in this direction. The interruption of the business recovery in the USA which the strike had caused is likely to go on having a restricting effect on the demand for raw materials for some time yet, and not until the recession in the USA is seen to be truly past and the recovery has gone some way, is there any likelihood that the downward pressure on raw material prices that has been emanating from Western Europe will be equalised and the fall in prices halted. A strong recovery in the USA and a stop in time of the unfavourable developments in Western Europe would create the conditions in which raw material prices may yet recover before the end of 1971, especially as in such circumstances manufacturers may be more inclined to increase their stocks.

Raw materials should be in ample supply in 1971 barring exceptional interruptions in output and deliveries. But producers are likely to do their best to prevent prices from falling. It is difficult to forecast what the American stock-piling policy will be in the new year. On the one hand, the American authorities will want to lighten their financial burden by disposing of surplus raw materials; on the other hand, their policy will have to continue taking into account the interests of the raw material producing developing countries.

If the above assumptions turn out to be correct, it is likely that 1971 will end up with raw material prices that are on average about 3 p.c. up on the year. This forecast already allows for the probability of further price rises for crude oil and its derivatives. Average prices for 1971 should however be between 3 and 3.5 p.c. lower than those of 1970.

As for the food markets, the latest revised crop estimates point to possibly still higher prices for sugar, coffee and grain. These may more than compensate for the slight price reductions that are expected for some other foodstuffs, and in the end the over-all price-level may well be 1 to 2 p.c. higher than it is at present. Should this be so, the average price level for 1971 may well be about 5 p.c. up on the 1970 average, for by the end of 1970 prices had already risen to such an extent that if the year-end level is merely maintained, 1971 is starting with prices that are already 3.5 p.c. above the average for 1970.

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Peterson’s Recommendations Inadequate

by Dr M. A. Hussein Mullick, Bonn

Press and other media of communication are not always the best judge. This is at least true in case of the Peterson Report, which unlike the world-publicised Pearson Report did not receive the attention it rightly deserved. The Report is a good document and on many accounts, perhaps, better in quality and forcefulness than the Pearson Report. The Commission appointed by the US-President was led by Rudolf A. Peterson, former President of the Bank of America, and included 15 other prominent figures, among them David Rockefeller, Edward S. Mason and Gottfried Haberler. It was given the task to examine the efficiency of US development policy and to give practical recommendations for the future.

Cumbersome Administration

In the views of the Commission, the present “...administration of US foreign assistance is excessively cumbersome...the equivalent of 700 full-time officials now is required to see that the regulations are followed." The Report further reveals that general aid figures are often misleading since in 1968/69 alone, as much as 52 p.c. of all American official foreign aid was given as “security assistance”, including items such as military equipment and supplies and military or purely political assistance grants. International development received only 42 p.c., including sales of agricultural commodities which are still classified, questionably, as “development”. The too expensive feature of the present aid programmes handled by the Agency for International Development (AID) which has its missions in almost all the beneficiary countries is also another point invoking criticism of the Commission.

In order both to improve the efficiency and at the same time the quality of the US aid programme, the Commission suggests a number of changes in the existing aid-organisational structure. US
international development programmes should be independent of US military and economic programmes that provide assistance for security purposes. Both types of programmes are essential, but serve completely different purposes. All types of security assistance should be covered in one legislative act. The State Department should exercise firm policy guidance over these programmes.

Reorganisation of AID

Instead of the present Agency for International Development, four new institutions should be set up to take over the development assistance programme. These institutions should look after the various activities allotted to them: capital lending, technical assistance, private foreign investment or over-all control. These institutions are:

☐ The International Development Bank: It should be made responsible for carrying through capital and related technical assistance programmes in selected countries—particularly in agriculture and education. The Bank should emphasise loans in support of the local private sector and promote broad popular participation in development. It is to be founded with an initial capital of $2 bn and should be authorised to borrow another $2 bn from the public as and when needed. "As in the case of the Export-Import Bank, resources authorised should be available for the life of the Development Bank. . . . The Bank should be in a position to go back to the Congress for additional resources when needed."

☐ The International Development Institute: It should concentrate on research, training, population problems, and social and civil development. Organisations, such as co-operatives, labour groups, trade associations, and civil associations would be entitled to get the Institute's assistance. The most important feature recommended for the Institute is the operation of its programmes “more than a private foundation's" would. The following of this approach, it seems, has been taken from the highly inexpensive and at the same time successful working of private foundations, such as the Rockefeller and Ford, both of which played a key role in igniting the “green revolution" in India, Pakistan and the Philippines. Like the private foundations, the Institute is recommend ed to rely heavily on scientific assignments, rather than on permanent employees. The Report recommends authorisation of $1 bn for the Institute. In 1969, US technical assistance programmes, including contributions to international technical assistance programmes, amounted to about $400 mn.

☐ The Overseas Private Investment Corporation (OPIC): It should mobilise and facilitate the participation of US private capital and business skills in international development.

☐ The International Development Council: This organisation would have the aim to coordinate US development activities and to relate them “to US foreign policy". The Secretaries of State, Treasury, and Agriculture, the President's Special Trade Representative, and heads of various development associated agencies and banks should be represented in this Council. It should prepare an annual report on international development activities to the President.

Further Suggestions

The Report also recommends a reversal of the present downward trend in US development assistance appropriations "...to help build an equitable political and economic order in which the world's people, their governments, and other institutions can effectively share resources and knowledge", in order "... to make development a truly international effort" and the need to grant “temporary tariff preferences to developing countries on a non-discriminating basis, with no quantitative limits and minimum of exceptions", to double the present rate of lending, from $2.5 bn to 5 bn a year. The last suggestion is made to strengthen the multilateral character of international aid, as already strongly recommended by the Pearson Commission.

Some of the suggestions in the Peterson Report must be welcomed. But there are also a number of weak points in the Report. For one thing, the Peterson Report is silent about the future rate of US contribution to aid efforts. On the demand that industrial nations should increase development aid up to 1 p.c. of their national income, which was recommended first by UNCTAD in 1964 and recently endorsed by the Pearson Commission (on GNP basis, however) the Report comments: "We do not believe that it is possible to forecast with any accuracy what volume of external resources will be needed 5 to 10 years hence." This is correct. But then again development policy experts all agree that today's aid efforts are not sufficient and must be increased. The members of the Peterson Committee, therefore, would not have made a mistake if they had recommended to the US Government the acceptance of the 1 p.c. target.

The Peterson Report is also to be criticised because of its insistence to align aid programmes with US foreign policy. Aid programmes are obviously difficult to separate from foreign policy in any donor country—but efforts must be made if the qualitative and efficient use of aid funds