

for generations flowed into the great trade routes of the world. Rubber, tin and jute products earn dollars in the Western Hemisphere. Tea and oils are shipped to Europe. In return, the industrial products of the West - textiles, machinery, iron and steel - flow back into the area.

The main impetus to the development of South and South-East Asia, which helped to make possible a world-wide pattern of trade, came from a steady flow of capital from the countries of Western Europe and more especially from the United Kingdom.

While this flow of investment may not have been adequate to permit as rapid social and economic progress as might have been desirable, it nevertheless provided the basis for the development which has taken place in the area over the past hundred years. There can be no question that external finance must continue to be made available if the constant pressure of population is not to depress living standards still further.

Since the end of the war both these features in the economy of South and South-East Asia have been transformed. Dollar surpluses have in many countries been replaced by dollar deficits; and the flow of new capital into the area has itself dwindled away as a result of the disturbance caused by the war and the reluctance of private investors to risk their savings in the face of new uncertainties.

In these circumstances it is clear that the vital interests of the countries of South and South-East Asia, as of the rest of the world, require the restoration of the area to its key position in world trade. The strengthening of their economies through the resumption of a large-scale flow of capital is essential to any permanent increase in productivity and living standards, and at the same time it is a condition of the higher level of trade on which a stable world system could be based.

3. THE WAR LEFT A TRAIN OF DISASTER IN THE AREA - FAMINE BREAK-DOWN OF TRANSPORT, INFLATION AND POLITICAL UNREST.

The Second World War inflicted heavy losses on South and South-East Asia. In the fields of battle physical damage caused by the fighting itself was aggravated by 'scorched earth' and 'denial' policies which followed the outbreak of war.

Under the Japanese occupation many territories were despoiled and neglected, and economic assets built up over generations were allowed to waste away. Railway tracks and locomotives were removed; rubber plantations and tea estates reverted to the jungle; power stations were driven without care or maintenance.

After the war these disasters, combined with a world shortage of shipping, radically disorganized the production and transport of foodstuffs and raw materials within South and South-East Asia, with calamitous results for the economies of the area.

Economic dislocation and inflation in many parts of the area were added to the physical ravages of war. Political and social disturbances occurred in large areas with varying intensity at different times.

4. FOOD IS THE CENTRAL PROBLEM. LARGE INCREASES IN POPULATION, TOGETHER WITH DISRUPTIONS IN SOURCES OF SUPPLY, BROUGHT DISASTER.

Rice is the staple food of the hundreds of millions living in the area, and in 1938 over 5,500,000 tons were exported from Burma, Thailand and Indo-China, while imports into India, Ceylon, Malaya and Indonesia were 3,300,000 tons.