

III) DUNCAN - RECIPE FOR DISENGAGEMENT

by Richard Jolly*

This brief note argues that the Duncan Committee's recommendations on commercial and aid representation overseas are inconsistent and illogical - supposedly based on hard-headed cost-effectiveness calculations but in fact using a confused logic to argue for a dangerous disengagement from the third world. Lest there be any misunderstanding, however, let it be clear that the argument of this note, though it concentrates on aid and trade evidence, ultimately rests not on the finer points of financial calculations but on the broad view that disengagement is dangerous and misguided. The developed countries have increasingly pulled ahead of the developing countries over the last twenty years, widening the gap which divides rich and poor, white and non-white, industrialized and agricultural. As this gap widens, more bridges are required, not fewer. For a major report to say so little on this major issue while saying so much on commercial advantage and cost-effectiveness calculations saving £5 or £10 million, is to base far-reaching proposals on short-sighted principles.

In Chapter 6, the Duncan Committee argues that commercial work is the most urgent task of our overseas representatives and that commercial staff in the diplomatic service should increasingly be shifted to the advanced industrialised countries, the so-called 'area of concentration'. But in addition the Committee singles out four countries in the outer area - Australia, New Zealand, South Africa and Japan - and the communist countries as being of special interest for Britain's trade and justifying special treatment. This presumably means having a concentration of commercial staff in those countries (although the text is not entirely explicit on this point).

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TABLE I
Regional distribution and trends in British exports and commercial staff in Diplomatic Service, 1958-68

	Exports, 1968	Annual Increase 1958-68		Change in Britain's share of total exports to each region, 1958-66	
		Commercial staff in diplomatic service	Commercial staff		
fm.		Exports	Commercial staff	% per annum	
Western Europe, USA & Canada	3,598	354	7.9	9.9	-0.4
Australia, N.Z., Japan, South Africa	782	81	1.3	3.1	-5.2
Communist Countries	283	30	9.6	9.4	+3.8
Rest of World	1,732	312	1.6	3.2	-3.7
Total	6,395	777			

Source: columns 1-4 from Duncan Report
column 5 from U.N. World Trade Statistics

There is, in fact, little new in these recommendations, as the figures in Table I show. Over the last decade, much the fastest growth in the commercial staff of the diplomatic service has been in Western Europe, North America and the Communist Countries. In this respect the Duncan Committee recommends continuing an already well-established trend for the concentration of commercial staff in the developed countries.

The new feature is recommending that Australia, New Zealand, Japan and South Africa (the 'free-enterprise four') be areas for commercial concentration, and it is in the grouping of these within the area of concentration and the exclusion of the third world that inconsistency appears. If one wishes to concentrate on areas where British exports have grown fastest, why include Australia, New Zealand, Japan, South Africa, which taken together have recorded the slowest growth of British exports over the last decade? If, as seems more logical, one wishes to concentrate export promotion staff on areas where Britain has been slipping behind, why exclude the third world, which has also been slipping behind, but which still accounts for over twice the volume of exports attributable to the 'free-enterprise' four?

This inconsistency is not much eased when one turns from the figures to the verbal comments given by the Committee. They state that British firms already "have many established contacts" in the 'free enterprise four', to the point where difficulties often arise "because the path is too well trodden". In contrast, in the rest of the non-communist "outer area" - which according to Duncan is not to be emphasized - there is 'an urgent necessity to develop new outlets'. Moreover, in the developing countries the emphasis is on large capital projects, with strong elements of government intervention - surely the very type of market where the expertise of diplomatic commercial staff is most valuable (as they argue it is in the communist countries). Obviously the comparisons are more complex than these quotations suggest, but it is difficult to conclude from the evidence given that there are strong commercial reasons

TABLE 2
Distribution of British staff and aid responsibilities in the third world

	British Diplomatic Staff		Bilateral public capital aid 1967	Number of British technical assistance personnel	Responsibilities of full-time aid staff	
	Commercial staff	Full-time aid staff			Capital aid per official	Nos. of TA personnel per aid official
South & Central America	38	8	14 m.	500	1.8 m.	63
Asia	81	17	73 m.	1,500	4.3 m.	88
Middle East ...	50	3	20 m.	100	1.5 m.	33
Africa	59	28	70 m.	11,300	2.5 m.	404
Total	228	56	181 m.^{a)}	13,400	3.2 m.	240

a) total includes £4 m. unallocable aid, but excludes £7 m. aid to Malta.

Source: Columns 1-3 from Duncan Report; columns 4-5 from British Aid Statistics; columns 6-7 = columns 4-5 + column 3.

for separating the third world so sharply from all the rest.

When one turns to aid, the recommendations of the Committee seem even less substantiated and more governed by preconceptions. Fifty-six persons in the overseas diplomatic service work full-time and the equivalent of just over 60 work part-time administering nearly £200 millions of aid. This, to Duncan, seems sufficient to secure an effective use of aid.

It is salutary to consider the distribution of diplomatic staff with commercial and aid responsibilities in the third world, as shown in Table 2.

First one notes that each full-time aid official overseas is on average responsible for £3.2 million of aid expenditure and 240 technical assistance personnel, or roughly half these amounts if one takes account of support from others working part-time on aid. The responsibility for £3.2 m. capital aid may be contrasted with the value of exports per commercial staff man, which averages £5.6 million in the third world and about £10 million elsewhere. Considering that aid, unlike trade, involves the diplomatic service in direct administrative responsibilities, it is difficult to believe that Britain is over-administering aid in the field, when the total cost of the aid staff overseas is roughly 0.2 of 1 per cent of the aid involved, and the number of British aid staff in relation to aid given is much less than for other aid donors.

But the Duncan Committee recognizes that it is technical work which involves most of the administrative burden - "not only routine activity but regular checking that the person's services are being adequately used". Would any commercial firm undertake this sort of man management with a ratio of one personnel officer to 240 staff - 400 in Africa - on top of responsibilities for £3 million capital aid? This is surely not over-administration but severe under-administration.

There are two replies to this charge of penny pinching under-administration of aid. First, that aid staff abroad have only limited functions, since the main burden of administration falls on the recipient government. Second, that British aid staff abroad are in any case supported by all the facilities and staff of the Ministry of Overseas Development in London, which handles the bulk of the work. Both points are true but neither affects the charge of under-administration abroad.

Obviously the recipient government has prime responsibility for administering capital aid or technical assistance staff and the U.K. only limited responsibility. But at every stage, the whole process requires a great deal of mutual discussion and negotiation - and the style and capacity of administration in many developing countries is such that this is often done far better by personal discussion and negotiation in the country than by lengthy correspondence with London. It is increasingly clear that the lack of contact within the developing countries between permanent U.K. aid staff and officials of the recipient government acts as a real barrier to the efficient matching of the type and timing of aid needed to the type and timing of aid supplied.

This also explains the weakness in the argument that aid staff abroad are already strongly supported by staff in London. Staff in London have an obvious and important role but they are no substitute for aid staff abroad. Indeed, with twelve persons in the Ministry of Overseas Development in London to each person employed full-time on aid work in an overseas post, the balance between the centre and overseas is already lopsided - too much in London, too little abroad.

In this respect, the Duncan recommendation for fewer permanent staff abroad, and more flying visitors will only make the position more imbalanced. On this matter, as with the area of concentration, the Duncan proposals largely recommend the continuation of a trend already well established - and, as regards the balance in aid staff, one which experience has

shown to be inadequate.

Moreover, the Duncan Committee shows little recognition of the contrasts in their own comparative data (Appendix H) between the area of concentration and the third world. In Paris, Washington (and Moscow) a U.K.-based officer could make weekly visits for at least twenty-seven weeks a year for no more than it would cost to support him and his family in the same place permanently. But in most of the third world the balance of advantage is much reduced - to the equivalent of ten or twelve visits a year - while the loss of effectiveness and understanding of the local situation is likely to be much greater. This, one might think, would lead Duncan to recommend fewer overseas postings in the developed world and relative strengthening of posts in the third world - exactly the opposite of what they in fact recommend. Even with more generous travel facilities, it is unlikely that many officers, with families in England, will spend more than a few weeks in a developing country each year - thus leaving the burden of continuing aid administration in the field in the hands of the few full- or part-time aid officials and perpetuating the imbalance between the centre and overseas.

For these reasons, it is difficult to believe that the Duncan proposals for concentrating on the developed countries are really founded on the objective analyses of costs and advantages for commerce or aid which they present in their report. Rather it seems that they have decided for broader reasons to concentrate on the developed countries - to go all out for friendship in the rich men's club, as it seems - and disengage from the rest. It is not an image of Britain - or of any developed country - that I like. And it rests on a narrow view of world relations in the next few decades.