

17. THE ROLE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT IS OF GREAT IMPORTANCE.

The fourth channel - the International Bank for Reconstruction and Development - is of great importance.

The Bank has already made loans to India totalling \$62.5 million for development projects, and loans to Thailand of the order of \$15 million to \$20 million are being negotiated. All countries in the area, except Burma, are (or have applied to become) members of the Bank, and it is greatly hoped that it will be possible to enlist its full support and co-operation.

Much will depend upon the presentation of carefully prepared plans of general development from which elements may be selected as offering particularly suitable openings for substantial assistance from the Bank.

18. THE CHIEF SOURCE MUST BE GOVERNMENT-TO-GOVERNMENT FINANCE.

It is very unlikely, in view of the magnitudes involved, that the external finance available through the previous four channels will be enough to enable the development programmes to be carried out. It seems certain, therefore, that a substantial element of government-to-government finance will be required, particularly in the early stages of the development programmes.

It is not, however, the present intention of the United Kingdom Government, in view of their special responsibility for these territories, to seek finance from other governments in respect of the Federation of Malaya, Singapore, North Borneo and Sarawak, apart from the assistance which is available under present arrangements.

The Commonwealth governments are considering to what extent the external finance requirements can be provided by their countries through the five channels. But the task of providing this financial support for the development of South and South-East Asia is manifestly not one which can be tackled by the Commonwealth alone. The need to raise the standard of living in South and South-East Asia is a problem of concern to every country in the world, not only as an end in itself, but also because the political stability of the area and its economic progress are of vital concern to the world.

The way in which financial support could most effectively be given if other countries proved able to help, is a matter which cannot be determined at this stage. It would be clearly desirable, however, for the flow of capital to be organized and managed in a manner which made the greatest possible contribution to the objective of creating a pattern of world trade capable of sustaining a multilateral system of international payments.

For this reason, and especially in view of the fact that South and South-East Asia is an essential element in the trade of a multilateral system, it is desirable that whatever means may be adopted for providing a flow of capital should not involve the tying of purchases to particular sources of supply, but should permit the available funds to be used in the most advantageous manner.

It is likewise desirable that the flow of capital should not be arranged in a manner which involved such burdens of future repayment as would frustrate the purpose of stimulating an expansion of trade.

As the national income and productive power of these countries grow, they will be better able to finance their own development. As the