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The Department of External Affairs announced today the release of a report entitled, "The Colombo Plan for Co-operative Economic Development in South and South-East Asia", in the capitals of seven members of the Commonwealth - Australia, Ceylon, India, New Zealand, Pakistan, the United Kingdom and Canada. This report was prepared at the recent meeting of the Commonwealth Consultative Committee in London in September and October 1950. In Canada, copies of the report may be obtained (50 cents) from the King's Printer, Ottawa.

Attached are: (a) a summary of the report (b) the text of a press release which together with the summary, is being issued today in Washington by the Information Offices of Commonwealth members concerned. This release briefly describes the origins and broad purposes of the Plan.

November 28, 1950.

This release is issued by the information offices in the United States of the Governments of Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom. These Governments are members of the Commonwealth Consultative Committee on South and South-East Asia.

THE "COLOMBO PLAN" FOR SOUTH AND SOUTH-EAST ASIA

Far-reaching proposals for co-operative economic development

A comprehensive six-year programme for economic development in South and South-East Asia is revealed today in a report published by seven member-countries of the Commonwealth - Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom. This programme is designed to raise production and living standards and thus promote economic and social stability in the area.

Development projects are blue-printed for India, Pakistan, Ceylon, Malaya, Singapore and British North Borneo. The plan attaches great importance to bringing in other countries of the area and to putting the whole programme into a world context:

"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 report shows how crucial this area is to a prosperous world trade. The effects of destruction and sacrifice during and since World War II have been grievous, despite the strenuous efforts already made towards recovery.

The area as a whole has 570 million people, of whom 446 million live in Commonwealth countries. With a rapidly growing population, the standard of living - already low - is in danger of falling still further unless rapid steps are taken now to widen the horizons of economic development.

The target of the six-year development programme is to increase land under cultivation by 13 million acres, to produce 6 million more tons of food grains, to increase by 13 million acres the land under irrigation, and to increase electric generating capacity by more than 1 million kilowatts.

The "Colombo Plan" - as it is popularly known - began in January 1950 at a meeting in Colombo, Ceylon, of Cabinet Ministers representing the Commonwealth countries. At a second meeting in Sydney, Australia, in May, the group decided that a start on the problem of relieving the poverty and underdevelopment of this area could be made by each country drawing up a realistic assessment of what it could do in six years on the assumption of co-operation both inside and outside the Commonwealth.

At a further meeting in London these separate programmes were brought together. The meeting undertook a careful study of the problem as a whole and of its importance to a peaceful world based on freedom and adequate living standards. The conclusions of the conference are presented in the report now published.

....(ii).....

Essential to the programme is an increased supply of skilled manpower. The Governments therefore agreed at their Sydney meeting to provide finance up to £8 million (\$22.4 million) to set up a Council for Technical Co-operation, with headquarters at Colombo, which would intensify the training and exchange of skilled technicians and would co-operate with other agencies in this field, such as the technical aid programme of the United Nations and the point-four programme of the United States.

The report details the development already in progress and emphasizes that the new programmes cannot succeed without substantial new capital investment. It estimates that the programmes outlined would cost about £1,900 million sterling (equivalent to \$5.2 billion) over six years, of which £785 million (\$2.2 billion) would be found internally, while the balance of £1,085 million (\$3 billion) would have to come from outside,

Out of £1,085 million of foreign exchange needed to further the plan £246 million, or nearly one quarter, would be provided in the form of the release by the United Kingdom sterling balances owned by the countries concerned. The Commonwealth Governments are considering how far their countries can help financially in various other ways.

At the same time, says the report, the task of providing this financial support cannot be tackled by these Governments alone. If the programme is to be carried out in full, the co-operation of other Governments, of organizations such as the International Bank for Reconstruction and Development, and of private investors in other countries will be necessary.

Of expenditure planned under the programmes, 32 percent would be devoted to agriculture (including multi-purpose projects of flood control, irrigation and hydro-electric power), 34 percent to transport and communications, 6 percent to industry and mining and 18 percent to urgently needed improvements in educational and health facilities and other social projects.

Emphasizing the importance of getting the full programme under way urgently, the report concludes:

"Without external financial assistance something will be done. But it will be done at a much slower rate than would be possible if external finance were provided.

"And speed is necessary. In a world racked by schism and confusion it is doubtful whether free men can long afford to leave undeveloped and imprisoned in poverty the human resources of the countries of South and South-East Asia which could help so greatly, not only to restore the world's prosperity, but also to redress its confusion and enrich the lives of all men everywhere."

SUMMARY OF THE REPORT OF THE
COLOMBO PLAN FOR CO-OPERATIVE
ECONOMIC DEVELOPMENT IN SOUTH
AND SOUTH-EAST ASIA

What is the Colombo Plan?

The Cabinet Ministers representing Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom, meeting in Colombo, Ceylon, in January, 1950, laid the groundwork for a comprehensive and co-operative attack on the problem of poverty and economic under-development in South and South-East Asia.

In this densely populated area of the world, crucial to peace, three-quarters of the population live in countries that are members of the Commonwealth. It was therefore appropriate that Commonwealth Governments should take the initiative. From a very early stage, however, it was hoped that non-Commonwealth countries in the area would join in this co-operative planning, and it was recognized that if the plans were to succeed, the active interest of non-Commonwealth countries outside the area would be necessary.

The Commonwealth Consultative Committee on South and South-East Asia met at Sydney in May and decided specifically to invite non-Commonwealth countries in the area to become active participants in the Colombo Plan. The Governments of Cambodia, Laos and Viet-Nam, and the Government of Thailand, accordingly sent delegations to a joint meeting with the members of the Consultative Committee early in October, 1950; the Ambassadors in London of Burma and Indonesia attended this meeting as observers on behalf of their Governments.

The Commonwealth Committee met again in London in September and October when it prepared a report based on six-year programmes for economic development drawn up by India, Pakistan, Ceylon, Malaya and British North Borneo. This report was published on November 28, 1950. It analyses in detail the economic problems of the countries concerned and presents careful estimates of what is needed in terms of trained manpower and capital to make these plans work.

The report shows that much can be done by the countries themselves by the extension of development programmes already actively in hand; but it shows also that the scale and pace of development depend to a very large degree on the amount of capital that can come in from abroad. The Commonwealth countries have already helped each other very considerably and are now examining the extent to which they can provide the requirements to carry out the Colombo Plan. But this is a world problem. The more the Colombo Plan can be put into a world context, the greater will be the chances of its success, and the greater will be its beneficial effect on world prosperity and peace.

The following pages give a digest of the report, consisting of verbatim quotations though very considerably condensed and appendices summarizing the development programmes of individual countries.

EXTRACTS FROM THE REPORT

1. SOUTH AND SOUTH-EAST ASIA IS AN AREA WHICH IS VITAL TO WORLD STABILITY, YET ECONOMICALLY BACKWARD

The peoples of Asia have long felt the pressure of poverty and hunger. While the realization of self-government could not of itself relieve this situation, it has made possible a new approach to the problem of raising living standards through the vigorous development of national resources.

The region with which this Report is concerned comprises the countries of India, Pakistan, Ceylon, the Federation of Malaya, Singapore, North Borneo, Sarawak, Brunei, Burma, Thailand, the Associate States of Cambodia, Laos and Viet-Nam and Indonesia. Its 570 million people make up one-quarter of the population of the world.

Despite the abundance of human resources, the considerable natural wealth of the area has not in the past been developed rapidly enough to ease the increasing pressure of population upon the land. There is, therefore, great poverty among millions and an unceasing struggle for existence.

In India at present the people's diet consists almost entirely of cereals, and in the rationed urban areas they consume only about 12 ounces of food grains a day. In Pakistan, with its wide range of temperature, 9 yards of cotton cloth have to suffice for one man during the year.....

The same general picture, with local variations is presented by every country in South and South-East Asia. In these circumstances the urgent need of these countries is to develop their economies in order to increase food production and consumption and raise the real income of their peoples.

During the past five years political events have moved fast in South and South-East Asia. Changes have taken place on a scale hardly preceded in world history. Independent governments have come into being, supported by democratic institutions and imbued with enthusiasm for the future welfare of their countries.

The horizon of thought and action in the economic as well as the political field has been greatly extended, and governments are grappling with the problem of promoting the economic improvement which is indispensable to social stability, and necessary to strengthen their free institutions.

It is of the greatest importance that the countries of South and South-East Asia should succeed in this undertaking. The political stability of the area, and indeed of the world, depends upon it, and nothing could do more to strengthen the cause of freedom.

2. CAPITAL DEVELOPMENT IS NEEDED TO PREVENT FURTHER DEPRESSION OF LIVING STANDARDS.

The area is a major source of the food and raw materials consumed throughout the industrialized world.

Before the war it provided almost all the world's exports of jute and rubber, more than three-quarters of the tea, almost two-thirds of the tin and one-third of the oils and fats. These key products have

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.

Immediately after the war there were 15 million acres of abandoned rice fields in South-East Asia and exports from the sources mentioned above were reduced to under 1,000,000 tons in 1946; these were wholly absorbed by the importing countries of the area.

In 1950 exports are not expected to exceed 2,500,000 tons. So radical an interruption in the supply of rice naturally held grave dangers for the inhabitants of all rice-importing countries of the area.

To meet this situation, and to prevent recurrence of famine was one of the first and most urgent tasks of the post-war years.

The International Emergency Food Council was created in 1946 to allocate scarce foodstuffs on the basis of need and to prevent ruinous competition in world markets. It continued in operation until 1949. This was an act of international co-operation of major significance to South and South-East Asia.

The meagre rice allocations were also supplemented by large shipments of wheat from the United States, Australia and Canada. In addition, the importing countries themselves took measures to increase still further their own output of food by speeding up irrigation projects and by providing special assistance to farmers.

It must be acknowledged, however, that over the greater part of the area little progress has been made towards raising food consumption. The output of food in South and South-East Asia is still below its pre-war level, while the population has increased by some 10 per cent.

Related to the problem of food is that of transport. In South-East Asia it was found at the end of the war that more than a third of the pre-war track had been torn up or rendered useless. Road and water transport had also suffered heavily.

In view of these difficulties, it is hardly surprising that there is still a major task of reconstruction in South and South-East Asia. The outstanding fact is the amount of work which has already been done and the levels of production which are being achieved.

Although production has in general been restored, exports have revived unevenly and exports of foodstuffs are still much lower than pre-war.

5. EMERGENCY IMPORTS AND REHABILITATION WITHIN THE COMMONWEALTH COUNTRIES OF THE AREA HAVE BEEN FINANCED LARGELY WITHIN THE COMMONWEALTH.

India, Pakistan and Ceylon drew upon their sterling balances in the years 1946-49 to the extent of about £340 million to finance their deficits on current account and thus to pay for vitally needed imports of grain, textiles, machinery and constructional materials.

This external finance could scarcely be regarded as adequate considering the extent of the losses incurred during the war and the post-war needs of the countries. It was nevertheless equal to more than one-fifth of their combined imports from the rest of the world during the period.

To this extent the United Kingdom bore the immediate burden of rehabilitation in India, Pakistan and Ceylon, and it was in fact enabled to do this by generous support from the United States, Canada, Australia and New Zealand in the form of gifts and loans (including Marshall Aid) and by the accumulation of sterling balances by various countries.

In the colonial territories in the area the United Kingdom Government have also sanctioned assistance to a total of £95 million in the form of grants in aid of administration, loans and grants for war damage and development purposes, and security expenditure. Of this amount £47 million will have been spent by March 31, 1951.

The direct burden of rehabilitating the Commonwealth countries in South and South-East Asia has thus been borne to a large extent within the Commonwealth, apart from drawings by India on the International Monetary Fund and on loans from the International Bank.

Less progress has been made with rehabilitation in most of the non-Commonwealth countries of South-East Asia. ...the assistance given by the Commonwealth to the non-Commonwealth countries, as also the substantial aid provided by the United States and other countries, has done no more than meet a part of their needs.

6. EMERGENCY PLANNING MUST BE REPLACED BY REALISTIC LONG-TERM PLANS FOR ECONOMIC DEVELOPMENT.

A very substantial programme of development is needed to secure any improvement. The present state of development in South and South-East Asia is probably as low as anywhere in the world. From such information as is available, it appears that average national income per head in most of South and South-East Asia ranged around £20, whereas in the United Kingdom it is over ten times as large, and in the United States it approaches £400.

By far the largest element of national income in South and South-East Asia is derived from agriculture, which in all the countries provided the livelihood for more than half, and in some for as much as 80 per cent, of the population. The heart of the problem is the under-employment which results from the pressure of population on the land.

In India there are 73 million agricultural workers of all kinds, while in the United States only 8 million are actively occupied on the land. In spite of the much more intense application of manpower, agricultural yields per acre are far below those in the United States; for instance, the yield of wheat is less than 600 lb. compared with over 1,000 lb., and the yield of cotton is only 66 lb. compared with 313 lb.

This disparity cannot be explained simply by natural differences of soil fertility; it is the application of capital which enables the farm worker in the United States to produce so much more than the peasant of South and South-East Asia.

For example, in the United States there are over 2,400,000 tractors, whereas in India there are only 10,000. Again, the United States uses, on an area only one-sixth greater, over 13 million tons of fertilizer a year against some 200,000 tons used by India.

Table 1. Levels of Economic Development in 1949:
Comparative Indicators

	Unit per thous. popuh.	India	Pakistan	Ceylon	Malaya	U.K.	U.S.A. (a)
Electricity production.....	th. kwh.	13	1.9	9.6	117	1,033	2,296
Coal consumption.	tons	80	18	28	85	3,884	3,473
Petroleum consumption.....	tons	7.8	11	23	99 [†]	327	1,638
Steel consumption	tons	3.8	1.3	6	16	194	364
Cement consumption	tons	7.2	3.6	19	25	148	229
Locomotives (per million population).....	Nos.	22	16	32	31	410	309
Railway wagons carrying capac.	tons	10 ^{††}	8.8	4.5	13	276	556
Rail freight... thous. ton miles		65	--	--	32	446	4,568
Load-carrying road vehicles...	Nos.	.2	.1	1.41	3.	16	43
All-weather roads	miles	.3	.1	.9	1	3.7	2.2
Telephones.....	Nos.	.4	.2	2.2	7.7	98	261

(a) In most cases, figures refer to 1948

† Excluding service supplies and bunkers

†† Excludes 16,516 wagons for which no carrying capacity is recorded.

7. THE POSSIBILITIES FOR ECONOMIC DEVELOPMENT ARE VERY GREAT.

The scope and the need for development are great, but so also are the potentialities of the region's underdeveloped natural resources. In India it is estimated that improvements in agricultural practices and technique alone could by 1956-57 secure increases of 3,000,000 tons in food-grains, 195,000 tons in cotton, 375,000 tons in jute and 1,500,000 tons in oil-seeds.

In Ceylon it would be possible in the long run to bring another 3 million acres under the plough, thus doubling the cultivated area.

In Pakistan two irrigation projects at present in hand will make an additional 4,800,000 acres available for cultivation, and a further 2,300,000 acres at present lying waterlogged in West Pakistan could be recovered by the construction of the tube-wells to lower the water-table in the area.

The hydro-electric power resources of the area have hardly yet been tapped. Pakistan's potential, for instance, is estimated at over 5,000,000 kilowatts; the actual installed hydro-electric capacity is now 9,600 kilowatts; and in the next six years it is to be increased by 200,000 kilowatts.

What is true of hydro-electric power is true also of the mineral resources of the area; in many of the countries the extent of these resources has not yet even been ascertained.

The most effective and efficient pattern of development is different for each country. There is no standard formula which can be universally applied.

The problems of the whole area have been in the forefront of discussions in the United Nations and its Specialized Agencies, and valuable expert investigations have been made, particularly by the Economic and Social Council and the Economic Commission for Asia and the Far East.

Now, for the first time, it is possible, as is shown by such detailed programmes as have been submitted, to proceed with the comprehensive attack on the problem which the situation demands.

8. EMPHASIS IS NECESSARILY ON PUBLIC INVESTMENT, BUT ONLY IN THIS PHASE

All the countries need to undertake basic economic development on a large scale - irrigation, power, communications, railways, roads, ports and harbour installations. Most of this work is normally the responsibility of governments, and the programmes presented are those of public authorities and are to be financed almost entirely by public authorities, directly or indirectly. This development is not of a character likely to appeal to the private investor. Moreover, the scale of investment required is far beyond the scope of the domestic capital market in an under-developed country.

The fact that the work of basic development is for the most part undertaken by public authorities in no way lessens the importance which is attached to private investment. In general, public investment in these countries is confined to basic services and to industries of strategic importance. In the general field of industry and commerce, however, the dominant role in all the countries is played by private enterprise.

As the development programmes proceed and the national incomes and savings of the countries grow, the scope for private investment will increase. Throughout those countries public development paves the way for private investment.

9. SIX-YEAR DEVELOPMENT PROGRAMMES HAVE NOW BEEN PREPARED BY INDIA, PAKISTAN, CEYLON, THE FEDERATION OF MALAYA, SINGAPORE, NORTH BORNEO AND SARAWAK, ALL BASED ON REALISTIC ASSESSMENTS OF THE POSSIBILITIES.*

In framing these programmes, the governments have been guided by their experience of development work so far. They have included only as much as they could be reasonably confident of completing within the period, given a supply of capital and trained men from overseas on the scale indicated. Previous plans have been ruthlessly curtailed in order to arrive at programmes which are both feasible and balanced within themselves.

Post-war experience in most countries, not only in South and South-East Asia, has shown the danger of starting on an over-ambitious investment programme, and consequently of failing to carry it out.

* Details of each program are given in the Report, and briefly summarized here in the Appendices.

A total of ninety-four identifiable projects of £1,000,000 or more, costing in all £569 million, are included in the programmes, and significant expenditure will have taken place on seventy-one of these by June, 1951. These development programmes are not a leap in the dark; in a great part they involve a speeding up and broadening of work which is already in progress.

The distribution and the cost of the programmes is described in the following table:

Table 2. Analysis of Development Programmes (In £ million)

	<u>India</u>	<u>Pakistan</u>	<u>Ceylon</u>	<u>Malaya & Br. Borneo</u>	<u>TOTAL</u>
Agriculture.....	456	88	38	13	595
Transport and com- munications.....	527	57	22	21	627
Fuel and power.....	43	51	8	20	122
Industry and mining (a).....	135	53	6	--	194
Social capital.....	218	31	28	53	330
Total.....	1,379	280	102	107	1,868

(a) excluding coal

In all the countries (except Singapore, where the problems are entirely different), the programmes concentrate upon agriculture, transport and communications, and electric power. These are the basic development requirements, related to the overriding need to increase production of food and agricultural raw materials. They account for over 70 per cent of the total of the programmes.

Industry accounts for about 10 per cent of the expenditure envisaged in the programmes. The rest of the programmes is devoted to the provision of social capital - housing, health and education.

When the programmes are completed, results like the following can be anticipated:-

More land under cultivation:-

13 million acres (increase of $3\frac{1}{2}$ per cent)

More foodgrains produced:-

6 million tons (increase of 10 per cent)

More land under irrigation:-

13 million acres (increase of 17 per cent)

More electric generating capacity:-

1.1 million kilowatts (increase of 67 per cent)

10. TRAINED MEN ARE NEEDED IN LARGE NUMBERS TO BRING MODERN TECHNOLOGY TO THE AREA.

The ability of these countries to raise the living standards of their peoples depends on the success they have in raising the productivity of the individual worker.

The increased use of capital equipment, whether in the form of irrigation works, power stations or farm tractors, will only be possible and can only bring its full benefits if the knowledge and skills of the peoples in the countries enable them to use this equipment effectively.

Thus an essential part of the economic development of South and South-East Asia is the provision of trained men, whether experts or craftsmen, to carry out the projects already in hand, to initiate other schemes in the programmes, and to raise the level of technical skill among agricultural and industrial workers.

It is for this reason that, in addition to directly productive projects, provision has been made in the programmes for training institutes, technical schools, research laboratories, field stations, experimental farms and other agencies through which knowledge can be increased and disseminated.

The keenest demand is for civil, electrical, mechanical and hydraulic engineers, experienced in the construction of large dams, the erection of hydro-electric stations, and the laying out and operation of irrigation and drainage works. Experts in soil science and management, agronomists and ecologists are equally necessary.

Then there are those who have to direct the clearance of jungle and the planning of settlements in new lands. Others have to organize the instruction of settlers in improved methods of cultivation, the planting of new crops, the use and maintenance of modern equipment, and the introduction of power-driven equipment to cottage industry. To bring the multi-purpose projects to speedy fruition, this wide range of experts must be on hand at the right time and in sufficient numbers.

11. THREE MAIN WAYS OF OBTAINING TECHNICAL SKILL.

(1) Expanding training facilities in the area: Much outside assistance will be needed, especially in the days immediately ahead, in providing teachers and instructors in the South and South-East Asian countries. The instructors thus trained would then pass on the knowledge they have acquired to others in a 'snow-balling' process closely parallel to systems of training and upgrading unskilled labour during the war. Thus the largest single lack in Asian manpower resources would be supplied.

The expansion of training facilities in the countries themselves is thus a vital element in their plans for economic development. The programmes of the individual countries reveal how much governments are doing to help themselves by expanding existing establishments and setting up new institutions:

Table 3. Higher Educational and Technological Training Centres

	Number of institutions and training centres [*]		Output of trained men	
	1949	1957	1949	1957
India.....	2,777	3,330	125,790	167,720
Pakistan.....	216	293	22,000	25,300
Ceylon.....	22	28	1,454	3,050
Malaya & British Borneo	10	18	260	500

* Includes only universities, technical training colleges and trade schools.

The present output of trained men is insufficient to meet growing needs, and if adequate expansion is to take place in these countries, substantial assistance will be needed from overseas to provide fully competent staff and the necessary equipment.

(ii) Training Overseas: The need to maintain and where possible to expand the facilities in countries overseas for giving the highest type of training to students is well understood by the members of the Commonwealth.

India, Pakistan, Ceylon and Malaya send as many students abroad as they can afford, while the other members of the Commonwealth have made provision for receiving overseas students into their universities and technical colleges.

In the British Isles, for example, the universities and university colleges at the beginning of the academic year 1948-49 had a total student population, mainly full-time, of about 100,000, of whom nearly 8,000 came from overseas; there were 860 from India, 110 from Pakistan, 170 from Ceylon and 113 from Malaya. These figures take no account of the large number of students from these countries studying in other technical and training colleges.

Under India's scholarship scheme for students from other Commonwealth and foreign countries, scholarships were awarded to sixty-five students during 1949-50, of whom fifty have already joined and started their work.

Australia, New Zealand and Canada also provide facilities in their institutions of higher learning for Asian students. But although a great deal is already being done, Commonwealth countries, both within and outside the area, are reviewing the provision they make for receiving and assisting students from the area, with the intention of seeing what more they can do to help.

(iii) Overseas Recruitment: Training, whether in the country itself or overseas, cannot meet the most urgent needs which must be satisfied if the programmes for economic development are to go forward. These must be met by recruitment from overseas of a sufficient number of scientific, technical and educational specialists. It might not, however, be unreasonable to estimate that at any one time during the period of the execution of the programmes, these countries together

will be calling for the assistance of between 500 and 760 highly qualified experts from abroad. (Tables in the Report give details of agricultural, engineering, medical and other specialists required in large numbers from overseas.)

12. THE COMMONWEALTH HAS SET UP A SPECIAL SCHEME FOR TECHNICAL CO-OPERATION.

Since the assistance available or at present planned through national and international sources cannot meet all the known needs, the Commonwealth Consultative Committee at its meeting at Sydney in May, 1950, decided to set up a technical assistance scheme to which Commonwealth governments have agreed to contribute an amount up to a maximum of £8,000,000 over three years. The scheme is based on the maximum mutual help among the countries in the area and the other participating countries.

The Council will not compete with existing organizations. On the contrary, it is intended that there shall be the fullest co-operation with the United Nations and other agencies providing technical assistance in the area. This is all the more important in view of the expansion of the technical aid programme of the United Nations and its Specialized Agencies and of United States activities in this field through the 'Point Four' programme.

The organization initiated by Commonwealth governments may usefully act as a channel for making information available to governments about sources from which trained men and training facilities may be sought and, where necessary as a clearing house for requests for technical assistance.

The Council for Technical Co-operation is to be composed of representatives from each of the participating governments, assisted by a bureau with headquarters in Colombo. The constitution of the Council is a flexible one, calculated to promote to the maximum practicable extent the provision of trained men and training facilities to meet the varying needs for technical assistance.

It is hoped that all countries in the area will come into the scheme on equal terms with the Commonwealth countries to avail themselves of the facilities offered and to make their contribution in the spirit of co-operation in which it is devised.

13. THE AREA ITSELF CANNOT PROVIDE THE WHOLE OF THE CAPITAL NEEDED FOR THE DEVELOPMENT PROGRAMMES.

The shortage of capital is the main limitation on the execution of the development programmes described in this Report.

This arises simply from the poverty of the area. Its productivity and national income per head are so low that the tax structure is inevitably narrow and the taxable capacity inadequate; the flow of savings is insufficient, for the great mass of the people have no margin above subsistence level.

The present situation is in the nature of a vicious circle. Economic development cannot proceed because the rate of saving is inadequate; saving does not take place because there is insufficient development.

The problem in South and South-East Asia is to find means of remedying this shortage of capital. Development will by its own momentum ultimately bring about a solution, for as productive power and national

income rise, so the proportion of the national income which can be saved will grow; the amount of savings available therefore rises cumulatively until at a high stage of development the country can finance a high level of development expenditure.

The traditional means by which the vicious circle of lack of savings and lack of development has been broken is by injections of foreign investment. Without the use of external resources, the government must either restrict its development programme or divert internal resources to development work by cutting down the standard of living.

For governments in South and South-East Asia none of these courses is practicable. Curtailment of the development programmes, while populations are increasing, would condemn the people of the area to continuing poverty; direct reduction of living standards could not be achieved without authoritarian government; the political, social and economic consequences of inflation are unpredictable, but the social fabric could hardly be expected to withstand the strain which it would impose.

14. FOR THE SIX-YEAR PROGRAMMES, £1,085 MILLION (equivalent to \$3 billion) IS NEEDED FROM ABROAD.

The economies of countries in the area are already receiving external finance, primarily through sterling balance release. The acceleration of development work will require additional external finance.

The need for external finance cannot be measured by the cost of imports of capital goods for the projects in the development programmes. They need not only capital goods, but also consumer goods for the workers engaged on the projects.

[In the case of India, for example] external finance is needed not only for the materials and equipment imported in connection with the development projects, but also for other imports, to enable the Government to counteract inflationary pressure and to raise a part of the funds needed for internal expenditure

Pakistan's position is different. Nearly the whole of the materials and capital goods which are needed to carry out the development programme have to be imported, and consequently a large part of the expenditure on the programme requires external finance. Ceylon's requirements are [also] virtually limited to the actual capital goods imported.

The primary function of the foreign investment [is to] enable the country to have a larger balance of payments deficit than would otherwise be possible. At the same time foreign investment can incidentally help to provide the internal finance which the government needs to pay the workers and the contractors for the development programme. The precise technique by which the flow of capital from abroad is transmitted into finance for the government will vary from time to time and from country to country. But in one way or another, the foreign investment can serve

a double purpose, providing both external finance to meet the balance of payments deficit and internal finance for the government.*

The total requirements of external finance in the six-year period are set out in the table below. These calculations should be regarded as representing the broad dimensions of the requirements rather than as a forecast:

Table 4 Summary of external finance required, 1951-57
(The figures here are re-arranged from table 27 of the White Paper.)

	<u>India</u>	<u>Pakistan</u>	<u>Ceylon</u>	<u>Malaya & Br. Borneo</u>	<u>In £ Million TOTAL</u>
<u>Total development programmes</u>					
Cost of capital goods im- ported for the programmes..	237	115	39	20	411
Other expenditures on programmes.....	1142	165	63	87	1,457
Total cost	1,379	280	102	107	1,868
<u>Financing of development programmes</u>					
Internal finance available on supposition that sterling balances are released and that other capital is forth- coming from abroad to meet the balance of payments deficit as shown below....	772	151	61	46	1,030
External finance (exclud- ing release of sterling balances).....	607	129	41	61	838
Total cost	1,379	280	102	107	1,868
<u>Balance of payments deficits arising if development programmes are carried through.....</u>					
Met by: sterling balances released.....	211	16	19	-	246
External finance from other sources.....	607	129	41	61	838

* For this reason the estimates given in the White Paper of "internal finance available" are not fixed sums but are derived "on the assumption that external finance is forthcoming". The release of sterling balances, for example, allows an increase of internal investment without an inflationary danger. Other capital from abroad not only provides capital and consumer goods for the programmes, but, as it takes effect, leads to an increase in production which provides a greater possibility of internal taxation and saving.

The release of the sterling balances has thus to be considered under two aspects. On the one hand, sterling balances are owned by the members of the countries concerned and when they are released they therefore increase the amount of "internal finance available". At the same time, they represent foreign exchange resources which help the countries concerned to meet the larger balance of payments deficit arising out of the increased development programmes.

15. "STERLING BALANCES" HELD BY INDIA, PAKISTAN AND CEYLON WILL CONTINUE TO BE DRAWN UPON TO PROVIDE RESOURCES.

The possible channels of external finances are five, the first being the use of the countries' own external assets (e.g. sterling balances). In the last five years, this has been the main source of external finance for Commonwealth countries in the area.

In addition to the use of sterling balances of £270 million by India and Pakistan for the purchase of pension annuities, the transfer of military assets and capital repatriation, the sterling balances of India, Pakistan and Ceylon have been drawn down by £340 million for current account purposes from 1946 to 1949.

By agreement with the United Kingdom these countries restricted their drawings below what would have been desirable for their economies, in order to limit the burden on the United Kingdom economy.

The sterling balances of India, Pakistan and Ceylon will continue to be drawn down gradually during the six years, and by the end of the period it is expected that they will have been reduced to the level of reserves which these countries would wish to hold for the protection of their external financial position and for the backing of their currencies.

To the extent of this reduction, they will themselves be providing external finance from their own resources. On the other hand, the economic burden of supplying the corresponding imports will directly or indirectly fall upon the United Kingdom.

It is not certain, of course, that the whole burden would immediately fall upon the United Kingdom. Other sterling area countries, such as Australia and New Zealand, may be in surplus on current account and accumulate sterling. In that event they would be easing the immediate burden on the United Kingdom to whom they would in effect be making short-term loans. Similarly, other countries outside the sterling area might accumulate sterling as a result of expenditure by the countries of South and South-East Asia.

Thus the net effect of the six-year operation will be that a part of the sterling balances of India, Pakistan and Ceylon will have been repaid, at immediate economic cost to the United Kingdom, while another part may have become the sterling balances of other countries who would then have to bear the immediate economic burden. In either case, and wherever the immediate economic burden may ultimately fall, the effect of the programme should be to eliminate the problem created by the accumulated sterling balances of Commonwealth countries.

16. PRIVATE INVESTORS ABROAD CAN PLAY A USEFUL ROLE, EITHER BY LENDING TO PRIVATE ENTERPRISE OR TO GOVERNMENTS.

The contribution which can come through the second channel of external finance - private investors overseas to private enterprise in the area - will largely depend upon the contributions made in other ways.

There is a growing field for private investment in South and South-East Asia, for which the public development programmes are providing a sound economic framework, but the immediate problem is to finance public development of basic services. Private investment can carry forward the work begun by public development.

The third channel - private investors overseas to governments in the area - can produce constructive results. Borrowing by governments from private investors abroad has been the principal source of development in the past, and there is scope for an expansion of government borrowing in private capital markets.

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

development of basic services proceeds, the emphasis in new development will tend to pass from the public to the private sector. If in this period it is possible to build up an international flow of private capital, at the end of six years the need for special measures will come to an end.

19. THESE PLANS CAN BE GIVEN A BROADER CONTEXT THAN THE COMMONWEALTH. THE REWARDS IN TERMS OF HUMAN PROSPERITY AND FREEDOM WILL BE IMMENSE.

This Report describes in detail the economic problems and programmes only of the Commonwealth countries within the area. Much that it contains, however, would apply with substantial accuracy to those other countries of South and South-East Asia which are not members of the Commonwealth. They all are afflicted by deep and widespread poverty. They all suffer from an acute shortage of capital.

It has not yet proved possible for these countries to discuss their economic programmes alongside those of Commonwealth countries, but it is hoped that this may be done at a later stage. When their data and programmes become available, it will almost certainly prove that they require external finance for comparable purposes and on a comparable scale.

At such time as these additional countries in the area become fully associated with the work of the Consultative Committee and are in a position to make their programmes available, it will be necessary to make some adjustment in the name and structure of the Committee in order to permit it to operate effectively on a wider basis.

If the other countries find themselves able to help in the work of economic development in South and South-East Asia, further and probably more radical alterations in the organization will be required. It may be the wish both of countries providing external finance and of those receiving it that it should be made available on a bilateral basis. It may be, however, that there would also be need for an organization of participating governments which could review progress, which could draw up periodic reports, and which could serve as a forum for the discussion of development problems in South and South-East Asia.

The form of such an organization cannot be determined until it is clear what the sources of external finance will be. But it would seem preferable if the organization could include both countries supplying capital and countries receiving it who would all meet to consider the problem of development as a matter of common interest.

Commonwealth countries in the area have shown their determination to do their full share in furthering the economic development of their own countries. It is realized that this burden must be borne chiefly by the countries themselves.

Without external financial assistance something will be done. But it will be done at a much slower rate than would be possible if external finance were provided.

And speed is necessary. In a world racked by schism and confusion it is doubtful whether free men can long afford to leave undeveloped and imprisoned in poverty the human resources of the countries of South and South-East Asia which could help so greatly, not only to restore the world's prosperity, but also to redress its confusion and enrich the lives of all men everywhere.

APPENDICES
Summaries of Development Programmes

THE DEVELOPMENT PROGRAMME OF INDIA

Population: 350,000,000

Occupational distribution: 70% of the working population of India are engaged on the land, 10% in large-scale industry (including iron and steel, cotton textiles, sugar, cement and matches), 10% in medium and small scale industry, and the remaining 10% in services and the distributive trades.

Post-war Problems: The war led to serious shortages of consumer goods and a six-fold increase in the supply of money. This resulted in serious inflation. The wholesale price index stood at 400 in 1950 (1939-- 100) and the cost of living index reached 320.

The partition of the sub-continent into the two sovereign states of India and Pakistan gave rise to other problems. Whereas previously cotton, jute and food grains were an internal product of British India, the new India had to import them, in part, in order to meet her full requirements. There was further heavy expenditure on the rehabilitation of refugees.

Basis and Objectives of the Programme:

The scheme of development proposed for India is designed to improve the standard of living, to provide a minimum of social services and to supply sufficient capital and consumer goods to restrain inflation. To achieve these objectives it is proposed:-

- (a) To undertake certain basic public development, such as irrigation and rural electrification, in order to increase agricultural production.
- (b) To increase the supply of fertilizers, agricultural implements and building materials, at a reasonable cost, in order to raise the yield of land under cultivation.
- (c) To develop and improve transport facilities.
- (d) To promote the full use of existing industrial equipment and capacity, and to extend the production of iron and steel.
- (e) To encourage industry in the villages in order to provide work for the under-employed and unemployed rural population.

Description of Programme

In framing the programme a list of projects in progress or ready for execution, with a total cost of £2,414 million was investigated. From this a careful selection was made of the most

urgent projects, estimated to cost £1,379 million. An analysis of the programme is given in the following table:

	Rs. million	£ million	Percentage of total	Number of schemes In hand	New ^(a)
Agriculture	6,080	456	33	104	27
Transport & communications:					
Railways (4,800)					
Roads (1,099)	7,027	527	38	27	35
Ports & harbours (110)					
Others (1,018)					
Fuel and power	576	43	3	27	2
Industry & mining (b)	1,800	135	10	21	23
Social capital -					
Education (1,144)					
Housing (183)	2,913	218	16	105	50
Health (515)					
Others (1,071)					
	18,396	1,379	100	284	137

(a) Costing more than Rs. 2-5 million (£190,000)

(b) Excluding coal.

Salient Facts about the Programme

Agriculture: In agriculture there are three multipurpose projects which are accorded a very high priority and on which work is already in progress; the Damodar Valley, the Hirakud, and the Bhakra Nangal. These three projects will reduce flooding and are expected to bring about six million acres of new land under irrigation by 1956-57 and to increase electrical generating capacity by 708,000 kilowatts. With the further assistance of the Government's Integrated Crop Production Plan it is expected that by the end of 1956-57 food grain production will be increased by 3,000,000 tons, cotton by 195,000 tons, jute by 375,000 tons, and oil seeds by 1,500,000 tons.

Transport: The sum of £360 million is to be spent on railways, providing for the construction and restoration of tracks, bridges, structural works and rolling stock. These projects, coupled with the extension and improvement of roads, are designed to open up the hinterland, to enlarge the size of the domestic market and to facilitate the flow of goods to the ports.

Production: It is hoped that the carrying through of the programme will provide a basic standard of living which would include, amongst other things, an annual cloth consumption of 15 yards per person, and in the rationed urban areas, cereal consumption of 16 ounces a day. This represents a modest, but important improvement over present consumption levels, which on a per head basis are only about 10 yards of cloth per year and, in the rationed areas, 12 ounces of cereals a day. 10 yards of material provides less than two garments a year, without taking into account other uses of cloth.

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The average daily supply of food, consisting mostly of cereals, at present provides only about 1,600 calories, which is nothing like enough for adequate nutrition.

Trade: The programme should reduce the country's foreign exchange expenditure on food supplies, which is an important cause of the current balance of payments deficit. It should also result in substantial increases in exports of raw materials, such as oil seeds and short-staple cotton (exports of which have fallen to one-third of the pre-war level), and of manufactures like jute products, cotton textiles and other consumer goods. At the end of the six-year period it is expected that equilibrium will be achieved at a higher level of international trade.

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THE DEVELOPMENT PROGRAMME OF PAKISTAN

Population: 82,000,000

Occupational distribution: Pakistan is predominantly agricultural and 80% of its population is dependent upon the land.

Post-war Problems: The war laid a serious burden on the country. Equipment was over-worked and depleted and food production was seriously dislocated. Chittagong Port was subject to intense strain during the war and greatly in need of repair. The indirect effects of the war were also serious. The strict control of food prices kept down agricultural incomes, but on the other hand there was a general increase in the price of manufactured goods and the consequent diminution in the value of savings was especially damaging to the agricultural communities which form so large a part of the country.

Pakistan, like India, felt certain direct economic consequences of partition. She found herself with over 80% of the world production of jute but with no jute manufacturing capacity. She was producing annually 200,000 tons of cotton, mainly of fine quality, but with a negligible textile industry. There were no tanneries, no woollen mills, and very little other industry. So far the Government has been largely preoccupied with problems of an emergency character, including the heavy task of rehabilitating nearly seven million refugees. Nevertheless strenuous efforts have been and are being made both at the government level and by private enterprise to improve the country's industrial resources.

Basis and Objectives of the Programme

In order to avoid dissipation of the limited resources of the country on less important projects and to concentrate on urgent objectives, the new six-year plan of development concentrates on projects of the highest priority, and by no means exhausts the possibility of initiating new projects during the period. It is inspired not only by the desire to improve the standard of living but also by the conviction that the country is endowed with an industrious and virile people inhabiting a land whose natural resources call for a vigorous programme of development. The programme is essentially one of basic development intended to prepare the country for future advancement. It is based on the assumption that Pakistan must continue to be essentially an agricultural country, but that agriculture must be carried on in the most efficient way.

An analysis of the programme is given in the following table:

	<u>Rs.</u> <u>million</u>	<u>£</u> <u>million</u>	<u>Per-</u> <u>centage</u>
Agriculture.....	820	88	32
Transport and communications:			
Railways..... 200)			
Roads 100)			
Ports 140)	530	57	20
Telecommunications.... 90)			
Fuel and power.....	470	51	18
Industry & mining*	490	53	19
Social capital:			
Housing..... 40)			
Health & Medical..... 40)			
Education..... 100)	290	31	11
Technical training)			
& polytechnics..... 90)			
Water supply 20)			
	<hr/> 2,600	<hr/> 280	<hr/> 100

* excluding coal

Salient Facts about the Programme

Agriculture: It will be seen that agriculture constitutes the largest section of the programme. New irrigation works and anti-waterlogging measures are of central importance and it is expected that six million acres will benefit from these measures.

The distribution and use of improved varieties of seeds and fertilizers and the partial mechanization of agriculture are also expected to be responsible for an appreciable proportion of the increase in production to be achieved by 1957. Among the increases planned may be noted an increase in the production of oil seeds by 220%, sugar cane by 70%, vegetables by 68%, fruits by 90%, cotton by 27% and jute by 10%. The expected increase in the output of rice of more than 500,000 tons will be sufficient to meet the needs of eastern Pakistan.

Power: The development of hydro-electric power is essential. The power potential in Pakistan is between five and six million kilowatts. Present installed capacity is only 9,600 kilowatts. Thermal stations provide another 59,500, but even so the rate of consumption of electricity per head is one of the lowest in the world. The programme would lead to the production of an additional 200,000 kilowatts of hydro-electric power and 56,000 kilowatts of thermal power and this power will be needed for the extensive new pumping and irrigation projects for the jute and cotton factories and for the machinery to be used in modernizing the mines. Steps are also being taken to increase the output of coal.

Transport: The restoration of the railway system is an urgent need but in the interest of priority effort will be concentrated on the repair and replacement of existing equipment rather than the extension of the railway system. The capacity of the port of Chittagong, which was only 600,000 tons in 1947, has already increased to 1,800,000 tons and the programme provides for a further increase to 4,000,000 tons.

Industry: Six jute mills will be established with a capacity of 130,000 tons of jute goods a year. Even at the very low figure of 9 yards of cotton textiles per head each year the country needs 700,000,000 yards. At present it produces only 100,000,000, though this figure is expected in the near future to rise to 450,000,000. The development programme provides for 24 additional mills and it is expected that at the end of a six-year period the level of domestic production, supplemented by the import of only 150,000,000 yards, will be enough to provide an average consumption of 17 yards per head.

There are also certain miscellaneous industries, such as sugar, ceramics, glass, chemicals and fertilizers, for which provision is being made, and the plan also covers the cost of a general geographical survey to discover the country's mineral wealth.

Social Investment: An improvement in the country's social services is an urgent necessity. The new housing programme includes the provision of pre-fabricated houses for refugees and the development of new residential areas.

Health expenditure will provide 600 new rural and 600 mobile dispensaries, and 120 new hospitals.

Technical training facilities must be further developed: The Pakistan Government, the United Nations Food and Agriculture Organization, the Economic Commission for Asia and the Far East and the International Bank have already collaborated to establish in Pakistan, for the benefit of all Asian countries, a centre for training in the formulation and appraisal of development projects.

THE DEVELOPMENT PROGRAMME OF CEYLON

Population: 7,300,000

Economic Position: The economic position of the Island is dominated by the fact that two-thirds of the cultivated land is taken up with the production of three main crops - tea, rubber and coconut. This specialization is at the expense of food production: over half Ceylon's annual expenditure on imports goes on food. Tea, rubber and coconut account for 90 per cent by value of the total exports of the Island, which is therefore dangerously dependent on the fluctuations of world prices over a very limited range of commodities. In the past these fluctuations have been great, and this has had grave consequences for Ceylon.

Basis and Objectives of the Programme;

The main objective of the Government's programme is to bring about increased economic stability by reducing Ceylon's precarious dependence upon factors outside its control. To achieve this aim, it is proposed to diversify the economy by some increase in food production and by the creation of other forms of employment.

The programme is analysed in the following table:

	<u>RS.Mil.</u>	<u>£ Mil.</u>	<u>Percentage</u>
Agriculture	503	38	37
Transport and communications-			
Railways	30)		
Roads	100)	297	22
Ports and harbours	167)		8
Power	109	8	6
Industry	75	6	
Social capital			
Housing	47)		
Health	132)	375	28
Education	196)		27
Total			
	<hr/>	<hr/>	<hr/>
	1,359	102	100

Salient Facts about the Programme

Agriculture: At present, 3,250,000 acres are under cultivation and it has been estimated an area of equal size is potentially available. Of the area now cultivated over 2,000,000 acres are devoted to the production of tea, rubber, and coconut, leaving only about 1,000,000 acres for food production. By 1957 it is planned to have under food crops another 200,000 to 250,000 acres from which it is expected to get 75,000 tons of rice annually.

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Projects for land development either now under way or proposed include: the damming of the Gal Oya in the Eastern Province, which is being carried out under the direction of United States engineering firms, and from which it hopes to irrigate 100,000 acres now under jungle, and to improve 30,000 acres already cultivated so that two crops may be harvested instead of one as at present. A similar project at Huruluwewa is to provide water for 10,000 acres of paddy land and 6,000 acres for garden crops. Another project, the damming of the Walawe Ganga is to be started in 1952, and this will irrigate 40,000 acres of new land, to ensure supplies of water to 13,000 acres of existing paddy land and to produce 10,000 kilowatts of electric power.

Transport: The Port of Colombo, which is important not only to the communications of the Island itself but also as an important centre of sea communications to all parts of the world, is to be developed.

Power: The first stage of the only hydro-electric scheme in the country is now almost completed. This will provide an installed generating capacity of 25,000 kilowatts. It is now proposed to commence the two further stages of the scheme each of which will have a capacity of 25,000 kilowatts. A complementary project is the erection of 941 miles of transmission lines with 60 sub-stations. With the completion of the multi-purpose agricultural projects additional power will become available.

Industry: Ceylon has little manufacturing industry, but projects are now being developed for the processing of local agricultural products and raw materials. Under the coconut oil project, which is one of the more important of those proposed, about 3,800 tons of low-grade oil will be available from the extraction of oil cake by the continuous solvent process. It is expected to produce annually about 800 tons of glycerine, 4,800 tons of fatty acid, 50,000 tons of cattle and food and 1,000 tons of lauryl alcohol. A fertilizer project is designed to produce 80,000 tons of ammonium sulphate and 35,000 to 45,000 tons of superphosphate. Other projects include the manufacture of caustic soda, the exploitation of the large deposits of ilmenite and the refining of locally produced sugar-cane.

Social Capital: The part of the programme allotted to social investment is devoted largely to schools and hospitals, and in a lesser degree to housing. It is most important to maintain the high educational standard which has led to 70 per cent literacy in the country. To do this, there must be considerable rebuilding. Hospital capacity is to be doubled; at present the capacity is 2.7 beds to every thousand of population compared with the standard generally accepted in Western countries of 15 beds to every thousand.

THE DEVELOPMENT PROGRAMMES OF THE FEDERATION
OF MALAYA, SINGAPORE, NORTH BORNEO AND SARAWAK

Population: The combined population of these territories is nearly 7,000,000, of whom over 5,000,000 live in the Federation of Malaya and 1,000,000 in Singapore.

Nature of the Territories: Apart from Singapore the territories are predominantly agricultural insofar as they are developed at all, much of the area being thick jungle. Out of a total area of 81 million acres, only about 6 million are regularly cultivated, the chief crops being rubber (3,700,000 acres), rice (over 1,000,000 acres) and coconut (700,000 acres). The other major resources are the tin of Malaya and the oil of British Borneo.

Post-War Problems: All the territories suffered considerable damage during the war, when they were under Japanese occupation for 3½ years. The Japanese neglected the maintenance of anything which did not contribute directly to their war effort, so plantations were abandoned, machinery and buildings neglected, education, public health and other services were not maintained. The local governments and private enterprise have made great progress with the task of rehabilitation, and the United Kingdom Government have made available large sums by way of grants and interest-free loans.

Basis and Objectives of the Programmes:

The four territories differ widely in their state of development and the extent to which the tasks of rehabilitation and restoration have been completed. In consequence the starting points and the objectives of their programmes for economic development differ. But the purpose common to them all is to put in hand the most urgent projects which will help to secure the prosperity and social well-being of the peoples of the territories, and to prepare the ground for further development.

Every effort is being made under the development plans to broaden and diversify the economies of these territories by increasing the production of foodstuffs, especially rice, and of other agricultural products such as palm oil and cocoa, and by stimulating manufacturing industries. Nevertheless, it is clear that their economies will remain primarily dependent on rubber and tin, the export of which will largely determine their balance of payments position and their ability to earn dollars. While the main investment in rubber and tin will be by private enterprise, the Governments consider it necessary and urgent to help the improvement of rubber production by the smallholders who cannot command the finance available to the large estates.

The development programmes of the public authorities in the four territories are estimated to cost altogether about £107 million. This excludes private investment, of which no reliable estimate can be made but which is likely to be of considerable importance.

An analysis of the public authorities' programme is given in the following table:

	<u>Feder- ation</u>	<u>Sing- apore</u>	<u>North Borneo</u>	<u>Sara- wak</u>	<u>Total £ Million</u>	<u>Per- centage</u>
Agriculture	10.9	0.4	1.0	0.7	13.0	12.1
Transport and Communications	10.8	7.1	1.7	1.5	21.1	19.5
Fuel and Power	10.0	9.9	-	0.2	20.1	18.7
Industry	0.2	-	-	-	0.2	0.2
Social Capital	12.8	35.6	2.5	2.1	53.0	49.5
Total	44.7	53.0	5.2	4.5	107.4	100.0

The Federation of Malaya Plan:

This plan aims primarily at expanding the national income by improving agricultural efficiency, by diversifying the economy and by providing more electricity and better communications.

Much of the rubber production comes from smallholdings the output of which could be greatly increased if the old trees could be replaced with higher yielding types. The smallholders cannot however engage in this rebuilding without financial assistance since it takes a newly planted tree 7 years before it begins to yield. The Government proposes to help them in a variety of ways including the planting of new land with high yielding trees, and resettling the smallholders when the new trees come into production.

At present the Federation produces only about 40 per cent of the 1,000,000 tons of rice a year needed for itself and Singapore. The yield per acre is low but will be increased by irrigation, drainage, and protection against pests and the introduction of better strains. It is also proposed to open up new rice land. It is clear, however, that it will continue to be necessary to import large quantities of rice to meet the needs of the population.

The generation of electricity must be increased to meet the growing demand. During the period of the plan it is intended to start a number of hydro-electric schemes and to complete a grid. A considerable development of all forms of communication is necessary on security as well as on economic grounds.

An increase expenditure on social services is necessary. This applies particularly to education, which is essential as a sense of common citizenship, is to be developed among the very mixed population: nearly 50 per cent of the population is Malay, over 38 per cent Chinese and nearly 11 per cent Indians, Ceylonese and Pakistanis.

The Singapore Plan: Singapore which is little more than 200 square miles is one of the great ports of the world. It lives mainly by trade; there is also some manufacturing, but relatively little agriculture. The plan reflects these facts, harbour facilities and an international airport built.

An increase in the generation of electric power will assist the development of local industries. The substantial expenditure on social investment which is proposed is considered by the Government as the more urgently necessary since it represents a constructive measure against terrorist influence. Large amounts are to be spent on education, health services and water supplies. Over crowding is very serious and it is estimated that it will be necessary to house over a million people.

The North Borneo Plan: North Borneo has by no means fully made good the heavy damage suffered during the war. Hence a large part of the plan covers the reconstruction of buildings, ports and harbours, and railway equipment. The plan also provides for the improvement of agriculture, for better communications, and for some expansion of social services.

The Sarawak Plan: Sarawak, like North Borneo, has a small and unevenly distributed population. Communications, are to be improved. Agriculture is to be assisted by substituting wet paddy cultivation for hill paddy cultivation, which is wasteful and is causing soil erosion. Geological, timber and fishery surveys are to be undertaken as an indispensable preliminary to further development of natural resources. There is to be some expansion of social services.

Brunei: Brunei is a small protected state situated between North Borneo and Sarawak. Largely due to oil royalties, its financial resources are sufficient to enable it to carry through its development programme, but it is being hampered by shortage of technical staff.