

**REGIONALISM IN ECONOMIC DEVELOPMENT : A CASE  
STUDY OF THE ASIAN DEVELOPMENT BANK**

**REGIONALISM IN ECONOMIC DEVELOPMENT : A CASE  
STUDY OF THE ASIAN DEVELOPMENT BANK**

K. K. PANDA

A thesis submitted for the Degree of Master  
of Philosophy

Centre for International Politics & Organization  
School of International Studies  
Jawaharlal Nehru University  
NEW DELHI-1

1972

## PREFACE

This dissertation is a modest attempt at understanding some aspects of the economic development of the developing countries of the world. In the years since World War II there has been a great deal of theoretical discussion on the processes of economic development of Asia and Africa. The United Nations has taken a keen interest in the economic future of Asia. The need to discover effective means for planning and helping the economic growth of this region resulted in the Economic Commission for Asia and the Far East (ECAFE) and the Asian Development Bank in 1966.

In this dissertation I have tried to project the situation that led to the creation of the regional development financing banks in general and their role, with particular reference to the Asian Development Bank. Despite the current mood of disenchantment and impatience about the Asian Development Bank, it is one of the most important examples of the efforts to deal with the various problems of development in the developing economies of Asia. During a very short period, its role has become very significant.

From among the staff of the School of International Studies, Jawaharlal Nehru University, first of all, I wish to record my thanks to Professor M. S. Rajan, Head of the Division of International Organization, who initiated me to studies on International Organization. He has been a source of inspiration throughout the preparation of this dissertation. I owe much to the comments and criticism of Dr Rahmatullah Khan, Associate

Professor of the School, who first suggested the subject and then agreed to supervise this dissertation. He has helped me some inaccuracies in facts, logic, and style. However, any error or absurdities that remain are entirely my own responsibility. Dr K. P. Saxena, Associate Professor, has been the most encouraging and constructive of critics. I am grateful to him for going through my synopsis and making some valuable suggestions. I also thank Professor M. S. Venkataramani, Dean, and Professor K. P. Misra, Chairman of the Centre of International Politics and Organization for their kind and sympathetic attitude. I wish to express my thanks to Shri D. L. Sachdeva, Librarian and Miss Asha, Assistant Librarian of the Hastinapur College, Delhi University and to the staff members of the joint library of the Indian Council of World Affairs and School of International Studies, Sapru House, New Delhi, for their help.

New Delhi

6 November 1972

*K. K. Panda*

K. K. Panda

## CONTENTS

		Page
	Preface	1-11
Chapter I	Introduction Problems of the Underdeveloped Countries	1-7
Chapter II	Economic Commitments and the Charter	8-16
Chapter III	Politics of Economic Development	17-31
Chapter IV	Growth of Regional Development Banks	32-44
Chapter V	The Asian Development Bank	45-60
Chapter VI	Conclusion Prospects and Proposals	61-66
	Bibliography	67-76

**Chapter I**

**PROBLEMS OF THE UNDERDEVELOPED COUNTRIES**

## PROBLEMS OF THE UNDERDEVELOPED COUNTRIES

Since the end of Second World War interest in the problems of the 'Third World', as the less developed countries have come to be called (or, if one prefers, "developing" or "underdeveloped") has been great. The abject poverty and destitution, the sense of urgency and the growing impatience in these countries, which encompass two-thirds of the human race have forced the developed countries to sit up and take notice of them. The economic development of the Third World has assumed paramount importance. The developed countries are continuously adopting and attuning their economic policies for the fulfilment of this goal. It has been realized that the rapid economic development of the Third World is not only necessary for releasing the masses of the developing countries from their grinding poverty but a precondition for global peace. Decades of stagnation in these countries has not only left a legacy of stratified societies but a situation that is capable of "sparking of an international class conflict". (1)

It is estimated that almost two-thirds of the human race lives in subhuman conditions, sharing less than a sixth of the world's income. (2) There is hardly a problem more urgent today

- 
- (1) Jagdish Bhagwati, Economics of Underdeveloped Countries (London, 1966), p. 36.
  - (2) See Gerald J. Mangone and associates, "Economic and Social Development through the United Nations System", in New Dimensions for the United Nations: The Problems of the Next Decade (Seventeenth report of the Commission to Study the Organization of Peace) (New York, N.Y., 1966), p. 174.

than the plight of these underdeveloped countries nor one more challenging to the human mind. Nearly a hundred members of the United Nations have been classified as poor countries. Eminent economists have established that since the Second World War, the rich countries have become richer, and the poor countries poorer, in terms of their national income. The amount of finance moving from the developed to the underdeveloped countries is not rising, and the present trend is for the growth of the low-income countries slowly to lose momentum. As the gap widens intolerably one is bound to think that this "division of the world into rich and poor is much more explosive than the division of the world on ideological grounds" (3).

The underdeveloped countries are desperately seeking to enter the twentieth century, even if, many of them, in some respects, have not yet reached the nineteenth. Stable government, an acquisitive outlook and technical capacity which are necessary for achieving industrialization are yet to be achieved by many underdeveloped countries. The developing countries find to their dismay that they have joined the competition at a time when the handicaps weighing against them are greater, the distance to be run longer, and the speed of the established

---

(3) "Peaceful change" (Address by U Thant, Seminar on Peaceful Change), Journal of the Institute of Man and Science (Rosellacville, N.Y.), vol. 2, 1966, p.4; see also Rahmatullah Khan, "The Problem of International Poverty" in M. S. Rajan, ed., Studies in Politics (Delhi, 1971), pp. 164-87.



competitors far in excess of their own (4). The immediate solution is to accelerate the pace of economic development. And it is also significant to note that an important difference between economic development in the twentieth century and past times is that today the developed nations have accepted a measure of responsibility for the progress of the developing. This remarkable recrudescence of interest now is "not merely ephemeral but is likely to be lasting" (5). Among the donors there has been more of a movement towards a willingness to support aid as a constructive policy of world community towards its less affluent members than is suggested either by crude arithmetic or a few brutal statistics of aid levels or by the increase in the use of multilateral agencies. The issue is essentially "humanitarian". (6)

Regionalism in political terminology is usually understood to mean the formation of a distinct political entity with the aim of political order-building. It is a form of international organization which is limited in membership, functions and objectives. It refers to the geographical proximity or ideological basis of association. Regionalism may be associative or dissociative. The term "regionalism" as used in this paper has a

---

(4) Eric Roll, The World After Keynes: An Examination of the Economic Order (London, 1968), pp. 133-52.

(5) P. T. Bauer, Economic Analysis and Policy in Underdeveloped Countries (London, 1965), p. 3.

(6) Bhagwati, n. 1, p. 36.

different connotation. It refers mainly to the regional economic groupings of the developing countries as a step towards international economic integration. According to J. W. Burton, it is appropriate for the term 'regionalism' to connote all forms of associations amongst limited number of nations, whether the association has developed out of strictly geographical circumstances or out of common linguistic, cultural, traditional, ideological and other common features which tend to bind nations together. (7) Regionalism in economic development is essentially a post-Second World War phenomenon. It originated out of the belief, especially in underdeveloped countries, that the rate of the economic growth must and would be greatly increased through state intervention, and through capital and technological assistance on easy terms from abroad. The growing confidence in post-war growth economies, fostered, or at least aided, by the agreeable dynamism that advanced economies began experiencing after the war had ended, coincided with a growing awareness of the world-wide inequality of economic development. (8) Until the Second World War only cultural anthropologists evinced some interest in the underdeveloped countries. The change in the political climate

---

(7) J. W. Burton, "Regionalism, Functionalism, and the United Nations", Australian Outlook, vol. 15, 1961, p. 73; Charles P. Kindleberger, Economic Development (London, 1965), p. 345.

(8) See Alan B. Mountjoy, ed., Developing the Underdeveloped Countries (London, 1971); Gunnar Myrdal, Beyond the Welfare State; Economic Planning in the Welfare States and Its International Implications (London, 1960), and Gunnar Myrdal, The Rich and the Poor Nations (London, 1962).

of these underdeveloped countries was created by Adam Smith, Malthus, Ricardo, List, Marx, John Stuart Mill, Jevons and Walras, Wicksell and Keynes.

The concern for economic development of the Third World refers to the raising of the levels of the economic activity and thereby ensuring higher standard of living. Raising of the levels of economic standards would necessarily imply the intensification of production in the existing sectors, and, very often, the creation of the new sectors. According to the economists economic development means the increase in the aggregate or per capita national product, or, in simpler language, the increase in the national income. Growth and development are often used synonymously, and this usage has been accepted. But there is a subtle difference. Economic growth means more output, and economic development implies both more output and changes in the technical and institutional arrangements by which it is produced. In the early stages of the economy, growth and development go together. In the less developed parts of the world, i.e., in countries that have low incomes, or those that find it difficult to adopt to the economic opportunities available to them, growth and development go hand in hand. Also, less developed countries and low-income countries are not exactly identical, although these categories overlap to a great extent. This paper is addressed to the problems of the underdeveloped, low-income countries and the role of the regional development banks with a particular reference to the Asian Development Bank.

The world is divided into three groups of states, viz., the advanced market economies of the West (i.e., North America and Oceania), the Socialist states (i.e., the Soviet Union and the countries of Eastern Europe) and the developing countries (i.e., the countries of Asia, Africa, Latin America and the People's Republic of China). (9) For these developing countries, comprising of colonial, neocolonial and ex-colonial regions, a constant and constructive contact, or what Eugene Black called "development diplomacy" (10), is needed if the people belonging to these regions are to realize and enjoy values like freedom and democracy.

The principal common denominators of underdevelopment are low productivity, lack of technical know-how to put resources - physical and human - into effective use, shortage of capital, difficulty in increasing export earnings to pay for essential imports, rapidly expanding population (11), inadequate programming and planning for development, and social and psychological attitudes. There are three types of development, i.e., symbolic modernization, maximized economic growth, and selective growth. According to J. K. Galbraith, development is the "faithful imi-

---

(9) Gunnar Myrdal, Economic Theory and Underdeveloped Regions (London, 1957), pp. 3-4; Joan Robinson, Economic Philosophy (London, 1968), p. 94.

(10) See Eugene R. Black, The Diplomacy of Economic Development (Cambridge, Mass., 1960).

(11) R. Nurkse, Problems of Capital Formation in Underdeveloped Countries (London, 1953), p. 32.

tation of the developed". (12) Obstacles to development that are not easily qualified or incorporated in the planning models include the inequality of income distribution, conditions of land ownership and tenure, character, organization and efficiency of the various levels of government, the degree and rigidity of tribal organizations, and social customs such as the prevalence of the extended family system, and psychological conditions. Four factors are basically necessary for the economic development. These are: agricultural transformations, physical infrastructure, basic social services, and industrialization.

Besides Leibenstein's "population blockage theory", Nurkse's "balanced growth" theory, Hirschman's "selective growth" theory and Rostow's "stages of economic growth" theory, a good deal of literature is also available on the subject. (13) Some writers have emphasized on the personality factors, some on export sectors of the economy, some on heavy industry and some others exclusively on the foreign aid (14), as the indispensable external factor in stimulating internal transformation. All these writers have emphasized the role of the capital in the economic development of the developing countries.

- 
- (12) J. K. Galbraith, Economic Planning (London, 1965), p. 3.
- (13) See Walt W. Rostow, The Stages of Economic Growth: A non-communist manifesto (New York, 1960); Albert O. Hirschman, The Strategy of Economic Development (New York, 1958); Gunnar Myrdal, Asian Drama (London, 1968); Harry G. Johnson, The World Economy at the Crossroads (London, 1965); W. Birmingham, ed., Planning and Growth in Rich and Poor Countries (London, 1966).
- (14) Karl de Schweintz, "The Needs of Underdeveloped Economies", Current History, August 1966, pp. 72-77.

**Chapter II**

**ECONOMIC COMMITMENTS AND THE CHARTER**

## ECONOMIC COMMITMENTS AND THE CHARTER

The concept of regionalism was one of the 'thorniest' ones at the San Francisco Conference. Political regional groupings like the Organization of American States, the Arab League, the British Commonwealth, and the East European Bloc (i.e., the U.S.S.R.-Czechoslovakia Defence Treaty, 12 December 1943) were already in existence. So the United Nations Conference on International Organization was presented with a 'fait accompli', -- the reality of which was accepted in clauses like Article 51 ("Collective Self-Defence") and Article 52 ("action against the enemy state"). So far as regionalism in economic matters was concerned, the Conference made an elaborate arrangement. Regionalism in economic development was received greater support at San Francisco as compared to its status both under the League Covenant (1) and the Dumbarton Oaks Proposals (2). The provisions in the Dumbarton Oaks Proposals relating to economic and social cooperation were subjected to extensive and significant modification at San Francisco.

The Charter is based on the premise that a necessary condition for the maintenance of international peace and security is the creation of "conditions of stability and well-being" throughout the world. (3) It is only under such conditions that

---

(1) Article 21.

(2) Chapter VIII, Section C.

(3) Article 55 of the United Nations Charter.

"peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples" can exist. With a view to the creation of such conditions, the United Nations undertook to promote "higher standards of living", "full employment", "conditions of economic and social progress and development", "solutions of international economic, social, health and related problems", "international cultural and educational cooperation", and "universal respect for and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion." (4) Also, Members of the United Nations "pledge themselves to take joint and separate action in cooperation with the organization" (5) for the achievement of these purposes.

The definition of the term "pledge" raised controversy in the Conference. According to the Australian delegation "pledge" meant that the Members of the United Nations would both cooperate internationally and act within their own countries to pursue the economic and social objectives of the Organization. The American delegation was critical of this stand, as, according to them, it would mean the violation of the domestic jurisdiction clause. Ultimately a compromise formula was arrived at under which the 'pledge' referred "to take joint and separate action in coopera-

---

(4) Ibid.

(5) Article 56.



tion with the Organization". It would cover only "international action" and national action was not to be subjected to the scrutiny of the Organization. (6) "Pledge" has no legal effect. (7) The preamble of the Charter declares the determination "to promote social progress and better standards of life in larger freedom" and to that end "to employ international machinery for the promotion of the economic and social advancement of all peoples". One of the most important purposes of the United Nations under Article 1(3) is "to achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion...." L. M. Goodrich and Edvard Hambro also caution us that even if recommendations made under Article 55 and Article 56 are binding, the "pledge" does obligate Members to refrain from obstructionist acts and to cooperate in good faith in the achievement of the purposes of Article 55." (8)

- 
- (6) United Nations Conference on International Organisation (UNCIO), vol. 6, pp. 99 and 130. Henceforth referred to as UNCIO.
- (7) Leeland M. Goodrich, The United Nations (New York, N.Y. 1959), p. 263. See also Leeland M. Goodrich and Edvard Hambro, Charter of the United Nations (London, 1949), pp. 322-24; Hans Kelsen, The Law of the United Nations (London, 1951), pp. xvii, 27 and 99-100; Leo Gross, "The United Nations and the Role of Law", in N. J. Padelford and L.M. Goodrich, ed., The United Nations in Balance (New York, N.Y., 1965), p. 173.
- (8) Goodrich and Hambro, n. 7, p. 324.

The Charter recognizes that the specialized agencies enjoy a large measure of autonomy with regard to the promotion of social wellbeing of nations. The United Nations "shall, where appropriate, initiate negotiations among the states concerned for the creation of any new specialized agencies required for the accomplishment of the purposes set forth in Article 55." (9) Furthermore it is provided that the various specialized agencies "established by intergovernmental responsibilities, as defined in their basic instruments", shall be brought into relationship with the United Nations (10) and the Organization "shall make recommendations for the coordination of the policies and activities of specialized agencies. (11) The General Assembly and the Economic and Social Council are vested with the responsibility for the discharge of these functions. (12) The Economic and Social Council is authorized to set up commissions in the economic and social fields and for the promotion of human rights and such other commissions as may be required. (13) It may make arrangements for the representation of specialized agencies to participate in its deliberations, without vote, and for its representatives to participate in the deliberations of the specialized agencies. (14)

---

(9) Article 59.

(10) Article 57.

(11) Article 58.

(12) Article 60.

(13) Article 68.

(14) Article 70.

It was also agreed at the San Francisco Conference that any organization, established "primarily" for the purpose of maintaining international peace and security must concern itself with the establishment of those conditions -- economic, social and intellectual - which are necessary to the existence of a viable peace. The League system also recognized this fact. (15) Article 23 of the League Covenant, Part XIII of the Treaty of Versailles and the Constitution of the International Labour Organization emphasize the international economic cooperation. (16) It is obvious from the deliberations of the Conference that the members undertook "to cooperate jointly and severally with the Organization for the achievement of these purposes" set forth in Article 55. (17) The reference in the Charter to the "negotiations among the states concerned for the creation of any new specialized agencies for the accomplishment of the purposes set forth in Article 55" (18) clearly includes the Organization's regional arrangements in the economic arena. International economic and social wellbeing indeed "was to be something more than a formality in the post-war world" and "in dealing with questions in the area of economic and social

---

(15) Goodrich and Hambro, n. 7, p. 314.

(16) See League of Nations, Ten Years of World Cooperation (Geneva, 1930).

(17) UNCIO, Summary Report of the Fourteenth Meeting of Committee II/3, 29 May 1945, Doc. 684, II/3/38, p. 4.

(18) Article 59.

cooperation ... the Assembly could most fittingly perform the functions of a "town meeting of the world." (19)

Article 68 of the United Nations Charter provides for the creation of the Economic Commission under the aegis of the Economic and Social Council. In accordance with this constitutional provision, the United Nations embarked upon a policy of regionalization in the economic sphere. By March 1948 the Economic Commission for Europe (20), the Economic Commission for Asia and the Far East (21) and the Economic Commission for Latin America (22) were created by the Economic and Social Council. The Economic Commission for Africa was created by the Economic and Social Council in 1958. (23) These regional Commissions are not regional replicas of the United Nations; they enjoy a considerable amount of institutional independence, represent relative environmental homogeneity and are limited in purpose. These Commissions have more discretion, ideology, distinctive style, and have their own areas of emphasis and shifting role. The thinking of the headquarters does get reflected in the regional centres of the Commissions. Emphasizing this significant point Philippe de Seynes, Under-Secretary for Economic and Social Affairs, said,

---

(19) Goodrich, n. 7, p. 268.

(20) Economic and Social Council Resolution 36 (IV), 28 March 1947. Henceforth referred to as ECOSOC.

(21) ECOSOC Resolution 37 (IV), 28 March 1947.

(22) ECOSOC Resolution 106 (VI), 25 February 1948.

(23) ECOSOC Resolution 671 A and B (XXI), 29 April 1958.

"So far as the regional commissions are concerned, we were more or less dominated, over a long period, by a way of thinking which doubtless originated in a desire to simplify and clarify matters. According to that way of thinking, the regional economic commissions were organs which should devote themselves to research and study, and which should be barred from what are termed operational activities. (24) This clearly speaks of the United Nations policy of minimum involvement in the regional economic sphere. Other factors also have contributed to the importance of the regional commissions. The bipolarity in world politics which was reflected in the United Nations early role has changed. The tacit agreement among the super-powers to "encapsulate" (25) the more destructive levels of the cold-war conflicts, the increase in the independent underdeveloped countries, the birth of a multi-regional system, and the emphasis on the economic tasks in the budget of the United Nations, are some of them.

The Economic Commission for Asia and Far East was created by the Economic and Social Council under resolution 37 (IV) of 28 March 1947. The mission of this commission was broadened from reconstruction to economic development of the area extending from Mongolia to New Zealand. The geographic dispersion, religious,

---

(24) UN Document E/CN.12/572, 5 March 1961, p.1.

(25) Amitai Etzioni, "On Self-Encapsulating Conflicts", Journal of Conflict Resolution (University of Michigan, Ann Arbor), vol. 8, 1964, pp. 242-53.

cultural and linguistic diversity, political cleavages, disparity in the size of the units, functional dissimilarity, ideological variations, deep-seated suspicion of the leadership of Japan dating back to the co-prosperity sphere, the presence of Southeast Asia Treaty Organization and Peking's brooding presence are some of the obstacles that have stood on the way of the Commission.

In the early years, the Commission was vitiated by the politics of the non-Asian states. It was only in the Lahore Agreement of 1951 that the non-Asian states were advised to refrain from "using their votes in opposition to the economic proposals" advanced by the regional members of the Commission. The then Executive Secretary of the Commission Mr P. S. Lokanathan said, "Member governments feel, however, that the time has come when clearer recognition should be given to the principle that member countries belonging to the region should take their own decisions in the Commission on their own economic problems.... In pursuance of this principle the member countries of the Commission not in the region would be willing, as a general rule, to refrain from using their votes in opposition to the economic proposals predominantly concerning the region which had the support of a majority of the countries of the region. (26)

Among the Commission's projects of the regional and sub-

---

(26) Official Records of the Economic and Social Council (ECOSOC), Session 13, Supplement 7, par. 34, 1951.

regional import were the Mekong River Project, the Asian Highway, the Asian Institute for Economic Development and Planning, Intra-regional Trade Promotion talks, the Conference of Asian Planners, the Ministerial Conference on Asian Economic Cooperation and the Asian Development Bank. The Asian Development Bank is the result of a new-dimensional diplomacy and its aim is to carve out a meaningful position for the Asian countries in the Community of Nations.

**CHAPTER III**

**POLITICS OF ECONOMIC DEVELOPMENT**



## POLITICS OF ECONOMIC DEVELOPMENT

More rapid industrial and agricultural development is the most important objective of the economically underdeveloped countries. The basic factors of development, i.e., agricultural transformation, physical infrastructure, social services and industrialization, require capital. Capital is the key to growth and development. But the various ways in which the underdeveloped countries can obtain capital, create a number of special problems. There are different methods of financing economic development. These are i.e., foreign aid - loans and gifts, fiscal policy in altering the quantum and distribution of disposable income, deficit financing, manpower utilization, domestic savings and price stability. While economic development depends primarily upon domestic efforts and direct resources, external resources - both private and foreign - can assist substantially in attaining that objective.

One of the problems created by the foreign capital is the drain on foreign exchange reserves. Also, the problem of servicing the debt will be very acute because many investments financed by the external capital will not yield immediate returns. The problem of internal indebtedness would only be solved if the investment enlarges the country's volume of exports or substitutes imports equal in amount to the service charges. A development agency might be immediately concerned with opening a new field of exports in order to diversify a country's pattern of exports. But

the agency could have little influence on the world market or on the level of prices for primary exports. Besides, the population problem, (1) the political climate and the attitude of the donor country will have impact on the pattern of assistance. There is also the controversy whether economic assistance should be granted on a project basis or a programme basis.

Financing economic development has of late become a national necessity and an international commitment, and an increasingly accepted policy. Foreign assistance has taken different forms, e.g., loans from international agencies like the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Development Association; bilateral capital assistance by developed economies and private foreign investment.

Right up to the Second World war, as it is clear in retrospect, the colonial powers and rich nations were sceptical towards the poverty of the people living in what were called "backward regions" most of them were then not independent. The apathy of the people in these "regions" was characterized as "expression of their wantlessness, very limited economic horizon, survival-mindedness, self-sufficiency, carefree disposition and preference for leisurely life". (2) The climate in these countries

---

(1) R. Nurkse, Problems of Capital Formation in Underdeveloped Countries (London, 1953), p. 32.

(2) Gunnar Myrdal, The Challenge of World Poverty (London, 1971), p. 22.

was blamed for creating these ills. This was nothing but a racial-inferiority doctrine. The change in this attitude was brought about by the political upheavals in these regions. Political events like the rapid liquidation of colonial power structure, craving for development, the demands for a better life of the articulate elite, and international tensions, especially cold war, made the fate of the underdeveloped countries a matter of foreign policy concern in the developed countries.

During the fifties external assistance to the developing countries was described as defence support. In the United States of America and in the Union of Soviet Socialist Republics the decade of fifties was a period of intense concentration on East-West conflict and on the ideological competition. The major portion of the United States aid funds went to countries on the periphery of the Sino-Soviet bloc and especially to those with which it had military alliances of one kind or another. Between 1945 and 1957 only 25 per cent of all United States aid went to Latin America, and of this one-fourth was military assistance. Between 1945 and 1960 Yugoslavia, for example, received more funds from the United States than did all Latin American countries combined. (3) The Soviet bloc's entry into the aid market in the mid-fifties was regarded as a competitive

---

(3) Henry Simon Bloch, "Regional Development Financing" in Richard N. Gardener and Max F. Millikan, ed., The Global Partnership (New York, N.Y., 1968), p. 188.

move in the United States. Towards the dawn of sixties when the preoccupation with East-West conflict subsided to somewhat sober level, the attitude of the United States towards Latin American countries changed. This shift should, of course, not be exaggerated.

The European aid programmes, particularly those of France and the United Kingdom underwent a different type of change. The overwhelming bulk of the aid of the European countries which formerly had colonial empires had gone to their former colonies. (4) The feeling of responsibility as well as of political interest in the former colonies prompted the French, British, Belgian and Dutch governments to dole out aid to their colonies. During sixties, the aid from the Scandinavian countries and Austria, in some cases increased, which suggests that there was an important shift from narrowly national to somewhat more international motivation in European aid programmes. Of course, political interests guided their aid programmes. Nevertheless the quantum of aid was not commensurate with the avowal of interest. While the gross national product of the major developed countries rose briskly through the 1960's, their official contributions figures as a percentage of gross national product fell in the past few years. (5)

---

(4) Goran Ohlin, Foreign Aid Policies reconsidered (Paris, 1966), pp. 81-83.

(5) Organization for Economic Cooperation and Development (OECD), The Flow of Financial Resources to Less-Developed Countries, 1958-1963 (Paris, 1964), p. 18; William L. Thorp, Development Assistance Efforts and Policies of the Development Assistance Committee: 1966 Review (Paris, 1966), pp. 16-63.

Because of substantial insufficiency of the governmental and intergovernmental resources, there has been, and will doubtless continue to be, demands for private external assistance. Private assistance has been accorded grudging recognition. It has been associated with economic development of less developed countries to be sure, but it was widely believed that such development had been subordinated to its desire for high private earnings for the purpose of repatriation and distribution as dividends to those already well off. This skepticism on the part of capital-importing countries was matched by the concern of capital-exporting countries as spokesmen for their businessmen. "And it dominated the terms of what became an ideological international discourse concerning private foreign investment during the 1945-1965 period"<sup>(5)</sup>; this fear was expressed in the "Calvo Doctrine" of 1870's. The Geneva and Havana Conferences on the Charter for an International Trade Organization in 1947-1948, the Ninth International Conference of American States at Bogota in 1948, the General Assembly debates from 1951 sporadically until 1966, the organization for Economic Cooperation and Development meetings from 1958 till 1962 and the Buenos Aires Economic Conference of the Organization of American States (OAS) in 1967, have witnessed controversial debates over this issue. The developed countries have always demanded "just" and

(6) Stanley D. Metzger, "Private Foreign Investment and International Organizations", in Richard N. Gardner and Max R. Millikan, ed., The Global Partnership (New York, N.Y., 1968), p. 289.

DISS  
332.153095  
P1922 Re  
  
G9057



G-9057

"full" compensation in respect of properties of the businessmen of the developed countries in the developing countries taken over by capital-importing countries. The developing countries have always objected to these limitations tagged on with the loans.

The United Nations was seized of the problem of private foreign investment as early as 1947 when the ECOSOC adopted a resolution. (7) In 1952 and 1954 the ECOSOC adopted more resolutions which not only recognized the useful role of such investment but also emphasized the right of the people of the developing countries to take their own decisions. The resolution of the General Assembly in 1962 was a significant one. The underdeveloped countries succeeded in watering down the traditional formulation of "just" or "full" compensation to "appropriate" compensations. (8) The United States made statements for the record that "appropriate" compensation meant the same thing as "Prompt, adequate and effective compensation". During 1960's the attitude of the people of rich countries, particularly the United States, was very much against aid-giving to the underdeveloped countries. The amendments to the foreign aid legislation in 1962, 1963 and 1966 calling for the suspension of American assistance to any foreign government which after 1 January 1962 nationalized American-owned property, or repudiated or nullified a contract with an American, or imposed discrim-

---

(7) U. N. Document E/250, 5 February 1947, pp. 12-13.

(8) General Assembly (G.A.) resolution 1803 (XVIII), 14 December 1962.

natory taxes or "restrictive maintenance or operational provisions" or took other actions having "the effect" of nationalization, were adopted in the face of the strongest advice against it by the Administration. (9) Ambassador W. Averell Harriman was so aroused by the step that he expressed himself in very blunt language: "you can't dictate to people. If the United States threatens to take away aid under these conditions there is not a country in the world that would not tell us to go to hell." (10)

Foreign private investments in Asia have become restricted to direct investments. Since 1920s, the private investors have been reluctant to lend money on a long-term basis even to governments, and this trend has been particularly evident in the Asian countries. The United States as the dominating creditor nation has continued to concentrate its private investments in countries outside South Asia. In 1957 the outflow of private United States long-term capital to "all other" low income countries except those in Latin America was only \$200 million, or less than 8 per cent of the total outflow of this sort of capital. (11) The same trend is evident in the case of other creditor nations

---

(9) United States Statutes at Large, vol. 76 (87th Congress, 2nd session, 1962), Washington, 1963, pp. 260-01.

(10) Herald Tribune (New York), 7 January 1964, p. 10.

(11) United Nations, The International Flow of Private Capital, 1956-1958 (New York, N.Y., 1959), p. 20.

too. In 1957, the total net private long-term investment in the low-income countries in Asia (i.e., Burma, Ceylon, India, Indonesia, Iraq, Pakistan, Philippines, Taiwan, Thailand and South Vietnam), was estimated at less than \$100 million, whereas that in Latin America was \$1500 million. (12) An expert group working for the General Agreement on Tariff and Trade suggested that "India seems to have ceased attracting long-term private funds on balance." (13) The Philippines, Malaya, Thailand, and in recent years Pakistan, have attracted some private investment. (14)

With so little private capital forthcoming, the main burden of financing the underdeveloped countries of the Asian region has fallen on foreign governments. To a small but increasing extent the public capital assistance has been handed multilaterally through intergovernmental organizations, particularly the World Bank and its affiliates, but for the most part it has taken the form of bilateral grants and loans.

The post-war period may be broadly divided into three main periods as far as direction, source, quantity, and type of capital movements are concerned. The withdrawal of the Japanese from Southeast Asia, the French assertion of their authority, the

---

(12) Ibid.

(13) GATT, Trends in International Trade (Geneva, 1958), p. 32.

(14) U.N., Economic Survey of Asia and the Far East (Geneva, 1959), p. 86.



Dutch politics, and the internal rebellions striving for political supremacy were associated with economic collapse in the region. The economic problems of the colonial powers at home following the Second World War and the United States preoccupation with the European recovery programme decreased the aid to a great extent and whatever little capital moved into Asia was either of military nature or was directed towards immediate consumption needs.

During the second phase, roughly extending from 1950 to 1956, the United States increased its grants and loans to this region. The third period saw not only the acceleration of United States interest but also the presence of the Communist countries. In 1960s South Asia received a capital flow on a scale never before achieved. (15) But the aid programmes of the United States reflect "strategic and political considerations rather than economic considerations". (16) Much of this economic assistance has strings attached. These loans are not only tinged with political overtones but are meant for specified purposes, uncertainty and subject to unilateral increase or decrease on short notices. Aid dictated by the interests of the participants

---

(15) U.N., Statistical Year book (Geneva, 1959), pp.421-26.

(16) F. A. Golay, The Philippines: Public Policy and National Economic Development (New York, N.Y., 1961), p. 125.

in the cold war often does not significantly contribute to an accelerated rate of economic growth. Eugene Black, former President of the World Bank, who played a significant role in the creation of the development banks, particularly Asian Development Bank, told in Washington in 1962 that "I do believe that the emphasis should and can be changed, away from bilateral and towards multilateral aid." (17)

The International Monetary Institutions which provide external capital on a global basis to help the development of the underdeveloped countries are the International Bank for Reconstruction and Development, the International Monetary Fund, the International Financial Corporation and the International Development Association.

The World Bank (IBRD), together with the closely related International Monetary Fund (IMF) was planned at the Bretton Woods Conference of 1944 and opened for business on 25 June 1946. The main objective of the world bank is the "restoration of economies destroyed by the war" and "to promote private foreign investment by means of guarantees or participation" and to "supplement private investment by providing ... finance ... out of its own capital, funds raised by it and its other resources". (18) The

---

(17) IBRD, address of Eugene M. Black, President, to the Board of Governors of the World Bank, the International Finance Corporation and the International Development Association (Washington, D.C., 1962), p. 8.

(18) Article I of Articles of Agreement.

Bank's "hard" loans left unfilled a considerable need in countries presenting good development projects but not having sufficient prospective financial ability to service loans offered on conventional terms. This need could only be met through grants or "soft" loans, that is loans for long terms at low rates of interests. It was believed undesirable to involve the Bank itself in making both hard and soft loans. This institutional gap was filled by the creation of the International Development Association in 1960 to provide "development credits". For operational purposes these two organizations, the Bank and the IDA, are one organization having the same Executive directors, officers and staff. The bank also lacked flexibility to give specific promotion to private entrepreneurship in the economic development. To fill this gap, the International Finance Corporation was created.

The main purpose of the International Monetary Fund is "to give confidence to members by making the fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity". This means that members are to keep their payments in balance. The less developed countries, with few exceptions, have a far greater deficiency of reserves than the developed countries. Reserves represent real resources and the less developed countries are under constant pressure to use all available resources to finance their development. The plan for

special drawing rights for them is lacking.

In early 1950's, the major sources of the flow of external capital to the underdeveloped countries were direct private foreign investments, and loans from the Export-Import Bank of the United States and from the World Bank. As the servicing of investment-income on private foreign investment could impose heavy burden on the balance of payments, so the underdeveloped countries preferred the World Bank to play an important role. A group of Experts appointed by the Secretary-General of the United Nations reported in 1951 that the World Bank had been lending to the developing countries at a rate below \$300 million annually, and that it did not expect to increase this figure in the next few years. (19) The Group estimated that in order to increase per capita income in the developing countries by 2 per cent per annum, these countries require \$10 billion international capital annually, compared with the existing actual flow of less than \$1.5 billion per annum. The group also recommended that the World Bank should "set itself to reach, within five years, some such target as an annual rate of lending of not less than \$1 billion a year to the underdeveloped countries" and that if it shows no sign of approaching this target the whole question of the proper international organization for the provision of adequate amount of

---

(19) Report by a Group of Experts appointed by the Secretary-General, Measures for the Economic Development of Underdeveloped Countries, 1951, U.N. Pub. Sales No. 1951, II. B.2, p. 82.

loan capital to the underdeveloped countries should be reviewed by the UN. In spite of the increase in the loan commitments by the World Bank, the annual lending target of \$1 billion was not reached by the World Bank Group as a whole till 1960s. The developing countries were unhappy with the geographical pattern of the World Bank loans. Until 1948 the Bank was busy in the European recovery programme and with the launching of the Marshall Plan in 1948, the Bank turned its attention to the development lending. A considerable proportion of the Bank's loans were granted to Australia, Italy, Japan, and South Africa, rather than to the less developed countries till the mid-fifties. As late as 1959, the World Bank's role towards the developing countries was minimum. (20) In the 1950s, the Bank's standard answer to its critics was that the "volume of its lending was limited more by the shortage of the sound capital projects in the developing countries than by any unwillingness on its own part to expand the scale of its operation." The narrow limit the Bank had imposed on its lending activities was severely criticized. According to the Bank's Articles of Agreement, its loans are to be granted only for high-productivity projects and that, except in special circumstances, the amount of loan is not to exceed the foreign exchange cost of a project. The Bank's report which emphasized "specific project approach" was also criticized. (21) Andrew

---

(20) Alec Cairncross, Essays in International Finances (Princeton, 1959), pp. 5-6.

(21) World Bank (IBRD), Fifth Annual Report (Washington, D.C., 1950), p. 7.

Shoufield, a critic of the World Bank stated that the Bank's emphasis on financing only the foreign exchange cost of specific projects constituted "a profound weakness". (22) The Bank's policy was guided more by ideological considerations than by an objective analysis. Moreover, the Bank can make only fixed interest loans; it is not authorized to subscribe to equity shares to provide other kinds of risk capital. This hampered the growth of private enterprise in the developing countries.

It was with the aim of filling this gap in the international financial arrangement that in 1954 a group of six Latin American citizens formulated a proposal for the creation of an Inter-American Development Bank. The International Finance Corporation gives loans to private firms without Government guarantee. During its first twelve years, its commitments rose to \$272 million of which \$100 million was committed in the last two years and its prominent area of operation was Latin America. Its commitment for this region was \$129.2 million during the first twelve years.

During 1950's technical assistance was not adequately made available to the underdeveloped countries. The United Nations Special Fund was working on a small scale. This was created in 1958 to finance pre-investment activities in the

---

(22) Andrew Shoufield, The Attack on World Poverty (London, 1961), p. 117.

developing countries. (It later became a part of United Nations Development Programme). Significantly when the Charter for the regional development banks was drawn up special emphasis was given to technical assistance. In order to provide special capital resources an International Development Authority was created. The UN Capital Development Fund was established in 1965. This fund is based on the voluntary contributions by member countries to provide capital assistance to the developing countries by means of grants or long-term loans. The Inter-American Development Bank has a provision for a fund for special operations.

The dissatisfaction of the developing countries with the functioning of the World Bank in the 1950's generated pressures for a modification of the Bank's policy. However, the developing countries recognized that their weakness in terms of voting rights in the World Bank severely limited the Bank's operation. So in the fifties there developed a desire among the developing nations for the creation of regional banks.

Chapter IV

GROWTH OF REGIONAL DEVELOPMENT BANKS



## GROWTH OF REGIONAL DEVELOPMENT BANKS

During 1950s and early sixties, the cold war atmosphere gave rise to unfriendly attitudes and suspicion towards the foreign capital in some underdeveloped countries. The aid-giving countries, on the other hand, were themselves wary of political instability in these countries. Governmental control and fear of expropriation, coupled with difficulties arising out of exchange restrictions, in the underdeveloped countries made the aid policies of the developed countries more difficult. Also, during the period 1950 to 1965, the annual payments of interest and amortization increased from \$0.80 billion to about \$3.6 billion. The accumulation of debts of the underdeveloped countries over the same period increased from \$10 billion to \$40 billion. At the United Nations Conference on Trade and Development (UNCTAD) session in New Delhi in 1968 it was pointed out that "the development of trade and capital movements has resulted in the problems of the rising debt burdens of underdeveloped countries." (1)

The international financial organizations did little to change the above picture. (2) The absence of the USSR from the membership of the International Monetary Fund and the World Bank made matters worse. The developing countries began nursing the

---

(1) United Nations, Problems of Policies of Financing, UNCTAD, New Delhi (New York, N.Y., 1968), vol. 4, p. 28.

(2) See Table I, p. 33.

TABLE I

Gross Drawings on the International Monetary  
Fund, 1947-1967  
(million dollars; to July 31, 1967)

---

	1947-48	1949-55	1956-60	1961-63	1964-67	Total
Total, all count- ries	675.7	540.7	2,467.2	3,395.5	6,310.2	13,389.3
Developed countries	574.1	222.5	1,399.9	2,157.5	4,921.3	9,275.3
Less de- veloped countries	100.6	318.2	1,067.3	1,238.0	1,388.9	4,114.0

---

Source: IMF, Annual Report of the Executive Directory  
for the Fiscal Year ended April 30, 1966  
(Washington) 1967.

understandable suspicion that these financial institutions were being used to promote the political interests of the developed nations. The replacement of the Organization for European Economic Cooperation (OEEC) by the Organization for Economic Cooperation and Development in 1961, the creation of the Development Assistance Committee, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization (UNIDO), the General Agreement on Tariff and Trade (GATT), the Expanded Programme of Technical Assistance (EPTA), and the UN Special Fund did not alter the picture radically. The changes and innovations in international development assistance failed in augmenting assistance to the underdeveloped countries. Their role in the different projects and programmes in developing countries has not been quite encouraging. (3)

In order to solve the financial problems and channelize multilateral aid through a neutral machinery, the developing countries desired to have regional development banks. These banks with their very proximity to the field of action would be in an advantageous position to know realistically the rationale behind economic choices regarding priorities made by borrowers. They could not only aid but also advise the developing countries in this regard. In the field of regional and subregional

---

(3) Reginald H. Green, "UNCTAD and After: Anatomy of a Failure", Journal of Modern African Studies, September 1967, p. 244. New York Times, 31 March 1968, pp. F.1 and F. 5 and 10 March 1969, p. 19.

cooperation, the regional development banks could play an important role. They can also help in the direction of promoting economic integration.

The regional development banks came to be associated with the following objectives. The regional development banks could assist in the financing of regional projects, which national development banks cannot do so. The IBRD has devoted only limited resources to such projects with the exception of the Indus Valley Project. Since most of the small countries of Asia, Latin America and Africa are so small that they cannot constitute as viable economic unit for development purposes, and since many national borders were determined by administrative reasons than by economic considerations, planning and development of these Asian, African and Latin American regions requires imagination.

The regional banks, therefore, are structured for three types of financial resources and cater to a variety of needs of the countries of the region. Their resources include paid-in capital, funds raised in the capital markets by borrowing on the security reserves and callable capital, and special funds. The last two types of resources are collected by the bank from outside countries. "The Bank's success in acquiring such resources reflects its ability to provide additional capital to the region and determining the extent to which it can yield politico-economic leverage in promoting

economic integration." (4) Dearth of strong national institutions makes the regional development banks more important. These banks provide also additional financial intermediaries. The developing countries also want per capita income to be increased. Their desire for industrialization and financing economic integration are to be fulfilled by the regional development banks. The World Bank's decision-making structure is not designed for decentralization. (5) The developing countries have a greater voice in the regional development bank and the voting is weighed more in favour of the poor countries.

There is a great affinity between the World Bank Group and the regional development banks. These regional development banks, have adopted the 'procedure' and 'terms of the lending' of the World Bank. Both of them follow strictly the principle of separation of bankable from non-bankable activities. There is a difference between the World Bank and the regional banks with regard to 'loan policies'. The IDB and the African Development Bank support publicly-owned Development Banks. The policy of the ADB is not yet made. The practice of the World Bank and of the IFC is to finance only private development Banks. IDB does not insist on strict profit

---

(4) UN Document TD/B/AC.4/R.3.

(5) See Table 2p. 33.37.

TABLE 2

## Members and Quotas of the International Monetary Fund

	End of 1947 Members/Quota*		End of 1957 Members/Quota		July 31, 1967 Members/Quota	
Developed countries	18	6,377	22	6,925	25	15,306
Less Developed countries	27	1,545	42	2,091	81	5,675

\* Quotas as allotted in million dollars. Payment has not yet been fully made on some quotas including the Republic of China with a quota of \$550 million.

Source: Compiled from the IMF Annual Report for the years 1948 till 1968.

standards in its electricity loans as does the World Bank. The Charters of the regional banks allow direct lending to private enterprises and subordinate government units without requiring government guarantees, as is the case with the World Bank.

The decision-making structure of the World Bank is not sufficiently decentralized. It has no experienced well-established, powerful regional field officers. It has not set up any decentralized regional institutions. These gaps have been filled by the regional development banks. The voting pattern of the IBRD does not give much weight to the developing nations. (6) But the developing countries have a relatively greater voice in the regional development banks. (7)

There are four major regional developmental banks. These are: the European Investment Bank, the Inter-American Development Bank, the African development Bank and the Asian Development Bank. (8)

#### The European Investment Bank

The European Investment Bank was created by the six members of the European Economic Community. This post-Marshall plan institution was meant to provide financial assistance to

---

(6) Article V, Section 3, Article of Agreement of IBRD.

(7) See Table 3, p. 39.

(8) See Table 3, p. 39.<sup>40</sup>

TABLE 3

Voting Power

(Figures represent per cent of total voting power)

Bank	Developed members	Less Developed Members	Non-regional Members	Regional Members	Voting power of Regional Members in the World Bank
European Investment Bank	100	0	0	0	16.7
Inter-American Development Bank	42.5	57.5	42.5	57.5	7.8
African Development Bank	0	100	0	100	6.8
Asian Development Bank	65.3	34.7	37.3	62.7	17.6

Source: Based upon available data as of June 30, 1967.



TABLE 4

Regional Banks (Based upon available data as of June 30, 1967)

Bank	Headquarters	Organized (when bank started operating)	Authorized Capital (in millions of US dollars equivalents)	Total	Membership			
					Developed countries	Less De- veloped count- ries	Regional Countr- ies	Non-Re- gional countries
European Investment Bank	Luxemburg	1958	1,000	6	6	0	6	0
Inter-American De- velopment Bank	Washington	1960	3,150	21	1	20	20	1
African Development Bank	Abidjan	1965	250	29	0	29	29	0
Asian Development Bank	Manila	1967	1,100	32	16	16	19	13

the underdeveloped countries of the Six and to keep the account of the European Development Fund. This Fund was aimed at channelizing the Common Market aid to its associated members in Africa and other territories overseas. The Bank also provides assistance to these territories. It has a close working relationship with the African Development Bank. However, being primarily the bank of the Common Market, its image is not like that of other regional banks where developing members are supposed to play a significant role.

#### The Inter-American Development Bank

The Inter-American Development Bank came into existence in 1959 and its operations started in October 1960. Throughout its long history which commenced with the First International Conference of American States in 1889 in Washington and continued through different conferences like the one at Bogota (1948), Washington (1950), Caracas (1954), Brazil (1954) and Buenos Aires (1958), the United States had refused to associate itself with it. The US maintained that the existing IBRD and Export-Import Bank were sufficient to deal with the financial matters of Latin America and that there was no necessity for creating any additional financial agency.

The main objective of the Inter-American Development Bank (IDB) was "to contribute to the acceleration of the process of economic development" of the region. (9) Article 2, section 2(a)

---

(9) Article 1, Section 1, of Articles of Agreement.

states that the IDB should "promote investment of public and private capital", and must cooperate with members, "to provide technical assistance" and "to promote regional economic integration". According to Article 11(1) (a), all the members of the Organization of American States, except Cuba and the USA are members of the IDB. The Agreement also has a provision for establishing "relationship with other organization" like the World Bank or other specialized agencies. (10) The authorized capital of the Bank was fixed at \$850 million, of which paid-in shares were to be \$400 million dollars, and callable shares were fixed at \$450 million.

The IDB concentrated on agriculture, industry, mining, water supply, education, and housing up to 1967. During this period its financing of transportation and electric power was less than 10 per cent for each of these sectors of its total bank authorization. (11) However, in recent years the IDB is becoming more and interested in the field of pre-investment studies, and is serving as a credit conduit for export financing of capital goods by Latin American countries to other Latin American countries, and for the Central American Bank for Economic Integration (CABEI). The IDB has granted \$9 million

---

(10) Article 14, Section 2.

(11) IDB, Seventh Annual Report: 1966 (Washington, 1967), p. 5.

to the CABEL, which in turn has authorized 9 sub-loans for programmes aimed at regional integration. The Inter-American Committee on the Alliance for Progress (CIAP) which with its country-wise objectives has helped promote economic integration of the Latin American countries was a recipient of aid from the IDB. So also was the Central American Common Market.

#### The African Development Bank

The history and thrust of the African Development Bank is different. The emergence of the African states from the colonial yoke in 1960s created new power realities in the continent. These nations not only wanted economic assistance but also non-alignment with either of the power blocs. Therefore, in order to meet the economic needs of Africa, the United Nations stepped in. At its third session in February 1961 the Economic Commission for Africa (ECA) requested the Executive Secretary of the Commission to study the possibility of establishing an African Development Bank. A Committee of Nine Members was appointed. In the conference of Finance Ministers in July and August 1963, the report of the Committee of Nine which approved of the idea was studied and accepted. The Bank came into operation in September 1964.

Article 1 of the Agreement says that the purpose of the Bank is to provide financial assistance to the African countries and to promote regional and subregional cooperation. The authorized capital of the Bank was \$250 million; paid-in capital,

¥215 million, and callable shares, ¥125 million. The Bank authorizes its members to lend local currencies to the Bank. The United Nations Development Programme (UNDP) is assisting the Bank in its investment and pre-investment programmes. The membership is confined to the African states only.

The Bank's first loan was announced in 1967. A ¥3 million loan was granted to Kenya to improve its two trunk roads which link up with roads in Uganda and Tanzania. This is a significant step in the promotion of subregional cooperation by the Bank. The establishment of an East African Economic Community and Common Market, which includes, among other institutions, an East African Development Bank, on 6 June 1967 are important landmarks towards regional cooperation and integration in Africa.

Chapter V

THE ASIAN DEVELOPMENT BANK

## THE ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB) is an association of developed and developing countries of the East and West. The objective of this bank, like other developmental banks, is to mobilize capital for the development of the region, to utilize the initial capital, and to provide the impetus for the influx of new investment funds from regional and non-regional sources.

The First Ministerial Conference on Asian Economic Cooperation, held under the auspices of the Economic Commission for Asia and Far East in Manila in December 1963, passed a resolution endorsing a proposal to establish a regional development bank for Asia. The Commission set up a Working Group of experts to report on this resolution. This Working Group was "to recommend the institutional arrangements that would have to be made in order to implement ... the establishment of an Asian Development Bank." The report of the Group was circulated among the member countries of the Economic Commission for Asia and the Far East (ECAFE). The justification for and consequently the role of the Asian Development Bank was for attracting "additional funds to the region, the financing especially of those projects and those facilities for social and economic development of the region which at present are not financed through existing sources or agencies, and the possibility of acting as focal point for, and a stimulus to the other measures for regional

economic cooperation which at present are being studied." (1)

At its twenty-first session in Wellington, in March 1965, the Commission set up a Consultative Committee. This Committee visited various member countries of the Commission and other interested nations in order to elicit their views on the establishment of the Bank. The proposal was discussed and adopted at the Commission's Second Ministerial Conference on Asian Economic Cooperation held in Manila in November 1965. After the signatures of the Plenipotentiaries of Thirtyone nations in Manila, the Agreement came into force on 22 August 1966.

Article 1 of the Draft Agreement establishing the Asian Development Bank stated that "the purpose of the Bank shall be to foster economic growth and cooperation in the region of Asia and the Far East". The Bank was "(i) to promote investment in the region of public and private capital for development purposes; (ii) to utilize the resources at its disposal for financing development of the developing member countries in the region, giving priority to those regional, subregional as well as national projects and programmes which will contribute most effectively to the harmonious economic growth of the region as a whole and having special regard to the needs of the smaller or less developed member countries in the region; (iii) to meet requests from members in the region to assist them in coordination of their development policies and plans with a view to

---

(1) ECAP, The Asian Development Bank and Trade Liberalization  
(New York, N.Y., 1965). p. 1.



achieving better utilization of their resources, making their economies more complimentary, and promoting the orderly expansion of their foreign trade, in particular, intra-regional trade; (iv) to provide technical assistance for the preparation financing, and execution, of development projects and programmes, including the formulation of specific project proposals; (v) to cooperate in such manner as the Bank may deem appropriate, within the terms of this Agreement, with the United Nations, its organs and subsidiary bodies including, in particular, the ECAFE and other international institutions, as well as national entities whether public or private which are concerned with the investment of development funds in the region, and to interest such institutions and entities in new opportunities for investment and assistance, and (vi) to undertake such other activities and provide such other services as may advance its purpose". (2)

The membership of the Bank was to consist of the members of the United Nations Economic Commission for Asia and the Far East and other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialized agencies. (3) The authorized capital stock of Bank was "one billion dollars (\$1,000,000,000) in terms of United States dollars of the weight and fineness in effect on 31 January 1966. (4) Each subscription to the original authorized

---

(2) Article 2 of the Draft Agreement.

(3) Article 3.

(4) Article 4.

capital stock was to be for paid-in-shares and callable shares in equal parts. The capital might be increased by the Board of Governors consisting of all member countries by a vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power.

The voting power envisages a two-tier system -- basic votes and proportional votes. The basic votes will be arrived at equally distributing 20 per cent of the total votes among all the members. The remaining 80 per cent is allocated to members in proportion to the share capital held by them. (5) The sources of the Bank consists of share capitals, borrowings repayment of loans, interest on loans, and funds received from other sources, such as gifts, donations and grants. The Bank is to promote investment in the region of public and private capital. A harmonious economic growth of the region is the goal. Particular emphasis is to be given on developing members in order to make their economy more balanced and viable. The Bank is also to assist the members with technical assistance in the preparation, financing and execution of development projects. A wide degree of flexibility is granted to the Bank in conducting its operations.

The Bank (ADB) was formally opened for business on 19 December 1966 in Philippines. Original members of the Bank were 32. At the inaugural meeting of the Board of Governors

---

(5) See Table 5, pp. 49-50.

Table 5Voting powers of the members of Asian Development  
BankVoting powers of the Members, December 31,  
1967

Regional	Number of Votes	Percent of Total
1. Afghanistan	1,235	1.02
2. Australia	9,257	7.64
3. Cambodia	1,107	0.91
4. Ceylon	1,609	1.33
5. China, Republic of	2,357	1.94
6. India	10,057	8.30
7. Indonesia	3,257	2.69
8. Japan	20,757	17.12
9. Korea, Republic of	3,757	3.10
10. Laos	799	0.66
11. Malaysia	2,757	2.27
12. Nepal	973	0.80
13. New Zealand	3,013	2.48
14. Pakistan	3,957	3.26
15. The Philippines	4,257	3.51
16. Singapore	1,257	1.04
17. Thailand	2,757	2.27
18. Vietnam, Republic of	1,957	1.61
19. Western Samoa	763	0.63
Total Regional	<u>75,883</u>	<u>62.58</u>

(contd..)

Non-Regional		
1. Australia	1,257	1.04
2. Belgium	1,257	1.04
3. Canada	3,257	2.69
4. Denmark	1,257	1.04
5. Finland	1,257	1.04
6. Germany, F. R.	4,157	3.43
7. Italy	2,757	2.27
8. Netherlands	1,857	1.53
9. Norway	1,257	1.04
10. Sweden	1,257	1.04
11. Switzerland	1,257	1.04
12. United Kingdom	3,757	3.10
13. United States	20,757	17.12
	-----	-----
	45,341	37.42
	-----	-----

Source: Asian Development Bank, Annual Report, 1957, p. 39.

-----

on 24 November 1966 the authorized capital stock of the Bank was increased from ¥1000 million to ¥1100 million. Half the paid-in-capital is to be paid in gold or convertible currency and the balance in the currency of the member country. As of 31 December 1967, the subscribed capital was ¥970,000,000 of which ¥485,000,000 was "paid-in" shares and the same amount in "callable" shares.

The UN Development Programme helped to finance the expenses

relating to the preparatory work involved in setting up the Bank. The World Bank Group provided books for the library of the Bank and invited the ADB to participate in its meetings. The IDB also assisted the Bank.

### Review of Activities

In 1967 the Bank was principally concerned with the task of building up an initial framework of the organization, policy formulation and staffing. Its main aim was to create a basis for its developmental activities in the succeeding years.

Twelve loan proposals were made during 1967. By the end of the year, detailed appraisals in respect of one application were completed and the recommendations were submitted to the Board in December 1967 for consideration and decision in January 1968. During 1968, the Bank approved seven loans amounting to \$41.6 million. The recipient countries were Ceylon, the Republic of China, the Republic of Korea, Malaysia, Pakistan and Thailand. The Republic of China received two loans. Five loans were given for specific projects - tea factory modernization, an express way and a plant for the production of an intermediate for polyester fibre and two were for institutions financing industrial development. Also the Bank approved an outlay of \$1,137,000 for eleven technical assistance grants. The main theme in the economic programmes of this region in the past decade has been the emphasis on industrial development.

- 
- (6) A loan of \$5 million was authorized by the Board of Directors on 23 January 1968 to the Industrial Corporation of Thailand. See Asian Development Bank, Annual Report, 1967 (Manila, 1968), p. 16.

The importance as well as the complexities of the problems relating to agriculture prompted the Bank to launch the Asian Agricultural Survey. The main purpose was to facilitate the future operational role of the Bank in the field of agriculture. The Bank spent ₱80,000 in the field of agricultural assistance to its members. In December 1967, the Bank received a request from the Government of Malaysia to undertake a regional transport survey.

During 1968, Japan and Canada provided assistance for the creation of two Special Funds. The rate of interests on loans made from the Ordinary resources was fixed at 6-7/8 per cent per annum. The Bank spent ₱166,000 for transportation, ₱124,000 on development banks and intermediary institutions, and ₱847,950 on agricultural technical assistance to the member countries. (7)

During 1969, the loan approvals amounting to ₱98.10 million were made to ten developing countries. This amount covered twenty loans including six on concessional terms. By the end of 1969 the Bank's total lending reached ₱139.70 million spread over 11 countries. (8) 13 technical assistance projects covering 10 countries and involving a commitment of ₱2.23 million were approved. With this amount the Bank's total commitments increased to ₱3.74 million. The items covered under the technical assistance grants

---

(7) A.D.B. Annual Report, 1968 (Manila, 1969).

(8) A.D.B. Annual Report, 1969 (Manila, 1970), p. 17.

are: transportation (P592,000), development Banks and Intermediary Institution (P60,000), and Agriculture (P1,566,000). Funds available for ordinary operations including the proceeds of the bond issues increased to P401 million and commitments reached nearly P118 million. Special Fund resources rose by P39.40 million to just under P85 million; commitments incurred in concessional loans amounted to P22 million. In the field of regional projects the Bank also made significant progress. (9)

TABLE 6

Regional Projects (1957-1969)

Asian Agricultural Survey	P155,000
Regional Transport Survey	P1 million (from Technical Assistance Special Fund by USA and P1.8 million from UNDP)
Study of Southeast Asian Economy in the 1970's	P250,000
Asian Vegetable Research and Development Centre	P300,000

Source: ADB, Annual Report, 1969 (Manila, 1970), p. 13.

There was a phenomenal increase in the lending position of the Bank during 1970. P211.9 million was granted from ordinary capital resources and P33.7 million from the Special Fund (10)

(9) See Table 6 , p.53 .

(10) ADB, Annual Report, 1970 (Manila, 1971), p. 59.

of loans  
 The total number/increased to 32. (11) Loans were also sanctioned for agricultural and irrigation projects, power transmission and distribution, construction of highways and development of sea-ports and airports. (12) The Bank provided 19 technical assistance projects to 14 countries, the cost of which amounted to ¥2.9 million in 1970. A project on "The study of Southeast Asia's economy in the 1970's" was completed and the Regional Transport Survey proceeded on schedule. During this year, bonds valued ¥21.7 million were issued in Austria and Japan. The total funds raised by borrowing reached to ¥38.1 million(13)

Contributions during the year to the Consolidated Special Fund resources (excluding Technical Assistance Special Fund) amounted to ¥56,254,972. This raised the figure of Special Fund resources to ¥137,934,944. Australia and the United Kingdom joined the four earlier contributors i.e., Canada, Denmark, Japan and the Netherlands, to the Consolidated Special Fund Resources during the year. With the contributions from Australia, Canada, Finland, India, Japan, the Netherlands, Pakistan and Switzerland to the Technical Assistance Special Fund, the amount increased to ¥4,091,017. The Bank, now, has become a significant source of aid in Asia. It is supplying about 30 per cent of the overall development financing which 16 developing member countries have

---

(11) Ibid.

(12) See Table 7, p. 55.

(13) ADB, n. 10, p. 1.



TABLE 7

Loans from Special Funds resources 1970

Country	Project	Amount (/m.)	Term	Interest (%)
1. Afghanistan	Gawargan and Chardaharrah Agricultural Deut	5.150	30	1½
2. Camtodia	Phaom Pex High Voltage Transmission	1.670	16	3
3. Indonesia	Pusri Fertiliser Plan Expansion	10000	30	2½
	Gambarsar-Pesanggrahan Irrigation Rehabilitation Project	2700	25	2½
4. Laos	The Ngon Agricultural De- velopment	0.973	40	1½
5. Malaysia	Besut Agricultural Deut	3.300	25	3
6. Nepal	Jute Development	2.000	12	3
	Agriculture Credit	2.400	16	3
7. Singapore	Ngee Ann Technical College Expansion	3.000	25	3
8. Vietnam, Repub- lic of	Fisheries Deut	2.500	25	2½

Source: ADB, Annual Report for 1970 (Manila, 1971), p. 59

received from multilateral sources. With the decrease in the official aid flow reaching Southeast Asia from the developed countries (14), the Bank's role is becoming increasingly significant.

During 1971, the authorized capital stock of the Bank was increased from \$1100 million to \$2,750 million. "The increase in capital becomes effective upon 100,000 shares being subscribed, by 30 September 1972". (15) The addition in capital will permit lending operations to grow by more than 10 per cent. The Bank borrowed \$121.7 million in 1971 by marketing five public issues (\$101.7 million) and by private placement of \$20 million bonds.<sup>(16)</sup> The loans from ordinary capital resources and Special Fund Resources amounted to \$254 million during 1971. This figure is about 40 per cent of the total loans approved since the first loan was made in 1968. (17) One significant feature of the lending operations is that the number and amount of loans from ordinary capital resources in 1971 was less than the amount and number in 1970 whereas the number of loans from the Special Fund Resources in 1971 increased. (18) 41.5 per cent of the total lending was provided for electric

---

(14) See Table 8, p. 57.

(15) See ADB, Annual Report 1971 (Manila, 1972).

(16) Ibid.

(17) See Table 9, p. 58.

(18) See ADB, Annual Report 1971 (Manila, 1972). p. 15.

TABLE 8

Net Total Official Aid Flows Reaching South Asia (million dollars)

---

Classification	1965	1966	1967	1968	1969
Southeast Asia	1915.2	1768.0	2041.7	1630.8	1398.3
Far East	944.1	1135.9	1372.5	1412.8	1887
Total	2859.3	2903.3	3414.2	3043.6	3285.3

---

Source: ADB, Annual Report 1970 (Manila, 1971), p. 9.

TABLE 9

## Loan Approvals: 1968-71

Year	Loans from ordinary capital resources (P)	No. of Loans	Loans from Special Fund Resources (P)	No. of Loans	Total Loans	Number
1968	41,600,000	7	-	-	41,600,000	7
1969	76,095,000	14	22,065,000	6	98,160,000	20
1970	211,940,000	22	33,693,000	10	45,633,000	32
1971	202,940,000	16	51,510,000	12	254,450,000	28
1968-1971	531,255,000	57	107,208,000	28	638,463,000	85

Source: ADB, Annual Report 1971 (Manila, 1972), p. 15.

power, 18.2 per cent for industry, 17.4 per cent for transport and communications, 10.8 per cent for agriculture and 12.1 per cent for water supply. Out of the 13 countries which borrowed in 1971 eight got concessional loans totalling \$51.5 million. The technical assistance of \$1,536,000 was approved for 15 projects. (19) Important surveys, like the Regional Transport Survey, a Study of Southeast Asia's Economy in the 1970's, and a study of the coconut industry in the region, were undertaken. Arrangements were made during the year for cooperation in the development of the Mekong basin. The membership of the Bank was increased to 36.

During the first five years the Bank has made a good progress. It has not only made loans amounting to over six hundred million dollars but its lending operations have continued to increase. Its capital stock has increased by 15 per cent to \$2.74 billion, and its ordinary resources by more than \$100 million through bond issues in the capital markets. Technical assistance, increasing soft loans, rural electrifications, telecommunication, and multi-purpose water resources development including its assistance to the Lower Mekong basin development projects, are some of the activities in which the Bank (ADB) has concentrated in recent years in order to make "necessary

---

(19) Ibid., p. 16.

infrastructure for implementing development projects". The Bank has made a healthy progress in the direction of regional cooperation in Asia. (20)

---

(20) Kurt Waldheim, Message to the Fifth Annual Meeting of the ADB Austria, United Nations Weekly Newsletter (New Delhi), vol. 20, no. 18, 28 April 1972.

Chapter VI

CONCLUSION

Prospects and Proposals

## CONCLUSION

### Prospects and Proposals

There has been some criticism of the working of the Asian Development Bank recently. At the fourth annual meeting of the Board of Governors of the Bank in April 1971, it was pointed out that the Bank was placing too much emphasis on the profitability of the projects undertaken and that it was ignoring the social and economic needs and balance of payment situations of the member countries concerned. It was also said that the Bank was tending to concentrate too much in the Southeast Asian region. Discounting such fears Mr Takeshi Watanabe maintained that the loans amounting to ¥37 million were granted to Pakistan and ¥5 million to Afghanistan in 1970 and that the banking principles as well as the needs of the region were properly looked into at the time of granting loans to the countries.

In spite of these assurances by Mr Watanabe, there is reason for the critics to be slightly sceptical of the Bank. In 1970, out of the ¥212 million loans granted from the ordinary capital resources, more than half went to three Southeast Asian countries, i.e., ¥45 million to South Korea, ¥37 million to Singapore and ¥31 million to Taiwan. But if we take a look at the list of loans granted out of the Special Fund resources, we will find, of the Special Fund loans totalling ¥64 million till the end of March 1971, the major recipients were Indonesia (¥23 million), Nepal (¥10 million), Ceylon (¥7.75 million) and



Afghanistan (\$5 million). This should restore some confidence in the operations of the Bank. The proposal for making the technical assistance fully united and convertible is being properly implemented.

The psychological fear about the Asian development that haunts today was also felt by experts and statesmen at the time of its birth. (1) Some were of the opinion that the burden of bilateral aid commitments, Congressional and public criticism forced the United States in promoting the concept of multilateral sharing of the aid burden by the other advanced countries of the world and, towards that end, in setting up a regional bank. This may be an extreme view propagated by those who believe in the "Doctrine of Untouchability" (2) in the sphere of foreign relations. Mr George W. Ball, former U.S. Under Secretary of State has called "this game plan" of the economists a "myth" (3).

There is yet another criticism concerning the Bank's voting procedure, which, it is alleged, has given supremacy to the developed countries and membership to the "non-regional developed members" (4) not non-regional underdeveloped members in the Bank. (5) The Articles of Agreement was characterized as the

---

(1) See Lok Sabha Debates, Series m(111) 725, 2287; (vi) 11430-31; (viii) 18539.

(2) See M. S. Venkataramani, "India and Asian Development Bank", Commerce, 9 July 1965, p. 62.

(3) George W. Ball, Newsweek, 3 August 1970.

(4) Article 3; See Table 10, p. 63.

(5) Ibid.

TABLE 10

Statement of Voting Power

Members Regional	No. of Votes	Non-Regional	
1. Afghanistan	1176	1. Austria	1198
2. Australia	9198	2. Belgium	1198
3. Ceylon	1550	3. Cambodia	3198
4. China, Republic of	2298	4. Denmark	1198
5. Fiji	798	5. Finland	1198
6. Hong Kong	1498	6. France	3198
7. India	9998	7. Germany F. R.	4098
8. Indonesia	3198	8. Italy	2698
9. Japan	20698	9. Netherlands	1798
10. Kh Republic	1048	10. Norway	1198
11. Korea, Republic of	3698	11. Sweden	1198
12. Laos	740	12. Switzerland	1198
13. Malaysia	2698	13. U.K.	3698
14. Nepal	914	14. U.S.A.	20698
15. New Zealand	2954		
16. Pakistan	3894		
17. Papua and New Guinea	836		
18. Philippines	4198		
19. Singapore	1198		
20. Thailand	2698		
21. Vietnam, re- public of	1898		
22. W. Samoa	704		
Total:	77,894	Grant total	125,666
Percentage of			
USA	16,471		
Japan	16,471		

Source: Asian Development Bank, Annual Report, 1971  
(Manila, 1972), p. 83.

"United States - Japanese dictated instrument." (6) The very choice of the site of the Bank, it is charged, involved political adjustments. Philippines granted diplomatic recognition to Malaysia and Singapore only when Manila was chosen as the site of the Bank's headquarters. Iran made an offer to participate in the Bank, subject to its location in Teheran. After Manila was chosen, Iran refused to become a member. (7) Some economists have also pointed out that in recent years in some Asian countries the trend has been towards a reduction in the scale of their economic interrelationship and "the scope for regional cooperation may be very narrow even in the future." (8) The Asian Development Bank, they argue, has not been in a position to change this trend.

"It is easier to do almost anything, than to develop a country's economy," to quote Watanabe. (9) It is illogical to expect too much from this infant organization. The Bank's policies in some major fields, i.e., profit standards, are not yet framed. Yet, the activities of the Bank are quite impressive. Its ability to raise money from the world market, the substantial

---

(6) Henry Simon Bloch, "Regional Development Financing" in Richard N. Gardner and Max F. Millikan, ed., The Global Partnership (New York, N.Y., 1968), p. 190.

(7) Ibid., p. 191.

(8) Gunnar Myrdal, Asian Drama (London, 1968), p. 653. See, U.N. Economic Survey of Asia and the Far East, 1959, pp. 80, 99.

(9) Takishi Watanabe, "The Asian Development", World Today vol. 27, no. 6, June 1971, p. 241.

increase in the authorized capital stock and in the Special Fund resources and its technical assistance programmes have guaranteed the Bank a better future. Under the auspices of the Bank, Philippines, Thailand, Indonesia, Taiwan and South Vietnam have agreed to collaborate in exploring the rich deep-sea-fishing areas of the South China sea. Also, Indonesia has taken initiative in starting a joint shipping line with Malaysia. These are all good examples of regional cooperations. (10)

Asia has diverse problems. The periodic flood in the Helmand Valley in Afghanistan, the drought-ridden Walawe area of Ceylon, port development projects in Singapore and air-transportation facilities for Nepal need diversified approaches. Besides, there are psychological, political and operational hurdles. Still the Bank serving as a "clearing house of understanding", (11) is working as a neutral filter for development funds, primarily coming from the West. The work of the Asian Development Bank, both in the development aid sector and in the pure banking field, has been sober and objective.

---

(10) See Table 11, p. 66.

(11) Ibid.

TABLE 11

Regional Activities  
Comments: 1967-71

Asian Survey	155,000
*1. Asian Industrial Survey	200,000
*2. Asian Vegetable Research and Development Centre	300,000
Coconut Industry Survey	50,000
Evaluation Study of Nong Khai/Vientiane Bridge bet- ween Laos and Thailand	95,000
Law Assoc. for Asia and the Western Pacific Credit and Security Research Project	27,000
Panel Meeting on Deut Bank Training facilities	25,000
Regional Conference of Deut Banks in Asia	15,000
Regional Seminars in Agriculture	55,000
*3. Regional Transport Survey	2,903,000
Study of Southeast Asia's Economy in the 1970's	250,000

1. Sponsored by U.N. ECAFI and estimated to cost \$617,000.

2. Participating countries - Japan, Rep. of China, Republic of Korea, Philippines, Thailand, USA Republic of Vietnam estimated cost for first 5 years - \$7.5 million.

3. Including contribution by USA of up to \$1 m. and from UN Development Programme, \$1,142,530.

Source: ADB, Annual Report 1971 (Manila, 1972), p. 17.

## Bibliography

### Primary Sources

- Asian Development Bank, Paths to Progress: Selected Addresses by Takeshi Watanabe, President (Manila, 1970).
- \_\_\_\_\_, Paths to Progress (Manila, 1971).
- \_\_\_\_\_, Paths to Progress (Manila, 1972).
- \_\_\_\_\_, The Doors are Open: Selected Addresses by Takeshi Watanabe, President (Manila, 1967).
- \_\_\_\_\_, Basic Information (Manila, 1971).
- \_\_\_\_\_, Asian Agricultural Survey (Manila, 1969).
- \_\_\_\_\_, Regional Seminar on Agriculture, 1969 (Manila, 1969).
- \_\_\_\_\_, Annual Report, 1967 (Manila, 1968).
- \_\_\_\_\_, Annual Report, 1968 (Manila, 1969).
- \_\_\_\_\_, Annual Report, 1969 (Manila, 1970).
- \_\_\_\_\_, Annual Report, 1970 (Manila, 1971).
- \_\_\_\_\_, Annual Report, 1971 (Manila, 1972).
- Economic Commission for Asia and Far East, The Asian Development Bank and Trade Liberalization (New York, N.Y., 1965).
- Institute of Asian Economic Affairs, Intra-Regional Cooperation and Aid in Asian Countries (Tokyo, 1968).
- International Bank for Reconstruction and Development, Address of Eugene M. Black, President, to the Board of Governors of the World Bank, IFC and IDA (Washington, D.C., 1962).
- \_\_\_\_\_, Fifth Annual Report (Washington, D.C., 1950).
- Inter-American Development Bank, Seventh Annual Report (Washington, D.C., 1967).
- Kennedy, D. M., Statement at the Third Annual Meeting of the Board of Governors of Asian Development Bank, Korea, April 1970, Bulletin (Department of State), vol. 62, no. 1610, 1970, p. 579.

League of Nations, Ten Years of World Cooperation (Geneva, 1930).

Organisation for Economic Co-operation and Development,  
The Flow of Financial Resources to Less-developed  
Countries, 1956-1963 (Paris, 1964).

\_\_\_\_\_, The Growth of Output 1960-1980 (Paris,  
1970).

United Nations, A Study of the Capacity of the United Nations  
Development System (Geneva, 1969).

\_\_\_\_\_, Agreements between the United Nations and  
the Specialized Agencies (New York, N.Y., 1952).

\_\_\_\_\_, United Nations doc. TD/B/AC.4/A.3.

\_\_\_\_\_, United Nations doc. E/255, 5 February 1947.

\_\_\_\_\_, General Assembly Resolution 1803 (XVIII),  
14 December 1962.

\_\_\_\_\_, Problems of Policies of Financing, UNCTAD,  
New Delhi (New York, N.Y., 1968), vol. 4, p. 28.

\_\_\_\_\_, The International Flow of Private Capital  
1956-1958 (New York, N.Y., 1958), p. 20.

\_\_\_\_\_, Economic Survey of Asia and the Far East  
(Geneva, 1969).

\_\_\_\_\_, United Nations Statistical Year Book  
(Geneva, 1959).

\_\_\_\_\_, Measures for the Economic Development of  
Underdeveloped Countries, 1951, U.N. Pub. Sales  
No. 1951. 11. B.2.

\_\_\_\_\_, United Nations Conference on International  
Organization, Summary report of the fourteenth  
Meeting of the Committee 11/3, 29 May 1945,  
doc. 684, 11/3/38/p.4.

\_\_\_\_\_, Economic Commission for Asia and the Far  
East (ECAFE), Regional Economic Cooperation in Asia  
and the Far East: Report of the Second Ministerial  
Conference on Asian Economic Cooperation, Final Act  
of Plenipotentiaries on the Asian Development Bank,  
and Report of the Preparatory Committee on the Asian  
Development Bank (New York, N.Y., 1966).

- \_\_\_\_\_, ECAFE, Regional Economic Cooperation in Asia and the Far East (New York, N.Y., 1971).
- \_\_\_\_\_, ECAFE, Regional Economic Cooperation in Asia and the Far East: The Asian Development Bank and the Trade Liberalization (New York, N.Y., 1965).
- \_\_\_\_\_, ECAFE, Feasible Growth and Trade Cap Projections in the ECAFE region (New York, N.Y., 1968).
- \_\_\_\_\_, Economic and Social Affairs (Department of - ), Analyses and Projects of Economic Development (New York, N.Y., 1955).
- \_\_\_\_\_, Economic and Social Affairs (Department of - ), Foreign Investment in Developing Countries (New York, N.Y., 1968).
- \_\_\_\_\_, The Capital Development Needs of the Less-developed Countries (New York, N.Y., 1968).
- \_\_\_\_\_, Assistance for Economic and Social Development Available from the United Nations System (New York, N.Y., 1969).
- \_\_\_\_\_, Agreement Establishing the African Development Bank (New York, N.Y., 1964).
- \_\_\_\_\_, The United Nations Development Decade (New York, N.Y., 1962).
- \_\_\_\_\_, Five-year Perspective, 1960-1964, U.N. Pub. Sales No. 60.IV.14.
- United States of America, United States Statutes at Large, Eighty Seventh Congress, 2nd session, 1962, vol. 76 (Washington, 1963).
- \_\_\_\_\_, Hearings before the Committee on Foreign Relations, United States Senate, Ninetieth Congress, second session on S. 2479, part 2, 27 February 1968 (Washington, 1968).
- \_\_\_\_\_, Hearings before the Committee on Foreign Relations, United States Senate, Ninety-second Congress, First session on S. 749, 2 April 1971 (Washington, 1971).



Watanabe, Takeshi, "The Asian Development Bank", World Today  
vol. 27, no. 6, 1971, p. 241.

### Secondary Sources

#### BOOKS

- Bauer, P. J., Economic Analysis and Policy in Underdeveloped Countries (London, 1965).
- Bhagwati, Jagdish, Economics of Underdeveloped Countries (London, 1966).
- Birmingham, W., ed., Planning and Growth in Rich and Poor Countries (London, 1966).
- Black, Eugene A., The Diplomacy of Economic Development (Cambridge, Mass., 1960).
- Cairncross, A. K., Factors in Economic Development (London, 1964).
- Cairncross, Alec, International Bank for Reconstruction and Development (Princeton, 1959).
- Galbraith, J. K., Economic Planning (London, 1965).
- \_\_\_\_\_, Economic Development (Cambridge, 1965).
- Goodrich, Leeland M. and Hambro, Edward, eds., Charter of the United Nations (London, 1949).
- Goodrich, Leeland M., The United Nations (New York, N.Y., 1959).
- Higgins, Benjamin, Economic Development: Principles, Problems and Politics (New York, N.Y., 1959).
- Hirschman, Albert O., The Strategy of Economic Development (Yale University Press, New Haven, 1958).
- Holt, Robert T. and Turner, John E., The Political Basis of Economic Development (New York, N.Y., 1966).
- Johnson, Harry G., The World Economy at the Crossroad (London, 1965).
- \_\_\_\_\_, Economic Policies Towards Lessdeveloped Countries (London, 1967).
- Kanes, S. J., Economic Integration in Asia (Hamburg, 1969).

- Kelsen, Hans, The Law of the United Nations (London, 1951).
- Khan, Rahmatullah, "The Problems of International Poverty" in Rajan, M. S., ed., Studies in Politics (Delhi, 1971), pp. 164-87.
- Kirdar, U., The Structure of the United Nations Economic Aid to Underdeveloped Countries (Hague, 1966).
- Kindleberger, Charles P., Economic Development (New York, N.Y., 1958).
- Mountjoy, Alan B., ed., Developing the Underdeveloped Countries (London, 1971).
- Myrdal, Gunnar, Economic Theory and Underdeveloped Regions (London, 1957).
- \_\_\_\_\_, The Rich and Poor Nations (London, 1962).
- \_\_\_\_\_, Beyond the Welfare State (London, 1960).
- \_\_\_\_\_, Asian Drama, 3 vols. (London, 1968).
- \_\_\_\_\_, The Challenge of World Poverty (London, 1966).
- Nurkse, R., Problems of Capital Formation in Underdeveloped Countries (London, 1953).
- Nye, J. S., ed., International Regionalism (Boston, 1968).
- Ohlin, Goran, Foreign Aid Policies Reconsidered (Paris, 1966).
- Rajan, M. S., ed., Studies in Politics (Delhi, 1971).
- Roll, Eric, The World After Keynes: An Examination of the Economic Order (London, 1968).
- Rostow, Walt W., The Stages of Economic Growth: A Non-Communist Manifesto (New York, N.Y., 1960).
- Singh, L. P., The Politics of Economic Cooperation in Asia: A Study of Asian International Organisation (Columbia, 1966).
- Shonfield, Andrew, The Attack on World Poverty (London, 1961).
- Thorp, William L., Development Assistance Efforts and Policies of the Development Assistance Committee: 1966 Review (Paris, 1966).

Wightman, David, Towards Economic Cooperation in Asia: The United Nations Economic Commission for Asia and Far East (Yale University Press, New Haven, 1963).

## ARTICLES

- Asher, Robert E., "International Agencies and Economic Development", International Organization, vol. 22, no. 1, Winter 1968, p. 432.
- Balassa, Bela, "The Capital Needs of the Developing Countries", Kyklos, vol. 17, no. 2, 1964, pp. 197-206.
- Baldwin, David A., "The International Bank in Political Perspective", World Bank, vol. 28, no. 1, October 1965, p. 68.
- Eebler, Ales, "Developing Countries and United Nations", Pakistan Horizon, vol. 18, no. 2, 1965, p. 125.
- Bernstein, Edward M., "The International Monetary Fund", International Organization, vol. 22, no. 1, 1968, p. 131.
- Blough, Roy, "The Furtherance of Economic Development", International Organization, vol. 19, no. 3, Summer 1965, p. 562.
- Bloch, Henry Simon, "Regional Development Financing", International Organization, vol. 22, no. 1, Winter 1968, p. 182.
- Chandola, H., "Asian Development Bank Meeting", Economic and Political Weekly, vol. 6, no. 18, 1 May 1971, pp. 904-05.
- Commerce, "GATT and Developing Nations", Commerce, vol. 109, no. 2798, 5 December 1964, p. 978.
- \_\_\_\_\_, "Partners in Progress: World Bank Group in Asia, Africa and the Americas", Commerce, vol. 18, no. 2753, 25 January 1964, pp. 124, 145.
- \_\_\_\_\_, "Asian Development Bank Inaugurated", Commerce, vol. 113, no. 2900, 3 December 1966, p. 964.
- Current History, "International Agencies for Development", Current History, vol. 51, no. 300, August 1966, pp. 96, 115.

- Eastern Economist, "International Bank for Reconstruction and Development", Eastern Economist, vol. 45, no. 15, October 8, 1965, p. 694.
- Economist, "Strategy for Development", Economist, vol. 212, no. 6316, 12 September 1964, p. 1010.
- Economic Weekly, "The World Bank and IDA Loans, Classified by Purpose and Area, Total Upto June 1965", Economic Weekly, vol. 17, no. 41, 9 October 1965.
- Etzioni, Amitai, "On Self-Encapsulating Conflicts", Journal of Conflict Resolution, vol. 8, 1964, pp. 242-53.
- Evans, John W., "The General Agreement on Tariffs and Trade", International Organization, vol. 22, no. 1, Winter 1968, p. 72.
- Far Eastern Economic Review, "Asian Development Bank - Spur to Economic Growth", Far Eastern Economic Review, vol. 69, no. 35, 27 August 1970, pp. 30-31.
- Finance and Development, "The World Bank and the United Nations Finance and Development", Finance and Development, vol. 3, no. 4, December 1965, p. 290.
- Frank, Isaiah, "The Role of Trade in Economic Development", International Organization, vol. 22, no. 1, 1968, p. 44.
- Ganguli, B. N., "The Role of the United Nations in the Development of Lessdeveloped Countries", International Studies, vol. 5, no. 4, April 1964, p. 353.
- Gardner, Richard N., "GATT and UNCTAD", International Organization, vol. 18, no. 4, Autumn 1964, p. 685.
- \_\_\_\_\_, "The UN Conference on Trade and Development", International Organization, vol. 22, no. 1, 1968, p. 99.
- Green, R. H., "UNCTAD and After: Anatomy of a Failure", Journal of Modern African Studies, September 1967, p. 244.
- Grigg, R. W., "The UN Regional Economic Commissions and Integration in the Underdeveloped Region", International Organization, vol. 20, no. 2, Spring 1966, p. 208.

- Gupta, Bhupesh, "Why is India in this basket" (Asian Development Bank)?" New Age (W), vol. 13, no. 31, 2 August 1970, p. 13.
- Harrod, Roy, "Economic Development and Asian Regional Cooperation", Pakistan Development Review, vol. 2, no. 1, Spring 1962, pp. 1-22.
- India quarterly, "International Monetary Issues and the Developing Countries", India Quarterly, vol. 21, no. 4, October 1965, p. 402.
- Indian Finance, "Spar to Asian Development", Indian Finance, vol. 85, no. 15, 11 April 1970, p. 337.
- \_\_\_\_\_, "Increased Flow of Capital to Developing Area", Indian Finance, vol. 74, no. 4, 25 July 1964, p. 175.
- \_\_\_\_\_, "Economic Survey of Asia and the Far East 1966", Indian Finance, vol. 77, no. 12, 26 March 1966, p. 475.
- Kotshnig, Walter M., "The UN as an Instrument of Economic and Social Development", International Organization, vol. 22, no. 1, 1968, p. 16.
- Krasner, Stephen D., "The International Monetary Fund and the Third World", International Organization, vol. 22, no. 3, Winter 1968, p. 670.
- Linder, Willy, "Portrait of the Asian Development Bank", Swiss review of World Affairs, vol. 21, no. 8, November 1971, pp. 22-24.
- Lokanathan, P. S., "ECARF, the Economic Parliament of Asia", The Indian Year Book of International Affairs (Madras), 1963, p. 3.
- Madhavan, K. K., "Asian Development Bank: A Case Study in Bootlicking", Frontier, vol. 3, no. 13/15, 4 July 1970, pp. 9-13.
- Manzer, Ronald A., "The United Nations Special Fund", International Organization, vol. 18, no. 4, Autumn 1964, p. 766.
- McWilliam, Michael, "The World Bank and the Transfer of Powers in Kenya", Journal of Commonwealth Political Studies, vol. 2, no. 2, May 1964, p. 166.

- Myrdal, Gunnar, "Twenty Years of the UN Commissioners for Europe", International Organization, vol. 22, no. 3, Winter 1968, p. 617.
- Ohlin, Goran, "The Organization for Economic Cooperation and Development", International Organization, vol. 22, no. 1, Winter 1968, p. 231.
- Parthasarathy, G., "The Rich and the Poor Nations and International Economic Cooperation", The Indian Year Book of International Affairs (Madras), 1963, pp. 465-86.
- Raman, A., "Role of IBRD", Indian Finance, vol. 73, no. 6, 8 February 1964, p. 176.
- Review of International Affairs, "Financing of Economic Development of Underdeveloped Countries", Review of International Affairs, vol. 16, no. 354, 5 January 1965, p. 27.
- \_\_\_\_\_, "Developing Countries and International Financing", Review of International Affairs, vol. 17, no. 392/393, August 1966, p. 25.
- Rought, Thomas, "The Asian Development Bank: Action at last", Far Eastern Economic Review, vol. 68, no. 18, 30 April 1970, p. 73.
- Shizuo, Maruyama, "Asian Regionalism", Japan Quarterly, vol. 15, January-March 1968, p. 53.
- Stonham, P. L., "Intra-regional Trade Cooperation in Developing Asia", Journal of Common Market Studies (Oxford), vol. 6, no. 2, December 1967, pp. 197-210.
- Tasic, Antoniji, "The Policy and Problems of Financial Institutions", Review of International Affairs, vol. 15, no. 349, 20 October 1964, p. 15.
- Turgeon, Lynn, "Problems of Developing Countries", Co-existence, no. 2, November 1964, p. 107.
- Venkataramani, M. S., "India and Asian Development Bank", Commerce, 9 July 1966, p. 62.
- Virmani, B. S., "Terms of Aid and UN", Eastern World, vol. 18, no. 1, January 1964, p. 22.
- Waldheim, Kurt, "Message to the Fifth Annual Meeting of the Asian Development Bank, Austria", United Nations Weekly News Letter (New Delhi), vol. 20, no. 18, 28 April 1972.

White, John, "The Asian Development Bank: A Question of Style", World Politics, vol. 44, no. 4, October 1963, p. 677.

Wilson, G. M., "The Operations of the World Bank", World Today, vol. 20, no. 2, February 1964, p. 84.

Woods, George D., "Problems of International Development", United Asia, vol. 17, no. 6, November 1965, p. 394.

\_\_\_\_\_, "The World Bank's role in Economic Development", Eastern Economist, vol. 43, no. 5, 31 July 1964, p. 189.