UNTAD AND JAPAN

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I

As is widely known, the United Nations Conference on Trade and Development (UNTAD) was inaugurated in March this year under the disquieting clouds overhanging Geneva, and it was mid-June when the 86-day-long Marathon discussions there delivered us some goods. The failure on the part of the Western advanced countries to line-up in an orderly manner until the last minute before the opening of the Conference and the USSR's posture to preoccupy an advantageous position at the starting-line, with the proposal for establishing a new World Trade Organization, gave the impression in certain quarters of a corresponding disunity among the less-developed countries and, eventually, of the Conference developing into a state of considerable confusion, if not complete fiasco. As expected, no sooner had the Conference opened than troubles cropped up, and there were countless hurdles to climb over before the goal could have been reached. Remarkably enough, however, the unhappy prediction for the proceedings as well as the outcome of the Conference was completely betrayed as far as the possible rupture among the less-developed countries was concerned. The so-called "Seventy-five" (now Seventy-seven) strengthened their solidarity with the progress of the Conference and their unity was almost 'institutionalized' when they assumed the full leadership of the House as an overwhelming majority and, keeping the more advanced countries under pressure, continued asking for a new world trade system to the last. In this regard, it would not be an exaggeration to say that one of the biggest significances of the lst Geneva Conference lies in the less-developed countries achieving so much unity, minor differences among each other notwithstanding, that they virtually consolidated themselves in a singleness of purpose in persistently demanding the enlargement of trade opportunities and an increase in aid.

On the other hand, this Conference ruthlessly disclosed a wide gap existing among the nations of the North in their attitudes and opinions towards the problems of the South. Western advanced countries knew in advance that they would stand on a loser's bench in this Conference and yet they did not succeed in forming a joint-front against the united odds, and the Conference came to an end before they could arrive at unanimity of opinion in either the Atlantic unit or the European unit. For instance, while France put on the Conference-table the carbon-copy of her 'plan for the organization of markets' which she originally introduced in the Preparatory Committee

and strongly advocated for the need of the system of "selective preferences", the UK, in obstinate antipathy to the French plan, emphasized the importance of an "access to markets" through lowering the tariff-barriers in general and at the same time substantiated the proposal by announcing preparedness to enlarge Commonwealth preferences indiscriminately. USA stood on just the opposite side, as she could not tolerate the very principles of giving and receiving 'preferences'; she went so far as to call any system based on regional selective preferences between the specific industrial countries and the selected developing nations (thus creating special and discriminatory relations) a "closed-system" which should be replaced by "open-system" based on the principles of freedom of trade through the exchange of most-favoured-nation treatment; she insisted that no enlargement of trade should be sought except through the lowering of tariff-barriers on a non-discriminatory basis through GATT.

In sharp contrast to these champions of the industrialized West, the USSR was quick to take up, at the very outset of the Conference, the issue of Representation. She declared that the Geneva Conference could not constitute a global conference of nations because East Germany and some other Communist countries had not been invited, and that the Conference was further misrepresented by the participation of such 'shameless' countries as South Africa and Portugal which openly adopt the humiliating policies of racial discrimination. The USSR obviously endeavoured to highlight her position as a friendly nation sympathetic towards the less-developed countries through her initial argument on the cause of North-South relations in connection with East-West struggles and racial discrimination. As the Conference proceeded and the developing countries' demand for trade-enlargement and aid-increment *by all means* came to assume almost unnegotiable obstinacy, however, the USSR's gestures came to fall short of their intended effects on the less-developed countries which began clearly to mark the USSR as one of the industrial powers. The Soviet's attitude thus gradually turned from mildness to reservation and her delegation often sat in silence. In this connection, it would be well worthy of attention that, since the less-developed countries began volleying radical proposals asking for more liberal imports of their produce, Communist countries headed by the USSR more often than not joined the Western industrial nations in abstaining from voting or casting opposite votes, and also that Rumania not infrequently made gestures of shifting its bench from that of the Soviet bloc to the group of less-developed countries.

Various propositions made by the Western industrial powers such as France, UK, USA and others, as well as the singular manœuvre by the USSR were no doubt meant to protect and, if possible, to extend the economic interests of each country; they were also intended to capture the leadership of the Conference in their hand. However, it did not take long before it was made clear that these tactics and their exchange on the part of the industrial powers were quickly driven away from the main stream of the proceedings and the international debates entered deeper and deeper into

the core of the problems of North-South relations. This was because many of the less-developed countries were indifferent to the rivalry among the advanced powers or the contest between East and West; they deemed these larger power struggles to be lacking relevance to their own insistent concerns. Instead, they pressed hard, almost in unison, upon the industrialized countries for substantial answers to their hand-to-hand requests in connection with trade and aid which they claimed as if by legitimate right.

In this manner, East-West discussions exchanged at the beginning of the Conference over the heads of the developing countries gradually retreated and the main stream of the debate was soon channelled into a new gorge of conflict where the poor South stood on one bank and the rich North on the other. One delegate representing the less-developed countries is reported to have declared: "……In this Conference we all should seek to advance the attainment of collective economic security which developing countries can fully exercise their rights to develop. If, to this day, these rights have in fact been denied us, it is due, to a large extent, to the actions and omissions of the developed countries……" In such an atmosphere, the American delegate, feeling a strong urge to bring the developing countries home to the indispensable need of "Help Yourselves" in their job of economic development, gave a "Cold-shower in Geneva" which is said to have irritated the less-developed countries as a whole to such an extent as to ignite a sharp counterattack from one of the less-developed country's representatives, who burst out: "…… You in the West say that we must work more and then we will become rich. But we are working hard and are getting poorer……"

The awkard situation emerging from the clashes between the strong claims jointly put forward by the less-developed countries and the wishful calculations of the advanced powers could not but reflect itself in the discussions in the five Committees, none of which could bring forth mutually satisfactory conclusions within the prescribed time-limit. In the meanwhile, the process of the developing countries being cemented together into one bloc took some time. At the outset of the Conference they were roughly grouped into three parties: the first involving 39 countries, mostly constituents of the British Commonwealth, and generally represented by India; the second, consisting of 18 African states maintaining particular relationships with EEC, and the last consisting of 19 Latin American nations. Their interests did not necessarily meet, particularly around the question of preferences inherent in the African group. In early May, however, when the African group paved a common ground by voluntarily agreeing to the liquidation by 1973 through gradual steps of the preferential system they are now enjoying, the apple of discord was taken away and the seventy-five developing countries merged together, irrespective of their affiliations to their ex-metropolitan powers and the differences of interests particular to their regions. This again stimulated the formation of so-called Conciliation Groups amongst the less-developed countries, the Western advanced countries, and the Communist camp. Thanks to the efforts—mainly through "behind-the-curtain" negotiations—of these

Conciliation Groups searching for the compromises on such issues as the primary commodity exports, exports of manufactures, compensatory finance and institutional machinery, etc., the discussions in each Committee could have been saved from utter confusion and possible deadlock in the last stage of the Conference.

Judging from the tangible results, the less-developed countries might not have been rewarded enough to justify their efforts in the Conference, much less their expectations of securing the "quick remedy" for their economic ailments whose prescriptions were elaborately put down in different forms and shades in more than 40 Recommendations on the various problems, drafted and adopted by virtue of their holding the leadership of the Conference, but badly adulterated by the reservations held by the advanced countries with almost all the critical issues. Nevertheless, in their unprecedented Joint Communique issued on the closing day of the Conference, the Seventy-seven developing countries, while not hiding their big discontent with the outcomes of the Conference, proudly applauded the strength of the solidarity they demonstrated all through the Conference and pledged to maintain, develop, and strengthen that solidarity in the future and also to elaborate on the institutions necessary for that purpose. From all these phenomena, we should clearly foresee the possibility of the less-developed countries emerging ever more prominently on the stage of international relations as a powerful pressure group whose strength they came to appreciate through assumption of the leadership in the last Conference at Geneva.

It is interesting to note in this respect what George W. Ball, Under-Secretary of State, the American delegate to the same Conference, said on April 9th in his address at North Carolina University during his brief sojourn for liaison: ".....When Lord Franks first identified the problem, he suggested that the relationships between the North and South might ultimately become as important as those between East and West. That time, in our judgement, is rapidly approaching....." The focusing-point of international affairs eventually made a 90-degree turn from East-West relations towards North-South relations since, or at least in, UNTAD; and we might say that this fact alone could have made the last Geneva Conference a historical event. It was really instructive as well, in the sense that both poor South and rich North learned a good lesson that the less-developed countries could no longer be treated as 'outsiders.'

Though it remains an irrevocable fact that the advanced countries, as a whole, being pressed hard at the tight corners by the joint-offensives of the less-developed countries, spent their days in saying prayers on their knees for the storm to pass quickly over their heads, still, it would not be fair to say that all of their moves were retrogressive, simply ignoring the imminent interests of the developing countries. France definitely helped bringing the minimum-level of contributions for international economic assistance closer to 1% of each country's national income; UK, jointly with Sweden, submitted a concrete proposal on the issue of the supplementary finance in lieu

of compensatory finance. The USSR, again, made her import-targets of the various products of the less-developed countries for 1970 and 1980; USA, on the other hand, maintained respectable firmness of stand in insisting on the importance of the "open-system." Under these circumstances, it would seem that Japan alone betrayed, by maintaining a defensive attitude all through the Conference and being too inactive to submit any concrete proposal contributing for its success, the confidence bestowed by the whole Conference after being elected as a Vice-President country with 115 votes—a single instance of full vote—in expectation that Japan would play a significant role in bridging over the gulf separating the advanced countries and less-developed countries. It is really disheartening for the people of Japan—for the writer himself as a Japanese national—that, allowing her fate to have occupied a seat among the advanced countries and, therefore, being allocated the most disadvantageous position as a so-called "half-advanced country" and as such left a solitary target of the attacks of the less-developed countries on the field deserted by the other Western advanced countries, Japan could not do better. At any rate, it was quite unworthy of the country which ranks at the 5th and the 7th in world gross national income and total world trade, respectively.

II

It would need to be explicitly stated here that defence of the Japanese delegate's speeches or the Japanese Government's attitude in the last Geneva Conference is not the intent of this Chapter. Being a non-official, the writer feels neither necessity nor obligation to do so. Nevertheless, the writer as a Japanese national clearly understands the extremely delicate plight in which Japan was placed in UNTAD. There actually are many factors in her economic structure which prevent her accommodating in full the claims of the less-developed countries, whether they were connected with the problem of the imports of primary produce or the question of general preferences. Once the strong demands for trade-expansion and aid-increase as they were put forward by the developing countries in the Conference were generously accepted, the severity of the consequential impacts on the developed countries would not have been equal among all the so-called "advanced countries." Generally speaking, it should be in inverse proportion to and not to commensurate with the degree of economic development so far attained in each country; in other words, the impacts would be greatest not on the USA and, in lesser degrees, on the UK, West Germany, France, etc., but, rather, the countries which still retain not a few elements of 'developing' nations, for instance Japan, must suffer from the greatest inconveniences. Accordingly, it would be safely said that out of all the past international conferences ever attended, the last UNTAD was the most precarious one for Japan. Being a member-country of the Afro-Asian group, Japan was expected to follow the footsteps of the same group and yet most of her practical interests coincided with

those of the advanced industrial countries in the West. Japan's speeches and statements in the Conference, therefore, generally echoed the latter's but, to make her position even less impressive, they failed to carry as much vigour because of the relative backwardness of her own economy. Japan, in such a dilemma, was made a target of bitter criticism from the less-developed countries, especially her immediate neighbours in Asia and Africa. As information goes, some of them misinterpreted her attitude as "emotionally haughty" while the others criticized her as being 'tied to America's apron-strings' and some others again attacked Japan's contention as unprincipled. In an ultimate analysis, however, all these criticisms would be attributable to the fact—and the almost unavoidable situation emerging from it—that Japan still holds many identifications of a 'developing country.'

As a so-called "half-advanced country," Japan has a number of weak points. Agriculture is one. Let us take up Japanese agriculture and briefly analyse it from the point-of-view of international competitive power. Measurement of international competitive power, by the way, is not an easy job as it involves many problems ranging from the qualitative differences to the diversity of tastes and transactional practices as well as technical questions concerning exchange-rates, etc. It might fall within the range of a rough estimate or at least a broad guide-post. In the course of after-care work of the 'National Income Doubling Plan' at present being pursued in this country, interesting trial-estimates have been prepared in connection with some of the critical farm products for their domestic price-levels in comparison to their latest import prices (ref. Table 1). Import or international price levels vis-à-vis current domestic prices of the commodities in comparison may be summarized as follows: *pigs* stand almost on the same level but, excepting *rice*, whose position is, by degree, lower, all others sharply drop to the lowest horizon. The domestic price of fresh milk for processing, meat-cattle, wheat, barley and rye could not, therefore, escape drastic cuts. This much price-decline would adversely affect—to the extent of 11 to 13% in value—the domestic farm production, as estimated in Table 2.

The above trial-estimates may not be accurate, but still, they will serve to explain the extremely poor international competitive power vested in Japanese agriculture, excepting a few items coming under natural protection or those relatively less "land-bound," such as poultry and pigs. Japanese agriculture stands less competitive than the countries belonging to both the developed as well as the developing areas. Vulnerability towards the advanced export-countries stems from Japan's exceedingly low labour productivity in agriculture. FAO reports that, in terms of net value of farm production per adult male, Japan compares to one-fifth of USA and Canada. On the other hand, the export-countries in developing areas are enjoying less cost than Japan because they can compensate their lower labour productivity by cheaper wages and/or less capital input per unit of farm production.

The Prebisch Report proposes the well-known alternatives for the enlarged exports of primary products—including farm products—from the economically

Table 1. DOMESTIC PRICE-LEVELS (EX-FARMYARD PRICE) COMPARED TO IMPORT PRICES

Commodity	Unit	Ex-Farm-Yard Price in 1962 (A)	Current Customs Tariff	Domestic Price-levels Corresponding to Import Price (B)	B/A
Paddy	150kg	¥12,187	15%	¥9,000–11,000	73.8– 90.3%
Wheat	60	2,525	20	1,700– 1,770	67.3– 70.1
Barley	52.5	1,965	10	1,200– 1,300	61.1– 66.2
Rye	60	2,624	10	1,550– 1,650	59.1– 62.9
Sweet-Potato (for processing)	10	85	25(1)	48– 63	56.3– 74.1
White-Potato (for processing)	10	60	25(1)	34– 45	56.6– 75.8
Rape-Seed	60	3,137	¥28/kg(2)	2,480– 2,830	79.1– 90.2
Fresh Milk for processing	1	31	45%(3)	15– 21	48.4– 67.7
Meat-Cattle (carcase)	1	201	10	100– 170	49.8– 84.6
Pigs (carcase)	1	167	10	165– 190	98.8–113.8

Source: Agriculture-Forestry-Fishery Group, Industrial Structure Sub-Comt.

Note: 1. (1) starch; (2) soy-bean oil; (3) butter.

2. Domestic price-levels corresponding to import price have been arrived at by using *c.i.f.* price as a basis, charged with current customs duties while taking into consideration—though imperfectly—the qualitative differences between the foreign products.
3. Ex-Farmyard price as per "Rural Commodity Price & Wages Survey" by the Ministry of Agriculture & Forestry.
4. Rice and Barley alone are quoted in the averages of Government procurement price (including packing fee.)

Table 2. EFFECTS OF PRICE-DECLINE ON DOMESTIC FARM PRODUCTION

	1961 production (A) 1,000 tons	Estimated production (B)	B/A (%)
Paddy	12,418	11,415–12,032	91.9–96.9
Wheat	1,781	874– 919	49.1–51.6
Barley	1,127	612– 633	54.3–56.2
Rye	849	562– 565	66.2–66.5
Sweet-Potato	6,333	4,300– 5,078	67.9–80.2
White-Potato	3,848	2,726– 2,961	70.8–76.9
Rape-Seed	274	113– 127	41.2–46.4
Fresh Milk	2,114	1,311– 1,413	62.0–66.8
Meat-Cattle	267	87– 113	32.6–42.3
Pigs	389	195– 323	50.0–83.0

Source: same as Table 1.

Note: "Estimated Production" is an estimate of the possible result of price-decline as shown on Table 1.

stagnant, less-developed countries in terms of gradual decrease or suspension of the production of competitive commodities by the advanced countries through so-called "structural adjustment" by stages. This formula contains both logical and moral power, under the global atmosphere favouring the establishment of a welfare-world beyond the welfare-state on the individual country basis, to persuade the advanced countries courageously to carry through "structural adjustment" in order to alleviate the economic difficulties prevalent in the less-developed countries and thus launch the international co-operation programme into full operation. The price of putting this philosophy into practice, however, is not paid in the same coin by all the advanced countries. Feasibility of "structural adjustment" again varies from country to country. Compare USA or UK, where the ratio of the farm-workers in the total labour population is extremely small and agricultural productivity almost equals industrial productivity, with, for instance, Japan, where a huge proportion of the working population is still bound to farming which brings in a much lower average income than industrial undertakings. In Japan, protection towards farming and people engaged in it are meant for social and political purposes as much as, or even more than, purely economic benefits.

The same is the situation with Japanese light industries, in particular, the textile industry. An increased primary products export has been desperately asked for as the prerequisite for the less-developed countries to attain their economic independence. But it is not enough. The developing countries have an impatient urge for industrialization, to start with, in the field of textiles (especially cotton-spinning), an industry which can be developed with comparative ease from locally available raw cotton. It might be primarily meant to meet the domestic demands for fibres and textiles but, sooner or later, would have to be expanded to a bigger scale looking for overseas markets, if necessary, through partial import of raw cotton from abroad to replenish domestic supplies. The growth of the textile industry in the developing countries has, therefore, posed itself as one of the most important and almost critical problems in adjusting the North-South relations. In this context, Japan is placed in a really awkward position, as ROK, Formosa, Hongkong, Communist China, etc., are now capable of producing low-grade cotton goods at cheaper cost and pressing hard on Japan to open the market for their products; their imports from ROK in fact started since last year. Internally, Japan long since exhausted the source of the ample supply of young female labour and her international competitive power in labour-intensive industry —in this case the textile industry, especially in spinning and secondary processing fields—is rapidly disappearing. As the situation went on changing so quickly, both internally and externally, opinions are increasing weight in a certain section of her textile industry itself as to voluntarily sacrificing such part of the industry as is destined to lose its position in the competition with the developing countries to the more capital-intensive and technically higher-levelled chemical fibre industry. In fact, most of the major textile concerns

in Japan have been quicker in action than speech in this respect. But here again there is a thick wall to break in Japan. It is mainly due to the existence of a great many workers employed in small and medium enterprises engaged in the labour-intensive spinning-cum-secondary processing sector of her textile industry. An immediate switch-over may not cause any harm to big business, but the smaller concerns will be thrown on the street together with their employees and social protection on behalf of these latter is indeed beyond the means of the national economy of Japan today. A huge number of the farm population and the industrial workers in the smaller scale industries and the substantial income-gap between agriculture and industry, that is, rural-urban disparity plus wage-differentials unmatching between large and smaller enterprises—in one word, an internal economic inequality and unbalance—is finally due to the fact that Japan is still very much lagging behind the Western advanced countries in the development of heavy and chemical industries. In this manner, Japan would have to trek a long way to be a welfare-state by herself, judging from her structural characteristics which eminently belong to a "half-advanced country."

The above, though to a limited extent, might have helped explaining the background of Japan's failure in making any positive contributions for the success of the last UNTAD, where her delegates could not ally with the proposals submitted by the less-developed countries and, sometimes, stood critical even to the counter-proposals originating from the advanced countries.

III

As discussed in Chapter II, Japan is uneasily occupying a seat among the advanced countries while remaining fatally backward, principally in the fields of agriculture and small-medium industries. This fact, coupled by low per capita income, does not allow her happily to accept the less-developed countries' demands for the opening of markets and expansion of aid. For Japan, with such a structural deformity and for whom the enforcement of the general perference system would have meant the heaviest blow among all the advanced countries, the debate on the problems concerning the export-trade by the less-developed countries was not one in which she might freely join. Under these circumstances, she could only climb on the fence separating the two groups, aloof from the other Asian countries which flocked together with less-developed countries in other regions in making clarion calls on the advanced countries, and Japan, in spite of her Asiatic feather, more often than not fluttered over to the opposite group. Eagerly looking for the good opportunities for co-ordination between these two, she could not fly down to either flock and realized in the last that it was next to impossible to take away the fence on which she was sitting.

The firmness of the solidarity among the Seventy-seven as witnessed in the last UNTAD, on one hand, and the international justification of the cause for establishing a welfare-world, on the other, will no doubt accelerate

the current force which is steadily working to enhance the importance of North-South relations in world affairs. Today, no country can remain uninvolved in this vital problem with the excuse of being a so-called "half-advanced country." Her instinctive hesitation to step into the arena notwithstanding, with her annual steel output of 35 million tons—the world's third—outdoing even West Germany and its GNP equalling to the grand total of the economic power of Southeast Asia and South Asia combined where 700 million people live, Japan cannot escape international recognition and responsibility as one of the industrially advanced countries of the world. Mr. Kōichirō Asakai, the chief delegate of Japan to UNTAD, realized this when he wrote in a magazine issued from the Japan Institute of International Affairs[1] that the attitude maintained by Japan in the Conference was admittedly passive, if not negative, and that Japan should, in future, squarely tackle the problem of the economic development of the developing countries with long perspectives and further that, only by this way would she be able positively to respond to the current development of the world situation. It is not that he forgot about the considerably adverse effect falling back on his own country by denouncing day-to-day calculations which have short-range forecast of situations; he rather stressed that the long-term approach, even with momentary losses, would live up to the enlightened self-interest of Japan. Another article[2] contributed to the same magazine by a colleague of Mr. Asakai reads roughly as follows: "The contentions of the developing countries met into a stream and the stream developed into a river in the Conference basin. It will flow on and no country whether big or small can resist the stream. If any advanced country should fail to turn its helm accordingly by drastically altering its economic-trade policies, it will never escape the fate of being left behind. It is almost imperative for Japan, as one of the advanced countries, to reflect upon and critically analyse the outcomes of the last UNTAD from the perspective point-of-view, tinged with not a small touch of political colours. Along with the global perspective review, Japan should readjust her mental framework as a singular advanced country in Asia so as to be alert to the keen expectations of her neighbouring Asian countries whom she would never leave unsatisfied with immediate trade and assistance policies chalked out and put into effect more positively and boldly than ever."

Self-criticism or self-reflection as frank as the above is not a matter of whispering among the Japanese delegates attending UNTAD. It is now a voice ever loudly echoing in political circles with the Foreign Office as its centre, in the business world as well as the press. The Japanese Government is also seriously considering setting up a special council named the "Round-Table Conference on Imports" meant for working out the import-targets and

1 Kōichirō Asakai, "Returning from UNTAD," *Kokusai Mondai* (International Affairs), July, 1964, No. 52, pp. 2–8.

2 Akira Yamato, "Proceedings and Outcomes of UNTAD," *Kokusai Mondai* (International Affairs), July, 1964, No. 52, p. 41.

the examination of import-policies. This might stand for one of a series of steps the Japanese Government is preparing to take in order to meet, rather concretely, the problem of the North-South relations which was highlighted in the last UNTAD. The Japan Socialist Party, the biggest opposition party of this country, is now deliberating on the definite policies to deal with the development of the North-South relations. Thus the people of Japan as a whole are strongly wishing for their country to deal with the North-South relations with a sincere attitude and respectably to share responsibilities with other countries of the world by learning from the valuable experiences she got in the last Geneva Conference.

Lastly, the Prebisch Report refers, in its argument on the problem of the economic development of the developing countries under Part III, to the need of a series of important 'internal changes' besides the promotion of international co-operation. In this respect, some of the Japanese experience after the Second World War might offer themselves as valuable examples. Accelerating effects of the technical renovations in the heavy and chemical industrial sector were admittedly the strongest reason for the unprecedentedly rapid economic growth attained during the two postwar decades. Two equally important factors—both taken as drastic measures immediately after the War—must be introduced here. The one is the thoroughgoing agrarian reform and the other, the dismembering of the 'Zaibatsu' companies, combined with anti-monopoly legislation. They were no doubt SCAP (Supreme Command for the Allied Powers)-recommended but it was the Japanese Government who accepted them straightforwardly and boldly carried them into effect. The former helped to bring out the big effective demand buried undisguised among the enormous farm-population in Japan, thus offering a huge market for expanding industrial production, while the latter cleared the market of the biggest obstacles to fair competition, very much stimulating the cost-consciousness and efficiency of the enterprises which jointly worked for general techno-managerial improvements. These were doubtless the fruits picked up from amidst the abnormal environment created by war-defeat, but it still remains a fact that the Japanese people are richly rewarded from them. Is it too much to expect the less-developed countries to derive a few lessons from such Japanese experience and to give them new life in their development planning? Does it still remain a mirage to visualize that as thorough agrarian reform and taxation-system reorganization is determinedly carried through in these countries, the roots of their economic stagnation will be cut at their very bottom and their national economy will start to regenerate itself? Such an economic regeneration would not tolerate those vices often resulting from a bureaucratic control generally favoured under planned development, such as the miserably low levels of efficiency in the so-called public or state sectors of their economy. Is it not on such a stage of self-generating economic development in each developing country that international co-operation can provide "acceleration-effects" or "multiplication-effects" on their economic growth? The writer is tempted to interpret the

suggestions in the Prebisch Report in this way.

He cannot conclude this Chapter without referring to another element responsible for the high economic growth-rate attained by war-defeated Japan. Paradoxically and ironically enough, it is due to her being excused very costly defence expenditures. The contrast between victorious America and Britain whose postwar economic growth generally remained dull, on one hand, and war-defeated West Germany and Japan who have been enjoying much higher growth, on the other, did not escape the attention of, for instance, Joan Robinson[1] and Seymour Melman[2] who jointly attributed the phenomenon to the excessively heavy burden on the shoulders of the former two in terms of defence expenditure and to the mobilization of full capacity and resources for economic rehabilitation and growth as a penalty for the latter two. The effects which an excessively heavy defence expenditure has on the national economy will, therefore, invite serious study by the less-developed countries in the course of economic development in connection with the problem of disarmament on a world scale.

1 Joan Robinson, "Latter-Day Capitalism," *New Left Review*, No. 16, July-August, 1962, p. 39.

2 Seymour Melman, "Too Much Defense Spending? There is an Alternative," *Challenge*, Vol. XI, No. 9, June, 1963, p. 4.