

of two per cent per year, and whose food supply must be supplemented through the expenditure of dangerously-depleted regional foreign exchange reserves — reserves urgently needed for the importation of manufactured consumer goods, as well as raw materials, capital goods, and spare parts for industry.

Neither is the picture brightened by the existing flow of foreign capital to Asia. While the combined GNP of the developed nations is increasing, the proportion of their prosperity which is channelled into the development efforts of this region is actually diminishing on a percentage basis. Not only has the total of gross foreign aid disbursements from the DAC countries remained static, but the burden of debt servicing has continued to increase, seriously reducing the net flow of funds, while the number of outright grants and of loans repayable in local currency has been declining.

I have highlighted the foregoing figures not because I would have you capitulate to the seemingly insurmountable obstacles which lay in the path of economic development. Rather, I have mentioned them to underline the imperative of devoting the sum total of your energy and wisdom to the responsibility which has been placed upon your relatively young shoulders.

As a matter of fact, the "balance of hope" is considerably less tenuous than I have suggested above. "Development diplomacy" has already made measurable strides toward its goal of achieving a higher standard of living for this region. If you will permit me a bit of prejudice, I would venture to say that one of the most notable accomplishments of "development diplomacy" has been the establishment of the Asian Development Bank, not only from the viewpoint of what it can itself hope to contribute, but also the spirit in which it was founded, and its implications for the future of Asia's economic advancement.

The ADB is Asia's own institution, an institution devoted solely to the development of this region and, yet, bringing the technical and financial resources of no less than twelve non-regional, developed nations to bear on its problems. It is a significant departure from traditional Western diplomacy that these twelve countries were willing to subordinate their own voices to those of their nineteen Asian partners — attested to by the fact that at least 60 per cent of the Bank's capital must be contributed by the Asian members, seven of its ten Directors are from within the region, and the President must be an Asian.

A major hindrance to effective development efforts in the past has been the debtor-creditor stigma often accompanying the

"classic" bi-lateral relationship. While the bulk of foreign aid continues to be disbursed on a bi-lateral basis, the ADB, as a multi-lateral vehicle, through which funds are channelled in an anonymous fashion, represents a heartening breakthrough in this pattern of assistance. Although the Bank does not herald the obsolescence or the disappearance of bi-lateral aid, it does serve as a bellwether of an increasingly enlightened attitude on the part of the developed nations — one which facilitates the subordination of national self-interest to the pursuit of regional objectives. As well, it has proven an attractive vehicle for the smaller developed countries, whose resources, by themselves, would have made relatively little impact, but within the framework of a pool of resources, constitute a noteworthy contribution.

We can observe from the foregoing that "development diplomacy" has already made progress in promoting the endorsement of the multi-lateral method of assistance to developing countries. Its greatest challenge, however, lies in determining the appropriate areas for development emphasis, and in implementing the resources at its disposal in the most expeditious manner, consistent with the national objectives of the recipient.

It would, of course, be possible to inject doses of capital and technical assistance into the economic bloodstream of the developing nations at almost any point and witness some degree of success — and, I might add, this type of random resource allocation would present less problems from a diplomatic standpoint. However, the achievement of fully-diversified and prosperous economic structures demands the espousal of a well-ordered program of development, taking into account each country's current stage of development. One of the primary functions of an international institution such as the ADB is to make itself available to assist its member nations in pinpointing the proper areas for resource inputs. These areas can encompass a wide scope, ranging from fertilizer plants or industrial complexes, in the more sophisticated economies, to power generators, feeder roads, irrigation systems and other elementary infrastructures, in the less mature economies. Regardless of where emphasis is placed, it must adhere to a logical sequence, because to omit a preliminary phase may spell the defeat of subsequent phases.

The current state of the Asian agricultural sector presents an appropriate example of this thesis. I have already cited some of the damaging consequences of continued production shortfalls. To elaborate further, these shortfalls sap the purchasing power of the farming community, which comprises the major segment of

the domestic consumer market. In the absence of a prosperous domestic market, infant industries are hampered by the lack of revenues needed for refinement of their methods of production, and cannot hope to achieve the economies of scale to enable them to compete internationally. As well, insufficient agricultural production interrupts the flow of raw materials to established agricultural output-processing industries. In the light of these facts, it becomes more readily apparent that, not only regional food requirements, but the ultimate aim of diversifying Asia's economies, presupposes the immediate increase of agricultural production.

The Asian Development Bank, has, therefore, determined that its initial contribution to the region should be in the area of agricultural development. Toward this end, the Bank, in July, commissioned the Asian Agricultural Survey, combining the agricultural specialists on its own staff with a team of international experts. This Survey is designed to be "action-oriented", endowing the Bank with an accurate and up-to-date body of information, designed to function as a frame of reference for the Bank's future activities in the field of agricultural development. The findings and conclusions of the Survey are expected to assist the Bank in disbursing its existing "ordinary capital resources", which, this month, will be increased to nearly \$200 million, and also to pave the way for the effective utilization of special funds which will be forthcoming in the future.

I have mentioned the Asian Agricultural Survey at this time, partly because it marks the first concrete step taken by the ADB. But more importantly, because it represents a tangible outgrowth of what I have so frequently referred to this afternoon as "development diplomacy". The question before us is not from which sector the stimulus for development should spring, whether it should be foreign or domestic, government or private; neither is it a matter of choosing between agricultural and industrial development. There is no single area of emphasis, no one alternative, which can resolve all the problems. The vast magnitude of the task necessitates a consolidated effort from all quarters, and demands that no potential source of assistance be left untapped. In addition, successful economic development requires the simultaneous attention, to whatever extent practicable, to all phases of development.

I have no doubt that the international institution is destined to play an increasingly vital role in the economic development of this region. Yet, the contribution of the Asian Development Bank, or of any other international institution, will amount to no

more than an island of affluence in a sea of poverty, unless it is accompanied by the kind of consolidated effort to which I alluded earlier. The benefits to be derived from the success of any single project can be quickly swamped by the tide of neglect. It is essential that the recipient country not only follows up the implementation of the project, but also that it encourages the initiation of complementary projects.

The primary mission of diplomacy today is to assume the lead in harnessing the diffuse energy of developers, and in merging the disparate streams of technical and financial resources, both external and internal. Only in this way can the critical element of continuity be introduced into the economic development of Asia. In my opinion, the absence of this ingredient precludes the achievement of lasting prosperity, and it is in this belief that I urge your unstinting support.

(Address to the First Asian Foreign Service Course in Manila, August 9, 1967.)