SCHOOL OF ADVANCED INTERNATIONAL STUDIES

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POINT IV

Essentials of Policy

The essentials of policy with respect to Point IV have been outlined by the Administration as follows:

1. Interest in acceleration of developmental activity. In his inaugural address President Truman proposed that "we embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas."

2. Use of private capital. Secretary of State Acheson noted that the President did not say that this program was to be accomplished by government capital and that "indeed, if the proper conditions are created, the reservoirs of private capital are very great."

3. Use of UN. President Truman asked that "all nations work together through the United Nations and its specialized agencies wherever practicable."

4. Long-range character of the program. Assistant Secretary of State Thorp pointed out at Lake Success that "the timetable for attainment of these objectives of economic development is measured in decades, not years. The reorientation of the way of life of millions of people can come only gradually."

5. Role of the under-developed countries themselves. Secretary Acheson warned that "there is in many places a failure to understand that unless the conditions are created by which investors may fairly put their money into a country, then there is a great impediment to development." And Assistant Secretary Thorp noted that "the bulk of the effort, the drive, the organization, the planning, and much of the financing must come from the people (of the under-developed countries) themselves and from their governments."

6. Sharing the cost. Assistant Secretary Thorp emphasized that no one country should be expected to assume all or most of the financial burden of the expanded program of technical assistance, lest the international and cooperative character of the work be prejudiced.

Background of Implementation

1. The character of the program is shaped by the fact that it involves acceleration of a process that has long been under way, rather than enunciation of something new. On the investment side, it involves bold constructive activity to clear away long-recognized obstacles to investment, looking to a revival of international investment on a large scale. On the industrial technique side, it involves broadening the acceptance of the value of industrial know-how, which has long been available for export from this country, commercially and as part of the investment process. On technical assistance in the public services, it involves stepping up the pace at which the U.S. government agencies have been cooperating for many years. The technical resources and the capital of the United States have long been actively engaged in the under-developed areas. Expansion on the basis of this experience is what is called for now.

2. Our government and a number of its agencies have in the past three years engaged in international activities which constitute important expressions of foreign economic policy. These activities include, on a global scale, collaboration within the United Nations and its Economic and Social Council, and through its specialized agencies, notably the International Bank and Fund, and the projected International Trade Organization. The principal regional activities are our collaboration in Europe through E.C.A. and O.E.E.C. and in Latin America through the Organization of American States, as defined in the pending Bogota Economic Agreement. In addition to these global and regional activities, and in recognition of their inherent limitations, increasing attention has recently been given to bilateral negotiations on commercial matters.

   It is clear that all these elements of our foreign economic policy require coordination in principle, and studied consistency in practice, to constitute an acceptable aggregate of economic policy. Likewise, the development program outlined, and specifically its investment and technical assistance phases, must be integrated with that aggregate, in order to develop its maximum, cumulative effect. It is therefore recommended that full responsibility for policy enunciation and direction be vested in the Department of State.

   Eventually this program may become the most important single element in American foreign economic policy and the determining factor in the effectiveness of our foreign policy. It requires drive and resourcefulness in direction from the start. It requires intimate acquaintance with the decades of experience in developmental activity abroad. The competence with which the program is developed will directly affect existing investments

the world over, the scale and character of new investment, the character and volume of American foreign trade. It is recommended that the State Department draw heavily on the business community for operating leadership for the program.

Investment Policy

1. On January 26, Secretary Acheson warned that "it is no solution to say that 'private investors won't do it and therefore government must.'" A formal declaration of investment policy by this government underlining the fact that there is NO alternative to a healthy flow of private capital is the first essential to the mobilization of private capital for an expanded developmental program.

   The declaration of policy might focus on three points: (a) The availability of developmental financing for public works is to be contingent on creation and maintenance of suitable conditions for sound private investment in industries which can boost the export capacity or reduce the import requirements of the borrowing countries. (b) Government-to-government lending through the Export-Import Bank is to be terminated and financing of governmental requirements for public works is to be assigned to the World Bank and private institutions. (c) Export-Import Bank accommodation to exporters of capital equipment, on a shared-risk basis up to 5-7 years, is to be expanded.

2. The second essential to effective mobilization of private capital is the negotiation of bilateral investment treaties, providing at a minimum, in addition to the customary clauses: (a) Guarantee that foreign investments will not be subject to measures which are directly or indirectly discriminatory; (b) Adequate effective and prior payment in the currency of the investing country, in the event of expropriation or nationalization; (c) Maintenance of a stipulated minimum flow of exchange for profit-remittances even in the event of exchange stringency; (d) Acceptance of the principle that investments are entitled to a fair return, as protection against the risk of local operations being made unprofitable through unreasonable encroachment by social and tax legislation; (e) Freedom to employ attorneys-in-fact, managers, agents, auditors, technicians, and confidential and key employees without regard to nationality, and the right of such persons to enter and remain in the country for specified periods of time provided they do not belong to races whose immigration is prohibited; (f) Freedom from obligatory participation of a specified proportion of local capital or local directors, desirable as this may be in some instances.

3. It should be emphasized that the various proposals that have been made for guarantees on investments are no substitute for the creation of the suitable climate of investment which the bilateral treaty is intended to accomplish. Priority should properly be given the negotiation of satisfactory investment treaties of fair treatment and good conduct.

4. As a preliminary to the negotiation of these treaties, or possibly as concurrent activity, the United States might invite the under-developed countries to establish bilateral commissions to study the obstacles to investment, with a view to making recommendations to the respective governments. In that connection, the United States itself has in effect some legislation which tends to restrict the flow of developmental capital, such as tax legislation, and it might well consider as a contribution to the general lifting of barriers to investment the remission of taxes on earnings on foreign operations.

5. It is suggested that the process of clearing up the obstacles to investment could be accelerated if a small group of key-countries were selected for initial negotiations. For instance, the countries designated might be one Latin American country, one colonial area, one non-colonial area outside the hemisphere. The force of example might be a powerful one, especially in an area like Latin America.

Technical Assistance

1. A number of U.S. Government cooperative programs in extension of technical assistance for public services (health, education, soil conservation, etc.) have established sufficiently satisfactory records of performance to warrant expansion under Point IV. The cost of expanding such programs from the present level of about $20 million per year is not great, either in terms of the U. S. budget for support of our foreign policy or in terms of the budgets of many of the under-developed nations. What is vital is to develop an appreciation in these nations of the importance of developing technical skills so that they will give suitable priority to such expenditures in their own budgets.

2. In the case of industrial know-how, the export of which started long before the formal government programs of technical assistance and has continued in increasing volume, it should be borne in mind that this is a product which is being merchandised commercially from the United States and which is an integral part of the movement of capital abroad. The flow of industrial know-how is proportionate to the pace at which private capital can be attracted to foreign countries. The greatest contribution that can be made to acceleration of the flow of industrial know-how is improvement of the climate for foreign investment. Since industrial know-how must continue to be furnished largely through private channels, it might be desirable to arrange for industrial representation on the State Department's inter-departmental coordination committee.

3. Countries which predicate their development upon the importation of arts and industrial techniques, should provide private owners of such assets with security comparable to that provided for tangible property. This security should be based upon fair and

comprehensive domestic legislation and administrative procedures with reference to patents, trademarks, and copyrights, and be implemented by adherence to the established International Conventions on these matters, and consistent observance of their standards of conduct.

Use of United Nations

1. The relationship of our foreign economic policy with the activities of the United Nations, its organs and specialized agencies, is not a simple problem. As suggested above, its solution depends upon a realistic estimate of the areas of competence of inter-governmental collaboration, and reliable definitions of projected activities. Such programs should be examined individually from the viewpoint of whether they are economically valid, or in competition with or deterrent to, developments or ventures for private account.

2. In the case of colonial areas, the colonial powers have a primary responsibility and a primary interest in the direction of the development which is likely to absorb most of the technical assistance which they themselves are able to contribute to a general program for the under-developed areas. Consequently their contribution to a program directed by UN might appear too small.

3. In other areas, the normal tendency would be to draw bilaterally on the United States, since the overwhelming proportion of the technical resources and the financing for such programs would be furnished by the United States. It is imperative that a top-heavy organizational structure be avoided in the furnishing of technical assistance for the public services. This would argue for continuance of the avenues of assistance which have proved successful in the U.S. programs in Latin America and elsewhere.

4. In the case of industrial know-how, this already tends to move bilaterally and directly from industrial corporations and commercial vendors of know-how, often as part of the investing process. This is true not only of know-how exported by the United States but also of the process of industrial development stemming from most western European countries. The sphere of activity for the United Nations in this case is thus limited.

5. In the case of developmental surveys, the exact place for these surveys will tend to be associated with the character of the over-all activity contemplated. Where a country is engaged in bilateral examination with the United States of the obstacles to private investment and of the possibilities of a treaty of investment, it may be feasible for the United States to consent to participate in joint surveys on a bilateral basis, such as the Abbink survey of Brazil. On the

other hand, where countries contemplate substantial programs of borrowing from the International Bank for Reconstruction and Development, experience points to the value of surveys being conducted as closely as possible to the potential fountain of funds.

6. The United States at present assumes about 40% of the cost of the work of the United Nations agencies. It is desirable that this share not be increased. If it is desired to support more actively certain UN activity under Point IV, a bulk contribution set apart from the ordinary budget of the agency would be better than abandonment of the principle of limiting the U. S. contribution to two-fifths of the budget.

7. Even where the colonial powers perform the developmental function bilaterally or where the U. S. finds it feasible to act bilaterally, it might be desirable to have some agency of UN function as a reporting center, with which all bilateral activity would be registered and from which periodical reports of the progress of the activity would be made.

8. Consideration should be given to the possibility of having UN undertake an educational function with respect to the flow of capital. An agency of UN would be ideally suited to educate the public in under-developed countries on the contribution that can be made by private capital and on the conditions necessary to attract it.

Annecy

British - Escape —
1. Imperial Preference
2. Balance of Exchange
3. Backward Colonies
4. ~~Sec~~ National Security ?

N a m - W S C of C - World Trade Conf.

Batt Committee - Clayton
New Committee to combat.

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DEPARTMENT OF STATE

FOR THE PRESS

FEBRUARY 25, 1949
No. 111

CAUTION
FUTURE RELEASE
NOTE DATE

STATEMENT OF THE HONORABLE WILLARD L. THORP, UNITED STATES REPRESENTATIVE IN THE ECONOMIC AND SOCIAL COUNCIL, ON ECONOMIC DEVELOPMENT AND TECHNICAL COOPERATION

In taking up today the question of economic development we are not embarking on a new subject. As a process, economic development has been going on for centuries. It was an early subject for United Nations discussions, at Hot Springs, at Bretton Woods and at San Francisco when the Charter was born. We in the Economic and Social Council have had the question before us since our first meeting, and we devoted particular attention to it during 1948. The Economic and Employment Commission, the Sub-Commission on Economic Development, the regional commissions, and a number of the specialized agencies have discussed it urgently at considerable length. Already, helpful experience has been accumulated by the United Nations and the specialized agencies in connection with various specific projects. Resolutions and recommendations previously adopted contain valuable ideas and suggestions concerning the central problems of economic development, some of its specific aspects, and the possibilities for constructive action.

Economic development was the keynote of the discussions in the Second Committee of the General Assembly in Paris a few months ago. It was obvious that many delegations were greatly concerned with increasing the effectiveness of the United Nations in this field. As a result, two resolutions were adopted by the General Assembly. One, growing out of the general debate in the Committee, recommended that the Economic and Social Council and the specialized agencies give urgent consideration to the whole problem of the economic development of under-developed countries in all of its aspects. The other, proposed by Chile, Peru, Egypt and Burma, expanded the United Nations program of technical assistance.

Few subjects which come before this Council excite the imagination more than economic development. To many, these words signify economic progress, more of the better things of life for more people, fuller and richer lives, social betterment. These words capture the imagination of people everywhere, in the most developed industrial countries as well as in those less developed or only partially developed.

Our immediate task is not the contemplation of goals but the more prosaic discussion of means. What we have to consider here is, in the language of the Charter, how to promote, through joint and separate action, the conditions of economic and social progress and development. Economic development cannot be given to, nor can it be imposed upon, a country by international cooperation. But there are practical forms of international cooperation which can facilitate the process. This was the realistic approach of President Truman in his Inaugural Address a month ago. Because of its significance to our present discussion, I shall quote his "Fourth Point" in full:

> "...we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.
>
> "More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.
>
> "For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.
>
> "The United States is pre-eminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.
>
> "I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.
>
> "Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.
>
> "We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.
>
> "With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.
>
> "Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guarantees to the investor must be balanced by guarantees in the interest of the people whose resources and whose labor go into these developments.

"The old imperialism -- exploitation for foreign profit -- has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.

"All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

"Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

"Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

"Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies -- hunger, misery, and despair."

Economic development, according to this concept, involves the production of more food, more clothing, and more mechanical power to lighten peoples burdens. It involves a better use of the world's human and natural resources. Looked at in the large, economic development means the continuous improvement and utilization of the resources and productive capacities of a people for the benefit of the people. It applies to farms as well as to factories. It applies to intellectual advancement as well as physical health. It applies to habits of work and habits of leisure, to the saving of capital and to its provident investment.

The concept of economic development applies equally to independent states and to dependent territories, which latter category includes the ten trust territories and sixty-two other non-self-governing territories, where lives one out of every ten persons in the world today.

There are no stereotyped patterns of economic development applicable to all, or even to many countries. Different countries have different needs and different possibilities. Development must take into account and, so far as possible, be adapted to local resources, attitudes, social and legal structures, customs and practices. In the poorer and less developed areas a basic improvement in health, literacy and vocational skills may well be prerequisite to increased production and improved standards of living. It is also likely that, in many of the less developed areas, agriculture, rural and small scale industry and transportation may stand in most need of improvement. For the somewhat further developed areas, priorities are likely to be quite different, with emphasis on improvement in the functioning of government and increases in industrial productivity.

Economic development is not limited to industrialization -- industrialization in the narrow sense of manufacturing. Surely, the development of manufacturing enterprises is generally a necessary part of economic development but it is not the whole, and often not the most important element. Economic development embraces advances in agriculture, mining, transportation, communications, power, and in the skills and

capacities of the people. It requires the expansion of the distribution system, and the full machinery required for the exchange of goods. All these economic activities are mutually reinforcing elements in the process of development, but they are also competing claimants for the limited resources at hand, particularly labor and capital. For any given country the wisest apportionment of scarce resources among these elements varies, of course, with time and circumstance.

It is not true that countries can be sharply divided into two categories, those which are "inherently" manufacturing countries and those which are "inherently" raw material producing. If standards of living in the world are to be substantially increased, it will be necessary to have a widespread development of manufacturing. The older industrial countries could not, even with their large industrial potential and under conditions of continuous full employment, supply all the manufactures the whole world needs through the channels of international trade. The League of Nations' study "Industrialization and Foreign Trade", made this quite clear. In the years 1926-29, two-thirds of the world's population enjoyed an annual average supply of finished factory goods of less than $7.00 per capita, while one-third of the world's population enjoyed an annual average of $104 per capita. If, during this same period, the less fortunate two-thirds of the world's population were to have enjoyed a supply of manufactures equal to one-half the value of that enjoyed by the more fortunate third, or $52 per capita per year, without increasing their own production their imports of manufactured goods would have had to be increased 16 times. This would have been equal to twice the annual value of all goods entering into world trade.

It is clear that if these peoples are to enjoy a greatly increased supply of manufactures, if their standards of living are to be augmented beyond the bare necessities of life, the world's manufacturing capacity will have to be greatly expanded. Such a growth of manufacturing, which necessarily will be gradual, will inevitably mean a much wider geographic distribution of industry. One cannot assume that the specialization which exists today among countries is the permanent pattern. It may be a fairly rational pattern in the light of present cost relationships, but it may not be so in the light of future costs or future markets or of potential discoveries of new resources and developments of new techniques. The world is still young in the exploration of the resources with which Nature has endowed it, and of the ways in which these resources can be utilized. Many a country which thinks itself poor in resources may find that by taking stock of what it has it will discover capacities now unknown. Every country needs not only resources but resourcefulness, and in many an instance it is the resourcefulness of a people that creates a new resource.

The domestic problems of the economic development of a country are numerous and difficult. They may involve basic changes in the economic, political and social institutions and habits. Most of the things that need to be done and that can be done are either wholly or mainly within the control of the individual country and its people.

The habits and attitudes that have fostered economic development have been those of work, saving, and venturesomeness and adaptability. The need for work extends to all groups. The working, self-disciplined business manager is as important to the expansion of production as the self-discipline and hard work of the farmer and laborer. Saving is the basis for capital accumulation. It can take place whenever people have hope and confidence in the future of themselves and their country. Venturesomeness is perhaps the most difficult of all new habits to acquire: the farmer must be willing to abandon the habits of father and grandfather and use new methods that appear to him to involve risk and danger. Domestic capital must be ventured in new industry at home rather than put into real estate or into strong boxes abroad. Wealth must be put into productive enterprise rather than hoarded in jewels and gold. There must also be adaptability to changing concepts. Old forms of status and caste, archaic systems of land tenure, and resistance to science and technology may be holding back economic development.

In addition to habits and attitudes, economic development depends upon the normally unspectacular functions of government. They are an essential part of any program for economic progress: the establishment of internal order, security and justice; the creation of money, credit and fiscal systems; the development of basic systems of communications and transportation; the spread of literacy and higher learning in the arts and sciences; the provision of basic health and social services; the assessment and protection of natural resources.

No country that aspires to economic development can say that it cannot afford these duties of government. It cannot afford not to educate its children. It cannot afford not to conserve the health of its people. It cannot afford not to conserve the fertility of its soil. It cannot afford not to give aid and encouragement to art and science. It is the function of governments aspiring to economic development to establish and maintain the institutions which enable their citizens to become resourceful.

The bulk of the capital for economic development has to come from the people themselves. There are important reasons for this. In the first place, the amount of funds that can conceivably be made available for foreign investment will fall very far short of the world's capacity to use capital. Larger amounts of capital have been moving across borders since the end of World War II than at any time in the past, but the demands far exceed the supply. Secondly, a country which imported too large a proportion of its capital would be faced for a long time with heavier carrying charges than it can readily meet in foreign exchange. Many industrialized countries including the United States have been developed in part by foreign capital, but in every case, the bulk of their capital investment is the result of their own savings. These considerations underline the importance for a government to create a climate and devise institutions which will stimulate and mobilize domestic savings, and will channel these savings into productive investment.

The maintenance of the value of the national currency is a normal function of government, but the process of rapid economic development accentuates the problem of internal inflation and external imbalance. Governments must develop machinery to cope with these problems or risk the dissipation of their development of programs.

If national resources are to be more fully developed there must be a broad market and continuous communication established between village and town, country and city. The absence of an adequate system of transportation and communications is in many underdeveloped countries the principal bottleneck to advancement. The absence of adequate power facilities may similarly be a significant obstacle to economic progress. The benefits of transport and power facilities are widely diffused throughout the whole economy. Governments therefore have the responsibility for promoting the development of these key public services.

Those are some of the unspectacular functions of government but they are basic, indispensable ingredients to economic development. To perform these unspectacular functions well requires, in many countries, spectacular changes in the attitude toward government and the habits of government personnel. Government cannot be a haven for younger sons or an avenue for personal enrichment or a private arsenal for military cliques. Effective government requires continuity of effort by personnel trained in the art of administration, devoted to the public service, and scrupulous of the public welfare.

All this has been succinctly stated as a basic principle in the first report by the Sub-Commission on Economic Development, as follows:

> "National development must be based primarily on national resources and must come largely from the effort of the people concerned."

This must be fully understood. The bulk of the effort, the drive, the organization, the planning and much of the financing must come from the people themselves and from their own governments.

Economic development can also be accelerated through international action and cooperation. The freeing of international trade in goods and services from restrictions and discriminations makes possible the expansion of the exchange of the products of the less developed countries for the capital goods needed for development. International migration has been and can still be an important means for bringing skills and needed manpower to less developed areas. The exchange of ideas in the scientific and cultural fields, as well as of information generally, may be in the long run the greatest leaveners of economic development. The United Nations has not been idle in these fields, as witness the Havana Charter for an International Trade Organization and the General Agreement on Tariffs and Trade; the activities of the International Labor Organization and the International Refugee Organization and the forthcoming Conference on the Conservation and Utilization of Resources.

However, the two international factors in economic development which I wish to stress are international flows of capital and international flows of technology.

The receipt of capital from abroad enables countries to acquire more goods and services from abroad than they can pay for with current exports. Irrespective of its source, whether from the proceeds of foreign borrowing or other advances, or from the accumulations arising from past exports, such capital serves to finance the excess foreign requirements of an expanding economy.

All of us are aware of the mistakes that have been made in the past in the use of such capital, not just mistakes of judgment, but improvidence and wastefulness that has actually brought impoverishment rather than enrichment. Both governments and private investors shared in these mistakes in the past. Fortunately, individuals as well as governments now are wiser and more responsible.

American policy does not countenance use of capital investment abroad for the purpose of exploitation. As President Truman said, "The old imperialism -- exploitation for foreign profit -- has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing."

The United States has been supplying capital funds to many countries in recent years -- through international organizations such as the International Bank for Reconstruction and Development, through government agencies and through private channels. The American economic system is predominantly a private enterprise system and as a result investment, even in many publicly-owned projects, is principally the function of the private capital market, subject to limited public controls and aids. We consider it natural, and desirable, to look to these same private sources to service the foreign field as well. Yet though gross domestic private investment amounted to $38.8 billions in the United States in 1948, private foreign investment amounted to only $0.9 billions. Nearly all this amount took the form of direct investment abroad by American enterprises who were expanding or starting operations in other countries. In light of our present discussion, it is worthy of note that this form of capital flow has certain advantages, since it carries along with the capital a flow of experience and technical knowledge.

The need for a substantial international flow of capital was recognized in the new post-war international machinery. The International Bank for Reconstruction and Development was established to provide an international agency which would gather capital in various markets of the world and facilitate the putting of this capital to work in areas needing such capital. We feel that the Bank has demonstrated that it can perform a useful function and that it has not yet realized its full potentialities.

It seems necessary to find still other means of encouraging the movement of capital from one country to another. President Truman recognized this need when he said that "in cooperation with other nations, we should foster capital investment in areas needing development". For conturies, capital moved in substantial amounts across international boundaries. There was only one requirement -- that both the supplier and the recipient must agree. Today, there appear to be many barriers to the flow of private capital in considerable quantities. The suggestion made by the President is that some way be found whereby sufficient assurances be given so that the existing obstacles will be removed.

The importance of this problem and the possibility of its solution are closely related to the development of increased technical cooperation. I now turn, therefore, to my second main point, the international flow of technology, or as it has been called in the United Nations, technical assistance.

I have already emphasized that the process of development involves a better use of the world's resources. This may require capital, but it always requires something more--the knowledge needed to put resources to work. Economic development inevitably involves the use of better techniques in agriculture, health and education. Progress in industry, transport, communications and other aspects of a modern economy can only come from the application of modern skills and technology. I also emphasized that the primary requirements for development were institutions necessary to create conditions for expanded production and capital accumulation.

The clear conclusion is that technical cooperation is a basic type of outside assistance whereby the under-developed countries can be aided in their progress toward a better economic life. To meet this objective the concept of technical cooperation must be broad in substance and in method.

It embraces such varied activities as training in administration, in industry, and in agriculture; health programs, broad technical missions, and the dispatch of individual experts; experiment stations; training fellowships and local technical training institutes; dissemination of information through conferences, seminars, and publications; provision of laboratory material; demonstration services and equipment; basic and vocational education; advice concerning particular industrial and agricultural projects; the improvement of fiscal systems; resource surveys and general assessment of development potentialities; analysis of methods of production, marketing and management; consultation on measures to combat inflation or to provide for displaced workers; and advice on steps designed to mobilize domestic savings for constructive investment.

The process of technical cooperation and interchange has taken place in the past along many channels and through many types of institutions. Immigrants have carried skills from one area to another. Private enterprises have operated in other countries. Engineers and advisers have been employed abroad. Great humanitarian enterprises like the Rockefeller Foundation have carried knowledge to many areas. Professional persons have travelled widely and technical publications have distributed internationally the results of individual scientific discovery. Foreign assistance has supported schools, colleges and hospitals.

Many of these same channels can be further developed and expanded. So far as the United States is concerned, we feel that every form and type of technical cooperation should be encouraged. Similarly, at the level of intergovernmental cooperation, the most appropriate method should be used, whether bilateral or multilateral.

Here

Here is a field in which genuine international cooperation can expand and flourish. No country has a monoply of skills, knowledge or available personnel. Certainly the United States has no such monoply. The amount of technical assistance will begin to approximate the need only if all nations contribute to the joint effort.

There should be no simple division of suppliers and receivers of technical assistance, for often one under-developed area will be in a position to furnish useful assistance to still less developed areas. In fact, technical cooperation can be reciprocal and mutually advantageous. It is an enterprise to which all can contribute and from which all may benefit. Technical cooperation is the direct opposite of imperialism. Its aim is the development of intellectual and physical self-reliance, and the conditions of basic economic strength which enable under-developed countries to resist foreign dominance or to cast off oppressive economic ties, if such there are.

There is today a widespread demand in the United Nations and the specialized agencies for increased programs in the field of technical cooperation. We all realize of course that the programs and budgets of these organizations are fixed for the current year and it is obvious that there will be need for planning of such expanded programs and perhaps revision of operating and administrative procedures. Many countries are involved and it will take time if the program is to be developed on the basis of genuine international cooperation. Obviously the program must have multilateral support and participation. It is clearly our hope that there will be general agreement to lift the process of technical cooperation to a new dimension.

For its part the United States is about to embark upon a broad program in the field of technical cooperation in aid of economic development. As an essential part of this program, the United States is prepared to work with other countries, through the United Nations and the Specialized Agencies whenever practicable, in bringing about an expansion of activities in this field.

In

In order to crystallize discussion in the Council, the United States is submitting a resolution incorporating three proposals.

First, I suggest that the Secretary-General, working through the Administrative Committee on Coordination so that all interested Specialized Agencies can participate, be asked to prepare, for consideration by the Council at its Ninth Session, a concrete program for enlarging the activities of the United Nations and the Specialized Agencies in the field of technical assistance for economic development. The report should also bring to the attention of the Council important problems such as the availability of competent experts and suggestions as to possible priorities among types of projects. In order to avoid overlapping, consultation should be held with the Organization of American States and with those countries or groups of countries which are already carrying on substantial programs in this field.

Second, I suggest that the report cover ways and means for arranging for financial expansion in connection with such projects. The regular budget contributions are based on a fixed percentage. We would hope that there could be some expansion in the regular budget for this type of activity. However, and beyond that, consideration should be given to the establishment of special projects budgets which would permit special contributions for purposes of technical cooperation within the United Nations or within the United Nations and the Specialized Agencies. It is possible that many countries might make their contribution in the form of goods, services and local currency. In order to safeguard the cooperative nature of the enterprise and the international character of the organization sponsoring it, no one country should be expected to assume all or most of the financial burden of the expanded program.

Third, I suggest that the report also include recommendations for the coordination of planning, execution, and control in this field. I have already stressed the importance of concurrent projects. Obviously, there must be some method of assuring comprehensive and coordinated planning and action among the various agencies concerned in carrying out technical assistance programs.

It will be for the ninth Session of our Council to review the documentation to be submitted and, I hope, to formulate recommendations for decisive action by the General Assembly and the Specialized Agencies.

The timetable for the attainment of these objectives of economic development is measured in decades, not in years. The reorientation of the way of life of millions of people can come only gradually. However, with a bold new program of technical cooperation the United Nations can hasten significantly economic development.

There is needless suffering in the world today and discontent and unrest which spring from it. The time is now to embark upon a program which will raise the spirits of men and give them new hope.

* * *

STUDY URGED TO AID BACKWARD REGIONS

World Group Asks President to Name Committee for Help
to Underdeveloped Areas

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Would Work Out Policy

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Will Comprise Government, Financial, Business Leaders
to Implement Program

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Recommendation was made yesterday to President Truman by the United States Council of the International Chamber of Commerce that he appoint a committee of Government officials and business and financial leaders to explore the whole field of implementation of Point 4 of the President's inaugural address. Point 4 calls for a "bold new program" for the development of underdeveloped areas of the world.

The proposed committee, the council stated, would make policy recommendations "to stimulate a free flow of private capital investments at an international level."

The council, heretofore known as the United States Associates, made public its report on "Intelligent International Investment." In discussing this report, Warren Lee Pierson, chairman of the USC-ICC Committee on Business Participation in Foreign Economic Development, said:

REFERS TO TRUMAN PROGRAM

"When President Truman in Point 4 of his inaugural address called for a bold new program to develop underdeveloped areas of the world, he referred to the necessity of having private capital investments. We believe that American business men should be ready and are anxious to take the initiative in developing an expanding world economy when the necessary temporary measures such as the European Recovery Program go out of the picture in 1952."

The USC-ICC report lists eight points which the organization believes are elements of an integrated program for achieving the goal of an expanding world economy:

"1 An unequivocal statement on the part of the United States Government that it does not itself intend to supply, and in fact cannot supply, foreign countries with the technology and capital which they require to develop their resources and skills; that it looks primarily to private enterprise to provide these things; and that its efforts will be concentrated on getting maximum private participation in the program.

CREATION OF BUSINESS CLIMATE

"2. Creation of a business climate in other countries which will be attractive to private investment.

"3 Joint government and business exploration, in the light of their many pitfalls, of various government inducements to private foreign investment, especially government guarantees or insurance of investment risks.

"4 Long term government contracts for the purchase of strategic raw materials.

"5 Elimination of burdensome taxation on foreign investments.

"6 Statutory registration of agreements between United States business interests and foreign business interests for the exchange of methods and processes under immunity from punitive provisions of the anti-trust laws.

"7 Government loans for closely circumscribed types of projects under private execution in order to increase opportunities for private investment in foreign countries.

"8 Technical missions to foreign countries under government auspices to advise on carefully selected development projects."

H. J. Heinz II, chairman of the USC-ICC, explained the change in the name of the organization in order to emphasize its international character. He added:

"The two reports we are making public today and which we have submitted to President Truman and other Government officials are in great part a concrete example of the kind of program we intend to push."

Taken from THE NEW YORK TIMES
of Tuesday, April 26, 1949

American Forum of the Air
May 23, 1949

United States Senate

MEMORANDUM

This is the
transcript the
Senate used on
American Forum
last Mon. on
World Trade. Thought
we should keep it

Altegelter

Threat to Watch Industry Seen in Tariff Policy

By the Associated Press

CHICAGO, May 21.—An American watch manufacturer said today that an "inadequate, obsolete and unrealistic tariff" on watch imports is undermining the American watch industry's ability to meet possible war emergency demands.

James G. Shennan, president of the Elgin National Watch Co., told the United Horological Association convention that "tariffs on watches were reduced in 1936 by approximately 35 per cent.

"In addition to this deliberate reduction, other factors have greatly reduced the protection that was intended by the 1936 trade agreement with Switzerland, including devaluation of the Swiss franc and an almost 100 per cent inflation since 1936."

He said labor rates in Switzerland were only about 40 per cent of wages in the United States.

"Inasmuch as the cost of the watch movement is almost entirely labor, the American industry has not been able to offset this great disparity in labor costs despite extensive technological improvements and greater operating efficiency," he said.

"At the present time the importers' profit ratios are in some cases double those of the domestic manufacturers."

"If war strikes again," he said, "the American industry will be asked to supply not only a much greater volume of military timing devices than it produced in World War II, but civilian timepieces as well because it is not contemplated that any could be imported."

Commodity Prices

NEW YORK, M
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sale comm
to 155.1
earlier