the OECD OBSERVER

THE STRATEGY AND PROGRESS OF AID TO DEVELOPMENT : FINANCIAL, TECHNICAL AND EDUCATIONAL ASSISTANCE ~ SHARE IN SHIPPING COSTS OF OCEAN FREIGHT RATES ~ RÔLE OF PUBLIC EMPLOYMENT SERVICES IN ACTIVE MANPOWER POLICY

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EDITOR : Anker Randsholt
ASSISTANT EDITORS : Peter Tewson and Jane Bussière
PRODUCTION AND LAYOUT : Marc Delemme

All correspondence should be addressed to the Editor.

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THE ROLE OF PUBLIC EMPLOYMENT SERVICES IN AN ACTIVE MANPOWER POLICY

The Manpower and Social Affairs Committee of OECD is taking action to help Member countries to achieve the aim of an active manpower policy, namely the full development and optimum use of human resources. The public Employment Service is one of the instruments which can be used to this end. The characteristics of these services, however, differ widely in different countries. With a view to harmonising the different concepts of a public Employment Service and guiding them along a progressive course the Committee appointed a Working Party to take stock of the present situation. This Working Party, consisting of representatives of the manpower authorities from seventeen countries, met to study various aspects of the Employment Service (functions, organisation, financing, labour market information, manpower mobility, regional economic development, etc.). Professor Louis Levine of Pennsylvania State University wrote the final report on this meeting.

Some knowledge of the way the employment service has evolved in the industrialised countries is an indispensable preliminary to discussion of its present role. During the Nineteenth Century local attempts were made, usually by the more progressive municipal authorities, to establish rudimentary placement offices. In the early years of this century the need was felt to organise the labour market on a more comprehensive scale, and a start was made toward establishing national networks of labour exchanges. Massive unemployment between the two World Wars changed the emphasis : succour to the distressed became the first priority, unemployment insurance was developed, and the networks of exchanges were given the task of administering the schemes and distributing the benefits. Thus these networks, which are the basis of what we now call the employment service, were founded on placement activity and payment of unemployment compensation; the service was conceived primarily in term of social welfare.

Since the 1939-45 War the service has developed in several directions. With the decline in unemployment, there was first a change of emphasis away from insurance work back to the original basic activity, placement. More recently there has been the adoption of new tasks, such as the stimulation of occupational and geographical mobility, the study of occupation and career information, increasing sophistication in the treatment of labour market data, vocational guidance for adults, influence over the location of industry, training and rehabilitation of the handicapped, and the extension of placement and guidance activities into sections of the population where the service had not been accustomed to penetrate. Underlying this evolution has been a broadening of concept from the social to the economic : the service has become an instrument of government for carrying out positive manpower policy in an actively managed economy.

Professor Levine distinguishes three stages in the development of a typical employment service. First, there is the placement agency which attempts simply to put employers and workers into contact. If this task is performed efficiently, it benefits the economy by reducing idle time : nevertheless it is essentially a short-term activity and one merely intermediary between factors over which the employment service has no control. The next stage is the " labour market institution ", which continues to " place " people in work but uses the term in a broader sense, attempting by various ancillary functions to adapt the supply and demand to one another and thus organise the working of the market for greater efficiency. Finally there is the " manpower agency ", which sees the operation of the market as only one of its tasks and regards its mission as the overall management of a nation's human resources. In most of the industrialised countries the employment service is in the second stage ; those in the forefront are thinking in term of stage three.

People often confuse the terms " employment service " and " placement service ", but in the new thinking this is to define the employment service by only one of its functions. What these functions are is in itself a major question. A contributor to the documentation of the Working Party from France (where organisations which are nominally autonomous play an important role in public manpower activities), proposed that the service be regarded as " the ensemble of institutions which in a given country contribute to the implementation of public employment policy ". Such an institutional, rather than functional, definition has the advantage of being applicable to countries at all stages of economic development and with differing administrative traditions.

Other concepts of the role of the employment service tend to make assumptions which are open to question : that of the " labour market organisation " for example presupposes an underlying compatability, both qualitative and quantitative, between jobs vacant and workers available without which there will hardly be a market to organise. Yet the divergence of supply and demand is likely, especially in a developing country, to be a major manpower problem.

If the general mission of the employment service is to act as the executive instrument of the authorities over the whole range of manpower policy, the next step is to ask through what medium, by the performance of what activities, it is to do this. The Working Party considered in turn, under various general headings, the functions it does in fact perform in various countries, though all of them in none.

A list of these would be :

- Study of the labour market situation. This includes the collection and treatment of statistics, analysis of occupations in terms of their demands, and the forecasting of employment trends.
- Utilisation of the above information, both collectively in planning and individually through vocational guidance.
- Placement, including special groups such as the handicapped, the aged, new entrants to the market, high-level personnel, etc; the management of clearance systems.
- The provision of aids to placement, such as the payment of mobility grants and assistance with housing.
- Training and re-training, including rehabilitation of the disabled.
- Services to employers, such as counsel on personnel management and conciliation in labour disputes.
- Organisation of migration, including assistance to returned migrants.
- Control of regional development; the location of industry.
- The administration of unemployment insurance.

It is for each government to decide which of these tasks are most worthwhile in view of the priority of its needs and the resources at its disposal, keeping in mind the basic purpose of the employment service. The Working Party recognised, however, two important modifying factors. First, the public role in the manpower field is far from exclusive. As long as most employers are private and workers are free to accept or reject employment, any consideration of the tasks of the employment service must, if it is to be fruitful, avoid assuming that manpower matters are affected only by government actions.

Second, it has become clear that a different emphasis is placed on manpower problems in the United States and in Western Europe. There is in America a portion of the population which does not participate in the labour force, and a most important part of employment service activity there is directed towards " reaching out " to these people, in concert with other social agencies, to draw them into the employment field and hence into the main stream of society. The essential feature of such programmes is that the initiative comes from the agency, in this case the employment service, rather than from the public.

The report gives full treatment to this discussion on the functions of the employment service. In his conclusion Professor Levine selects three of them in particular as being of special interest at this time and worthy of intensive study. These items are the provision of personnel management advice to industry, vocational guidance and counselling, and labour market information. The first two he sees as an extension of the traditional placement function, as a service rendered to employer and applicant respectively. Labour market information, both the author and the Working Party feel, is of paramount importance not only in the expression of the new role of the service but also because it has wide implications for operating procedures.

The Working Party, which is made up of a group of practising experts, also considered internal organisation and structure. Here also there are wide differences between Member countries, some favouring complete integration of the employment service within the civil service, others entrusting it to an independent board of management responsible directly to the appropriate Minister, yet others advocating various forms of compromise.

The group did not pronounce itself in favour of

Vocational training is one of the many areas of concern of a modern employment service.

any of these structures but emphasised that it was necessary to ensure governmental supervision of policy on the one hand and desirable to provide at least a minimum of participation by the social partners on the other. This question of structure is not merely of academic interest — it has very practical implications. For example, a service directly under government control may find it difficult to maintain its financial independence in times of retrenchment in public spending; and civil service status for the staff, while providing security of tenure and ensuring impartiality, may inhibit desirable movement between the service and private industry.

As has been brought out before, better premises make a decisive contribution to the image of the service in the eyes of the public and hence to the effectiveness of its impact. Banks, post offices and clinics enjoy attractive surroundings, why should a man's work be accorded less prestige than his money, his correspondence or his health ?

Finally Professor Levine, in his conclusions, singles out two organisational items as especially in need of study along with the functional items mentioned above. These are, first, cost-benefit techniques for evaluating the various activities of the service, and second, methods of recruitment and training of staff. With its traditional emphasis on the placement function the service has been judged, and in many countries financed, on the basis of its short-term performance; he suggests that a more sophisticated evaluation is now overdue. With regard to the second item, the Working Party was of the opinion that adequate career structures, opportunity for mobility in and out of the service, and appropriate training were all matters of urgency.

" The rationale for a broadened conception of the role of the public employment service in the manpower field ", says Professor Levine, " is found in the view that a national manpower policy is applicable to all human resources ". The nation's economic goals are to achieve full employment of human resources and ensure prosperity in all sectors. The author feels that if the employment service is to implement a manpower policy which is an integral part of such an overall economic policy, then it must change both in the initiative it displays and in the scope of its activities.

" A review of the various papers prepared in advance of the Working Party meeting on the employment service ", he concludes, " as well as the discussion which took place at the meeting and the comments which were submitted subsequently, leads to the conclusion that, in general, basic concepts as to the role of the employment service are reasonably well understood and accepted. What is needed then is an action programme designed to examine in some detail those critical elements in employment service functions and activities in each country which are most important to the conversion of the employment service into a manpower agency ".

OCEAN FREIGHT RATES' SHAR

Ocean freight rates account on the average for 62 per cent of total transport costs of a sample of general cargo shipments between North America and Europe or vice versa. Average inland transport costs stand at 28 per cent and average port charges, etc., for the remaining 10 per cent.

This is the conclusion of a Pilot Study, undertaken by the Secretariat of the OECD Maritime Transport Committee, designed to show the share of ocean freight in total transport

The intention of the Pilot Study was to establish orders of magnitude and ranges of variation of the share of ocean freight in total transport costs in a sample limited to general cargo shipments between North America and Western Europe; the sample was furnished by forwarding agents, ship-owners and others possessing the necessary information. This particular trade was selected because of its volume and variety, its importance to most OECD countries, and because it appeared that the relevant information might be more readily available than for other trades; moreover the present trend towards integrated container transport between the regions concerned provides an additional aspect of interest.

The questionnaire asked for descriptions of general cargo shipments carried on liners. Replies were to concentrate on "manufactured articles, machinery and transport equipment, prepared food products, beverages, etc." - that is, on general cargo shipments of the type mainly exchanged between the two regions. All respondents were requested to and apparently did choose their shipments at random, but within the limits determined by instructions as to routes and types of cargo. Total transport costs were broken down into "inland freight to loading port", "costs incurred at port of loading", "sea-freight", "costs incurred at port of discharge", "inland freight from discharge port" and "other costs". Very limited information was obtained on the question of insurance costs, and this had to be excluded altogether from the study.

The sample is too small to be statistically representative, but there are good indications that the overall results are representative of orders of magnitude for the trade in question.

Average share of ocean freight in total transport costs

Ocean freight rates account on average for 62 per cent of total transport cost of the sample. Average inland transport costs are 28 per cent and "port charges, dues and other costs" account for 10 per cent.

The term "ocean freight" should not be confounded with ocean transport cost. Almost all ocean shipments in the sample were on "liner terms"; these include the cost of loading and discharging cargo as well as port expenses being paid by the carrier. These costs may be estimated at 40-50 per cent of total ocean freight.

It appears that the share of ocean freight in total transport cost for the general cargo trade between North America and Europe as a whole might be somewhat lower than the 62 per cent in the sample: a range of 55-60 per cent would seem to be a fair guess of a general order of magnitude. The main reasons for this assumption are:

1. AVERAGE TRANSPORT COSTS OF ALL SHIPMENTS

Sea Freight

Dollar per Ton Weight or Measurement	*Dollar per Ton Weight*	*Dollar per \$1000 f.o.b. value (1)*
41	75	33

Inland Freight

Dollar per 1000 ton × km.	*Dollar per Ton Weight*	*Dollar per \$1000 f.o.b. value (1)*
37	34	16

Port Charges, Dues and Other Costs

Dollar per Shipment	*Dollar per Ton Weight*	*Dollar per \$1000 f.o.b. value (1)*
96	12	6

Total Transport Costs

Dollar per Ton Weight	*Dollar per \$1000 f.o.b. value (1)*
121	55

(1) 222 shipments only, no information available for 13 shipments.

E IN TOTAL TRANSPORT COSTS

costs from inland point of origin to ultimate inland point of destination. The study further shows that the average ocean freight per ton shipped amounts to only about 3 per cent of the f.o.b. value of the cargo.
The study was based on 235 replies to a questionnaire received through the German, United Kingdom and United States Delegations to OECD, and is to be published; this article summarises the facts and factors it brings to the fore.

- insurance costs, which are part of total transport costs, are not included in the sample;
- the average ocean freight rate in the sample is higher than in comparable studies of larger scope. The main factors making for a higher than average ocean freight rate (volume, value) do not affect inland freight rates and port costs, dues and other costs to the same extent;
- the inspection of the sample suggests that loyalty rebates on conference freight rates have not always been deducted from ocean freight.

Subdividing the shipments of the sample into 5 per cent brackets of their share of ocean freight in total transport costs, the spread reaches from shares of less than 10 per cent to one higher than 90 per cent. There appears to be no particular concentration of shipments in the vicinity of the arithmetical average of 50 per cent. However, 34 per cent of all shipments fall into the four central brackets in which ocean freight accounts for 40-60 per cent of total transport costs, 32 per cent of all shipments have a lower and 34 per cent a higher share.

Factors influencing the share of ocean freight

There are large differences in sea distance between some of the sea routes used, e.g. between the London-New York route (3,300 miles) and the Bremen-Los Angeles run (8,000 miles). Under these circumstances, it might be expected that there would be some difference in average sea freight rates between the major routes. However, the sample does not reveal any systematic differences in function of sea distance. This is probably due to the fact that only a relatively small part of total liner cost is a function of sea distance. The cost of loading and discharge, other port expenses and the cost of the vessel's time spent in port are probably much more important, and differences in these items can easily outweigh the influence of even large differences in sea transport distance.

The principal elements determining the share of ocean transport costs in total transport costs are the ocean freight rates, the volume/weight ratio of the

2. AVERAGE TRANSPORT COSTS FOR SHIPMENTS OF DIFFERENT WEIGHT

	Weight group	*Sea Freight*	*Inland Freight*	*Port charges, dues and other costs*	*Total*
Dollars per ton	Under 500 kg.	174	119	163	456
	500 - 5000 kg.	149	72	33	254
	Over 5000 kg.	64	28	8	100
	All Shipments	75	34	12	121
Percentage of Total	Under 500 kg.	38	26	36	100
	500 - 5000 kg.	59	28	13	100
	Over 5000 kg.	64	28	8	100
	All Shipments	62	28	10	100
Percentage of Average all Shipments	Under 500 kg.	231	350	1,360	377
	500 - 5000 kg.	199	211	275	210
	Over 5000 kg.	85	82	67	83
	All Shipments	100	100	100	100

Note : *The average weight of shipments under 500 kg. is 191 kg.*
The average weight of shipments 500-5000 kg. is 2,193 kg.
The average weight of shipments over 5000 kg. is 26,470 kg.

shipment, the inland transport distance and the weight of the shipment. The incidence of sea freight rates charged per "freight ton", i.e. per ton of weight *or* measurement (1) has been compared with the incidence of sea freight paid per ton of weight. More than 70 per cent of all shipments fall into a range of freight rates per freight ton of $30 to $90; about 12 per cent of all shipments have rates higher than $90.

In terms of freight expenditure per ton of weight, however, the spread is considerably larger. Only 32 per cent of shipments fall into a range of $30 to $90 per ton of weight, while 60 per cent paid more than $90. The liner freight system penalises bulky cargo much more than inland transport tariffs or the various fees and other elements contributing to "port charges, dues and other costs". This tends to make for a high share of ocean transport cost in total transport costs in the case of shipments with a high volume/weight ratio.

Inland transport distance plays a role in determining the share of ocean freight in total transport cost but this effect is lessened by the usual degression of inland transport tariffs in function of distance.

Other elements include the unit value of the shipment, means of inland transport, the applicable inland transport tariff, and the incidence of the various elements making up "port charges, dues and other costs". The sample is not large enough to permit a detailed analysis of each of these factors, but it is possible to describe in some detail the influence which the weight or size of the shipment may have on the share of sea transport cost.

Small and large shipments

Table 2 makes a distinction between shipments of less than 500 kg. those of 500 to 5,000 kg. and those of more than 5,000 kg. In the entire sample there are 67 shipments under 500 kg. 105 of 500 to 5,000 kg. and 63 heavier than 5,000 kg. The small shipments of less than 500 kg. include all 21 minimum bill of lading shipments.

Total average transport costs for shipments under 500 kg. are $456 per ton. This is almost four times the average for the entire sample. Sea freight is about 130 per cent higher than the average, inland freight is three and a half times the average and costs in port and other costs are fourteen times the average for the whole sample. Quite generally there is a decrease of cost per ton in function of weight for all main cost items. From the group of shipments smaller than 500 kg. to that heavier than 5,000 kg. this decrease is 63 per cent for sea freight, 77 per cent for inland freight and 95 per cent for port charges, dues, etc. The implications concerning the share of ocean freight rates are obvious.

The share of ocean freight in total transport costs increases from 38 per cent for shipments under 500 kg. to 64 per cent for those over 5,000 kg. For the groups of 500-5,000 kg and over 5,000 kg, the average shares of ocean freight are close to the average for the entire sample. The much lower share of the small shipments under 500 kg, hardly influences the overall average.

Many cost elements contributing to "port charges, dues and other costs" are largely independent of

(1) This double basis of freight assessment is typical for liner shipping. Liner freight rates are frequently applicable, either per ton of weight (metric ton or ton of 2,240 lbs.) or per measurement ton (cubic metre or unit of 40 cubic feet), depending on which rate basis yields the higher revenue. This is because cargo liners are limited both in the weight and the volume of the cargo they can carry; the freight rate system therefore takes account of whichever factor is the more important for the shipment concerned.

the size of the shipment and thus handicap the small shipment. Furthermore, it appears normal that both inland and sea transport tariffs should provide for a certain decrease in function of weight. Table 2 shows that in the sample this decrease is considerably stronger for inland transport than for ocean transport. It can be assumed that this is due to a basic difference between inland transport and liner tariffs. Inland transport rates and especially railway tariffs usually provide for a decrease in function of the size of the shipment. In liner shipping, on the other hand, the same freight rate is applied regardless of the size and the only exception to this is the minimum bill of lading.

One shipping conference operating on the North Atlantic charged, in 1966, a freight minimum of $11 for all ordinary general cargo and of $22 for cargo valued higher than $1000 per ton weight or measurement. These figures compare with an average freight per freight ton of $41 for the entire sample. The freight minimum would thus apply for shipments smaller than about 0.5 tons. For all larger shipments there would be no rate decrease with increasing weight. Beyond a certain weight (e.g. 2 tons) the liner company would in fact impose additional heavy-lift charges. Table 3 gives an example of the much more pronounced decrease provided by railways tariffs, by applying the general piece goods tariff of the German railways to shipments of 100-2,000 kg. For larger shipments, the European railways usually offer further reductions for partial or entire carloads. The respective 15, 20 and 25 ton tariffs of the German railways are given in Table 3; similar tariffs exist for shipments in the 5 ton and 10 ton ranges.

A graphical presentation of the share of ocean transport costs for different size shipments is given opposite. For all three groups, there is a rather pronounced concentration around the average share of ocean transport cost in total transport cost, i.e. 36 per cent for the small shipments under 500 kg, 53 per cent for the shipments of 500 to 5,000 kg and 61 per cent for the large shipments over 5,000 kg.

3. EXAMPLE OF THE DECREASE OF RAIL FREIGHT RATES IN FUNCTION OF WEIGHT

Weight of Shipment-kg.	*DM per 100 kg.*	*Freight Rate as percentage of rate for shipment of 100 kg.*
100 (1)	12.04	100.0
500 (1)	9.16	76.1
1,000 (1)	7.47	62.0
1,500 (1)	6.27	52.1
2,000 (1)	6.22	51.7
15,000 (2)	1.93	16.0
20,000 (2)	1.84	15.3
25,000 (2)	1.75	14.5

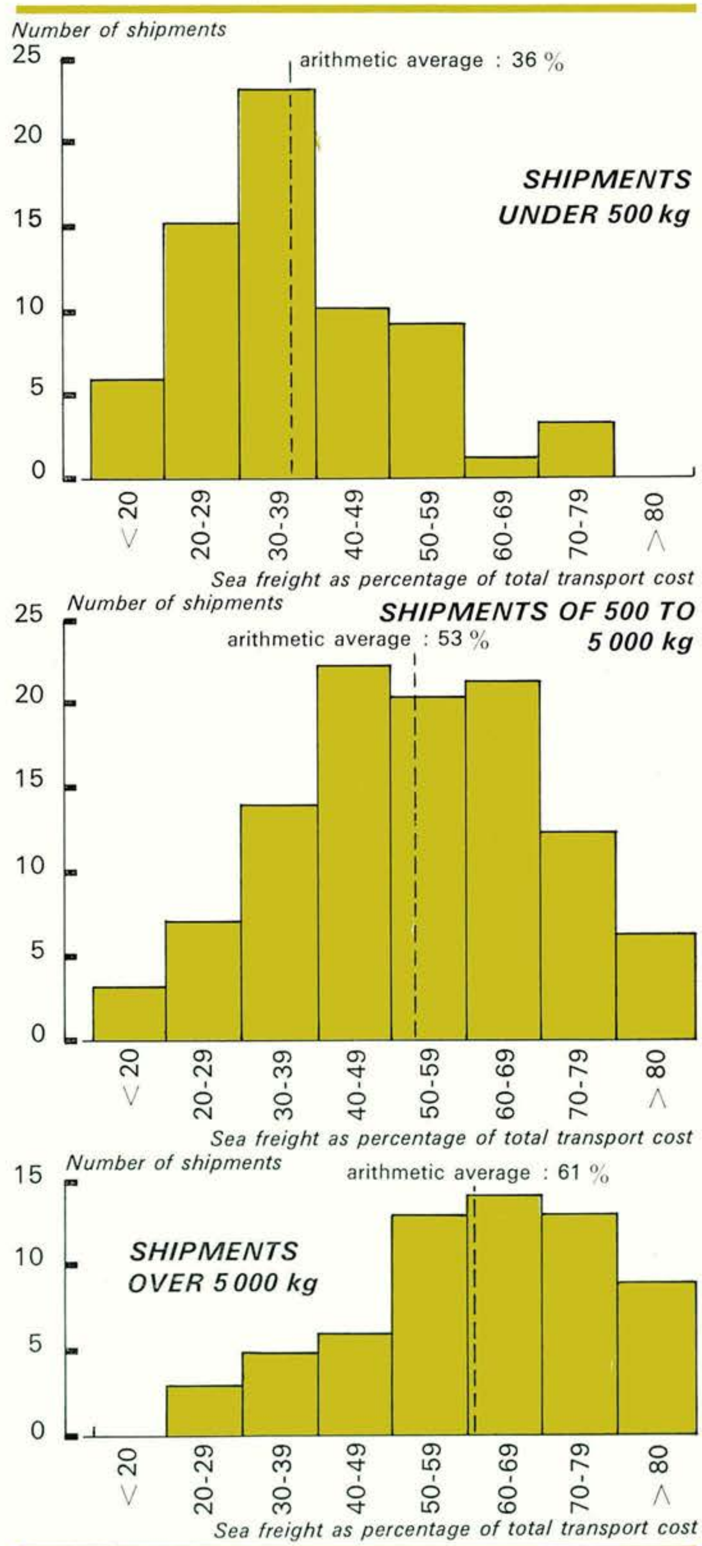
(1) Application to different size shipments of the general piece goods tariff of the German railways as of 15th March, 1966, distance 150 km.

(2) Car load tariff, commodity class A, of the German railways as of 15th March, 1966, distance 150 km.

Source : *Calculated from "Preise Löhne Wirtschaftsrechnungen, Reihe 7".*

SEA FREIGHT AS PART OF TOTAL TRANSPORT COST FOR SMALL AND LARGE SHIPMENTS

(All shipments)



SLOWDOWN IN THE GROWTH OF EUROPEAN TOURISM

In 1967, for the first time since World War II, OECD European countries' receipts from foreign tourism levelled off, increasing by only 3 per cent as against an average annual rate of increase of 13 per cent over the previous six years, while the number of nights spent by foreign tourists in these countries rose by only 1 per cent over the 1966 figure. These developments are examined against the background of the continuous long-range growth of tourism for OECD countries as a whole in the most recent annual report of OECD's Tourism Committee, "Tourism in OECD Member Countries in 1967 and the Early Months of 1968" which has just been published.

The report also contains a detailed analysis of international tourist movements in Europe, North America and Japan, as well as between European OECD countries, between European OECD countries and the United States, and between Japan and the other Member countries. Special chapters deal with tourist receipts and expenditure in foreign currency and the economic importance of tourism, governmental action in the field of visas, passports, customs facilities, tourist currency allowances, etc; tourist, transport by road, rail sea and air and tourist accommodation. The report is supplemented by some 150 statistical tables which make it a comprehensive source of information on international tourism in OECD Member countries.

The steady expansion of foreign tourism in European OECD countries, which has made it one of their most important export industries, levelled off in 1967 for the group as a whole: almost all the European OECD Member countries and Yugoslavia (1) experienced lower rates of expansion or even a reduction in tourism in terms of such standard measures as nights spent by foreigners in the country or foreign tourist receipts (see table 1). Thus, for example, receipts stagnated for Spain and fell by 1 per cent for Portugal and 3 per cent for Italy.

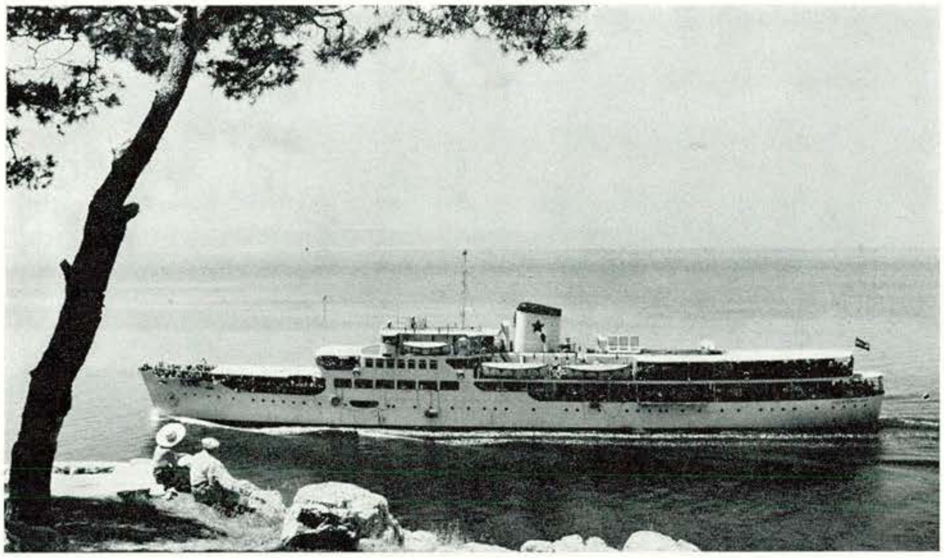
The main reason for the reduced growth in tourist receipts in 1967 was the economic recession which affected most European countries, tourism being extremely sensitive to a decline in economic activity. To a certain extent another factor seems to have been the tightening of foreign travel allowances by the United Kingdom authorities: the expenditure of British tourists in other European countries fell by 11 per cent. Travel expenditures in OECD European countries by Germany (which are the largest of any European country) and the Netherlands were also substantially reduced (by 6 and 7 per cent respectively).

Stagnation or decline in foreign tourist receipts entails increasing difficulties for a number of Member countries because tourism has assumed considerable importance, not only as a source of foreign exchange earnings, but also as a factor in the overall income and economic activity of these countries. For Europe as a whole, foreign tourism receipts accounted for 7 per cent of total exports of goods and services in 1966 (as against 4 per cent in 1956), and for some countries the percentage is much higher, in the neighbourhood of 40 per cent for Spain, 30 per cent for Portugal, 25 per cent for Austria and 20 per cent for Greece and Ireland.

But foreign tourism is only one part of the tourist industry's activities. Many of the problems having to do with the development of tourism are concerned equally with the contribution of the people who travel or vacation within their own country. OECD's Tourism Committee has, therefore, made an attempt to assemble statistics on the overall amount of economic activity created by tourism and to assess the relative importance of domestic and foreign tourism. The results are not as yet strictly comparable as between countries; nevertheless they give an idea of the real role of tourism as a whole in the economies of Member countries. As table 2 shows, total domestic and foreign tourist receipts represent from 3 to 5 per cent of national income for most of the European countries but much more for Austria, Ireland and Switzerland.

When economic policies are formulated by governments, therefore, the growing economic importance of tourism should not be neglected. In particular, measures to adjust balance of payments disequilibrium should, in the field of tourism as in other domains, be directed insofar as possible to increasing receipts rather than restricting expenditure abroad. This implies refraining from the imposition of financial restrictions on tourists going abroad and facilitating foreign tourism at home. The Committee cites as examples of measures to promote tourism the case of Italy which has recently doubled the foreign currency allowance for its nationals, to $1600, the abolition of entry-visa requirements between several Member countries and various third countries, the increasing acceptance by certain European Mem-

(1) Yugoslavia is associated with the work of the OECD and is a member of its Tourism Committee.



Surveys carried out in various countries show that cruises are increasing in popularity

ber countries of identity cards instead of passports for the purpose of frontier control, and the abolition of control of the international insurance certificate or " Green Card " between certain Member countries. The Tourism Committee expresses its regret that no new progress has been made since April 1967 to end the separate collection of airport taxes which is a source of irritation to many tourists.

In view of the increasingly large volume of tourist traffic at frontiers and at airports, new and more imaginative measures should be taken by the competent authorities to simplify frontier control procedures and reduce inspection delays which can become intolerable, particularly at peak periods.

The Tourism Committee is of the opinion that the Joint Scandinavian Passport Control Area between the Scandinavian countries, which has made possible the abolition of all identity checks at frontiers within the area, and the absence of such checks between the United Kingdom and Ireland and between the Benelux countries could serve as examples for similar measures between other groups of neighbouring countries which would facilitate international tourism in Europe.

Finally, one of the most crucial present-day problems of the tourist industry is the peak load during the summer months. Increased efforts by governments and other interested bodies to stagger holidays would permit more rational use to be made of existing tourist facilities, but despite the endeavours made in some countries to encourage people to take their main holidays in June or September and at least one week's holiday between October and May, the pressure on accommodation and transport at the height of the summer season is increasing.

RECEIPTS AND EXPENDITURE OF OECD MEMBER COUNTRIES ON ACCOUNT OF INTERNATIONAL TOURISM

($ million)

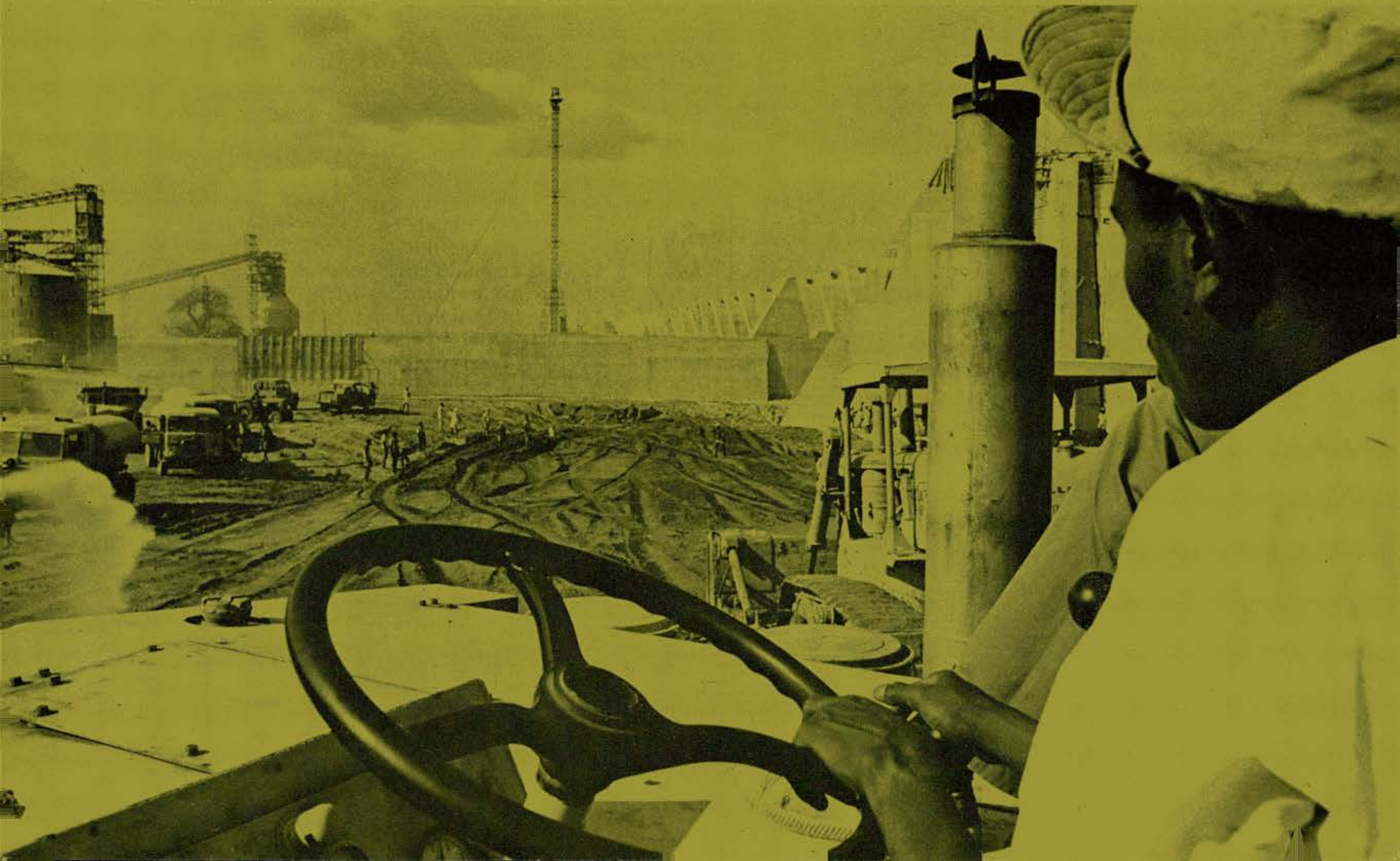
	Receipts			*Expenditure*		
	1966	*1967*	*% change*	*1966*	*1967*	*% change*
Austria	595	615	+ 3	171	219	+ 28
B. L. E. U.	230	242	+ 5	320	370	+ 16
Denmark	201	222	+ 11	187	228	+ 22
France	1,019	1,041	+ 2	994	1,097	+ 10
Germany	797	871	+ 9	1,573	1,532	— 3
Greece	143	127	— 11	41	41	—
Iceland	3	3	+ 4	10	11	+ 7
Ireland	182	197	+ 8	88	83	— 6
Italy	1,460	1,424	— 3	261	298	+ 14
Netherlands	275	299	+ 9	372	351	— 6
Norway	95	102	+ 7	78	90	+ 16
Portugal	260	258	— 1	82	71	— 13
Spain	1,132	1,127	—	67	78	+ 26
Sweden	99	109	+ 10	242	287	+ 19
Switzerland	554	575	+ 4	224	235	+ 5
Turkey	17	19	+ 6	30	27	— 10
United Kingdom	613	652	+ 6	832	763	— 8
TOTAL European Member countries	7,685	7,883	+ 3	5,572	5,781	+ 4
Canada	780	1,209	+ 55	836	813	— 3
Japan	79	89	+ 13	118	146	+ 24
United States	1,590	1,646	+ 4	2,657	3,195	+ 20
TOTAL OECD Member countries	10,135	10,827	+ 7	9,183	9,935	+ 8
Yugoslavia	117	150	+ 78	34	52	+ 66

Notes : *(1) Figures exclude receipts and expenditure on account of international tourist transport except for Canada*
(2) Figures for Canada, Ireland, United Kingdom, United States and Switzerland are based mainly on sample enquiries; figures for the other countries are based on bank returns. All figures are rounded.

THE IMPORTANCE OF TOURISM, FOREIGN AND DOMESTIC, IN THE ECONOMIES OF EUROPEAN MEMBER COUNTRIES

Member country and reference year	*Foreign tourist receipts as % of total domestic and foreign tourist receipts*	*% share in national income of total domestic and foreign tourist receipts*
Austria (1966)	83	9.5
Belgium (1966)	72	2.7
France (1964)	31	4.0
Germany (1967)	24	4.0
Ireland (1964)	90	8.7
Italy (1965)	52	5.1
Netherlands (1966)	44	3.7
Norway (1966)	33	4.9
Sweden (1966)	17	3.2
Switzerland (1966)	61	7.7
United Kingdom (1966)	31	3.1
Yugoslavia (1966)	59	2.2

Signature of a loan agreement between representatives of the World Bank (International Bank for Reconstruction and Development) and those of a developing country is followed by vast new construction enterprises which will help build up the country's economy.



DEVELOPMENT ASSISTANCE: changing needs and problems

On 30th - 31st October the OECD Development Assistance Committee (DAC) will be holding its annual High Level Meeting. This provides a unique opportunity for Ministers and senior officials responsible for aid matters in Member countries to take stock of their own performance in providing financial and technical assistance resources to the Third World, and to review major questions for attention and action in the immediate future.

This will be the first High Level Meeting to be presided by Mr. Edwin Martin, who recently took up his duties as Chairman of the Development Assistance Committee, and whose article "A Global Strategy for Development" introduces this series. Ernest Parsons, Director, OECD Development Department, discusses some of the broader problems of aid-giving in "New Patterns in the Aid Relationship", and Hellmuth Führer, Assistant Director, describes "New Approaches to Private Investment". "How Much Progress are the Developing Countries Making?" was written by Edgar Kröller; "Statistics: the Facts about Resource Flows to Developing Countries" by Bevan Stein; and "A Green Revolution in the Developing Countries?" by Christoph Beringer; all three are administrators in the Development Department. Herbert Phillips, Consultant to the Department, has contributed the article on "The Significance of Educational Progress".

In spite of the difficulties which the aid budget is experiencing in a number of DAC Member countries, the general tone of these articles is not pessimistic. They take care to point out some of the progress already made in the development field, and to stress that an extra effort from the aid-providing countries is now needed to exploit opportunities which already exist and which have been created by past efforts. They show that the aid needs and development situation of the Third World are changing rapidly. Public understanding of these changes is essential if international aid is to receive the support it deserves, not just for emergency action, but as a permanent and accepted feature of the economic and political scene.

A GLOBAL STRATEGY FOR DEVELOPMENT

by Edwin M. Martin,
Chairman of the OECD Development Assistance Committee

While most people in developing countries have no doubt been dissappointed about some things and those in some countries, with justice, about most things that happened in 1967, last year was undoubtedly a banner year for development. DAC country net financial flows reached record levels both overall and for net official assistance, the former at $11.4 billion, exceeding 1966 by 8 per cent. Technical assistance continued its rapid rise in both money terms and in numbers of teachers and experts sent abroad and students and trainees brought to developed countries. Moneywise it has now risen 50 per cent in five years, a great contribution to the capacity in human resources needed by developing countries to handle all their affairs more effectively and, ultimately, to become independent of concessional help from foreign governments.

With this contribution as well as earlier flows of assistance, their own rising savings and improved management capacities, relatively good weather and increasingly successful application of modern science and technology to improving their agricultural and industrial productivity, presently available estimates indicate that the developing countries increased their gross product in 1967 by about five and a half per cent in real terms. This is most impressive and encouraging. Food production exceeded population growth by a substantial margin. A large number of governments prepared for the first time to undertake family planning programmes. Those already involved made good progress, helped by increasing interest on the part of many donors and by UN agencies.

But what remains to be done by both donors and recipients is enormous. Donors are still far from the 1 per cent of GNP Target accepted at the UNCTAD meeting in New Delhi — some $3 ½ billion short in 1967. And 5 ½ per cent GNP growth means an average of 3 per cent per capita, not much concretely for the hundreds of millions who now get $100 or less per year.

Greater success requires not just more adequate individual efforts but the closest possible collaboration by all concerned. And success is vital for all peoples.

It is thus essential that the UN Second Development Decade be planned and executed with all of our collective wisdom and energy, drawing fully on the lessons learned during the First Decade, just as the Third and Fourth in this generation-long battle will have to build on the experience of their predecessors.

Donors have several mutually consistent motives for wishing to see development take place. As good neighbours they have a humanitarian desire to reduce poverty, disease and hunger in a shrinking world. For a great many this desire is strongly re-enforced by religious teachings. As their production capacity expands, they need wider markets, just as the developing countries need more goods as their standard of living rises. Development cannot provide an insurance against violence, but it can insure that energies, especially of the young, are directed over the longer term into more constructive channels. Creating modern societies which will be more like-minded through development should facilitate building a world community with institutions which can reduce the danger of global war and improve man's prospects generally. Finally, many of us feel an obligation to compensate for past failures to promote development more vigorously, especially in former colonial areas, for some of the special problems our science and technology have created for the developing world, and for the disturbing influence of some of our alien ideologies. Fortunately for all of us, none of these motives is in conflict with the interests of those living in the developing world. They can share them fully.

A well worked out strategy can set up signposts which will do something to simplify this long and complex task. It can also establish priorities which will assure that their resources and ours are used to the best advantage, year by year. It can help to insure that the contributions of donors and recipients to the overall task work together in a mutually supporting fashion. It can give concrete expression to a major task of international politics in the coming decades — a better realisation of the common interests of the two major blocs in which the countries of the world now tend to be divided — those with long, reasonably successful, but still continuing development histories, and those who have been able to to begin the task in earnest only relatively recently.

A global strategy must convince donors of their stake in its success and challenge them to larger financial contributions on more appropriate terms and, especially, to devote more of their best manpower to helping developing peoples learn to apply modern science and technology and management skills to improving the quality of their lives, all of them.

The character of such a strategy must also reflect the nature of the development process. It should recognise the importance of more and better human resources and of institutional reforms in developing countries. After all it is what people, individually and collectively, do with " things " for the benefit of people that produces development, not the " things " themselves, necessary as they are.

Edwin McCammon Martin, Chairman of the OECD Development Assistance Committee.

It must therefore contribute to a widening acquisition of personal attitudes and values which are of the kind necessary to the creation of an effectively functioning modern society and stimulate a reform of institutions to reflect these new attitudes and new needs. A strategy should promote feelings of capacity to dominate one's environment and to improve one's economic and social position, a belief in the value of innovation, change and action, a passionate desire for development which is strong enough to command sacrifices in terms of hard work and savings, an acceptance of the need for discipline and teamwork to achieve common purposes.

These are just a few of the attitudes which most of the members of a society must have if modernisation is to be a success. A few sentences from an official report on the economic prospects of one of the poorer but thus far more successful and democratic developing countries, prepared by an economic survey team of one of the leading international agencies, illustrates well what is involved :

" Support for the Government's dynamic economic development policies appears to be wide-based. There is widespread willingness... to accept socio-economic change : willingness to learn new techniques, to switch from agricultural to industrial occupations, to adopt the living pattern of industrial society, and to apply birth control. And political resistance against sacrifices of development, such as increased public utility charges or more stringent application of tax laws, appears to be small. Political pressure to apply large-scale consumer subsidy is not in evidence. Most impressive of all is the willingness to increase domestic savings drastically as shown by a marginal savings rate of 21 per cent over the last three years... "

The strategy should also reflect the fact that development must proceed in a balanced way along political, social and cultural as well as economic lines if it is to be permanently successful.

And it should recognise the uniqueness of each country, both in terms of the situation in which it is, the ambitions it has for the future and the best means for realising them.

Two major problems in the presentation of a global strategy are likely to be the degree to which goals should be limited to those which are susceptible to quantitative measurement or should also include a variety of targets which can only be expressed qualitatively, and the extent to which goals can be stated in global or regional terms rather than left for national determination within a rather broad overall framework.

There should also be discussion about how to adapt goals for a decade to the profound changes which ought to take place in such a long period if what we are all doing is in fact to be effective. By 1980 we should be getting larger outputs for given inputs than in 1970, and meanwhile the priority tasks for most countries should have changed, in some cases radically. 1979 targets, if they are to be right, cannot be the same as those for 1971.

In August of 1968, President Robert S. McNamara of the IBRD announced that former Prime Minister of Canada, Lester B. Pearson, had agreed to become chairman of a commission of distinguished citizens to analyse the post-war experience of both donors and recipients in stimulating more rapid development of the less industrialised societies and to make suggestions, particularly to donors, as to how the process might be made even more successful in the future. This private enterprise can be a most valuable contribution, not only to the education of the citizens of donor countries and to the improvement of the effectiveness of the aid efforts of their governments, but to the UN consideration of what should be the global strategy for the '70's. President McNamara and Chairman Pearson have publicly expressed the desire that the Commission work in close collaboration with the OECD Development Assistance Committee. I am confident that both the Committee and the OECD staff personnel will wish to do all they can to add to the value of the Pearson Commission Report, now scheduled for completion toward the end of 1969.

Each year the peoples of the donor and recipient countries are learning more about the problems of development and how to solve them. They are putting this new understanding into practice with good effect. We can look forward with confidence to a development record in the second half of the 20th Century of which future generations can be proud if, but only if, all realise the central importance of the task.

HOW MUCH PROGRESS ARE THE DEVELOPING COUNTRIES MAKING?

Nineteen sixty-seven was a relatively better year than those preceding for the developing countries as a group. Preliminary estimates suggest that, taken together, they recorded a growth in total output of 5.6 per cent, one of the best rates recorded for any year in the current United Nations Development Decade and about twice as high as that achieved in the developed countries. If this figure is confirmed, the Development Decade target of a minimum growth rate of 5 per cent per annum will have been met, on average, for the first eight years.

This favourable evolution is tempered by the fact that the faster growth in the output of the developing countries in 1967 was paralleled by a rapid growth in population, so that the *per capita* income of the developing countries grew on average by only around 3 per cent. In absolute terms, the developed countries on average added about 7 times as much to the income per head of their population as did the less-developed countries to theirs. This is a simple reminder of the low income-base on which the less-developed countries have to build their development.

The general economic acceleration in less-developed countries in 1967 was largely due to the increased growth momentum in several large countries which account for most of the income and population, e.g. India and Pakistan, which recorded dramatic increases in their total output. On the other hand, year-to-year increases in total output are not a sufficient measure of economic progress. A number of countries with less striking growth rates nevertheless made considerable advances in particular sectors or in their export performance. Several countries also laid the basis for future growth through greater political stability, improvements in development planning, in the provision of the basic infrastructure or in the no less important socio-economic fields of health, education and family planning.

In contrast, in a regrettably large number of countries and sectors, the signs of progress are still weak or absent. Many less-developed countries still seem to be unable to achieve an efficient mobilisation of their own domestic resources; some have been hit by unfavourable world market conditions for their principal exports; some have wasted their resources through foreign and civil wars. The indebtedness situation has become increasingly serious for many countries, and, in general, the requirements of most less-developed countries for foreign capital and technical assistance continue to be only partially and inadequately met by official and private inflows.

Growth rates of total product, population and *per capita* product, per annum, of developing countries in the main regions in 1967 and 1960-1967 are set out in Table 1.

The improvement in the growth performance in 1967 over 1966 was not evenly spread over the different regions. For the less-developed countries in Europe the average growth rate in total output dropped from 8.5 to 4.7 per cent. For Africa, it increased from 1.8 per cent to around 3.5 per cent. In Latin America, the growth rate of 4.5 per cent was maintained. The most significant development took place in Asia, where total output grew by 7.7 per cent, as against 4.5 per cent in 1966.

Taking the eight-year period 1960-1967 as a whole, the average annual growth rate of the developing countries as a group was about 5 per cent (i.e. the rate suggested as a *minimum* for the current United Nations Development Decade). Africa, South America and South Asia were the regions which failed to meet this goal, the rest reaching or exceeding 6 per cent. Due to continued high rates of increase in population, however, *per capita* income grew by only 2.4 per cent per year.

1. GROWTH OF TOTAL PRODUCT, POPULATION AND PER CAPITA PRODUCT PER ANNUM OF DEVELOPING COUNTRIES, BY REGIONS, IN 1967 AND 1960-1967

Regions	1967			1960-1967		
	GDP	Pop.	Per/Cap. GDP	GDP	Pop.	Per/Cap GDP
EUROPE	*4.7*	*1.5*	*3.2*	*7.4*	*1.4*	*5.8*
AFRICA	. .	*2.4*	. .	*3.1*	*2.3*	*0.9*
North of Sahara	. .	2.7	. .	2.2	2.6	-0.3
South of Sahara	. .	2.4	. .	3.7	2.3	1.4
LATIN AMERICA	*4.5*	*3.0*	*1.5*	*4.7*	*2.9*	*1.7*
North and Central	5.9	3.3	2.5	6.0	3.2	2.7
South	3.8	2.8	1.0	4.0	2.7	1.3
ASIA	*7.7*	*2.5*	*5.1*	*5.1*	*2.5*	*2.5*
Middle East	6.8	3.1	3.6	7.2	2.8	4.4
South	8.9	2.4	6.3	4.1	2.4	1.6
Far East	6.1	2.6	3.4	5.9	2.7	3.1
Total Developing Countries	*5.6*	*2.5*	*3.0*	*5.0*	*2.5*	*2.4*

A global or even a regional analysis of the growth performance hides important differences in the development of economic activity among the individual developing countries. These are due to a variety of factors including resource endowment, capital accumulation, weather conditions, international trade, the stage of economic development, popular commitment to development and government capabilities for economic management.

In 1967 there was a substantial degree of scatter in the growth rates of total output which the individual countries achieved, ranging from over 20 per cent per annum to an absolute decline. High growth was often due to a single export industry (frequently foreign-owned) while low growth was often due to political disturbance, accompanied by capital flight.

During the 1960-1967 period, 22 countries (accounting for 16 per cent of the total population of all developing countries) obtained an annual growth rate of their total output of 6 per cent or more, 25 countries (with 31 per cent of the total population) grew between 4 and 6 per cent while 37 countries (53 per cent of the total population) registered growth rates of less than 4 per cent on average.

Particularly good growth records over this period averaging 7 per cent or more per annum, were achieved by Libya, Liberia, Saudi Arabia, Spain, Greece, Yugoslavia, Nicaragua, Panama, Iran, Israel, Jordan, Syria, Taiwan, Hong-Kong, South Korea and Thailand, while Trinidad and Tobago, Iraq, El Salvador, Guatamala, Mexico and Peru attained growth rates of 6-7 per cent.

In India the past slow economic growth accelerated as a result of a bumper crop, backed up by a major reform of agricultural policy. After a significant decline in 1965 and only a moderate recovery in 1966, total output increased by 9.2 per cent in 1967, bringing the average annual growth rate of national income in the Sixties close to 4 per cent. After two years of unprecedented drought, agricultural production registered an increase of 97 per cent in 1967, and total food grain production exceeded 97 million tons.

In Pakistan, the whole development strategy was revised at the end of 1966 with a higher priority given to agriculture and quick-yielding projects. Total output rose by 8.2 per cent in 1967 - the highest rate ever recorded. Total agricultural production, and especially food production, rose substantially in 1967, not only due to favourable weather conditions but also to the new agricultural strategy with more emphasis on new seeds, fertilisers and greater freedom for the farmer to respond to market incentives.

While it would be very unwise to infer that future rapid progress in the Indian sub-continent is now assured - the uncertain prospects for world trade, the debt problem and the continuing political tension would alone require caution - it is encouraging to note that the recent developments contain evidence of structural improvements. It is to be hoped that the promise of these improvements will not be spoiled by temporary climatic or political factors or by inadequate external economic support.

(continued on page 18)

The Income Gap

The large disparity in the growth rates of different developing countries raises important analytical and policy problems. Why do countries differ so much in their growth performance? One clue to this issue is the relationship between growth rates and income levels.

There is reasonably conclusive evidence that relatively richer countries more frequently record higher growth rates since they can muster more resources for savings and investment, whereas poorer countries usually lack adequate resources to build up an effective material, social, economic and political infrastructure, or public education and health facilities — essential prerequisites for rapid economic advance.

Table 2 shows the relationship between income levels and rates of growth in 1960-1966.

It should be recalled in this context, that a large, and widening, income gap exists not only between the developed and the developing countries but also *within* both of these groups. Per capita incomes vary as much as from about $450 to $4,000 among the developed and from $50 to about $1,200 among the countries classified as " developing ".

Variations in income among the less-developed countries are both cause and result of differences in the pace and level of development. They indicate substantial differences in production and export structures, resource endowment, social and economic institutions, income distribution and a host of qualitative differences among the various countries.

At one extreme there are countries (e.g. Israel, Venezuela, Argentina, Spain, Greece, Mexico) with a diversified production and export structure, rich natural resources, satisfactory levels of education and reasonably developed social and economic institutions; at the other, there are countries (e.g. Malawi, Ethiopia, Upper Volta, Somalia, Burma, Rwanda, Burundi) heavily dependent on one or a few export commodities, having a large non-monetised sector in their economy, a low level of technical skills and underdeveloped institutions. The latter group includes most of the " least developed countries " whose special problems and needs were highlighted at the Second UNCTAD in New Delhi.

The growth of total output depends upon the growth of its main components, notably agriculture and industry. In 1967 the most important development was the recovery of *agricultural production*, after two years of stagnation caused by drought in South-East Asia and parts of Africa. The dramatic

2. INCOME LEVELS AND RATE OF GROWTH OF TOTAL OUTPUT OF SELECTED DEVELOPING COUNTRIES IN 1960-1966

GDP per capita in 1965; $ / Growth rate of total output per year; %	Under 100	100 to under 200	200 to under 300	300 and more
7 and more	Korea (South)	Thailand	China (Taiwan) Jordan Syria Liberia Saudi Arabia	Libya Hong Kong Panama Nicaragua Israel Greece Spain Yugoslavia
5 to under 7	Pakistan	Bolivia Nigeria U.A.R. (Egypt) Philippines	El Salvador Iraq Iran Tunisia Zambia Honduras	Trinidad and Tobago Mexico Costa Rica Chile Guatemala Malaysia Peru
3 to under 5	Ethiopia Uganda Mozambique Tanzania India	Sierra Leone Vietnam (South) Cambodia Sudan Francophone Countries	Turkey Ecuador Brazil Paraguay	Venezuela Jamaica Colombia Kuwait Lebanon
under 3	Malawi Indonesia Burma Angola Congo (Kinshasa) Haiti	Ceylon Kenya Morocco	Algeria Dominican Republic Ghana Rhodesia	Uruguay Argentina Guyana

increase in several Asian countries reflects not only favourable weather conditions but also the result of new seed varieties used along with fertilisers. For all developing countries as a group, agricultural and food production rose by around 2.5 per cent per annum in the past years, i.e. by about the same rate as their population growth, but in 1967, 37 countries — accounting for two thirds of the total population — achieved a significant increase in their *per capita* food production.

Industrial production continued to decelerate in 1967, recording the lowest growth rate of the 1960's - 4 per cent. This was partly due to the effects of low agricultural output in Asia in 1965 and 1966 which limited agricultural inputs and caused high food prices, with a negative effect on consumer demand for industrial products, as well as to disruption by military conflicts in some of the African and Middle-East countries.

For most developing countries, exports provide a major impetus to their economic growth, and almost three-quarters of their exports are absorbed by the developed, industrialised countries. Industrialised countries can contribute to the economic growth of less-developed countries in two major ways: by trade and external financing (including technical assistance). Their possibilities on both fronts, and particularly in the field of trade, depend partly on the pace of their own economic growth. The higher the rate of economic expansion in the industrialised countries, the higher is likely to be their import demand for products from less-developed countries and the larger their capacity to provide assistance.

The aid and trade performance of developed countries in 1967 has been influenced by their own economic difficulties. Structural payments disequilibria have persisted for several of them. The balance-of-payments position of the United States and the United Kingdom worsened again in 1967. This has induced a marked slowdown in the economic activity of the European surplus countries. The output of Germany suffered an absolute decline in 1967 which, in turn, dampened the import demand from the other countries of the Common Market.

With this unsettled situation, the developing countries succeeded in achieving a very modest increase in their total exports, from $41.7 billion to $43.1 billion, i.e. 3.4 per cent, compared with 7 per cent in the previous year. There was only a modest increase in Europe, Latin America, Africa and South Asia, whereas exports rose by 10 per cent in the Middle East. Among the countries that registered substantial increases in exports in 1967 were (a) the petroleum countries not involved in the Middle-East crisis: Iran 47 per cent, Libya 18 per cent, Saudi Arabia 9 per cent; (b) exporters of manufactured products: Hong Kong 15 per cent, Israel 11 per cent, Taiwan 18 per cent, South Korea 28 per cent (the two latter countries also profited from a surge in demand from Vietnam); (c) exporters of raw materials for which there was rising demand, e.g. Ghana (cocoa) 16 per cent, Cambodia (rice) 27 per cent, Dominican Republic (sugar) 15 per cent. Among the countries that registered a reduction in exports in 1967 were (a) countries suffering as a result of political and military disturbances, e.g. Nigeria 14 per cent, U.A.R. 6 per cent, Syria 10 per cent, South Vietnam 36 per cent; (b) countries with serious structural problems, e.g. Burma 35 per cent, Indonesia 6 per cent; (c) exporters of certain primary products for which market conditions had deteriorated, e.g. Argentina 8 per cent and Uruguay 15 per cent (wool), Brazil 5 per cent (coffee), Malaysia 3 per cent (rubber), Zambia 5 per cent (copper).

Imports of developing countries also rose by 3.4 per cent, i.e. from $46.9 billion in 1966 to $48.5 billion in 1967, but this increase was considerably less than the increase in their total output. Their import surplus grew from $5.2 billion in 1966 to $5.4 billion in 1967. Excluding oil producers, which continued to have an export surplus of around $ 5 billion in 1967, the trade deficit of developing countries exceeded $10 billion in both years.

The combined gross exchange reserves of the developing countries (gold, foreign exchange and IMF reserve position) continued to rise in 1967 to $13.8 billion. The increase was particularly pronounced for the developing countries in Latin America, especially Argentina ($500 million), some Asian countries (Korea, Taiwan, Thailand), the oil producing countries and some non oil-producing Middle Eastern countries (Israel, Jordan). The increase in reserves of these countries, taken together, substantially exceeded the rise in reserves of all the countries since most of the other countries experienced a further decline in their liquidity, often to precariously low levels.

In conclusion, it should be stressed again that the data on growth rates of output and trade, which in many cases are provisional, cannot adequately describe the true economic development in the less-developed countries. The story of development is essentially one of attitudes, beliefs and the will to change outmoded patterns and structures. Many important improvements have taken place which either defy measurement or which will take time to show tangible results. In some countries the impact of new strategies is already discernible; in others it will not be evident for some time. On balance, however, a certain pace of progress - admittedly a slow one - is undeniable. To maintain and increase this momentum, the richer countries have to make increased and sustained efforts to match the hopes of the people of developing countries for better standards of living by achieving a better understanding of the mutual interdependence within the international community, as well as by a generous provision of the external ressources which are the necessary complement to the efforts of the less-developed countries themselves.

The growth prospects of developing countries for the years ahead appear, on the whole, moderately favourable. The breakthrough on the agricultural front in several large countries provides as much reason for optimism as indications of a pronounced upswing of economic activity and import demand in the developed countries. If accompanied by sound policies, both could have a mutually reinforcing impact on sustained advances towards a more promising pattern of the world economy.

NEW PATTERNS IN THE AID RELATIONSHIP (1)

It is now appreciated — at least by the professionals if not always by the politicians — that the transfer of resources from rich to poor countries through what is generally called " development assistance " is a complex and difficult matter. Any effort to make such assistance " effective " — and such an effort cannot be avoided if public and parliamentary support for aid is to be built up — creates a special set of relationships between donor and recipient not only in the economic field, but also in a number of sensitive political areas.

How far should aid donors, individually or jointly, press developing countries to pursue the kinds of policies without which the aid itself will be to some extent wasted? How deep should such pressures go? Through what channels should they be exercised? Should they include only immediately relevant policies (such as the structure of power prices when a new hydroelectric plant is being financed) or should they also include more fundamental points (such as the general efficiency of the civil service, or the scale of resources diverted to non-productive arms expenditures)? These are obviously questions of great delicacy, calling for a special kind of diplomacy as well as professional understanding of the issues involved. But they cannot be avoided.

We are at present in an important transitional stage in relations between the already developed, industrialised countries and the under-developed areas of the world. Many of the latter relatively recently become independent; moreover, as a group, they have for the first time become articulate and vocal in expressing their rights to a share in world economic prosperity. This applies, in particular, to the trade and aid fields : the so-called " Algiers Charter " prepared by the underdeveloped " Seventy Seven " before this year's United Nations Conference on Trade and Development at New Delhi, was an expression of what they expect to obtain.

In international aid itself, the post-independence period has been something of a disappointment so far. Hopes that the upswing of aid volume typical of the late '50's and early '60's would be continued have been realised only to a modest extent in recent years and there are many elements of uncertainty about the period immediately ahead. Yet the later 1960's have also been a period of rapid and significant change which may well mark a transition to a new and more satisfactory aid relationship :

- the sources of *bilateral* (government-to-government) aid have become much more diversified, so that many of the formerly exclusive relationships between individual developed countries and individual developing nations are rapidly breaking down;
- the scale, range and feasibility of *multilateral world* aid institutions (notably the World Bank group and the UN family of specialised agencies) have been considerably extended;
- there have been promising developments in the creation and expansion of aid institutions serving particular *regions* of the Third World.

The first element is expressed in the very existence of the Development Assistance Committee. Membership of DAC — currently sixteen bilateral donors who between them provide over nine-tenths of all aid — involves an acceptance of the idea of participation in a common aid effort, the pursuit of certain standards in giving aid (notably in achieving a certain level of aid volume and an improvement in the terms on which it is made available) and a willingness to seek common solutions to common problems. And, as the number of countries giving significant amounts of aid increases (see the statistics in the following article) it must also imply a willingness to coordinate aid programmes both as among the various aid sources and with the development priorities of the receiving countries.

Under these conditions, it is no longer generally sufficient for DAC countries simply to respond to aid requests as they come forward : they are finding themselves increasingly obliged to take an active view of, first, in what fields they are in the best position to make a contribution and, second, how that contribution can be fitted effectively into the total aid going to a given country. Amongst other things, they may be called upon, along with a number of other donors, to take a view of whether they wish to continue to provide certain kinds of assistance to a developing country whose policies they

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(1) *For the phrase " the aid relationship " I am indebted to Andrzej Krassowski's excellent study with the same title. (Overseas Development Institute, London, 1968).* E.P.

Meeting at high level of the OECD Development Assistance Committee

may feel are not likely to produce economic or social progress.

It is precisely here that the growing rôle of the multilateral and regional institutions is of great importance. Aid consortia and consultative group arrangements, mainly under the leadership of the World Bank, now bring together regularly most of the aid donors assisting a group of developing countries (including India, Pakistan and Turkey) who together absorb about one-half of the world aid total. Such arrangements may be extended to more developing countries (e.g. Indonesia is a probable candidate); and they may be intensified where they already exist — for example, by the sending of permanent field staffs to advise on policy issues, and by closer study of the external assistance needs not only of the developing country's economy as a whole, but also of key sectors within it. They provide, ideally, a framework for ensuring that, as far as possible, the aid donors are informed about economic progress and related policies, while the aid recipient is informed about the probable scale and shape of aid contributions : in the case of consortia only, this involves formal pledging of contributions. The ideal is not always realised — consultations may be too infrequent or inadequate and either side may be reluctant to put its cards squarely on the table : but experience so far clearly suggests that the obstacles can be overcome as mutual confidence is gradually established.

United Nations specialised agencies also have a potentially important part to play in their own fields of interest by providing clearer guidelines for external assistance in relation to development needs and policies. (Later articles on agricultural and educational aid set this out in more detail). And recent World Bank agreements with both FAO and UNESCO are a good example of possibly wider inter-agency arrangements which can put at the disposal of financing bodies, seeking to identify suitable projects for aid, the expertise of a technical assistance agency.

There is nothing incompatible between these approaches to the aid relationship and the third aspect noted — that of promoting regional development institutions. On the contrary, the treatment of aid questions in a regional context can bring in new and valuable elements. Donors are then confronted not by a single developing country, but by a group : particularly where smaller aid recipients are concerned, the dialogue is more evenly balanced between the two sides and sensitivities may thus be less acute. External aid may then be seen as a supplement to a mutual effort of development and assistance among the aid receivers. The willingness of the group of developing countries to co-operate among themselves is thus of critical importance : but co-operation may itself be fostered if — as in the case of the Colombo Plan for South East Asia — the donors provide some tangible encouragement.

It would be idle to pretend that regional approaches to development are forging ahead. But some of the most important pieces in a vast jigsaw of possible institutions are now well in place. Arrangements in Latin America under the Alliance for Progress provide a regular consultative channel on development policies and problems (the CIAP), a very active regional development bank (the Inter American Development Bank), and technical assistance programmes (through the Organization of American States). A key piece in South East Asia will certainly be the Asian Development Bank (1965); it remains to be seen how far the same may be said of the African Development Bank (1964). Apart from these financing institutions, there are many signs of a drawing together for economic development purposes of various groups of countries in all the continents of the Third World.

It has sometimes been said that, if more aid can be provided, there is no lack of institutions to spend it. This is a somewhat facile approach. The two elements — more adequate aid resources, matched by the operational means to ensure that they are used effectively and under conditions tolerable to donors and recipients alike — are intimately linked. An increase in aid will, over the longer run, depend heavily upon a further basic improvement in the aid relationship.

STATISTICS: THE FACTS ABOUT RESOURCE FLOWS TO DEVELOPING COUNTRIES

The Member countries of the OECD Development Assistance Committee regularly transmit statistics on the volume, types and terms of financial and technical assistance they provide to less developed countries. The data cover resources supplied by both the official and private sectors. Official contributions include grants and loans made bilaterally to individual developing countries, as well as grants, loans and capital subscriptions to multilateral organisations active in the aid field. The private sector provides resources in the form of direct and portfolio investment and the extension of export credits. There are also substantial grants made by private non-profit groups — foundations, voluntary agencies and churches. These grants are estimated to have amounted to over $600 million in 1967, but the data are not very reliable and are omitted from the tables on these pages.

This is a wide field indeed, and this article can do no more than summarise its broad features, in a series of tables and charts designed mainly to appraise recent trends and performance, and to look at some of the implications of the aid targets existing today or under discussion.

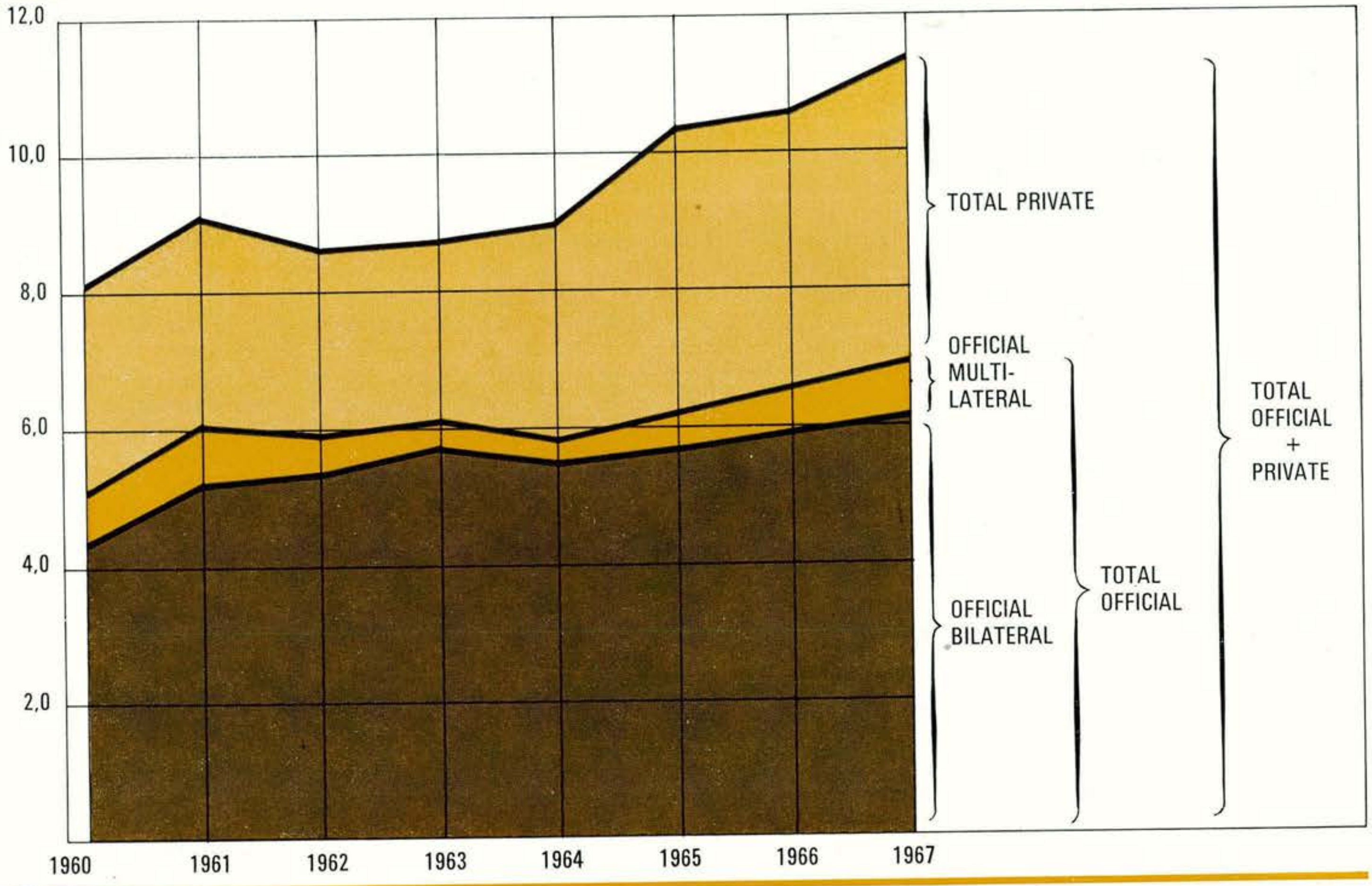
Overall trends are examined in Table 1 and Chart A. The total " net flow " (1) of resources provided by DAC Members to the developing world in 1967 amounted to $11.3 billion. This was a record figure, and it continues the moderately rising general trend characterising donor countries' performance in the 1960's.

Some of the detail of the total net flow is also given in Table 1. The official sector typically accounts for almost two-thirds of the outflow of development assistance, and in 1967, these contributions rose by $0.5 billion to a new high — a strong performance achieved despite the difficulties in obtaining an expansion in new aid commitments in certain Member countries. Most official flows are on a bilateral basis, but an increasing, if still relatively small, share is now being channelled through multilateral agencies such as the World Bank Group and the United Nations Development Programme (although there are quite large year-to-year fluctuations). Almost one-half of the 1967 total increase in official aid volume represented contributions to multilateral agencies.

The $7 billion of official re-

(1) This is one of the standard statistical concepts used in DAC reporting practice. It measures net disbursements, i.e. the gross amounts lent and granted less repayments received during the period on account of earlier lending.

A. TOTAL FINANCING FLOWS FROM DAC COUNTRIES TO DEVELOPING COUNTRIES (1960-67) (Net disbursements, Bill. dollars)



1. - TOTAL FINANCING FLOWS: THE FLOW OF FINANCIAL RESOURCES FROM DAC COUNTRIES, 1960-1967

Net disbursements (1) ($ million)

		1960	1961	1962	1963	1964	1965	1966	1967
TOTAL OFFICIAL, NET		4,930	6,029	5,950	6,072	5,856	6,202	6,506	(6,985)
of which:	Bilateral	4,329	5,277	5,423	5,707	5,476	5,753	5,970	(6,218)
	To multilateral agencies	601	752	527	365	380	449	536	(767)
TOTAL PRIVATE, NET		3,182	3,212	2,577	2,545	3,292	4,261	3,975	(4,330)
of which:	Bilateral	2,978	3,121	2,338	2,576	3,146	4,009	3,947	(4,024)
	To multilateral agencies	204	91	239	—31	146	252	28	(306)
TOTAL OFFICIAL AND PRIVATE		8,112	9,241	8,527	8,572	9,148	10,462	10,482	(11,315)

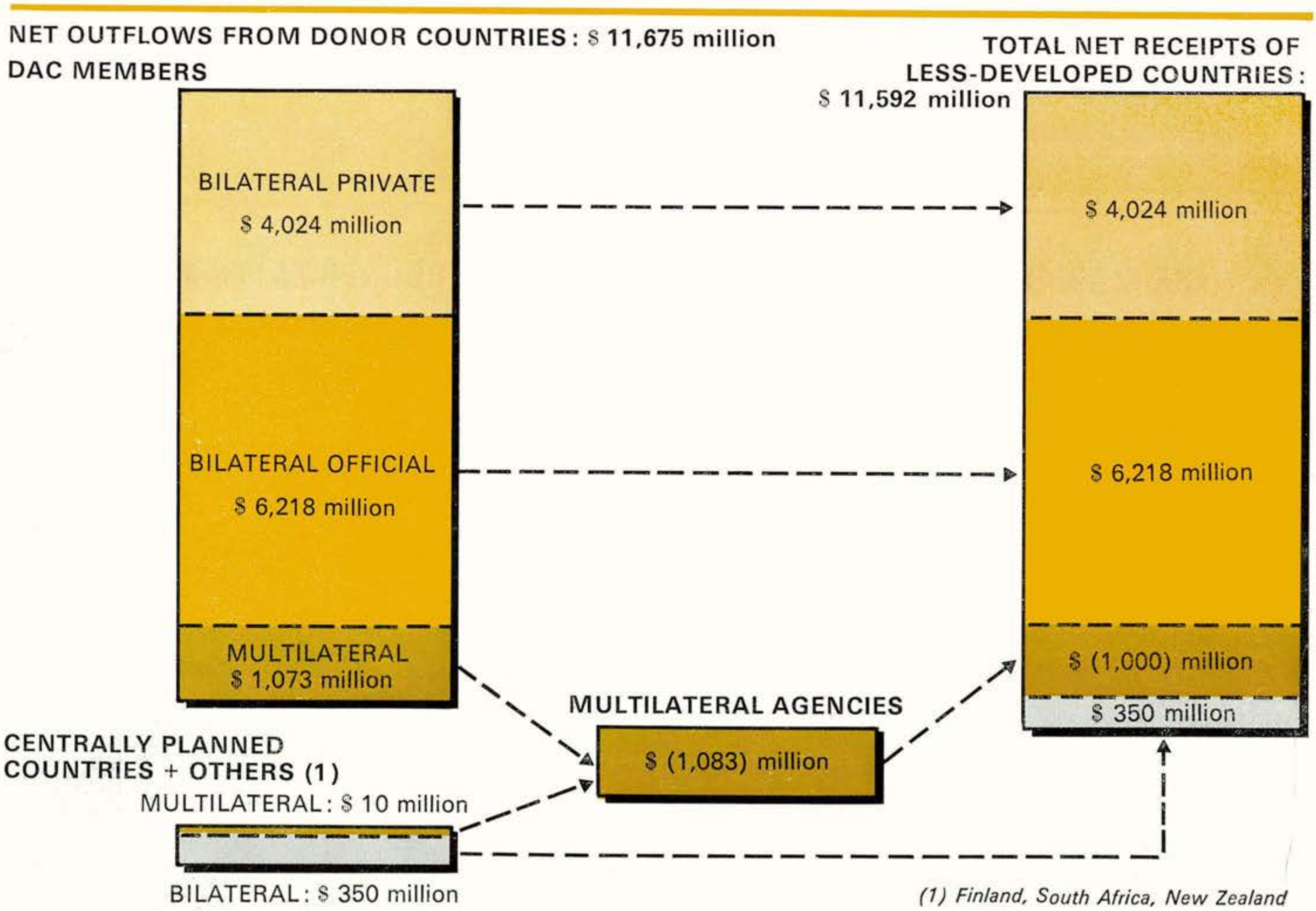
(1) Gross disbursements minus repayments on earlier lending.

sources provided to the developing world in 1967 represented twenty two cents per head per week for the population of DAC Member countries. Of this, 14 cents were in the form of grants, 8 cents in the form of loans. Private sector funds, (mainly direct and portfolio investment and export credits) are also an important component of development financing. They tend to be quite volatile, but in recent years they have accounted for a more important share of total than in the early 1960's. Like official flows, most are channelled directly to recipient countries, but an important role is now being played by private multilateral portfolio investment, which reached a new high of over $300 million in 1967. Bond flotations by multilateral agencies in 1967 were mainly made in the United States market, but with world interest rates easing, a trend to wider geographical spread of placings (including placings in less developed countries) has become evident.

The flow of assistance funds may on occasion seem roundabout, and DAC Members are not the only source of supply — although they are the main source. The circuit in 1967 and its components are shown in Chart B. Developing countries received a net flow of about $11.6 billion, or almost $7 per capita (compared with $5.5 in 1960, despite the subsequent growth in their population). About $88 of every $100 represented public and private funds supplied bilaterally from DAC Member countries. The other main source of bilateral funds — the group of centrally planned countries, accounts for some 3 per cent. The remainder of less-developed-countries' receipts — 9 per cent — consisted of disbursements by multilateral agencies, most of whose financing is in fact derived from DAC Members.

As will be seen from Chart B, these agencies, whose disbursements to the Third World passed the $1 billion mark in 1967 for the first time, received contributions of approximately the same amount in that year. Historically, this balance is rather unusual. Many special-purpose agencies are relatively new — most were founded after 1960 — and the contributions they receive from members can only be disbursed after the necessary commitment and project implementation procedures have been gone through, a process which may take two or three years or more. Thus in the early 1960's, a pipeline of multilateral funds was built up, followed by an outflow of funds from multilateral agencies to the developing world over the years 1964/1966 which was higher than the inflow of current contributions to them. The stabilisation of the pipeline in 1967 with contributions and outflows at a new high level, together with known

B. TOTAL NET FINANCING FLOWS FROM INDUSTRIALISED COUNTRIES AND MULTILATERAL AGENCIES TO LESS-DEVELOPED COUNTRIES IN 1967



(1) *Finland, South Africa, New Zealand*

commitments made by developed countries covering the next few years, indicates continued growth over the medium term of the flow of resources to the multilateral organisations, and from them to less-developed countries.

The Aid Target

DAC Member countries are well aware of the need to maintain and increase the flow of resources to the less developed countries, and in July 1965 the Committee adopted a recommendation to its Members " to attain and if possible exceed .... 1 per cent of national income " in the net amount of financing (public and private) supplied to developing countries. Between 1956 and 1967, actual flows have in fact been rather close to this level, although they have slipped below it in recent years (the 1967 figure was 0.93 per cent).

The Second UNCTAD meeting in New Delhi early this year recommended that developed countries try to devote 1 per cent of their gross national product to assistance purposes as early as possible. DAC Members have associated themselves with this resolution, whose implications are currently being studied by the Committee. As GNP is a substantially higher quantity than national income, the effect of adopting this new objective would be to raise target aid flows by around one quarter. This appears clearly in Chart C, which also takes a look into the future based on forecasts of Members' GNP prepared by OECD. If, for example, the " 1 per cent of GNP " target were to be achieved by DAC Member countries collectively by 1975, net flows would have to rise by about 8 per cent a year between now and then — without counting the effect of any rise in prices that the GNP forecasts may not have allowed for. This would mean a rate of increase of net flows of assistance from DAC Members at least twice that registered so far during the 1960's.

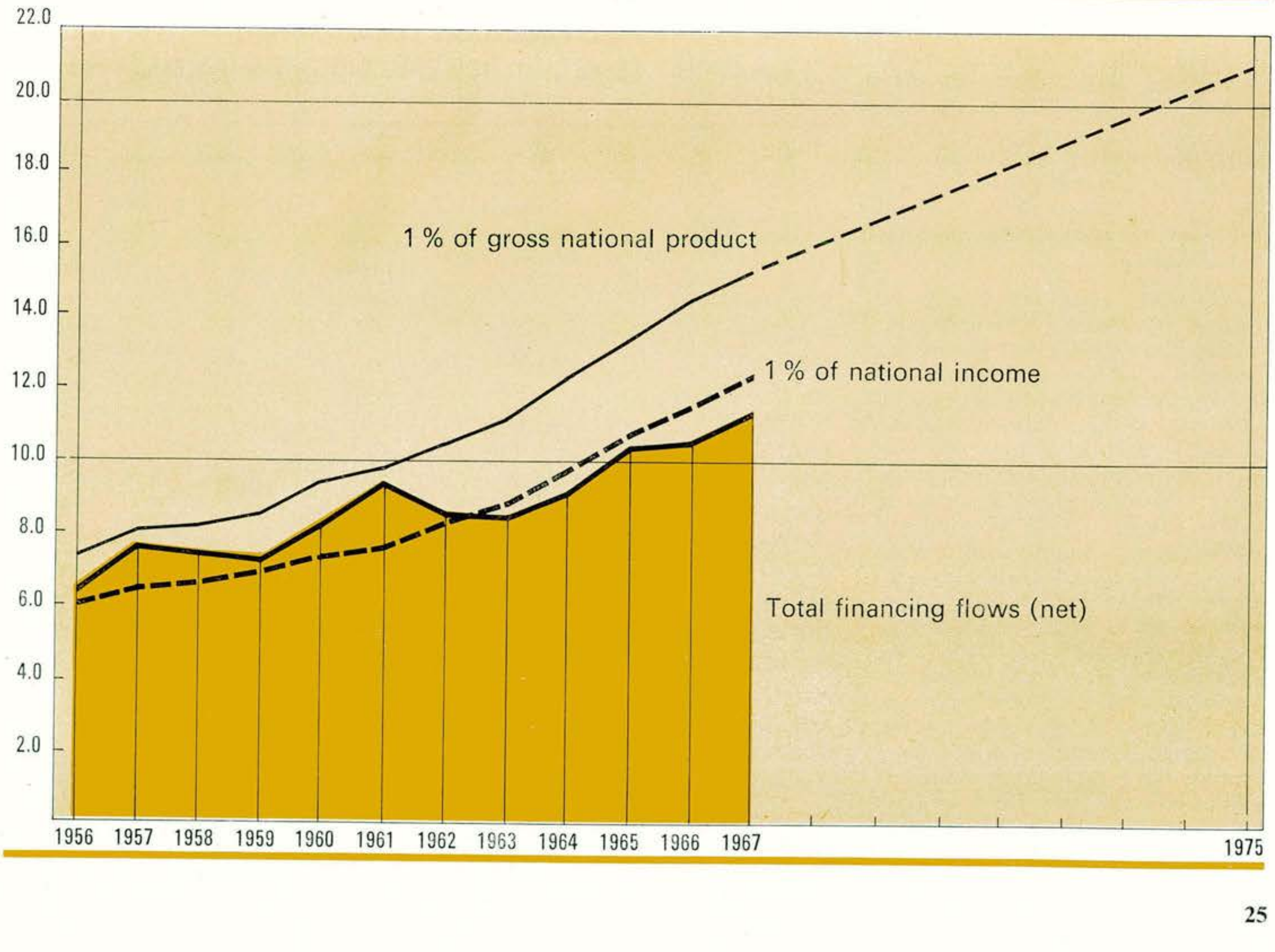
Efforts of Individual DAC Members

Some overall data on the size and components of individual DAC Members' assistance flows in 1967 are given in Table 2, which also compares figures for the three year periods 1965/7 and 1960/2 (so as to eliminate distortions arising from year-to-year fluctuations). The four largest programmes — the United States, France, Germany and the United Kingdom — together account for about 80 per cent of the total.

(continued on page 26)

C. THE AID TARGET DAC MEMBERS COMBINED

Bill. dollars



2. EFFORTS OF INDIVIDUAL DAC MEMBERS:
THE OUTFLOW OF TOTAL OFFICIAL AND PRIVATE FINANCIAL RESOURCES IN SELECTED PERIODS

Net disbursements ($ million)

Country	1960/2 Average	1965/67 Average	1967			
			Official Sector	Private Sector	Total	Total as % of National Income
AUSTRALIA	67.9	151.6	167.2	15.0	182.2	0.86
AUSTRIA	19.0	48.1	38.8	9.0	47.8	0.60
BELGIUM	154.8	184.2	98.8	54.6	153.4	1.00
CANADA	113.8	229.6	213.0	39.9	252.9	0.59
DENMARK	28.6	21.4	28.0	—3.2	24.8	0.27
FRANCE	1,375.5	1,320.9	831.1	512.8	1,343.9	1.64
GERMANY	704.6	869.2	549.4	593.6	1,143.0	1.26
ITALY	315.4	394.0	202.8	82.1	284.9	0.53
JAPAN	304.6	670.0	390.6	464.7	855.3	0.95
NETHERLANDS	184.4	239.9	113.5	113.5	227.0	1.24
NORWAY	14.6	28.6	15.5	14.7	30.2	0.48
PORTUGAL	40.5	49.5	46.6	31.8	78.4	2.12
SWEDEN	45.3	100.5	59.9	60.8	120.7	0.70
SWITZERLAND	176.2	135.8	3.9	117.3	121.2	0.93
UNITED KINGDOM	840.9	952.5	503.1	378.0	881.1	1.01
UNITED STATES	4,240.5	5,356.5	3,723.0	1,844.0	5,567.0	0.85
TOTAL DAC COUNTRIES	8,626.5	10,752.9	6,985.1	4,329.7	11,304.8	0.93

The United States alone provided about half the financing flows recorded in 1967. Yet this figure of $5.6 billion, which was a not unsubstantial increase over earlier years, represented only 0.85 per cent of US national income — below the DAC target of 1 per cent, and below the actual 1967 average of 0.93 per cent.

Six DAC Members (Belgium, France, Germany, Netherlands, Portugal and the United Kingdom) provided a net flow of resources to developing countries in excess of 1 per cent of their national income in 1967. But it should also be noted that some Member countries which remained below the national income target in 1967 have nevertheless been increasing their contributions very significantly in recent years. This group includes Australia, Canada, Japan and Sweden, and together with Germany, the Netherlands and the United States, it accounts for the bulk of the increase in assistance volume in recent years. Countries whose programmes have on balance remained stable over the past three or four years include Belgium, France and the United Kingdom.

3. FINANCIAL TERMS OF AID
FINANCIAL TERMS OF OFFICIAL AID PROGRAMMES, 1967

Commitments data

Country	Grants	Loans		
	Grants as % of total commitments	Weighted average: Maturity (years)	Interest rate (%)	Grace Period (years)
AUSTRALIA	100	(a)	(a)	(a)
AUSTRIA	13	6.5	5.9	0.7
BELGIUM	92	18.2	3.2	4.9
CANADA	49	30.9	3.4	4.4
DENMARK	63	24.0	0.0	6.6
FRANCE	73	15.1	3.7	(1.8) (b)
GERMANY	35	19.0	4.3	4.9
ITALY	12	8.5	4.0	1.2
JAPAN	38	16.6	4.8	4.7
NETHERLANDS	66	25.5	3.6	7.0
NORWAY	96	19.9	2.6	7.0
PORTUGAL (1)	(28)	(22.3)	(3.6)	(4.1)
SWEDEN	84	21.4	2.0	6.4
SWITZERLAND (2)	100	(a)	(a)	(a)
UNITED KINGDOM	57	24.1	1.1	5.5
UNITED STATES	56	28.2	3.6	6.7
Total DAC	(55)	(23.0)	(3.6)	(5.3)

(1) 1966 data. (2) Excluding loans to IBRD and IDA.
(a) No bilateral loans. (b) Based on incomplete data.

The Financial Terms of Official Assistance

Official flows to developing countries vary substantially in respect of the financial terms attached to them. Fifty-five per cent of total assistance commitments by DAC Members in 1967 were in the form of outright grants, the remainder being loans on varying terms i.e. interest rates, maturities and grace periods,

The DAC in July 1965 recommended that Members improve the terms of their assistance in view of the increasingly serious debt problems of certain developing countries. Briefly, it proposed that *either* countries' aid should contain a high proportion (70 per cent or more) of outright grants *or* they should attempt to soften a high proportion of their lending programmes to certain average standards (3 per cent interest, 25 years' maturity, 7 years' grace period) or better.

There has been considerable progress in this direction, although in some respects 1967 performance was disappointing. Six countries have programmes whose grant content exceeded the recommended proportion — Australia (which follows a grants only policy in respect of official funds) Belgium, France, Norway, Sweden and Switzerland, the latest country to acceed to membership of the Committee. Of the remaining countries, the Netherlands was in compliance with the maturity and grace period recommendations, and the average maturity involved in the Canadian and the United States lending programmes exceeded 25 years. Denmark, Sweden and the United Kingdom were countries which at well below-average (sometimes zero) interest rates, although these countries did not comply with the maturity and grace - period provisions of the Recommendation. For DAC Members combined, as can be seen from Table 3, grants accounted for 55 per cent of official programmes average maturities and grace periods fell short of compliance by about two years, and the average interest rate exceeded the recommended figure by 0.6 per cent. (1), Thus, some further progress has still to be made, but it is not too early to consider the scope for revising the target to secure still more favourable average terms for developing countries — a subject which is currently under discussion in the Committee.

(1) These are commitments data, i.e. they relate to countries' declared intentions to provide assistance. But administrative requirements and the long periods involved in the fruition of many projects (it may take over 5 years to build a dam) typically result in disbursements being spread over a period of several years following the year in which commitments are made — another example of an aid " pipeline ".

NEW APPROACHES TO PRIVATE INVESTMENT

New trends in the role of private foreign investment for development

Private capital flows constitute an important source of development finance and technical assistance. Private foreign direct investment, in particular, brings special kinds of skills and resources. It has contributed to opening up natural resources and to creating broadly based manufacturing industries. It is hoped also that a growing number of developing countries will be able to rely increasingly on normal commercial financing flows for their external financial and technical needs. Official aid and private foreign capital are complementary; both have their role to play in the development process.

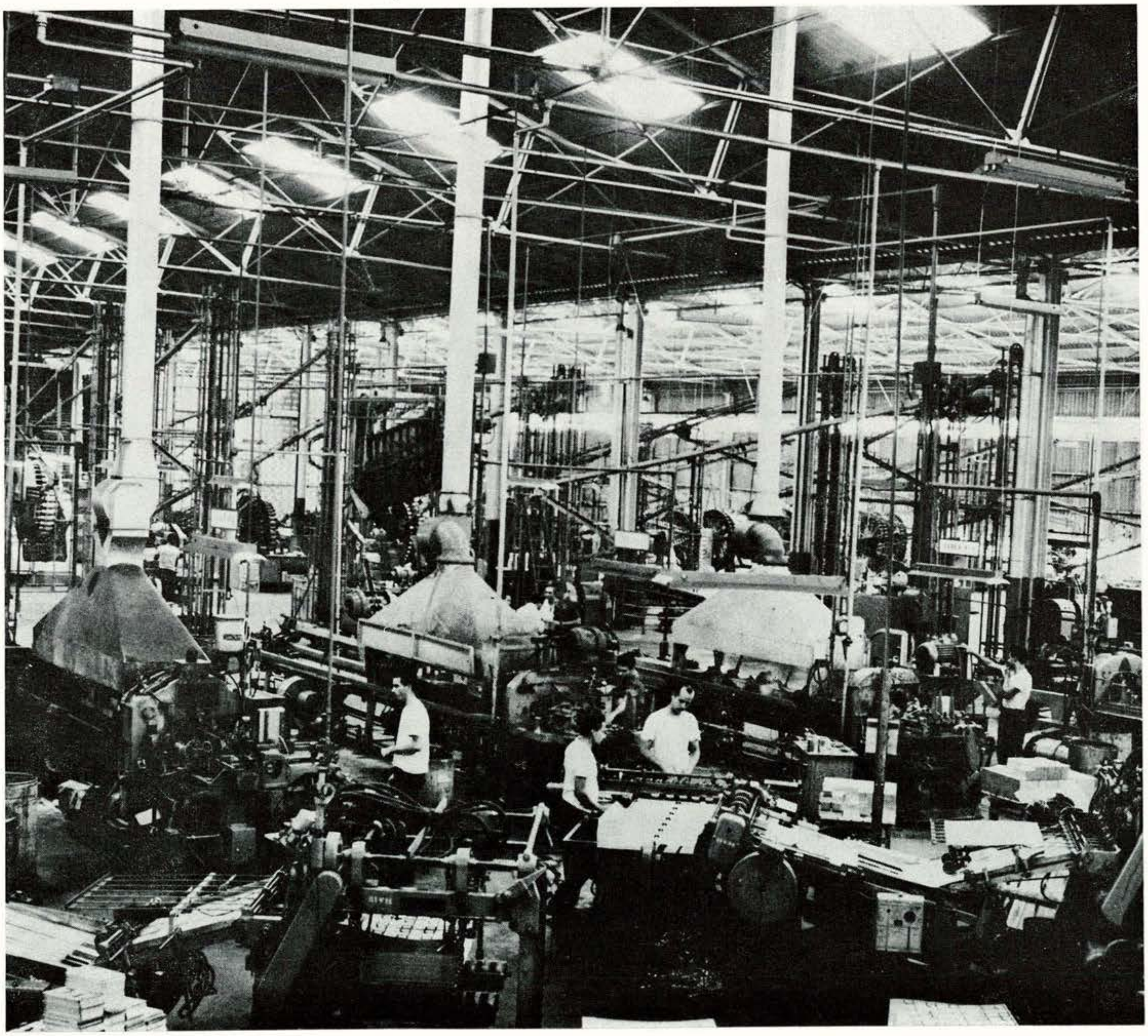
The statistical material presented elsewhere in this issue (see especially tables page 23) shows the impressive increases in various types of private capital flows in recent years. Private capital flows, now running at an average annual rate of more than $4 billion, have accounted for between 30 and 40 per cent of total financial flows to developing countries. They have, in fact, increased at a faster rate than official aid flows. While the United States, France and the United Kingdom continue to be the major sources of private capital, recent years have seen the emergence or re-emergence of countries like Germany, Japan and Italy as important capital exporters.

A large and growing volume of private foreign investment in developing countries will only take place if both the investor and the host country find mutual benefit in these operations. Private foreign enterprise must be able to find an economic climate and policies which permit effective operation, treatment and prospects for reasonable profits. Host countries, in turn, have a legitimate interest in attracting private foreign investment primarily to those sectors where it is likely to make a useful contribution to economic development. The host government and the private foreign investor must, therefore, seek to negotiate terms and conditions of entry and operation which strike a fair balance between the interests of both parties.

The *mutual character of the interests and responsibilities* of foreign firms and host countries is increasingly recognised on both sides. There are, indeed, indications of new trends in the relationship between investors and governments of less-developed countries. In recent years a growing part of private foreign investment has been designed to use opportunities for import substitution. These investments take place in the field of consumer goods industries or light engineering and are more closely integrated with the national economy than investments in extractive industries or plantations. Even the latter have tended to become more closely integrated into the local economies, and profit-sharing arrangements have undergone important changes.

Governments of the newly independent countries have become more experienced and self-confident. They are aware of their power to control the entry and operation of foreign companies with the wide-ranging array of policy instruments at the disposal of sovereign governments, such as company laws, licensing, fiscal measures, employment rules and exchange controls. They are thus using their bargaining power fully, but at the same time they are becoming somewhat less pre-occupied with the alleged implications of private foreign investment for their national sovereignty and independence.

The printing and canning section of a private Venezuelan company whose modernisation is being assisted by the International Finance Corporation



While the conditions of entry required by several less-developed countries have become more demanding in some respects, those countries have at the same time become increasingly aware of the benefits they can derive from private foreign investments and are interested to attract foreign investment on a larger scale. But host countries must understand that private foreign investment can only operate efficiently if certain minimum operating conditions are met.

Foreign investors, as their ventures are more fully integrated into the economies of developing countries, are aware of their responsibilities and have become more sympathetic to the objectives and problems of less-developed countries. Many companies have provided valuable infrastructure facilities or have set up training programmes for local staff, sometimes going well beyond their own immediate needs.

What can governments of capital-exporting countries do to encourage private foreign investment?

Fundamental economic conditions, relative profit opportunities and the general " investment climate " cannot be basically changed by governments of capital-exporting countries. To the extent that these factors can be determined by governments at all, the responsibility must, in the first place, be that of the developing countries themselves. Nevertheless, private investors have indicated that certain types of incentives can be effectively provided only by capital-exporting countries, such as guarantees against the risks of expropriation and of restrictions on the repatriation of profits and capital. In addition measures to foster private foreign investment require technical expertise and resources which are in scarce supply in developing countries and where donor countries may be able to help.

Several DAC countries have offered a range of facilities for investors in developing countries. Germany, the United States, Japan and, to a lesser extent, Australia, Denmark, France and Norway provide government guarantees for non-commercial risks. The Netherlands, Sweden and Switzerland have such guarantee schemes under consideration. Several countries especially Germany, Switzerland and the United States have concluded investment protection agreements with a series of developing countries. In the World Bank a multilateral guarantee scheme is under consideration and a Centre for the Settlement of Investment Disputes has recently been established. A few DAC countries exempt foreign investment income from taxation or offer tax credits. Most DAC countries provide various investment information facilities or subsidise feasibility studies. Some governments, as well as the World Bank Group, have established, in addition to direct government lending activities, special financial institutions to help set up private ventures mainly in participation with local capital and entrepreneurs. Examples are the International Finance Corporation, the Commonwealth Development Corporation and the Deutsche Entwicklungsgesellschaft.

There is much more scope for imaginative co-operation between aid donors and private investors. In many cases the legislative authority and the aid instruments for this co-operation are already available. This approach requires considerable discretion and may raise difficult problems of government-private sector relations; but if there are opportunities for foreign aid to play in this way a significant role in developing countries, they should not be lost.

Need for a closer dialogue between governments of capital-exporting and importing countries and private investors

There are important differences in attitudes and policies among developing countries as well as among investors. Many important investment projects are not realised because of failure to reach agreement about mutually acceptable terms. Companies often complain about certain aspects of host country policies — such as uncertainty about the basic attitude of government towards private foreign investment, undue restrictions on repatriation of profits or on the use of expatriate personnel, discrimination in favour of domestic (especially publicly-owned) enterprises. Host countries, in turn, complain about lack of integration into the domestic economy, excessive profit expectations, failure to reinvest an adequate part of the profits, lack of interest in promoting exports, reliance on foreign supplies of raw materials and components, as well as personnel, rather than on domestic resources. Such mutual grievances, distrust, uncertainty about basic attitudes and objectives, rights and obligations adversely affect the investment climate, impair the operating efficiency of existing investment and discourage new investments.

There is, therefore, a clear need for governments of capital-importing and capital-exporting countries, which are concerned with the contribution of private foreign investment to economic development, to clarify further the economic effects of private foreign investment and to explore ways in which its contribution could be made more effective, taking into account the interests of all parties concerned.

In large measure, the economic effects of private foreign investment will depend on the general economic, financial, fiscal, social, commercial and other relevant policies. The scope for action by governments of capital-exporting countries in contributing to an improved investment climate and in creating conditions for effective operations by private foreign investors is necessarily limited. These governments can provide general or selective inducements for investments in developing countries. But the determination of the fields and the circumstances in which foreign investment is welcome to operate is the responsibility of the host country governments themselves, and the specific conditions of entry and operation are set by them unilaterally or in negotiation with potential foreign investors.

Further work is required to determine the policies and conditions of operation which combine operating efficiency, reasonable returns and a long-term contribution to the development potential of the host country. It is essential to strengthen the broader dialogue between investors and host countries to establish a better awareness and comprehension of each other's problems and preoccupations.

A "GREEN REVOLUTION" IN THE DEVELOPING COUNTRIES?

Few topics have been more at the centre of international discussion during the past three years than the problem of the world's future food needs and its relation to the rapidly expanding population in the developing countries. Two years ago the outlook seemed to be bleak. With average levels of food consumption already far below the minimum nutritional requirements, the index of food production per capita, after stagnating at the level of 102 - 103 (1957-1959 = 100) since the beginning of the Sixties, had fallen to 98, two percentage points below the level already reached ten years earlier.

In some countries, notably India, which accounts for more than one third of the developing world's population, the situation was even worse. There the index fell from the level of 108 in 1961 to 93 in 1965 and to a disastrous 89 in 1966. Only massive foodgrain imports, most of them on concessionary terms from the United States, Canada and Australia, could stave off a famine of unprecedented proportions. But the problem was not only concentrated in India. A number of other important developing countries, notably Indonesia, Pakistan, the United Arab Republic, Brazil and several West African countries had become increasingly dependent on food imports from abroad.

Serious questions arose about the continuing ability of developed countries to meet these bulging food needs. Wheat stocks in the principal exporting countries (1) declined from a somewhat embarassing 59 million tons in 1961 to a more normal carry-over of 30 million tons in 1966. But a continuing depletion of stocks at such a rate could not have been supported for very long. Even if it is admitted that the developed countries still have an enormous potential for expanding acreage and production, it is doubtful that the developing countries would have been in a position to solve the financial and internal distribution problems which are invariably associated with such heavy dependence on food supplies from outside.

During the past year a significant reversal in food production trends has taken place. Favourable growing conditions, particularly abundant and timely monsoon rains during late summer and early autumn of 1967 in the Indian subcontinent, contributed to a sharp production increase, particularly in foodgrains. The index of per capita production for the less-developed countries as a whole rose by 6 points to 104 which was, however, still only slightly above the level achieved earlier in the decade.

Is this rebounding simply a positive variation around a basically stagnating trend or is a real take-off in the making? The answer to this question must not be sought primarily in the production statistics but rather in certain indicators of basic technological change : the use of improved inputs, more productive seeds, fertilisers, mechanical equipment and basic institutional changes in the rural society of the deve-

(1) *The United States, Canada, Australia, Argentina and France.*

A scientific officer of the Tropical Products Institute, London, examines maize for insects on behalf of several African countries

loping countries. Looking at these factors, the evidence is strikingly positive.

The most tangible sign that something very basic is changing is the enormous rate at which the developing countries have been increasing their fertiliser consumption in recent years. Still far below average consumption levels in OECD countries, their total use of fertiliser rose from 2.3 million tons in 1955-1956 to 6.7 million tons in 1965-1966, an almost threefold increase. In India, the increase was more than sixfold over the same time period, from 131,000 to 807,000 tons. For 1970-1971, India's fertiliser consumption is projected to rise to 4.1 million tons, another fivefold increase over the 1965-1966 level.

Closely linked with the greater use of fertilisers was the introduction on a massive scale of new seed varieties of wheat, maize, sorghum and rice. These new varieties have not only an inherently higher production potential but also respond much better to fertiliser use and often have shorter growing periods than traditional varieties. As a result, where formerly one or two crops could be grown, it is now possible where climatic conditions are favourable to harvest one additional crop. The rate at which farmers in many developing countries are adopting these new varieties — introduced largely with the help of the Rockefeller Foundation — is striking.

In a recently published article dealing with developments in Asia, Lester Brown (1) provides specific figures showing the rate at which improved varieties are being introduced in that area. In India, the area planted with new varieties went up from about 23,000 acres in 1965-1966 to nearly 4 million acres one year later. By 1970-1971, they are expected to cover 40 millions acres, nearly fifteen per cent of the total foodgrain acreage. Pakistan imported large quantities of Mexican seed wheat which will allow that country, after only 1 or 2 years of domestic seed reproduction, to cover its entire wheat acreage with the improved varieties. Other countries, particularly Turkey, Tunisia and the Philippines, are also introducing the new varieties on a massive scale.

One of the most interesting and important side aspects of this development concerns the attitudes of farmers in the developing countries. In the past they were often described as backward, illiterate and tradition-bound. It has turned out that this holds only as long as they are not sure that a new technique shown to them by the extension agent is clearly superior to their traditional methods. When they could be convinced that the new techniques doubled or tripled their yields, substantially increasing net profits, they were eager to adopt them and, in many cases, were willing to pay premium prices for a handful of improved seed or a few bags of fertiliser.

Evidence of this profit-mindedness is also provided by the fact that over the past few years farmers in India and Pakistan have installed at their own expense tens of thousands of tubewells to supplement the water allocated to them from the old canal network. These installations not only benefit the individual farmer, allowing him to intensify his cropping pattern and to reduce the year-to-year fluctuations in production, they also contribute to lower the groundwatertable, thereby reducing the incidence of waterlogging and salinity which, in the past, has had such disastrous effects on the quality of soils in many irrigated areas.

All these are hopeful signs and their importance for the future growth possibilities of the developing countries should not be underestimated — but much remains to be done. The long process of commercialising the agricultural sector to the point where it becomes integrally linked with other sectors of the economy through the marketing system, requires action in a number of fields. Particular attention must be paid to the rapid development of the internal storage and marketing network. In the absence of a reasonably secure market and the assurance that the marketable surplus can in fact be sold, farmers in the developing countries will have little incentive to become more specialised in those crops best adapted to their environment or to continue to adopt new production techniques which require increasingly heavy financial investments on their part.

In the absence of an effective marketing system, farmers naturally adopt " insurance-oriented " cropping patterns which maximise their degree of self-sufficiency and minimise their dependence on the commercial market. The heavy reliance on food imports for the supply of urban centres, which was a policy followed in a number of developing countries in the past, has definitely retarded the commercialisation of agriculture. Food prices were kept unduly low in relation to the general price level, thereby reducing incentives for the farmer to increase production; public spending on overhead facilities for the development of the domestic marketing system was insufficient and storage facilities, prerequisite for a meaningful price policy, were wholly inadequate.

The bitter lessons learned by developing countries during the past two years have changed the outlook also in places where it can count very much, the planning ministries and the minds of political leaders. Not only is there a trend for public spending in agriculture and related sectors to rise, but slowly the idea is gaining in the minds of young scientists, teachers and technicians that work on promoting agriculture is not necessarily a life devoted to backwardness and stagnation. To be sure, attitudes change only gradually because the " urban bias " — as Lipton (2) called it in a recent article — has been ingrained in the minds of the young intellectuals for decades and is not easily overcome.

Is there scope for outside help in agriculture?

Aid donors, too, trying to help agriculture in the developing countries have learned much about how to improve their aid to that sector. The work of the OECD's Development Assistance Committee has been intimately involved with these activities.

Following a Recommendation adopted at the OECD Development Assistance Committee's July 1966 High-Level Meeting, an intensive review of agricultural aid programmes, both bilateral and multilateral, was conducted. The results of this review, published recently (3), provided new and important insights about the volume of aid going to that sector as well as experiences gained by various donors in carrying out their programmes. Although it is difficult *a priori* to determine just how much aid should go to agriculture, the DAC review suggested that only 12 per cent of the aid flow, as was the case during the early Sixties, was probably far too little considering the importance of the agricultural sector in the economy of most developing countries.

Since the time of the review, a number of donor countries and multilateral aid agencies have appreciably increased their aid to agriculture. In the US-AID programme, allocations, have gone up from \$570 million in fiscal year 1968 to an estimated \$800 million in fiscal year 1969. A big share goes for the

(1) *The Agricultural Revolution in Asia*, Foreign Affairs *Vol. 46, N° 4, July* 1968.

(2) *Michael Lipton*, " *Urban Bias and Rural Planning in India* " *in* The Crisis of Indian Planning, *Paul Streeten and Michael Lipton ed. (published by Oxford Univ. Press)*

(3) *OECD, Aid to Agriculture in Developing Countries, Paris* 1968.

purchase of fertilisers. Food aid policy is changing significantly with more emphasis being accorded to complementary self-help efforts by the recipient country concerned.

The *German* Government, which for many years has emphasised the importance of agriculture in its aid programme, continues to increase its aid contributions to that sector. Technical assistance contributions alone increased from 26 per cent in 1966 to more than 40 per cent in 1967, and more aid is envisaged for production requisites, mostly fertilisers.

In the *British* aid programme about 16 per cent of total bilateral assistance and nearly 20 per cent of technical assistance funds were spent on agriculture. About 1,350 United Kingdom agricultural experts were stationed in developing countries in 1966. Many of them brought along valuable experience gathered in the former colonial service.

France, concentrating its aid efforts largely on the West African countries and Madagascar, emphasises rural development schemes and the development of commercial crops and plantations. A large and important network of specialised agricultural research institutes with headquarters in metropolitan France provides the know-how so vital for the practical implementation of these schemes.

The multilateral agencies with funds largely provided by OECD countries on banking terms are continuously finding new ways of extending aid to agriculture. Not only capital-intensive irrigation works but increasingly other projects, particularly educational facilities and rural credit institutions, are considered for financing. *The International Bank for Reconstruction and Development*, with total agricultural funds of about $1.1 billion, currently has about $500 million in the pipeline for this purpose. In a co-operative agreement with FAO, the Bank continuously develops new agricultural projects which are suitable for financing. A similar agreement exists between FAO and the *Inter-American Development Bank*, the agency which so far has commited the largest share (about 27 per cent) of its funds for agricultural development purposes.

The Asian Development Bank, since it began its operations about two years ago, has sent a ten-man mission to the principal Asian countries to review the situation in the agricultural field, partly with a view to assessing priority projects and programmes for outside assistance. The establishment of an Agricultural Development Fund is provided for in the Bank's Articles of Agreement and the Bank is presently working out the basic rules under which the Fund should operate. A number of donor governments (Japan, the United States, Canada, Denmark and the Netherlands) have indicated their willingness to contribute.

Looking back over recent developments concerning agriculture and food production, a certain cautious optimism regarding the future may be justified. The crucial role of agriculture is now better understood both by planners in the developing countries and by aid administrators. Substantial progress has been made in defining the actions — internal policy measures, technical assistance and capital projects — which, conceived as an integrated whole, are able to get agriculture moving even where farmers are "illiterate" in the traditional meaning of this term. The farmers themselves, far from being uninterested and apathetic, are showing eagerness to adopt new methods wherever it can be convincingly shown to them that the new approaches are indeed superior to old ways and provide quick increases in income.

THE SIGNIFICANCE OF EDUCATIONAL PROGRESS

The educational systems of the world have been expanding during the last fifteen years at a rate never before attained. During this period educational enrolments doubled and public expenditure on education rose on an average 6 ½ per cent annually in the industrialised countries, and 12 ½ per cent a year in the developing countries. This rate of increase was between two and four times that of the rate of growth of national income and between three and six times that of population growth.

The cause of this rapid expansion in the industrialised countries has been the growth and better distribution of income, with the accompanying increase in social and individual aspirations and the spread of modern technology and the demand for higher skills. In the developing countries the same factors have played an important role though the rising aspirations of newly emergent countries and exceptionally high rates of population growth have produced an unusually strong social, as distinct from economic, demand for education.

Despite this progress, about one third of the world's children remain out of school and, although the world illiteracy rate is falling, and is thought to be about 37 per cent at present, the absolute number of illiterates is growing and is likely to surpass 800 million by 1970. This is due partly to population growth and partly to the failure of the primary schools of the developing countries to retain the 60 per cent of the child population they enrol sufficiently long to make their literacy last.

Thus, the world is in the middle of a rapid process of educational expansion characterised by a vast difference between the amount and quality of the facilities available as between the developed and the developing countries. This can be seen from the fact that the world education budget is of the order of 100,000 million dollars but that of the developing countries, whose population outnumbers the developed countries by 3 to 1, accounts for only about 10,000 million dollars of the total.

The older industrialised countries of the world with well-established educational systems are themselves going through a crisis of expansion and readjustment of traditional structures, but the same problem exists in even more acute form in the developing countries since the extremely rapid expansion has been on traditional lines. Many features of their educational system are out of touch with their needs as societies. An enormous challenge is thus presented to these countries, and to bilateral and multilateral donor agencies, to bring greater efficiency into education and closer adjustment to social and economic needs.

The developing countries face the need to reorganise much of their education and at the same time to expand the system as a whole to create the human resource potential for their development. They face this dual problem at a time when the educational expansion has pushed up the amount of their resources spent on education close to budgetary ceilings. The issue of the cost effectiveness of education is particularly acute in the developing countries. Since educational systems consume between one eighth and one fifth of the average nation's investment resources, failures in cost effectiveness in education represent a serious drag on economic growth in any country. In the developing countries the burden is particularly heavy since the proportion of the productive population to total population is smaller and the proportion of the child population greater.

Despite these difficulties, there is much evidence that investment in education has yielded very high returns in the past, which could no doubt be even greater today if modern techniques of management and modern technologies could be applied to the education process. In his study of sources of economic growth in the United States, Professor Edward Denison attributes to education 23 per cent of the growth rate and 42 per cent of the growth of product per person employed. Other economists have calculated that the rate of return on public investment in college education in the United States was around 12 ½ per cent over recent years, allowing for the income foregone by students while undergoing education, which is a large sum.

Evidence for the developing countries is less easy to obtain and, since capital and technology are at lower levels of availability, the educational contribution cannot be fully exploited. Nonetheless, studies by Professor T.W. Schultz in Latin America have suggested that in Argentina between 1912 and 1949, 62 per cent of the additional output in agricultural production was accounted for by residual factors other than the ordinary inputs. Chief among the residual factors was education. In Brazil the equivalent percentage was 45 and in Mexico 50.

The significance of this great educational progress for the future is already beginning to appear but will not be fully apparent until the Seventies. The reason for this is that educational investment, although highly productive, is normally of a long-term character. Possibilities exist of switching pupils in midstream and adopting " crash " programmes. But the broad economic impact of education is conditioned by the fact that children born today are the primary school pupils of 1975-1982, the potential second-level pupils of 1982 to 1986, and higher-level students of 1986 to 1990. They will be at the present average age of the labour force at the beginning of the Twenty-first Century. Heavy investment in education made in one decade has its effect on production in the decades that follow.

The significance of education covers the whole of the development of society as well as its economy since it is a major factor in nation building and social development. The problem of nation building has been acute since the granting of independence to numerous ex-colonial countries, but once again time is needed before the full effects can be realised. At present, the tendency in the emergent nations is to use the educational system rather as the colonial powers did in the last century. Higher and secondary education is still relatively an elite process in the emergent countries; primary education has responded to political pressures and increased greatly quantitatively but rather ineffectively.

The social significance of educational progress can be extremely important provided the quality and liberality of the education is assured. The relation between education and mobility is illustrated in American context by the findings of Dr. Lewis and Professor Anderson from their study of the social origin and social mobility of businessmen in the city of Lexington. The enquiry covered all the businessmen in a city of 100,000 persons and showed that " the most important single factor favouring business success was education ". If we look at economically underdeveloped areas we find the same kind of evidence. A survey by Professor Collins in a backward rural area in Jamaica showed that " for persons in low status occupations, education is the main channel of social mobility ". Professor Oscar Lewis' survey of an area on the outskirts of Mexico City, where the people lived in conditions of poverty, showed " a positive correlation with income: those in the upper income group of the sample have approximately one year more schooling than those in the upper middle group and about a year and a half more than in the lower middle and lower groups ". Studies show that

Children in Bolivia study out of doors while awaiting the completion of a new school building

at the poverty level education is such a positive factor in lifting income that even a bare modicum of extra primary education enables members of a poor community to outstrip the income of their neighbours.

One of the great educational problems facing the whole of the developing world is to give more meaning and effectiveness to its primary educational systems which at present suffer from high rates of drop-out and repetition, and curricula ill-adapted to the pupils' environment. Much of the educational expansion has been counteracted by high drop-out rates and increases in the number of pupils who repeat classes rather than extending into the masses of children who still remain entirely outside the school system. Possibly 40 per cent of the whole of the children in the developing countries do not have the choice of enrolling in school and of the 60 per cent who enrol about 10 per cent effectively complete the primary course. This has led to the alarming phenomenon that, despite the great educational expansion, the number of illiterates in the world is beginning to increase and is estimated to rise from a total of 740 millions in 1960 to 810 millions in 1970.

(continued on page 36)

millions	WORLD		
	Adult Population	Adult Illiterates	Illiteracy rate
Estimated for 1950	1,579	700	44.3%
Estimated for 1960	1,881	740	39.3%
Expected for 1970: (a) If the 1950-1960 illiteracy rate reduction is maintained	2,335	810	34.8%
Expected for 1970: (b) If the 1950-1960 illiteracy rate reduction is doubled	2,335	710	30.5%

Based on a survey by UNESCO Statistical Office - see UNESCO Statistical Yearbook, 1965.

Because of the size and significance of the educational problem in the developing countries, it is not surprising that the Member countries of the DAC have been increasing from year to year the proportion of their aid going to education, though relatively little has gone to primary education and to literacy. In 1964 the total of official bilateral assistance was of the order of $ 500 millions. In 1966 it reached a total of $600 million. In addition, some $140 million of aid was provided by multilateral agencies and about another quarter of a billion by voluntary agencies and private enterprises.

For the most part, such aid has been directed to the second and third levels, at teacher training, the provision of expatriate teachers to fill gaps in the educational system, the supporting by financial and technical assistance of new educational institutions, particularly at a higher level and, in some cases, overall assistance through budget support in the multilateral field. The World Bank has recognised the importance of education as an economic factor by granting loans and IDA credits for specific educational projects amounting so far to a total of $138 millions.

Undoubtedly, the effect of this educational expansion has been to make it easier for these countries to meet their manpower needs and to attract foreign investment by being able to provide literate and trained manpower. On the other hand, there is clear evidence that there is much waste in their present educational systems - as there also is in the developed countries - and much more needs to be done to relate education to the needs of society. In particular, attention is given to the impact of education upon the social and cultural motivations which are at the basis of development and the building of national and world communities.

Dominating the question of educational expansion is the problem of cost and the diversion of resources from other uses. Since education has been expanding at 3-4 times that of national income, it is now beginning to reach budgetary ceilings set by the high unit cost of education in the developing countries and their low per capita incomes. The prime cost of education is overwhelmingly the salaries of teachers, and these salaries in the developing countries are a much higher multiple of average income than is the case in the developed countries. This means that the developing countries bear a very special burden—first because their unit costs are high, secondly, because their proportion of young people is much higher than in the developed countries owing to their higher rates of population growth and, thirdly, because of their low national income. For this reason, aid for education can play a special role in levering these countries into self-supporting economic development.

The most urgent single problem arising from what has been called " the education explosion ", is to find enough jobs where the educational investment can be used. This process can be aided by the better integration of educational plans with overall planning, and by the judicious use of labour-intensive and educational-intensive technologies in preference to typical labour-saving mechanisms. But very difficult periods of transition lie ahead since the social demand for education continues unabated and labour demand is rising slower than the growth of the labour force.

In the long run the situation adjusts itself as is happening in the United States, for instance, where even higher educational qualifications are becoming expected whether or not they are actually needed for the job. Samuel Johnson remarked, " While learning to read and write is a distinction, the few who have that distinction may be the less inclined to work; but when everybody learns to read and write, it is no longer a distinction. A man who has a laced waistcoat is too fine a man to work; but if everybody had laced waistcoats, we should have people working in laced waistcoats ".

This brings the problem back to educational cost in the developing countries and how to find the finance to meet the immense social pressure for education. Developing countries will have to find means of raising funds from new sources (e.g. by making education and training part of the investment costs of industry as well as part of the public budget), and may have to adopt new and untraditional forms of educational development, including the economic use of new technologies of education and the mass media. Otherwise it will be a very long time before there are enough laced waistcoats to go round.

It is not possible to write on the significance of education in purely economic terms. Education is probably the greatest single factor in the life of an individual in determining his own power over his environment, and his possiblities of fulfilling his personality to the full. Since this process of personality fulfillment takes place in a social context, education plays a significant role. This applies not only to problems of social mobility and enterprise, which have already been mentioned, but also to the broad humanistic approaches to technological civilisation which must become ever more important as science becomes increasingly applied to problems of human life. The ultimate significance of education is bound to remain that of producing individuals capable both of living effectively with and contributing to the societies to which they belong, while at the same time maintaining the primacy of the individual personality.

REGIONAL ECONOMIC DEVELOPMENT IN THE UNITED STATES

Interspersed among the industrial complexes and mechanised farmlands that make the United States the country with the highest average per capita income in the world are areas which have remained outside the mainstream of economic growth or been unable to maintain its impetus; where unemployment is high and where the physical and cultural infrastructure is in need of renovation.
To study at first hand what measures are being taken to eliminate these discrepancies, the Working Party of OECD's Industry Committee concerned with the study of regional development policies met in Washington DC for three days of discussion with the officials of US regional programmes and then visited several projects on the spot. Their report plus the documentation provided by the United States Government form the basis of the following article.

There has been growing concern during the 1960's over the pockets of poverty which are to be found in the United States, despite the high overall standard of living, in areas such as the former mining regions of the Appalachian mountains in the East, Indian reservations to the West, migrant workers' home country along the Mexican border and agricultural portions of the Deep South. Recently attention has been increasingly directed to another type of low-income area, the so-called urban ghettos at the core of the country's large cities and also to areas which have been or still are prosperous but which have lost or are in the process of losing their economic base, and as a consequence have high unemployment rates. An example is San Diego which, although it is in the high income state of California, has suffered from a cutback in its main source of employment, the aircraft industry. In other parts of California which are enjoying rapid economic growth, the population influx has been so large as to exceed the availability of new jobs.

The first comprehensive legislative measures intended to combat these problems were passed during 1961 and 1962 (1) and aimed at creating industry and jobs in certain economically distressed areas (quite frequently a single county), at improving the skills of their workers and at developing infrastructure. In 1965 a Public Works and Economic Development Act was passed taking into account elements of earlier experience. The major thrust of this law was to create a local environment conducive to the development of private enterprise, and to this end it provided aid to eligible "redevelopment areas" (2) — in the form of grants and loans for public works and development facilities; loans for industrial and commercial projects; technical assistance and planning help. The law was so drafted as to take into account the very diverse sorts of problems that might be encountered. Thus there are seven independent criteria for eligibility :

- persistent and substantial (6 per cent during the preceeding year) unemployment;

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(1) The ARA (Area Regional Assistance Act) was passed in 1961 and the Manpower Training and Development Act in 1962. Earlier, during the 1930's, the Tennessee Valley Authority was conceived as a comprehensive regional planning effort, chiefly concerned with water and power.

(2) Counties (or in a few cases labour market areas, cities or Indian reservations).

- substantial but not persistent unemployment (such areas are not eligible for business loans);
- a high rate of outmigration combined with family income equal to 50 per cent or less of the national median;
- low family income (less than 40 per cent of the national median);
- prospects of a sudden rise in unemployment;
- Indian reservations;
- at least one eligible area in each state.

The last criteria illustrates the influence of the political factor in the field of regional development; in official publications these are called the " mink " areas.

Altogether 871 counties (out of 3,000) with some 23 millions inhabitants in 1967, or about 12 per cent of the country's total population, meet these legislative criteria, but there are wide discrepancies in the gravity of the problems involved. Thus unemployment in the eligible areas ranges all the way from the threshold level of 6 per cent to 31 per cent of the population and the number of families having low incomes varies from 50 to 86 per cent.

The Economic Development Administration, which is responsible for the programme, faced the problem of how to allocate its limited resources among the various problem areas; if the policy adopted were to distribute the available funds among the largest possible number of areas, the amount obtained by each would be too small for the projects funded to have any meaningful impact. Another possibility would have been to distribute the funds so as to maximise the number of areas that could be brought up to levels above the qualifying threshold in any one year. It was observed, however, during the first months of operation of the programme, that a number of counties tended to move out of the qualifying group by themselves when the level of national demand increased. Such considerations, plus limited funds, have led the administrators to adopt a strategy of " worst first " : areas furthest from the qualifying level (e.g. those with the most unemployment or lowest incomes) are given priority, the objective being to bring them up to an intermediate target. This approach too is recognised to have disadvantages since the problems of the poorest counties are often the most deeply imbedded in structural weaknesses — in the educational system for example — and hence the most intractable.

Districts and Regions

Although it identifies " redevelopment areas " with counties, the 1965 law recognises the need to take into account larger geographic units if effective economic planning is to be carried out and self-sustaining growth attained. Hence it provides for " economic development districts " which group together adjacent counties, at least two of which are eligible for assistance, and including an economic development centre considered to have the potential to stimulate the economic growth of the district as a whole. Only the redevelopment areas and the economic centres are eligible for regional development funds (i.e. those granted by the Economic Development Administration) but all of the participating counties are expected to benefit from the district-wide impact of development planning. To date forty such districts have been created, covering from 5 to 15 counties.

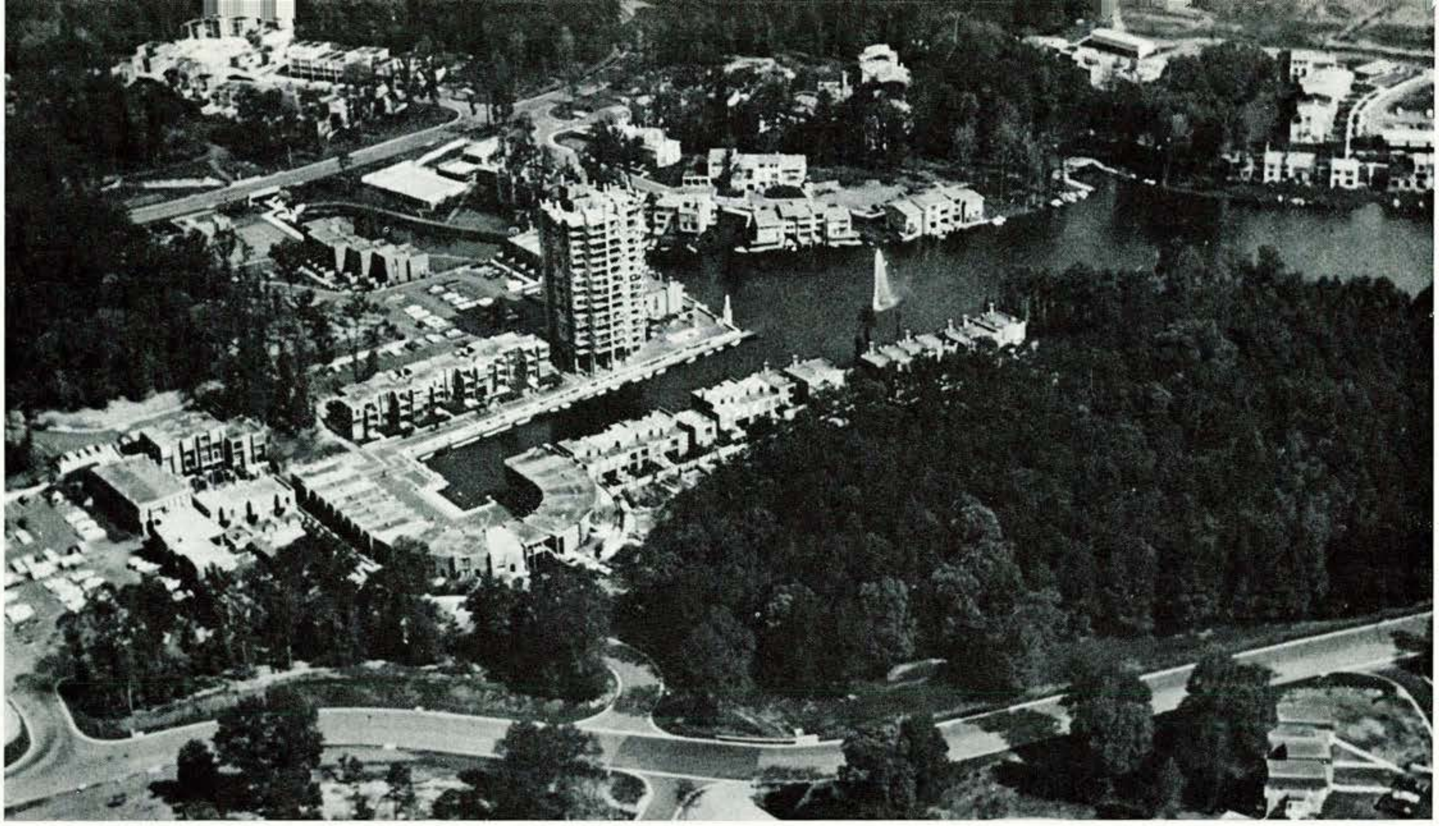
Finally, on a still larger scale, legislation provides for the designation of multi-state regions which cut across state lines but have some sort of historic, geographic and economic unity and are marked by such factors as low family income, high unemployment or outmigration. So far four such "economic development regions" (EDR) have been designated (see map) by the Secretary of Commerce in accord with the states concerned. Each of them has its own commission consisting of the governors of the states involved plus a representative of the President of the US.

So far the only one of these commissions in which work has gone much beyond the planning stage is that of the Appalachian region, formed in 1965 to include 19 million inhabitants in 13 states — not only those where poverty is most intense but also districts with growth potential like the Shenandoah Valley. The region also includes one large city, Pittsburgh, which has had economic difficulties since the manufacture of steel, virtually its only industry, has been moving nearer the final consumer. The city's work force, its infrastructure and commercial services are highly developed but one-sided, and outmigration has been considerable. (Pittsburgh is expected to be the only major metropolitan area in the US to show a net decline in population when the next census is taken in 1970.)

The approach taken so far in rehabilitating the Appalachian region has concentrated on building up the infrastructure — education, health, community development, resource conservation and particularly transport : eighty per cent of the $467 million so far appropriated has been devoted to building a highway system (2,400 miles have actually been laid) through the most inaccessible areas to break their isolation and link them with the prosperous Eastern seaboard and the industrial Middle West.

At regional level the Federal contribution is limited to help in planning and research, the funds being provided, for the most part, by the states themselves. Considerable importance is attached to planning at lower levels as well, and it may be noted that, in order to get federal help, each " area " and economic development district must prepare an " Overall Economic Development Programme " and submit it to the Economic Development Administration for approval.

For all of these programmes — aid to the " areas ", districts and regions — the total budget is $ 37 billion over the five year period for which the act is in force; during the period 1966 and 1967 only $542 million of these funds were spent, mainly (80 per cent) for loans to public works projects, 17 per cent being used



Unlike the new towns of the United Kingdom which are publicly financed and - at least in recent years - have been designed to provide employment as well as homes, those of the US are like Reston, West Virginia (above) privately developed satellite towns serving established employment centres. Research is being carried out on experimental types of new cities.

for loans to business and 3 per cent for technical assistance and planning grants. This amount is small in comparison with the overall programme of federal aid to states and localities which amounts to some $15 billion a year at current rates.

As in the other countries studied by OECD's Working Party on Regional Development Policies the need for action is considered too urgent to await a complete and definitive theoretical basis; regional policy, as a result, is largely pragmatic in character, and there is continuing discussion on the validity of a number of points that are central to the programme — the concept of growth centres for example and the relation between these centres and their hinterlands. Thus at the same time as it provides assistance, regional economic policy is also concerned with carrying out research on the bases for such action.

One project financed by the Economic Development Administration is a study (by the University of Minnesota in conjunction with several federal agencies) of an experimental new city of 250,000 people at least 100 miles away from existing metropolitan centres. Until now new towns in the US, unlike those of the United Kingdom, have been dormitory or satellite towns rather than self-contained entities.

Some Problems for the Future

The political and administrative structures of the United States have an impact on regional policy. In a number of European countries local authorities tend to receive financial support from the central government on a systematic basis, while in the US, with its 50 states and some 90,000 units of local government, funds are accorded by many different federal agencies — some 150 at the present time — as grants-in-aid to individual localities for specific projects. Many of these bear on regional development — manpower training programmes for example, and urban renewal programmes — but the central government has few powers to fit these into an overall programme. There is often competition between states to obtain the maximum amount of federal assistance, and states may bid against one another, through such devices as tax-free municipal bond issues, to attract industry. Co-ordination of the heterogeneous federal, state and local programmes is one of the most urgent problems of regional planning for the future.

Co-ordination is also a problem in metropolitan areas which are made up on the average of one hundred separate decision-making, taxing and spending jurisdictions. In the face of the crisis in the cities — the worsening situation in the slum neighbourhoods, the racial tensions and the paradox of poverty in the midst of plenty — Federal and State governments are beginning to take a metropolitan-wide approach to the provision of service and aids and to the more adequate distribution of resources to jurisdictions most in need; several Federal programmes have been undertaken by the Department of Housing and Urban Development, created in 1966, including one providing for a programme of Demonstration Cities.

Local schemes arising from the initiative of people living in an area — either official local bodies such as municipalities or as in the case of Reston, West Virginia (see photo) private financial groups — are of considerable importance in the growing and more prosperous parts of the country, but it is felt by US regional planning authorities that to be really effective, local schemes should be devised against a series of coherent county, district, state and regional plans, or a " general strategy " for large areas.

A NEW PROGRAMME FOR CO-OPERATION IN ROAD RESEARCH

The growth of road transport during the past twenty years has been so rapid that serious shortcomings have arisen in this sector, causing problems of an economic, social and cultural nature. Governments carry a heavy burden of responsibility on road traffic and transport matters: they are called upon to take action involving legislation, standardisation and specifications, and must bear the cost of building, maintaining and developing the road network. For these reasons much importance is attached to road research, whose purpose is to enable these objectives to be achieved at the lowest possible cost.

A special Steering Committee for Road Research, set up by the OECD Council and including representatives of government services and research organisations, met for the first time in March 1968. The following article outlines the three-year programme drawn up by the Steering Committee and approved by the Council of OECD.

The mains aims of road research are :

- to find economical ways of easing and controlling the flow of road traffic ;
- to reduce the frequency and severity of road accidents and the economic losses involved ;
- to investigate the design of road vehicles with particular attention to safety features ;
- to investigate ways of influencing the behaviour of road users ;
- to determine how roads and road structures may best be planned to provide a safe and durable structure at the lowest cost.

In the two fields of documentation and research the Steering Committee intends, with the assistance of temporary groups of experts and international study meetings on specific technical subjects

- to take stock of the results so far obtained as regards documentation, to consider means of increasing the efficiency of the services offered in relation to their cost and to prepare for the evolution towards a more sophisticated scheme ; and
- to initiate studies on a number of research topics, to be continued in 1969. Arrangements will be made for other groups to continue with this work without the services of the OECD permanent international staff.

The Steering Committee will meet in October 1968 and twice in 1969 to discuss the progress of work.

Research Groups

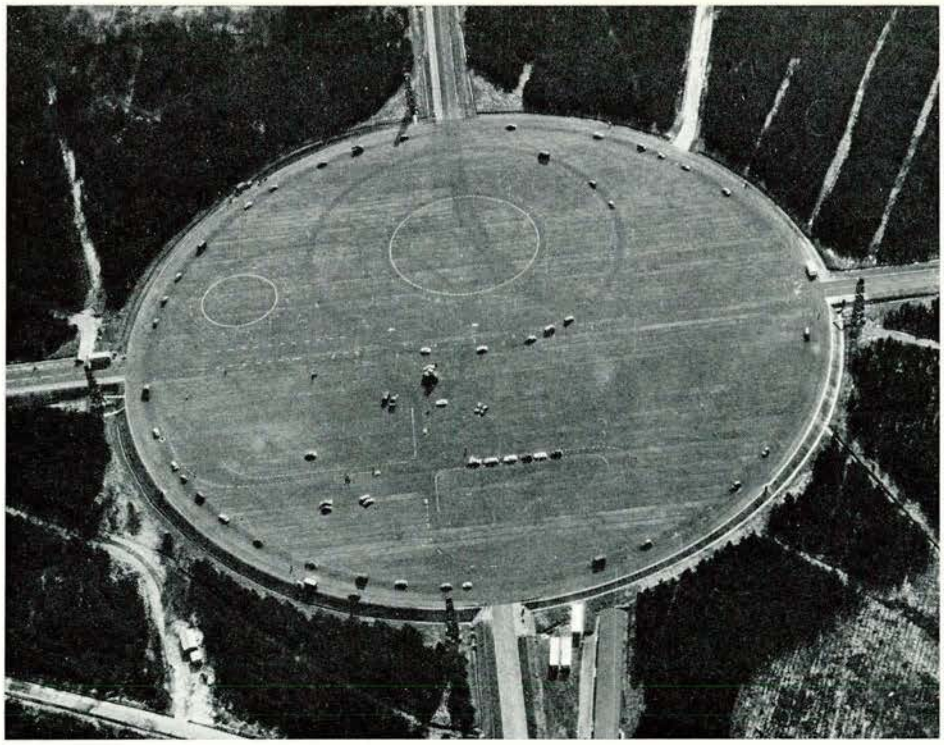
Under the general heading of *design and construction*, an expert group will carry out research into accelerated methods of testing road surfaces. Methods for this purpose have been developed in several countries and laboratories ; for example, vibration tests on roads or road models, pulsators, and circular test roads with simulated traffic. The aim of this group will be to study the advantages and disadvantages of the various methods in use and to select those which seem to be the most valid economically and scientifically. The consequences of changing properties of surfacing materials in the different methods used will be taken into account, but research on the methods of measuring the properties of materials will not be udertaken at this stage.

Under the same heading, a second group will investigate vehicle corrosion caused by the use of salt or chemical products used for the removal of ice and snow from roads — a use which is increasing annually. In the interests of traffic safety it is indispensable to use these means, in spite of the damage they cause to roads, bridges and vehicles, but the group intends to prepare a report for publication on the extent of the corrosion caused to vehicles and on possible means of preventing it. Their task will be eased by the fact that information on this matter is already available in some countries.

Three groups will begin work on questions of *safety*. One of these will study the influence of vehicle design on crash injuries, taking into account tolerance of the human body, with the aim of reducing the severity of road accidents. The exterior and interior design of vehicles, including windscreens and other windows, steering wheel and column, safety belts, etc., will be considered by the group, together with the dangers connected with articulated vehicles and trailers.

Other experts will study the effects of various factors affecting visibility and accidents during hours when road users depend on artificial lighting on roads and vehicles, concentrating on the problem of which type of vehicle lighting should be used on streets with various levels of street lighting. It wiil examine the possibility of defining uniform rules for the choice of vehicle lighting in urban streets and roads outside built-up areas.

The third "safety" group will carry out research into driver behaviour, particularly on techniques for



A traffic experiment in progress at the Road Research Laboratary of Harmondsworth, Middlesex, UK

selecting good and bad drivers and on the effects of new training methods. Here again research in this field is being conducted in several countries.

Expert groups will consider two aspects of *traffic* problems. One of these is the choice of strategy for area traffic control systems and of methods of assessment. Traffic signal systems operating under central control, using computers, have been introduced in several cities in the last few years; it is therefore important to compare the alternatives available, and research is needed into ways of assessing the performance of various systems on a comparable basis.

Use of electronic methods to optimise the utilisation of, and safety conditions on freeways will also be studied. Research is needed into ways of controlling traffic using freeways so as to obtain maximum flow consistent with safe operation. This includes for example control of access ramps, control of merging, control of speed, warning aids and so on. Electronic aids can be used for these control purposes.

Finally, research groups included in the programme but not serviced by the OECD staff will study the effects of moisture on road works, the effect on accidents of alcohol and drugs, crash barriers, pedestrian behaviour and priority rules.

Statistical Methods in the Analysis of Road Accidents

A symposium will be arranged by OECD in the United Kingdom in April 1969 to study advanced techniques providing more effective data than the single-factor research employed in the past. These new techniques include the use of statistical methods and systems analysis for the cost-effectiveness analysis of various measures for improving the quality of the traffic flow (safety, capacity, delay and so on).

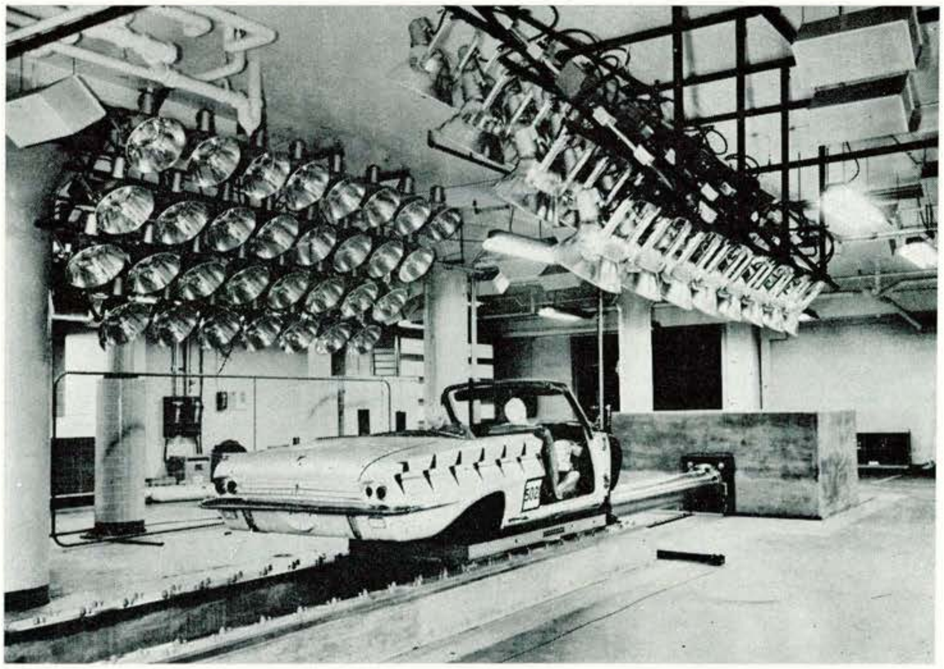
International Road Research Documentation (IRRD)

Within the framework of its initial programme, the OECD Steering Committee for Road Research intends to maintain the priority already accorded to the development of the decentralised scheme (IRRD) for the systematic exchange of information on road research documentation and on current research projects in Member countries. The IRRD Operational Committee, composed of specialists for three language centres (English, French and German) is responsible to the OECD Steering Committee for Road Research for solving all operational problems of a technical nature; a Steering Committee representative will ensure liaison between the two Committees in this repect.

In 1968 and 1969, the Steering Committee has requested the OECD staff to make an overall enquiry in the participating countries in order to prepare an analytical report on the use of IRRD in Member countries, the problems encountered, the solutions adopted and all the various alternatives that may be envisaged for the further development of the IRRD scheme in the future.

Apart form direct contacts with IRRD, the Steering Committee intends to organise three study days to be attended by all documentalists associated with IRRD, essentially devoted to practical indexing exercises, information recording and retreival. The Steering Committee will be kept informed of any documentation scheme being planned or set up (in particular in the field of transportation) so that compatibility with IRRD may be arranged from the outset.

Auto-crash test at the General Motors Corporation Proving Grounds



PROSPECTS FOR
AND MARKETING OF F

Although fruits and vegetables account for a substantial share of agricultural production and trade, little information has been available on production and consumption trends, amounts of investment or prospects for foreign trade. But if surpluses or shortages are to be avoided, knowledge of these trends is required. In order to fill the informational gap, the OECD Working Party on Fruit and Vegetables first undertook country-by-country studies of all OECD Member nations (1) *and is now directing its*

In a great number of countries heavy investments are being made in production, processing and marketing facilities for fruit and vegetables, frequently, if not always without adequate knowledge of the likely future overall supply/demand situation. If producers are to have a sound basis for their investment decisione and if professional organisations and governments are to be adequately equipped to make appropriate recommendations or take corrective action in the event of an imbalance between supply and demand, surveys are needed concerning future market outlook over a wide geographical area. This is particularly true of products which are of great importance in international trade because very often producers in exporting countries have inadequate knowledge of developments in importing or competitor countries.

OECD's Working Party on Fruit and Vegetables in attempting to meet this need has undertaken surveys of a number of products which figure prominently in international trade and for which the required level of investment is high, making the adjustment of supply and demand technically difficult or costly. For some products the investment involved is at the production stage. Thus among fruit products, apples, pears, peaches and table grapes were singled out for examination because orchards and vineyards are expensive to create, and because they require several years to come into production and more time before they reach full yield. As for vegetables, since they are normally planted and harvested in the same year, it might at first sight appear that the adjustment of supply and demand would present few problems. But some vegetables are being grown to an increasing extent in glasshouses or other permanent facilities. For other products large investment may be required at the processing or marketing stages. Thus, for example, with tomatoes, a highly specialised processing industry has been built up in open-field producing countries and it would be costly to shift to another type of raw material for processing.

The Working Party's findings on the two products studied first — apples and tomatoes — show that as far as Europe is concerned, the likely future situation gives rise to some concern. In the compilation of these reports it became apparent that in most countries fruit and vegetable statistics are far less complete than those for other agricultural products. Despite this lack, however, the overall picture emerging from the examination can be considered as reasonably accurate since most of the estimates made were compiled by national experts familiar with the situation in their countries.

The Case of Apples

There can be no doubt that apple production in the European OECD region is undergoing a decisive evolution. Total production of the region increased from an averge of 6.3 millions tons in 1957-60 to 7.5 millions in 1961-64, or by 1.2 million tons, and estimates are that it will rise to 9.7 million tons by 1970, or by another 2.2 million tons. Practically the entire production increase has taken place in the Southern part of Europe — in Mediterranean countries, particularly Italy, but also, though on a much smaller scale, in Spain, Turkey, Greece, Portugal and Yugoslavia, and in the Southern part of France. In Italy average output rose from about 1.5 million tons in 1957-60 to 2.3 million in 1961-64 and will be at least 2.6 million tons in 1970 — a certain slowing down of the expansion can therefore be noticed. On the other hand, the major part of the production increase in France is occurring at present and will continue to do so for some years to come. At 1.9 million tons the production estimate for 1970 is as much as 1 million tons higher than the average output of 1961-1964.

In the other European countries of OECD, which, except for the Netherlands and Denmark, are traditional apple importers, production as a whole fell by almost 230,000 tons between 1957-60 and 1961-64. This does not, however, mean that there were no developments at all in the apple-growing industry of these countries. On the contrary, over the past decade or so new compact commercial orchards of dwarf and semi-dwarf trees have been established in all countries, but, whereas in the South this has led to a great absolute expansion of the tree population, in the Northern half of Europe new plantings have generally been more than offset by the grubbing-up of old traditional types of trees and in some countries tree numbers have actually declined. This replacement process is far from being completed and will continue for a long time to come, but the changes have

THE PRODUCTION
RUIT AND VEGETABLES

attention to specific products — apples, tomatoes, pears, peaches and table grapes. Reports on the first two products have been completed and will be published shortly.

(1) These are published in the series entitled "Production of Fruit and Vegetables in OECD Member Countries — Present Situation and 1970 Prospects".

already been of such magnitude, particularly in some countries, that the downward trend of production will not only be halted but even be reversed by 1970. In that year production should be somewhat higher than the 1957-60 average output for these countries taken as a group and it should be significantly higher than that level in Belgium and the Netherlands.

The changes in apple cultivation are not caused only by the need for greater efficiency but have to some extent been forced upon producers by the consumers who have become increasingly quality conscious, with the result that apples produced by traditional methods and certain older varieties no longer find a market. In Italy this has had the result that large quantities of certain types of apples (i.e Abbondanza) had to be made into industrial alcohol for lack of other outlets. In recent years American varieties, in particular the "Delicious" types, have accounted for a large proportion of new plantings. For Europe as a whole, it is the the very high proportion of the "Golden Delicious " variety in total plantings over the past ten years or so which is giving rise to concern.

As for consumption patterns in the European area of OECD, industrial processing for food use is still relatively unimportant — though it has increased considerably in recent years, particularly in the form of apple juice and apple sauce — and most consumption takes the form of fresh apples. On average 16 kgs of fresh apples were consumed per person in European OECD countries in 1957-60, and 17 kgs. in 1961-64. By 1970 the figure is expected to be around 19 kgs.

Apple consumption increased, particularly in countries which recorded substantial increases in production, that is, in the Mediterranean countries, some of which previously had very low levels of consumption, and also in France. It increased slightly in the Netherlands, but did not rise, and indeed, slightly decreased in the Nordic countries (except for Finland) and in Germany, Austria and Switzerland, which traditionally had the highest consumption levels in Europe (over 25 kgs.). Fresh per caput consumption remained at a standstill in the United Kingdom, at a level lower than the European average. As a result of these developments, per caput consumption of apples in European OECD countries has become more equal and deviations from the average less wide in consequence.

As to foreign trade, total exports of all the countries increased by 100,000 tons — from an average of 630,000 tons in 1957-60 to

730,000 tons in 1961-64 and imports by 220,000 tons (from 880,000 to 1,100,000 tons).

By 1970 the foreign trade situation is expected to be problematic since a very high increase in export availabilities is expected, especially in Italy and France. If, as seems likely, Italian consumption increases only slightly, export availabilities of that country will amount to 900,000 tons. At that level, the distillation of apples, which acts as a market regulator, would absorb about 550,000 tons, much less than the average recorded during 1961-64 (more than 700,000 tons), but 70-80,000 tons more than in 1965 and 1966.

As for France which joined the ranks of the big exporters of apples in 1966, even if one assumes a relatively high rise in per caput consumption (21 kgs as compared with 17.5 kgs on average in 1962-64) export availabilities of fresh apples will amount to 500,000 tons in 1970.

Export availabilities of the Netherlands will also be significantly higher than in the past and Greece and Turkey, which have so far used any increases in production almost exclusively to raise the level of their domestic consumption, might also have surpluses to export.

On the other hand, import requirements are unlikely to rise very much, in view of the levels of consumption already achieved in importing countries, the probable rise in their own production and the increasing competitiveness of other fresh and processed fruit. The import requirements of the European area of OECD may, therefore, be estimated at about 1.2 million tons in 1970, as against export availabilities of 1.6 million tons.

The calculated surplus of 400,000 tons of export availabilities over import requirements should be compared with a figure of 380,000 tons of net imports made by the European OECD region on average during 1961-64. These imports to a considerable extent come from Southern hemisphere countries, which have the advantage of an inversed production season, and have in recent years shown a tendency to increase rather than decrease.

In view of the fact that for methodological reasons it was generally necessary to calculate export availabilities and import requirements for 1970 as the quantitative difference between production and consumption without taking account of qualitative changes, it is possible that the situation as regards professional producers will be less gloomy than is indicated by the statistical comparisons. Inferior produce, largely coming from non-commercial orchards, will no longer be acceptable to consumers and this could relieve to some extent the pressure in a number of countries. But despite this there can be no doubt that without corrective measures surpluses will depress prices both on internal and international markets, and that producers will be faced with a difficult situation.

The Outlook for Tomatoes

Tomatoes are one of the most important vegetables moving in international trade. They play a considerable role in the export economy of a number of supplying countries and account for a significant part of the fruit and vegetable import bill of quite a few importing countries.

In tomato production, changes are taking place comparable to those in the apple sector. Overall tomato production of the European OECD region increased from an average of 6.0 million tons in 1957-60 to 7.3 million tons in 1961-64 and is expected to rise to 10.1 million tons by 1970. Since in 1966 output had already reached 9.0 million tons, there can be little doubt that the forecast expansion of production can be achieved.

Production and consumption of tomatoes are not evenly distributed in Europe and great differences exist between open - field producers in the South (Greece, Italy, Portugal, Spain, Turkey and Yugoslavia) and under-glass producers in the North (Denmark, Finland, Ireland, Netherlands, Norway, Sweden and the United Kingdom). The former group of countries are either net exporters or self-sufficient as regards their fresh and processed tomato requirements; the latter import practically their entire processed requirements and a substantial part of their fresh tomatoes with the major exception of the Netherlands, which are a substantial net exporter of fresh tomatoes. The countries in the centre — Austria, Belgium, France, Germany and Switzerland — form an intermediate group, which has certain characteristics of both the northern and southern groups, but does not clearly belong to either of them. France has more features in common with open-field producers in the South and is the only mixed producer with a sizeable processing industry; conditions in Austria, Germany, Belgium and Switzerland are more comparable to those in under-glass producing countries in the North.

The six *open-field producing countries* in Southern Europe are by far the most important producer group, and their share in total European output is increasing; it is estimated at 87 per cent for 1970. This predominance is to a large extent explained by the fact that these countries have the most favourable growing conditions for tomatoes, which demand a comparatively warm climate and much sunlight.

But in addition the increase in production was greatly facilited by advances in plant breeding and improvements in cultivation practices, particularly the expansion of irrigation. Last but not least is the great expansion of industrial tomato processing in response to a rising demand for processed tomato products practically everywhere in the world. Tomato processing industries of significance are only found in open-field producing countries, since the processing of under-glass tomatoes is generally considered to be uneconomic.

As compared with open-field producers the production increases envisaged by the other countries of OECD Europe are very small. The major part of the increase in *mixed-producing* countries will occur in France, which is expanding irrigated production in the Bas-Rhône-Languedoc area and also under-glass cultivation. As regards

under-glass producers the expansion will be mainly concentrated in the Netherlands and, to a smaller extent, in Belgium.

Under-glass producers of the European OECD region have achieved a certain extension of their production season through changes in varieties and cultivation techniques, particularly the change-over from cold to heated glass, but are unable to produce fresh market crops economically before April/May because of a lack of luminosity. The Netherlands, the traditional exporter of glasshouse tomatoes, and more recently also Belgium can, for this reason, only export from about May onwards and are practically the only OECD supplier of "glasshouse type" tomatoes during the summer months.

As regards market outlets a clear distinction has to be drawn between open-field and "glasshouse-type" tomatoes. Approximately a quarter to one-third of the former tomatoes are absorbed by the processing industry, and practically the entire balance is sold on the fresh markets of the producing countries themselves, with only minor quantities being exported in fresh form to adjoining mixed-producing countries. Countries in Northern Europe generally meet their short-falls of fresh market tomatoes by imports from other under-glass producers (in particular from the Netherlands) and from the Canary Islands and some mainland provinces of Spain, which cultivate tomatoes under plastic film cover and thus obtain a tomato with characteristics very similar to those produced under glass. They are mainly harvested in winter and early spring when no under-glass tomatoes are produced.

This pattern of trade is to a large extent explained by differences in consumption habits in Southern and Northern Europe. In the Latin countries the tomato is the main vegetable consumed; it is not only used in salads but is also cooked as a vegetable (generally in combination with other vegetables), used as an ingredient in soups and sauces, grilled and prepared in many different ways in the kitchen. In contrast, in the Anglo-Saxon countries of Europe the tomato is mostly eaten raw in salads, as sandwich filling and as a decorative addition to meat and vegetable dishes, which explains the preference of these countries for "glasshouse-type" tomatoes.

At over 30 kgs per caput, consumption in fresh and processed form is over three times larger in Mediterranean countries than in the rest of Europe. This difference is, however, exclusively due to a higher "fresh" consumption; per caput consumption of processed tomato products (in terms of fresh equivalent) is in fact generally somewhat larger in the mixed and under-glass producing countries, although of course differences exist in this respect between the various countries of the three groups. For the future certain increases are expected in fresh and processed consumption in most countries, but in general the rise will only be very gradual.

When comparing production and consumption trends it would appear that producers of tomatoes for the fresh market need not view the 1970 market situation with too great concern. But the situation is considerably different for processed tomatoes, for which 1970 export availabilities of the European OECD region are estimated at 2,150,000 tons, an increase of as much as 990,000 tons as compared with average exports in 1961-64. Italy, the main traditional exporter; should more or less maintain its past export volume of about 900,000 tons and additional availabilities will be almost exclusively located in countries with comparatively young processing industries. Among these, Portugal expects export availabilities of 975,000 for 1970 and Greece of 130,000 tons. Those of Spain should be of the order of 80/90,000 tons and lesser quantities may be provided by Yugoslavia and Turkey. Exports of France, the only exporter outside the group of open-field producing countries, should roughly correspond to imports made by that country.

Import requirements for processed tomatoes for all the countries of the European OECD region combined are estimated to reach about 880,000 tons in 1970 as compared with an amount of 719,000 tons on average in 1961-1964. The expected increase of 160,000 tons is by as much as 830,000 tons smaller than the expected rise in export availabilities. In view of the only very gradual rise of processed tomato consumption in OECD Europe and, for that matter, in North America and Japan, it appears to be impossible that the rest of the world will be able to absorb such an additional amount. Furthermore, it must be considered that processed tomato production and exports have also been expanding in adjoining non-OECD countries, particularly in Bulgaria and Hungary. Unlike the case of fresh tomatoes, therefore, it must be concluded that the market situation for processed tomatoes will be very problematic in future and that there will be severe competition among exporters for limited outlets.

The Need for Planning and Co-ordination of Action

The results of the examination of market prospects for apples and tomatoes undertaken by the OECD Working Party on Fruit and Vegetables underline the need for studies of this nature. They should be prepared for all major products and the results should be disseminated widely, particulary in exporting countries so that producers are familiarised with evolving changes on domestic and foreign markets.

In fact, forecasts should be made for longer periods ahead as regards demand trends and an approximate co-ordination of production intentions should be achieved between producers of exporting and importing countries. Only in this way will it be possible to avoid burdensome surpluses and losses of investment resources detrimental to producers and also, for that matter, shortages harmful to consumers' interests.

In those cases in which the examination of the medium-term outlook (approximately five years for orchard crops) reveals an impending imbalance between supply and demand, corrective action should be taken and should be co-ordinated between governments and producer organisations in individual countries and also between countries. Measures to stimulate production should be introduced whenever a shortage is threatening to arise and action to limit supplies and to expand outlets should be taken to solve or alleviate an impending surplus situation.

Measures should be adopted to prevailing circumstances and existing possibilities should be examined for each individual product. Such an appraisal was made by the OECD Working Party on Fruit and Vegetables for apples, for which the already existing production potential is higher than projected demand. The Working Party concluded that the withdrawal of financial assistance for the establishment of new orchards and the payment of uprooting premiums or similar measures (aiming in particular at uneconomic orchards and outmoded varieties) to achieve a reduction of the production potential are probably the most effective means to alleviate future surplus problems. The Working Party was, however, of the opinion that conditions and the possibilities for solutions differ between countries and that therefore possibilities for limiting supplies at the marketing stage and for expanding outlets should also be examined and corresponding action be taken where necessary and feasible.

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