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THE DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

JANUARY 11, 1957.

The attached Communique was issued at the close of the Colombo Plan Consultative Committee Meeting in Wellington, New Zealand, last December. Appended to the Communique is Chapter II of the Annual Report, "Some Tasks Ahead".

The Annual Report will be tabled in the House of Commons on Tuesday, January 15.

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COMMUNIQUE

1. The eighth meeting of the Consultative Committee, representing the member Governments of the Colombo Plan for Cooperative Economic Development in South and South East Asia, was held in Wellington from 4 to 8 December 1956.

2. The meeting reviewed the progress, and considered the problems of development, during the past year, in the countries of the area and surveyed the present economic position of the individual countries, and of the region as a whole.

An assessment was made of some of the tasks ahead for the countries of the Colombo Plan in South and South East Asia.

A draft report prepared by officials in a preliminary meeting from 19 November to 1 December 1956 was discussed

by Ministers who approved the text of the Fifth Annual Report, for publication in member countries' capitals on or

after 15 January 1957. The discussions were full, frank

and cordial and not the least value of the meeting lay in

the friendly personal association between the representatives of the member Governments.

3. In the region as a whole several significant advances were made in both the planning and execution of economic

development programmes during the fifth year of the

Colombo Plan. In 1955-56, there was progress in the

development of the area as a whole, although this progress was not uniform. National income continued to rise at a

rate slightly in excess of population growth. Most of the

Colombo Plan countries in 1955-56 contributed to and

benefited from the continued expansion in world industrial

production and trade. Agricultural production, on balance

showed a little improvement over the previous year; there

was an increase in mining output, particularly in

petroleum production in the area. Significant progress

was made in industrial production as a result of greater

utilization of existing equipment and expanded facilities

/resulting....

resulting from new investment.

4. The past year has been, in a measure, a turning point in the progress of the Asian members of the Colombo Plan. Many countries have recently formulated new or renewed national plans and others have given continuing attention to improving the planning and execution of their public investment projects. For 1955-56, the aim was to expend an estimated £791 million on development in the public sector in countries of the area and for 1956-57 it is the intention to raise the level of expenditure by over a quarter. The greater part of this cost of development in the public sector is being provided through the efforts of the people of the area. In addition to governmental development projects, private investment is making an important contribution especially in agriculture and small-scale industries.

5. In 1955-56 assistance from contributing member governments of the Plan, from international institutions and from other agencies, was greater than in previous years and the rate at which it was used on specific projects was accelerated. External capital assistance in addition to supplementing the countries' own resources has a value of generating further domestic investment. It was recognised that there is an important place for private external investment as a means of obtaining capital inflow, particularly because of the technical knowledge it brings with it and its flexibility.

6. One of the main obstacles to balanced economic development in the Colombo Plan area is the lack of skilled personnel. Much can be done through capital projects to raise productivity, but without adequate technical skills the fullest use may not be made of new possibilities opened up by higher soil fertility, electric power and new machinery.

The main emphasis in improving social services such as health and education, too, must lie with trained staff, helped by modern equipment. For these reasons, successive meetings of the Consultative Committee have stressed the need for the
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training of students of the area in the more developed countries and the sending of experts to the area. The committee found this year that one of the fruits of the Colombo Plan has been the ability of some countries of the area to send experts to, and receive trainees from their neighbours, and noted that additional opportunities for such intra regional assistance will increase, as development progresses and more experience is obtained.

7. Since 1950, technical assistance has been extended to approximately 11,000 trainees, while about 4,000 experts have been provided.

8. The committee took note of the progress reported by the United States on a proposal for a regional nuclear center to be located in Manila. The United States informed the committee of the future steps to be taken in consultation with the members of the Colombo Plan; it was also indicated that the United States was prepared to contribute approximately \$20 million to the establishment of the Center subject to mutually satisfactory arrangements being worked out with other participating countries. Canada reported on progress in the construction of the Canada-India Reactor. This Reactor is being established at the Indian Atomic Energy Research Centre near Bombay.

9. Two major aspects of development during the period under review were noted: first, the endeavours of countries to attain higher rates of economic growth while preserving the economic and social stability required to make that growth continuous and its results enduring; and second, the need for flexibility in the execution of plans. In some countries, post-war rehabilitation is still to be completed, or other difficulties are still to be overcome, and it is only now that they are beginning to find themselves in a position to formulate development plans. For others,

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the task is now to move forward from the economic and social basis already provided by their own efforts and by cooperation within the Colombo Plan.

11. These and other problems in the tasks ahead have been discussed in the Annual Report* for 1956. Member governments of the Colombo Plan are confident that their friendly and willing cooperation will continue in facing the difficulties and challenges that lie ahead in the building of a new life for the countries of South and South East Asia.

* Copy of Part I Chapter II - Some Tasks Ahead - of the Annual Report is attached.

SOME TASKS AHEAD

1. The Annual Reports of the Consultative Committee review the general economic situation and development progress and prospects of South and South East Asia. Such reviews of the past and assessments of the future focus attention on certain problems relating to the future development of the countries of the area which warrant consideration.
2. The 1955 Annual Report, for instance, found wide differences in the economic situation of the countries of the area, that much development work remained to be done, that while the need for external resources remained, the problem of mobilising domestic resources was of paramount importance, and that certain economic problems, common to the region, had been thrown into sharper focus. These issues were broadly stated and drawn out in a necessarily tentative way; only the passage of time would permit more definite conclusions.
3. Another year of experience makes it possible to delineate issues further and draw provisional conclusions regarding some of the problems common to the area. These may be summarized as follows:
 - (a) While further progress in the economic growth of the region has been made in the past year countries have become aware of the increasing need for maintaining flexibility in furthering their development programmes, while consolidating existing gains.
 - (b) In spite of considerable economic growth in past years, the problem of developing sufficient opportunities for productively employing the ever increasing human resources of the area remains.
 - (c) Varying stages and forms of development and the wide range of experience within the region provide new opportunities for cooperation among the countries of South and South East Asia.

/(d) Future

(d) Future development will tend to require more complex and difficult decisions in such matters as the extent to which the fruits of development can and should be devoted to consumption rather than investment, the pattern of investment, and the impact of a country's development programme upon its external situation and the economic life of other countries.

(e) The task ahead will require the mobilization of additional developmental energies in both the public and the private sectors.

(f) While the flow of external resources to the countries in the region has so far been largely in forms of grants, increased opportunities may develop for drawing on foreign private investment and on public and private loans as sources of external capital.

4. The years ahead will require increasing attention to the problems of maintaining flexibility in development programmes while consolidating existing advances and continuing development. For many countries in South and South East Asia, the economic growth process has involved the planning and programming of resources over long periods of time. The implementation of programmes, however, is dependent upon the availability of requisite resources at the right time, in the right place, and in the right combination. Sometimes these resources are not available because of crop failures, foreign exchange stringencies, and unforeseen shortages of equipment and skilled personnel. Under these circumstances, there is a need for flexibility in programmes. Plans provide a broad framework of overall objectives as flexible guides to future policies and action. Constant vigilance will be required to ensure that appropriate adjustments are made to meet changed conditions. It is also necessary in this connection to refer to the possibility of taking steps towards the building of defences within the economies of the countries of the region to enable them to sustain their development despite short-term upsets like drought, floods etc.

5. Countries in the region may find it necessary to give increasing attention not only to flexibility in the implementation of programmes, but also to the more general problem of consolidating existing achievements while continuing to move forward.

6. Countries of the area also find it necessary to devote increasing attention to creating new opportunities for employing their expanding labour force. Available information tends to indicate that development progress may not be providing employment opportunities commensurate with the growth of the labour force. On the other hand, employment opportunities provided by development may not be fully utilized because of the limited availability of necessary skills and talents in the labour force. Future programmes, recognizing both the social and economic exigencies of the situation, are seeking to devote increased attention to creating additional work facilities for the presently unemployed or under-employed, as well as providing needed training for an expanding labour force. Some countries may seek a partial solution to this current and long-term problem through increased emphasis upon industrialisation and greater labour mobility; others may concentrate on additional work opportunities for under-employed agricultural workers; others may devote a portion of their development efforts to projects employing a great deal of labour. The means and varied possible approaches to resolve this difficult situation will, in the years ahead, provide an additional body of common experience upon which all countries may be able to draw.

7. Development progress in South and South East Asia, provides a wide range of experience differing from country to country. Some countries, for example, are well advanced in the implementation of long-range development programmes. Others are still engaged in the initial task of assessing resources and determining programme priorities. Continued developmental efforts and progress under differing situations in the countries of the area have produced, in a number of ways, opportunities for interchanges of mutual interest. Some countries have successfully utilised a particular approach or overcome an important obstacle which other countries are about to encounter in some phase of their development. Beginnings have already been made in exchanging experiences in the resolution of particular problems. It is noted, for instance, that one country of the area which has pioneered in community development projects is now responding to the request of another member for assistance in initiating such a programme.

8. Another beginning in the interchange of experience within the area is in the field of training and education. Countries of the area are developing skills and training of interest to each other. This experience is, in many instances, already being shared with others in the area. In some cases, the various experience or techniques developed within the area may have greater applicability and effectiveness than similar experience obtained elsewhere. Out of these opportunities provided by a growing body of economic experience within the area, it may be found that assistance for many of South and South East Asia's development problems can come from the region itself.

9. The informal consultation which has been pursued for many years in Consultative Committee meetings can further assist in this process. Continuing progress in all countries will provide further ideas and problems which can be exchanged profitably with other member countries. Increasingly, aid-recipient countries of the area are also becoming aid-donor countries, particularly in the field of technical assistance. No clear pattern has emerged as to the ultimate extent or intensity of such mutual cooperation but it appears that an opportunity is present in which all could participate and from which all could gain. It is clear that there is considerable scope for greater regional cooperation in South and South East Asia.

10. The experience of the past year has confirmed once again the importance of viewing the process of development and implementation of programmes in the broadest possible context. Programmes for expanding economic growth are generally conceived in terms of stated objectives relating to the internal economic situation, such as percentage increases in national income, production targets, employment opportunities, and export availabilities. While in many instances the validity of these objectives is derived from important domestic considerations, their realization is often dependent upon external factors beyond the control of the developing

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country. Many countries of the area find that effective development therefore requires consideration of the proposed programme in a broad setting. On the one hand, there is the genuine desire on the part of many countries to undertake industrialization in order to utilize locally available material resources and to create new employment opportunities. There is a natural and laudable desire on the part of countries to diversify in order to achieve a balanced economy. On the other hand, there is the problem of equating internal programmes with external resource availabilities in such a way as to achieve objectives without engendering critical balance of payments difficulties. It should be borne in mind that any development programmes which lead to an impairment of the export earnings of a country or the **prosperity** of its trading partners are likely to be self-defeating in the long run. The past decade has witnessed an increasingly discernible movement towards higher levels of world trade. Development can aid this movement and profit from it. In the years ahead, as the Colombo Plan countries of South and South East Asia, with more than one-fourth of the world's population, undertake larger development programmes, the task of considering programmes from the standpoint of both the internal and external impact will become more necessary and, in some instances, more difficult. It is, however, a consideration essential to sound development progress.

11. The review of the past year has focused attention on the all-important relationship between consumption and investment. In the future, as development outlays increase, the maintenance of a balanced relationship between consumption and investment will have greater importance and become increasingly difficult to achieve. Increased consumption is one of the tangible benefits of development and indeed, in a region with very low levels of living, it may be regarded as an important factor in

increasing productivity. Too great an increase in investment without a corresponding increase in consumption tends to create strains and stresses which threaten financial stability, particularly in view of the continuing increase in the population of the region. On the other hand, a point can be reached when too great a consumption increase threatens to curtail investment and the future rate of growth. This problem of devising appropriate fiscal and other measures to permit a reasonable increase in both consumption and investment constitutes one of the most difficult tasks for the Governments of the countries of the region.

12. There is no simple solution for resolving the problem posed by the respective roles of consumption and investment. Many countries, as part of the initial phase of development, have encouraged investments which, in one way or another, in agriculture or industry, result in the availability of more consumer goods in the short term. With a relatively sound base they have undertaken expenditure on larger, slower-yielding investment projects with a view to promoting a faster pace of development in the future. This emphasis, however, is not adequate in itself and has to be supplemented by corresponding fiscal and other measures. Such measures have an important bearing on the mobilisation and allocation of resources in a developing country.

13. The task of mobilising resources is a continuing one. Past experience in the area indicates that early emphasis is on mobilising resources for those projects which the government plans and directs, such as roads and other basic facilities. At the same time, it becomes necessary and desirable to maximise the efforts and productivity of all parts of the economy. It is essential, therefore, to bring forth, through training,

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administrative and financial measures, a more widespread initiative throughout the economy. This kind of initiative can be stimulated by a variety of means, including effective policies on the part of governments. Establishment or installation of basic facilities will support the economic efforts of individuals, groups and communities. Farm-to-market roads, for instance, will provide increased outlets for greater output by the individual producer. The assured availability of power can result in the establishment of industrial facilities by private resources. The availability of adequate financial facilities, or programmes of land reform, can provide incentives for the release of new energies in the agricultural and industrial sectors.

14. Development requires a variety of resources, the greater part of which has necessarily to be mobilized internally by the developing country itself. External capital has, however, made a significant contribution to development by supplying goods and services not available for mobilization domestically in the countries of South and South East Asia. Capital to the Colombo Plan area has taken the form principally of grants and loans by governments, private foreign investment and loans from international financial institutions. As economic advances are made in the area, opportunities arise for greater resort to private investment and to private and public lending agencies as sources of external capital.

15. This assessment of the problems and issues of the future which arises out of a review of the past tends to underscore the value of the Consultative Committee as a forum for an annual exchange of views. Experience this year indicates that the desirability of such consultation increases rather than diminishes as development progress is made in South and South East Asia. The Committee clearly affords increasing opportunities for an increased interchange of

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experiences on common problems. As the Colombo Plan enters its sixth year, there is renewed courage, confidence and determination to move ahead in the economic betterment of South and South East Asia. The record of achievement set forth in this Report gives reason to believe that, however great may be the difficulties ahead, they will be overcome.

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