that the developing countries cannot achieve a satisfactory rate of growth by their own efforts alone. International co-operation is needed so that their efforts can be supplemented by the help of the industrialized countries — mainly in the form of more freely accessible markets for their primary as well as their processed goods, better and more stable terms of trade and assistance in diversifying their production.

The United Nations Conference on Trade and Development (UNCTAD) held in Geneva last year and the permanent

machinery which has emerged from this Conference underline the seriousness of this problem and the importance of international action in this context. But while measures to change the existing patterns of trade may be difficult, and even painful, yet, in the long run, an expansion of trade will undoubtedly benefit both the industrial as well as the developing nations.

Secondly, I wish to refer to one of the Bank's most important concerns — that of stimulating the flow of private capital into international economic development. In recent years, international investment has become a cardinal feature of the new partnership between the richer and the poorer nations. This is particularly true of private foreign investment which, if wisely conducted, can be of decisive value to the developing countries.

Unfortunately, private capital is not yet moving in sufficient volume to areas in need of it. One of the most serious impediments to the flow of private capital is the fear of expropriation without fair compensation or by other arbitrary action by the host government. Since the Bank has been called upon, on several occasions, to mediate or arbitrate disputes whose continuation would have impeded the international flow of private capital, we have taken the initiative in creating international machinery for the conciliation and arbitration of investment disputes. In consultation with our member governments, a Convention on the Settlement of Investment Disputes is under preparation. The Convention, when approved, will provide facilities and services to foreign investors and governments on a voluntary basis. No government or investor would be under an obligation to use this machinery without having consented to do so. But once the parties had agreed to resort to this procedure, their agreement would be binding. It is our hope that this machinery will inspire greater confidence among investors and governments alike, contribute to a healthier investment climate and stimulate an increased flow of private capital to the developing countries.

Thirdly, it has become increasingly apparent that the flow of development assistance to the developing countries must be greatly increased and must be available on more favourable and flexible terms. The Bank has endeavoured to build up its financial strength and to adapt its policies, in a variety of ways, to meet new and growing needs.

The International Development Association is one important example of the Bank's several initiatives in this respect. It was created as an affiliate of the Bank to provide long-term development finance to countries unable to borrow on conventional terms; its loans are interest-free, although there is a small service charge, and are repayable over a 50-year term with no repayment at all for the first ten years.

While IDA makes soft loans in the sense that they will not burden a borrowing country's balance of payments, it is not a soft lender. In other words, projects submitted for IDA financing must meet the same criteria and rigid standards as those for conventional loans. To

date 71 IDA credits amounting to over $1 billion have been approved in 27 countries (9 in Africa, 7 in Asia, 10 in Latin America and 1 in Europe).

Canada, which is a founding member of IDA, has contributed $38 million to IDA and has recently announced a further commitment of $42 million over the next three years. Such support is not only a great encouragement to the Bank but is particularly appreciated by those countries who rely so much on IDA for funds. The Bank itself transferred $50 million as a grant to IDA out of last year's earnings. Since IDA has proved to be one of the most effective forms of multilateral development assistance, and has inspired the confidence of both donor and recipient countries, it is our hope that IDA's resources can be enlarged to meet the growing requests for its help; and that our member governments will continue to give IDA their increasing support.

Fourthly, there is a growing need for closer and more effective co-ordination both among the donor as well as the recipient sectors of the world.

The value to both groups of such co-ordination was demonstrated in the Kainji Multipurpose Project in Nigeria. The UN Special Fund financed a survey, with the World Bank as executing agency, of the power, irrigation and navigation potential on the Niger River. A feasibility survey was conducted jointly by two firms from different countries under the Bank's supervision. When the soundness of the proposed investment was established, the Bank indicated its willingness to finance part of the cost and invited bilateral aid-givers to provide the remainder of the external funds required. Canada was among those who responded along with the U.S.A., the U.K., Italy and the Netherlands. While their offers were primarily tied to goods and services from the lending countries, it was agreed that Nigeria should award all contracts on the basis of international bidding; this was done on the understanding that where the winning bids were made by one of these countries, their cost could be applied against the funds which they were providing. Financing from the Bank made up the balance. Thus five countries and two international agencies co-operated to provide $208 million to assist Nigeria, the largest and most populous nation in Africa, to build a large-scale dam on the Niger River which, together with associated works and installations, will be the final link in the creation of a national power network. In my view, here is an example of international co-operation at its best. It offers, I believe, the basis for many more such co-operative efforts in the future when multilateral and bilateral efforts are joined to ensure a more effective development effort.

International trade, international investment and international development assistance represent therefore the new frontiers in international co-operation. They reflect the problems, the possibilities and the promise of an interdependent society.

Many features of the present situation suggest that we are at a stage of special significance in the world's development. Science and technology have opened up

new vistas of potential human well-being; man's imagination and ingenuity have developed new forms of social and political organization; and the instinct for freedom and dignity has found expression in an awakening national consciousness among the peoples of the world. Our era is characterized therefore by a growing awareness of the interdependence of all nations, and the need and desire for enduring peace so that the world's resources and energies can be devoted to human progress.

The United Nations and its agencies should be the cornerstone of this new interdependent society that is emerging. They provide a framework for international co-operation in an age that is striving for advancement in all fields of endeavour, and for the reconciliation of nations who have inherited bitterness and estrangement as a result of their historical and political backgrounds. Above all, they offer the prospect of a true partnership between the less developed and the more developed communities in their efforts to liberate mankind from ignorance, misery, want and to build a more stable and decent society.

As a member of the United Nations system the World Bank is deeply involved in these great co-operative efforts of the human family. As the President of the Bank, Mr. George D. Woods, has stated:

"Our resources of finance, experience, and influence can make a significant contribution to raising standards of living in underdeveloped countries which contain most of the population of the world. The future of the Bank depends on its continuing to play an active and constructive role in these countries. It is our firm intention to play this role."

However, the importance of the Bank does not only lie in its financial resources, or in its professional and apolitical approach, or in its international character. Its main feature and merit is that it is not really a bank but a development agency. As such its central task is to improve the lot of man and to help the developing countries to move into the twentieth century. Hence, while it is necessarily engaged, in large part, in mobilizing funds to meet the development needs of its member countries, much of its energy and resources are devoted to technical assistance and advisory services which are essential to promote better human conditions.

The challenge of an interdependent society is, in effect, a call to action to eliminate the ancient enemies of mankind — poverty, disease, and illiteracy. It is a challenge in which all of us are inextricably involved. For as the late President John F. Kennedy reminded us in his Inaugural Address:

"If the free society cannot help the many who are poor, it can never save the few who are rich."

Moreover, it is a challenge that will be with us a long time. For although the development era may ultimately be no more than an interlude in the world's history, there is no indication that it will be short — or that its end is in sight. We need only recall the long, hard years of the development of the industrialized nations to remove any false optimism. Today the process of economic growth may be better understood, but the dif-

ficulties are nevertheless formidable.

Recent events at the United Nations have not been encouraging. However, in spite of the crisis of confidence in the United Nations arising from its political and financial difficulties, the international agencies continue to strive for the long-term well-being of the human family and to ensure its economic and social betterment. In doing so they demonstrate that practical international co-operation offers the most hopeful basis for an interdependent world, and that such international co-operation represents a new dimension in international relations which could be of profound significance for the future ■

Résumé

L'Interdépendance des nations

Lewis Perinbam
agent de liaison à la
Banque mondiale

Il faut classer parmi les plus remarquables phénomènes de notre époque l'accession à l'indépendance, depuis la signature de la Charte des Nations Unies en 1945, d'une soixantaine de pays groupant plus d'un milliard d'habitants.

A mesure que les nouveaux Etats découvrent les vieux problèmes qui sont la contrepartie de la liberté et de la responsabilité, nous nous rendons compte pour la première fois dans l'histoire que les problèmes des autres nations sont nos problèmes, que leur prospérité affecte la nôtre, et que l'avenir de nos frères humains des autres pays est inséparable du nôtre. Bref, nous prenons conscience de l'interdépendance du monde.

L'écart déjà énorme et toujours croissant entre les pays développés et les pays en voie de développement constitue à la fois un défi à la coopération internationale et une occasion de reconnaître l'interdépendance des nations.

Les sociétés de l'Asie et d'Afrique ont joué, au cours de l'histoire, un rôle important, et furent à certaines époques beaucoup plus évoluées que celles d'Europe. Nombre d'entre elles, cependant, ont ensuite échappé au progrès économique, comme en témoigne la division très nette qui sépare les secteurs peu développés et les secteurs hautement développés du monde.

Le développement économique est la clef d'un avenir meilleur pour toute l'humanité. Il est le pont qui relie les sociétés en voie de développement et les sociétés industrialisées; il permet aux pays en voie de développement de reprendre leur place dans les plus grands courants du progrès scientifique et technique.

L'an dernier, les pays industrialisés ont consacré au développement 9 milliards de dollars sous forme d'investissements privés et publics. Cette somme équivaut au tiers environ des investissements des pays en voie de développement. Mais chose plus importante, la plus-value des capitaux de ces derniers provenait de leurs propres ressources dans une proportion de deux tiers.

Depuis la guerre, les pays en voie de

développement ont accompli beaucoup et ont pris conscience de la nécessité d'un effort soutenu, sur le plan domestique, pour assurer leur progrès. Néanmoins, le taux de la croissance économique demeure lent. Les raisons de cette lenteur sont complexes, car le processus du développement pose nécessairement de nombreux problèmes. Nous nous arrêterons à quatre causes qui intéressent toutes vivement la Banque mondiale.

Pour les pays en voie de développement, le commerce international est beaucoup plus important, comme source de devises étrangères, que l'aide ou l'investissement étranger, mais depuis quelques années, les conditions du commerce leur sont de moins en moins favorables. A leurs propres efforts doit donc s'ajouter l'aide des pays industrialisés, principalement sous les formes suivantes: marchés plus accessibles pour leur production primaire et pour leurs produits fabriqués; conditions commerciales plus avantageuses et plus stables, et assistance en vue de la diversification de la production.

En second lieu, une des fonctions les plus importantes de la Banque consiste à accroître les afflux de capitaux privés vers les entreprises internationales de développement économique.

Les méthodes qu'on est à mettre au point pour l'arbitrage et la conciliation des différends en matière d'investissements aideront à assainir le climat des investissements et augmenteront les apports de capitaux vers les pays en voie de développement.

Troisièmement, on se rend compte de plus en plus de la nécessité d'accroître considérablement l'aide au développement dans les pays qui en ont besoin, et de l'accorder à des conditions plus favorables et des plus souples. A cet égard, la Banque a créé l'Association internationale de développement pour fournir des capitaux de développement à long terme aux pays incapables d'emprunter aux conditions du marché. C'est là, a-t-on constaté, une des formes les plus efficaces d'aide multilatérale au développement, et il faut souhaiter que les ressources de l'AID continuent de s'accroître.

En dernier lieu, une coordination plus étroite et plus efficace s'impose entre les pays donateurs aussi bien qu'entre les pays bénéficiaires du monde, comme on le voit par l'exemple du projet polyvalent de Kainji, en Nigéria.

Notre époque est caractérisée par un sentiment de plus en plus vif de l'interdépendance de tous les pays. Les Nations Unies et leurs institutions spécialisées devraient être les pierres angulaires de cette nouvelle société interdépendante qui se fait jour. En tant que membre de la famille des Nations Unies, la Banque mondiale est profondément engagée dans ces grands efforts communs de la famille humaine.

La Banque a pour fonction première de favoriser le développement afin d'améliorer le sort de l'homme et d'aider les pays en voie de développement à accéder au 20e siècle. Si elle s'occupe principalement de mobiliser des fonds pour répondre aux besoins de ses pays membres, elle doit aussi, par conséquent, consacrer une large part de son énergie et de ses ressources à l'assistance technique et aux services de consultation.

Même si les récents événements aux Nations Unies ne sont pas encourageants, les institutions internationales poursuivent leurs efforts pour améliorer à la longue le sort de l'homme et pour relever sa condition économique et sociale. Elles prouvent par là que, dans un monde interdépendant, une coopération internationale pratique est la formule qui offre le plus d'espoir. Cette coopération, qui est un caractère nouveau des relations internationales, pourrait avoir de profondes répercussions sur l'avenir ■

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
1818 H Street, N.W., Washington, D. C. 20433 U.S.A.
Telephone number: *EXecutive* 3-6360
Cable address: INTBAFRAD

Office for Europe:
4, Avenue d'Iéna, Paris 16e, France
Telephone number: *KLEber* 25-10
Cable address: INTBAFRAD PARIS

THE INTERDEPENDENCE OF NATIONS

An address to the Fourth National Conference of
the Canadian National Commission for UNESCO on
"International Co-operation and the Development of Nations"
at the Queen Elizabeth Hotel, Montreal, Canada,
on March 12, 1965,

by

Lewis Perinbam
Liaison Officer, Development Services Department
The World Bank, Washington, D.C.

One of the most striking features of our era is the extraordinary transformation that has taken place in the world in which we live. Since the turn of the century more than one billion people, who were formerly ruled by Western powers, have gained their freedom. The United Nations, whose Charter was signed in 1945 by 50 countries today embraces a membership of 115.

This accession to sovereignty of some 60 countries and their translation from dependent to independent status represents a remarkable historical and political phenomenon. For it marks the first time in our human experience when international relations are based on mutual respect for freedom, equality, and dignity, and when all mankind constitutes one single community.

As new nations are thrust into the vortex of world affairs, they begin to discover the realities of independence and the formidable problems that freedom and responsibility bring in their wake. How can they develop stable and self-sufficient societies? How can they achieve reasonable standards of living for their people? How can they maintain their hard-won freedom, preserve their independence and establish their place in the comity of nations.

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The United Nations Conference on Trade and Development (UNCTAD) held in Geneva last year and the permanent machinery which has emerged from this Conference underline the seriousness of this problem and the importance of international action in this context. But while measures to change the existing patterns of trade may be difficult, and even painful, yet, in the long run, an expansion of trade will undoubtedly benefit both the industrial as well as the developing nations.

Secondly, I wish to refer to one of the Bank's most important concerns -- that of stimulating the flow of private capital into international economic development. In recent years, international investment has become a cardinal feature of the new partnership between the richer and the poorer nations. This is particularly true of private foreign investment which, if wisely conducted, can be of decisive value to the developing countries.

Unfortunately, private capital is not yet moving in sufficient volume to areas in need of it. One of the most serious impediments to the flow of private capital is the fear of expropriation without fair compensation or by other arbitrary action by the host government. Since the Bank has been called upon, on several occasions, to mediate or arbitrate disputes whose continuation would have impeded the international flow of private capital, we have taken the initiative in creating international machinery for the conciliation and arbitration of investment disputes. In consultation with our member governments, a Convention on the Settlement of Investment Disputes is under preparation. The Convention, when approved, will provide facilities and services to foreign investors and governments on a volumtary basis. No government or investor would be under an obligation to use this machinery without having consented to do so. But once the parties had agreed to resort to this procedure, their agreement would be binding. It is our hope that this machinery will inspire greater confidence among investors and governments alike, contribute to a healthier investment climate and stimulate an increased flow of private capital to the developing countries.

Thirdly, it has become increasingly apparent that the flow of development assistance to the developing countries must be greatly increased and must be available on more favourable and flexible terms. The Bank has endeavoured to build up its financial strength and to adapt its policies, in a variety of

ways, to meet new and growing needs.

The International Development Association is one important example of the Bank's several initiatives in this respect. It was created as an affiliate of the Bank to provide long-term development finance to countries unable to borrow on conventional terms; its loans are interest-free, although there is a small service charge, and are repayable over a 50-year term with no repayment at all for the first 10 years.

While IDA makes soft loans in the sense that they will not burden a borrowing country's balance of payments, it is not a soft lender. In other words, projects submitted for IDA financing must meet the same criteria and rigid standards as those for conventional loans. To date 71 IDA credits amounting to over $1 billion have been approved in 27 countries (9 in Africa, 7 in Asia, 10 in Latin America and 1 in Europe).

Canada, which is a founding member of IDA, has contributed $38 million to IDA and has recently announced a further commitment of $42 million over the next three years. Such support is not only a great encouragement to the Bank but is particularly appreciated by those countries who rely so much on IDA for funds. The Bank itself transferred $50 million as a grant to IDA out of last year's earnings. Since IDA has proved to be one of the most effective forms of multilateral development assistance, and has inspired the confidence of both donor and recipient countries, it is our hope that IDA's resources can be enlarged to meet the growing requests for its help; and that our member governments will continue to give IDA their increasing support.

Fourthly, there is a growing need for closer and more effective co-ordination both among the donor as well as the recipient sectors of the world.

The value to both groups of such coordination was demonstrated in the

Kainji Multipurpose Project in Nigeria. The U.N. Special Fund financed a survey, with the World Bank as Executing Agency, of the power, irrigation and navigation potential on the Niger River. A feasibility survey was conducted jointly by two firms from different countries under the Bank's supervision. When the soundness of the proposed investment was established, the Bank indicated its willingness to finance part of the cost and invited bilateral aid givers to provide the remainder of the external funds required. Canada was among those who responded along with the U.S.A., the U.K., Italy and the Netherlands. While their offers were primarily tied to goods and services from the lending countries, it was agreed that Nigeria should award all contracts on the basis of international bidding; this was done on the understanding that where the winning bids were made by one of these countries, their cost could be applied against the funds which they were providing. Financing from the Bank made up the balance. Thus five countries and two international agencies co-operated to provide $208 million to assist Nigeria, the largest and most populous nation in Africa, to build a large-scale dam on the Niger River which, together with associated works and installations, will be the final link in the creation of a national power network. In my view, here is an example of international co-operation at its best. It offers, I believe, the basis for many more such co-operative efforts in the future when multilateral and bilateral efforts are joined to ensure a more effective development effort.

International trade, international investment and international development assistance represent therefore the new frontiers in international co-operation. They reflect the problems, the possibilities and the promise of an interdependent society.

Many features of the present situation suggest that we are at a stage of special significance in the world's development. Science and technology have opened up new vistas of potential human well-being; man's imagination and ingenuity have developed new forms of social and political organization; and the instinct for freedom and dignity has found expression in an awakening national consciousness among the peoples of the world. Our era is characterized therefore by a growing awareness of the interdependence of all nations, and the need and desire for enduring peace so that the world's resources and energies can be devoted to human progress.

The United Nations and its agencies should be the cornerstone of this new interdependent society that is emerging. They provide a framework for international co-operation in an age that is striving for advancement in all fields of endeavour, and for the reconciliation of nations who have inherited bitterness and estrangement as a result of their historical and political backgrounds. Above all, they offer the prospect of a true partnership between the less-developed and the more developed communities in their efforts to liberate mankind from ignorance, misery, want and to build a more stable and decent society.

As a member of the United Nations system the World Bank is deeply involved in these great co-operative efforts of the human family. As the President of the Bank, Mr. George D. Woods, has stated:

"Our resources of finance, experience, and influence can make a significant contribution to raising standards of living in underdeveloped countries which contain most of the population of the world. The future of the Bank depends on its continuing to play an active and constructive role in these countries. It is our firm intention to play this role."

However, the importance of the Bank does not only lie in its financial resources, or in its professional and apolitical approach, or in its international character. Its main feature and merit is that it is not really a bank but a development agency. As such its central task is to improve the lot of man and to help the developing countries to move into the twentieth century. Hence, while it is necessarily engaged, in large part, in mobilising funds to meet the development needs of its member countries, much of its energy and resources are devoted to technical assistance and advisory services which are essential to promote better human conditions.

The challenge of an interdependent society is, in effect, a call to action to eliminate the ancient enemies of mankind -- poverty, disease, and illiteracy. It is a challenge in which all of us are inextricably involved. For as the late President John F. Kennedy reminded us in his Inaugural Address:

"If the free society cannot help the many who are poor,
it can never save the few who are rich".

Moreover, it is a challenge that will be with us for a long time. For although the development era may ultimately be no more than an interlude in the world's history, there is no indication that it will be short -- or that its end is in sight. We need only recall the long, hard years of the development of the industrialised nations to remove any false optimism. Today the process of economic growth may be better understood, but the difficulties are nevertheless formidable.

Recent events at the United Nations have not been encouraging. However, in spite of the crisis of confidence in the United Nations arising from its

political and financial difficulties, the international agencies continue to strive for the long-term well-being of the human family and to ensure its economic and social betterment. In doing so they demonstrate that practical international co-operation offers the most hopeful basis for an interdependent world. And that such international co-operation represents a new dimension in international relations which could be of profound significance for the future.

NEW DIMENSIONS IN DEVELOPMENT ASSISTANCE

An Address delivered on February 16, 1966*,

in the Confederation Room, House of Commons, Ottawa,

by

Lewis Perinbam
United Nations Liaison Officer,
The World Bank, Washington, D.C.

(*At a Dinner given by Members of Parliament, Senior Civil Servants and the National Press for the Overseas Students and Trainees studying in Ottawa under the auspices of the Canadian External Aid Program)

There are several reasons why I am grateful for this honor of addressing this distinguished gathering. In the first place, it enables me to pay a well deserved tribute to Canada's External Aid Program, under whose auspices the scholars in this audience have come to Canada for study and training. The Canadian program is among the most successful undertaken by any country and is widely noted for its quality and competent management. It is a program which, as the Minister for External Affairs, Mr. Paul Martin, stated to the House of Commonts Standing Committee on External Affairs last June, "is guided primarily by humanitarian considerations". Consequently, it has no political axes to grind; although political goodwill may be its by-product. It does not seek unfair economic advantages; although it may result in the export of Canadian goods and services, and increased trade with developing countries. It does not impose terms and conditions which may be resented by the developing countries; although it insists on high standards in its program. In short, it is concerned with development - its primary aim is to help the developing countries to help themselves to become self reliant and to speed their economic growth.

Secondly, this occasion allows me to acknowledge the important part that Canada has played, and continues to play, in the World Bank group of institutions. Of the Bank's 103 members, Canada is the sixth largest shareholder. Canadian manufacturers and consultants have played a notable part in designing and equipping many development projects

financed out of Bank loans. If you were to take the 1,000 mile ride on the Pacific Railway to Guadelajara, in Mexico, you would be riding on Canadian rail; in Rio de Janeiro you would use electric current from Canadian equipped power plants and transmission systems; and, as a traveler on India's national railways, you might well find yourself riding behind a locomotive of Canadian manufacture that the Bank has helped to finance. Canadians helped to write the charter of the Bank at Bretton Woods in 1944 and they have been represented on its Board of Directors since the Bank came into existence.

And, thirdly, if I may add a personal note, it is always a great pleasure for me, as a Canadian, to return to Ottawa and to be among former colleagues and friends with whom it was my privilege to live and work for many years.

The inescapable fact of our time is that our contemporary world consists of two groups of nations: "developed" and "less-developed" or "developing"; or, in plain language, rich or poor. In the rich countries the GNP is over $2,000 per person; the GNP in a very poor country is about $85 per person. In the developed world, one farmer produces food for 23 people ; in the developing or less-developed world one farmer can barely feed his own family. In the developed world there is spectacular scientific and technological progress; the less-developed world is characterized by a lack of educational momentum. Between 1960 and 1962 the average <u>per capita</u> income in the rich countries increased

by about $100 a year, while that in the poor countries increased by barely $5. At the present rate of progress it will take the developing countries - those which have a per capita income of less than $100 per year - about 70 years to double their per capita income.

And so we are confronted by this vast gap between the very few who have not only the necessities but also the amenities of life, and the vast majority of mankind that is usually sick and always close to starvation. Moreover, at the present rate of growth, it is estimated that the population of the world will double before the end of the century and most of this increase will be in the developing countries.

There is, therefore, a striking contrast between the small world of abundance and the huge and growing world of poverty. This gap presents probably the greatest immediate problem facing our generation. It is a division which holds great peril if it is ignored and unimaginable promise if it can be overcome.

Fortunately, in the two decades since the end of World War II, the industrialized nations have increasingly recognized, and indeed accepted, the necessity for promoting the economic and social advancement of the developing countries. The World Bank itself represents the collective response of the world community to the challenge of development and the task of improving the lot of the human family. Although its original function was to serve as a guarantor of loans by others,

the Bank has been a lender on its own account from the very beginning. During the 20 years of its existence the Bank has made 446 loans totalling $9.5 billion to finance projects in 77 countries and territories; and during the current fiscal year which ends on June 30 it is expected to lend over $1 billion.

Since the Bank came into existence it has created two new affiliates: the International Finance Corporation (IFC) established in 1956 to finance private enterprises in the developing countries without government guarantee; and the International Development Association (IDA) established in 1960 to provide credits on soft financial terms to countries too poor to borrow at conventional rates of interest and repayment. The Bank has also widened its technical assistance activities to improve the quality of the development effort in its member countries and has established a staff college for senior officials from the developing countries. Thus the Bank, which began as a purely lending institution, is now evolving into a development agency offering a wide range of services and facilities.

As a result of these efforts much has been accomplished. In India, the public power supply has more than doubled in the past 15 years; in Mexico it has tripled; and in Brazil it has nearly quadrupled. Transportation loans have helped African countries to gain access to rich but remote resources - iron in Mauritania, manganese in Gabon, timber in Liberia - and to carry the products to the sea for export. As a

result of harbor modernization in the Sudan, Nigeria and Thailand these countries have been enabled to increase their exports.

Consequently, jobs have been created in new or expanded industries in the towns; many farmers have been helped to increase their yields and market their produce more efficiently; electricity and modern irrigation facilities have been introduced in many districts which never knew them before; for the first time, isolated areas have been opened up for cultivation or commercial activity.

At the same time, the developing countries have recognized that development means change and that the price of development is high. They have realized that, if they wish to develop, they must place development in the forefront of their priorities and accept its stern disciplines and obligations. Those that are doing so are making encouraging progress in accelerating their economic growth and in utilizing the experience they have gained and the skills they have acquired. And they have become increasingly aware of their own responsibility in raising domestic resources especially through taxation and other fiscal efforts.

This is encouraging, but it is a continuing task and one in which many of the overseas students in this gathering have a vital and decisive role to play. On many of them will soon fall the responsibility for helping their countries to break through into the twentieth century and for leading their peoples to a better and fuller life.

However, the development process has revealed some disturbing trends. According to studies undertaken by the World Bank the net flow of capital to the developing countries is actually decreasing in comparative terms as the rich countries get richer; between 1956 and 1964 the outstanding public and publicly guaranteed debt of the developing countries rose from under $10 billion to an estimated $33 billion; and about one-half of the financial resources received by the poor countries is not available for new investment but flows back to the rich countries in the form of interest payments and dividends.

Clearly new initiatives are needed if development is to go forward unhampered. In this respect Canada is giving splendid leadership both by increasing its aid and by providing it on easier and more flexible terms. I recall Parliament's first appropriation of C$400,000 for the Colombo Plan in 1950; since then the program has grown to its present level of over C$200 million a year. The introduction last year of a development fund of C$50 million for soft loan to the developing countries, and the recent decision to provide C$25 million for the Asian Development Bank are commendable initiatives. We hope that this strong upward and broadening trend in Canada's development effort will continue. I read with special interest the statement of the Minister of Finance, Mr. Mitchell Sharp, to the Canadian Club of Toronto on January 3, 1966, when he said:

> "The government plans a growing program in this field of international aid, despite the increasing claim that this must put upon our resources in competition with our own requirements, I am confident that this policy will have the support of a vast majority of the Canadian people."

However, the magnitude of the task is such that it cannot be solved by bilateral or multilateral programs alone. While both kinds

of programs have their respective and important roles, there is also a growing need for closer collaboration and coordination between them. One recent initiative involving such cooperation has been the consultative groups sponsored by the World Bank which have brought together aid-giving countries and international financial agencies.

Broadly speaking these groups are designed to provide a framework within which several aid-giving countries can provide more effective development assistance. Through the consultative groups aid-giving countries are able to make a better assessment of the development potential, performance and aid requirements of the developing country, adapt the character and terms of their aid to its special circumstances and identify and attend to its priority needs. The groups also provide a forum where the aid givers can discuss among themselves, and with the recipient country, the terms of aid appropriate for the country's financial position. And this consultation and coordination takes place under the auspices of an international agency, namely the World Bank, which represents the interests of both aid-giving and aid-receiving countries. The consultative groups make it possible for a donor country, such as Canada, to preserve the identity of its contribution, ensure that it is effectively and efficiently used and take full advantage of the experience and knowledge of the World Bank. An aid-giving country has nothing to lose but everything to gain by participating in these groups.

Canada is a member of some of the new consultative groups which have been organized to coordinate financial and other assistance to six countries in Africa, Asia and Latin America. Canada is also one of the ten countries which have participated in the consortium for India and one of the nine in the consortium for Pakistan.

Another example of such cooperation is the agreement signed by Sweden and the Bank's affiliate, the International Development Association, whereby they will jointly provide the equivalent of $24 million to Pakistan to help finance a project for the storage and handling of food grains in East Pakistan. The Swedish credit, amounting to $4.8 million, is for a term of 20 years at 2 per cent interest; the IDA credit of $18.2 million is on IDA's usual terms, i.e., it is repayable over 50 years free of interest.

Perhaps the Swedish example might prompt a similar response from Canada. I can assure you that the Bank would be most receptive to any initiative of this sort.

These examples mark a unique convergence of bilateral and multilateral programs. They represent new dimensions in development assistance. They offer the basis and the framework for a partnership which augurs well for future and which is one of the most hopeful and promising trends in the international development effort.

While these are encouraging developments, they are not going to be enough. It has been estimated by the Bank's staff that between now

and 1970 the developing countries could productively use an additional $3 billion to $4 billion a year. For if the flow of capital is not maintained and increased to meet the world's growing needs, the hard won gains of the developing countries may be irretrievably lost and the future of the development effort jeopardized. Much larger funds will therefore be required to maintain the momentum that has been generated.

How can this be done? Well, a century ago many nations, particularly those in the West, were divided by extremes of wealth and poverty. By taxation on the one hand, and social legislation on the other, they have achieved a more just society which respects the individual and allows for his intellectual, spiritual and physical fulfillment. Today we are, in effect, called upon to apply the same principles on a global scale. As the late President John F. Kennedy reminded us in his inaugural address, "if the free society cannot help the many who are poor, it can never save the few who are rich".

Economic development is therefore a call to all nations - rich and poor alike - to build a new partnership to develop the world's resources and to harness them for the common good. It is a task which is going to be with us for a long time. For, although the development era may ultimately be no more than an interlude in the world's history, there is no indication that it will be short or that its end is in sight. We need only recall the long, hard years of the development of the industrialized nations to remove any false optimism. But it is a

challenge that helps to remind us that, in our inter-dependent world, the problems of other nations are our problems, the prosperity of others effects our prosperity and the future of our fellow citizens in other parts of the world is part of our own future.

And so I conclude my remarks to this gathering of Canada's leaders, and overseas students who will be called upon to lead their respective country in the days ahead, by quoting the words of the French author and statesman, Alexis de Tocqueville written about 130 years ago: "To create a more equal allotment of prosperity and of rights throughout the world is the greatest task which confronts those who lead human affairs."