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PREFACE

The year 1949 has been one of significant developments in Asia and the Far East, including Japan. It may mark the end of the first phase of the slow and painful post-war recovery paving the way for a more promising future. There has been an over-all improvement in the AFE region[1] in mineral and industrial production as well as in transport and to a lesser extent in agricultural production, except in China where, on account of disturbed conditions, there was a setback. The deterioration in the Chinese situation, partly arrested towards the second half of the year, affects significantly the economic picture of the region, as China has 40 per cent of the population, 52 per cent of the land area, 33 per cent of the current rice production, and a large proportion of iron ore, coal and other mineral resources of the region. Also, the regional economic picture would have presented a greater improvement over 1948 were trade between India and Pakistan not virtually suspended over the currency dispute arising from the sterling devaluation towards the end of September. Inflationary factors which were a menace in 1948 have not only been arrested, but in a few countries the measures taken have brought about disinflationary conditions, if not actual deflation. The recession in late 1948 and early 1949 in the United States, which threatened to disrupt the price structure of some of the countries in the Far East, was fortunately short-lived, and prices and exports recovered. One of the most outstanding economic events for Asia, no less than for the rest of the world, was the devaluation of the pound sterling and the chain of devaluations of the currencies of most of the countries of the region; although it is too early to trace its full effects there can be little doubt of its having exerted a favourable influence on the general economic, trade and financial conditions of Asia.

Plans for economic development, which had been somewhat unrealistic in the past, were reviewed by most countries in 1949. The interest in the United Nations expanded programme of technical assistance, and in the United States programme of aid, has been very general all over the Far East, and never before in Asia has so much energy and enthusiasm gone to the drawing up of plans for development. This is not to say that plans have always been precisely formulated or carefully prepared. Indeed, sound planning is still a basic, and perhaps the greatest, task to be achieved initially in the region's struggle for economic development.

Preliminary reports show a 2 per cent decrease in agricultural production in 1949, as compared with 1948, or 8 per cent below pre-war as compared with 6 per cent in 1948. But if China is excluded, the region's agricultural production appears to have improved over 1948. Rice pro-

[1] The term "ECAFE region" is used in reference to the more restricted group of countries covered by the Commission's terms of reference, namely, British North Borneo, Brunei and Sarawak, Burma, Ceylon, China, Hong Kong, India, Indochinese Federation, Indonesia, Korea, Federation of Malaya and Singapore, Nepal, Pakistan, Philippine Republic and Thailand. These countries, with the addition of Japan, constitute the wider "AFE region".

duction rose by 1 per cent; there was an increased output of wheat in many countries, and coarse grains maintained their 1948 level. Oil-seed production in 1949 showed an increase for the whole region, including China, as compared with 1948. In other crops, such as sugar, tea and raw cotton, China's output declined in 1949.

The most disquieting feature of the post-war economic conditions of Asia and the Far East is the low level, both absolute and relative, of agricultural output. Nutritional conditions in the region are among the poorest in the world. Despite the legitimate ambitions of Asian countries to diversify their economies and to promote industrialization, the pressure of economic factors has tended to bring to the forefront the problems of mere subsistence. Food is still the basic want of the AFE countries with their growing population, and agricultural development their main pre-occupation. The post-war period has witnessed a serious decline in the region's position in the world as a producer and supplier of foodstuffs, as well as of fibres. In other respects too, its position has been weakened. The restoration of agricultural production, not only to pre-war levels but to pre-war *per capita* consumption levels, is singly the dominant problem facing not only the region but the entire world.

There was a more marked improvement in industrial and mineral production in 1949 in the region, despite the decline of production in China in most categories and the decline of textile production in India. Among the ECAFE countries production increased over 1948 by 8 to 9 per cent for electric power, coal, iron and steel; 15 per cent for tin concentrate; 22 per cent for iron ore and 40 per cent for cement, but fell by 17 per cent for cotton yarn. In Japan the corresponding percentages of increase over 1948 were much higher, being 13 per cent for coal and electric power, 17 per cent for machinery, 26 per cent for textiles, 38 per cent for iron ore, 78 per cent for cement, 81 per cent for steel, and 91 per cent for pig iron.

As compared with pre-war, production in ECAFE countries rose by 34 per cent for cement, 40 per cent for steel and 105 per cent for electric power, while cotton yarn, coal and iron ore fell respectively by 17, 28 and 59 per cent. Both tin concentrate and pig iron, however, regained their pre-war level. In Japan, as compared with 1936, production of iron ore and electricity rose respectively by 24 and 45 per cent, while all other items fell, especially textiles. However, on account of its more advanced industrial development, Japan's production in 1949 of such items as electricity, iron and steel, cement, machinery and chemicals, exceeded that of ECAFE countries taken together, by 1 to 6.5 times.

There was a welcome improvement in transport compared to pre-war mainly due to greater utilization of existing equipment and to a lesser degree to increased supplies, but the strain on the transport systems continued. Civil aviation expanded at a more rapid pace than in previous years. Although not to the same extent, railway transport in the region registered a further improvement over pre-war. In the ECAFE region, despite a 1.7 per cent decrease in passenger and freight cars, there were in 1949 increases of 36 per cent in freight traffic and 134 per cent in passenger traffic. In Japan, with a 43 per cent increase over pre-war in passenger and freight cars, there were greater increases in freight and passenger traffic, being 95 per cent for the former and 181 per cent for the latter.

In the sphere of international trade, 1949 registered a further advance over 1948. The total value of trade of the ECAFE region (excluding China, Nepal and British Borneo) was 6 per cent above that of 1948 in spite of the temporary recession in the United States at the end of 1948 and the beginning of 1949 which affected the export of rubber, tin and other materials, and the practical cessation of trade between India and Pakistan towards the end of 1949. The 1949 trade of ECAFE countries was, in fact, 125 per cent higher than that of 1938, but apart from the registering of Indo-Pakistan trade after partition, this was mainly due to price rise. There was a greater increase in imports than in exports, resulting in an import surplus larger than in 1948. The trade deficit, which for ECAFE countries (excluding China, Nepal and British Borneo) grew from $838 million in 1948 to $1,412 million in 1949, but for Japan declined from $424 million to $355 million during the corresponding period, brought about a net increase of 40 per cent in the trade deficit for the AFE region, from $1,262 million to $1,767 million. Eighty per cent of the trade deficit in 1948 and 85 per cent in 1949 were incurred by India, Japan, the Philippines and Korea, the magnitude of the deficits in 1949 being in the order given.

The deficits in the balance of payments of ECAFE countries, arising mainly from the large import surplus, have been financed by external loans, aid and finance of one type or another. For China, Korea and the Philippines, direct United States aid programmes and loans have been the principal source. For Ceylon, India and Pakistan the sterling releases[1] by the United Kingdom have played an equally important part while the credits extended by the Netherlands and France to Indonesia and Indochina, respectively, have been the chief sources of external finance. Contributing to the increase in the balance-of-payments deficit of the ECAFE region was also a marked increase in dollar deficits, to which India among the sterling-area countries and the Philippines among the non-sterling-area countries contributed the major share. The sterling-area countries had a combined dollar deficit of $68 million while the non-sterling-area countries had a deficit of $570 million. Various measures have been taken in 1949 to relieve the dollar deficits, principally by devaluation, export, import and exchange controls. Export drives to dollar countries have been encouraged in several countries. but in view of the limited effectiveness of the available measures so far taken, continuance of external aid seems to be necessary. It should, however, be borne in mind that the dollar deficit is only part of the general problem of the over-all balance-of-payments deficit, and measures adopted merely to relieve the hard-currency deficit can only be a partial solution. The close association of the majority of ECAFE countries with Europe in the past suggests *prima facie* that a partial solution may lie in exploring ways and means of strengthening the economic and financial relation with European countries.

It is true that the pattern of trade of ECAFE countries has undergone a significant change since the war. The United States has become a more important supplier to this region, thereby reducing the share of Europe and Japan in the total trade. But already the region's dependence on

[1] These are not to be considered as on a par with loans and grants, although they have more or less the same immediate effect on the balance-of-payments position of these countries.

the United States aid is declining; trade with Japan has increased substantially in 1949 as compared with 1948. Exports from Japan to ECAFE countries increased by about 80 per cent in 1949 and imports by 67 per cent, compared to 1948. The recovery of European production may also be expected to lead to an increased volume of trade with the region. A return to pre-war patterns of trade is not to be expected immediately or even in course of time. To the extent that the world's balance of economic power has shifted and that the demand for the United States goods has increased, some modifications of the pre-war patterns must be accepted as permanent. But there is considerable scope for the expansion of trade with Japan and Europe, thereby reducing the present excessive dependence on imports from the United States.

The role of public finance in the economies of the region is expanding at an ever-increasing rate. Heavy deficits, although less in 1949, continued to exert an upward pressure on price levels. These deficits were caused partly by large outlays on capital equipment for rehabilitation and recovery, social services and food and other subsidies but mainly by expenditure on defence. Most of the countries were unable to raise enough by taxation and even by borrowing, and the gap between expenditure and receipts continued. Not all deficits on current and capital accounts had inflationary effects, however, because part of the expenditure was incurred outside the countries concerned. The latter, while putting a strain on the balance-of-payments and the financial position of the Governments concerned, did not result in increasing domestic money incomes and were therefore not inflationary.

The continuance of inflationary pressures, arising from low production and large budgetary deficits, was one of the major problems confronting the various economies of the region at the beginning of the year 1949. Attempts were made to tackle this on various fronts. The most successful of these was the heavy increase in import surpluses in the first half of the year. Increased imports succeeded considerably in arresting price rises, and in a few countries in bringing prices down by a threefold operation. Firstly, they increased the supply of goods which were badly needed. Secondly, these imports were obtained from countries where the rise in prices was substantially lower than in the importing countries. In the first half of 1949 in particular, the American recession caused a fall in the prices of these imported goods, and in the general price levels. Thirdly, the monetary systems in most of the importing countries were closely linked with the holdings of foreign assets by the central banks and the fall in these assets, as a result of import surpluses, led to a reduction in money supply.

The countries of the region differed greatly in their experience during 1949, and in their prospects at the end of the year. The emergence of the United States of Indonesia as a sovereign State in December was a welcome development. But in none was the economic situation without difficulties. In many countries, economic activity was still gravely impeded by civil war and political difficulties or by disputes with neighbouring countries. Trade between India and Pakistan came almost to a standstill because of the failure of the Governments to reach agreement over the exchange values of their rupees. The ports of east and south China were under blockade during the second half of 1949. In Burma parts of the country were under the control of insurgents. In Indochina the Govern-

ments established under agreement with France were fighting against the forces under the Democratic Republic of Viet Nam. In the Philippines, Indonesia and Malaya, operations against more or less organized forces involved the Governments in great expense even if they did not greatly affect production and trade. A heavy burden is placed upon the underdeveloped economies of the region by the maintenance of large armed forces, which have to be paid for either out of taxation or by inflation.

The mobilization of domestic resources and the attraction of foreign capital for investment are hardly possible while such conditions prevail. Without a great increase in investment, which is still a much smaller proportion of the national income than in Europe or America, there can be neither adequate rehabilitation nor rapid progress. But national income in all ECAFE countries is small, very small in absolute amounts. Such improvement of production as has been recorded has depended in large part on external aid. Some of the more ambitious plans for development have already had to be reconsidered and others may be hindered by lack of financial resources and especially of foreign exchange required for the purchase of capital equipment. Although imports of food grains and textiles to satisfy the essential needs of the people may not require such large expenditures of foreign exchange in 1950 as they did in 1948 and 1949, the countries of the region are still not in a position to dispense with large imports, a good deal of which still come from the dollar area. Devaluation of currencies in the sterling area and other countries of the region has increased the cost, in terms of such currencies, of imports from the dollar area; though dollar earnings increased in the latter part of 1949, when the recession in the United States was halted and the demand for rubber and other major products of the region rose, there was still a long way to go before most of the countries of the region could balance their receipts and payments. The continuance of exchange, import and export controls for some time has to be expected.

It is clear that the present resources of the countries of the region are being stretched nearly to their limit. Aspirations for development and for social welfare are very much in evidence. But it is not yet possible to say that agricultural and industrial production and opportunities of employment will increase faster than the populations of the countries of the region, which are likely to continue to grow at a rate exceeding 1 per cent per year.

Meantime, the region's share in the distribution of world income has diminished. Although the region is predominantly agricultural and depends for livelihood on agricultural products, it was able to contribute, with one-half of the world's population, less than 33 per cent of the world's food production as compared with 35 per cent before the war. Before the war two-fifths of the world's aggregate production of natural fibres was contributed by the ECAFE countries. In 1949 the contribution has declined to less than 30 per cent. The region's *per capita* consumption of food, essential consumer goods and durable goods is declining. In contrast with the situation in other regions of the world, even pre-war food consumption levels remain a distant goal. While before the war consumption of cotton textiles in the region averaged about 2 kilogrammes per person, in 1949 the *per capita* consumption was less than 1.5 kilogrammes.

In the face of the above facts, particularly the region's low level, both *per capita* and aggregate, of savings and capital formation, it would be totally unrealistic to talk in terms of a rapid increase in the standard of living and welfare of the peoples of Asia and the Far East. It would in fact take all the presently available resources of the countries of the region in the next five years to ensure at least maintenance of *per capita* production and consumption levels. Even this limited goal cannot be attained without the continuous and systematic efforts of the peoples and Governments of the region, supported and encouraged by the active assistance of countries outside the region which are in a position to grant loans and other forms of aid, and not least of the United Nations, the specialized agencies and other international bodies.

The third issue of the *Economic Survey of Asia and the Far East* for 1949, as summed up above, is divided into two parts. The first part, which reviews the year's economic development, covers about the same scope as the 1948 survey. The second part dealing with the principal factors and problems underlying the region's post-war economic development, incorporates the results of the Secretariat studies on mineral resources, economic planning, foreign investment and flood control, in addition to brief analyses of population changes, intra-regional co-operation and the position of the region in the world economy.

For the preparation of the present *Survey,* Governments in the region supplied considerable amount of published materials relating to the economy of their countries, and some appointed correspondents to co-ordinate the supply of information from different ministries. The Secretariat staff in addition made field trips to most countries in the region to collect data and consult with government officers. There was, in general, considerable improvement in the statistics of the region as a whole, both quantitatively and qualitatively, but fundamental deficiencies and gaps in statistics, as stated in the preface of the 1948 *Survey,* still remain. Certain valuable data sent by Governments especially for the *Survey* could not be included even at the proof stage as they were received too late. Because of the political situation in China, documentation for that country leaves much to be desired.

The *Survey* is the co-operative work of all the substantive Divisions working in collaboration with the Research and Statistics Division of the Secretariat. Acknowledgements are also due for the assistance rendered by the several Divisions of the Department of Economic Affairs and the Department of Social Affairs and by the Food and Agriculture Organization, the International Labour Organisation and the other specialized agencies.

Economic Commission for Asia and the Far East

Bangkok, Thailand

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Symbols Employed

The following symbols have been used throughout this *Survey*:

... = *not available;* — = *nil* or *negligible.*

In referring to combinations of years, the use of an oblique stroke — e.g., 1947/48 — signifies a twelve-month period (say from 1 July 1947 to 30 June 1948). The use of a hyphen — e.g., 1947-1948 — signifies the full period of calendar years covered (including the end years indicated) either as an average or total, as specified.

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton.

The following symbols are used to represent the abbreviations of national currencies in Asia and the Far East:

Rs.	=	rupees (Burma, Ceylon, India and Pakistan).
G.Y.	=	gold yuan issued by the Central Bank of China under the National Government of China.
T.Y.	=	Taiwan yuan issued by the Bank of Taiwan under the National Government of China.
PBN.	=	People's Bank note issued by the People's Bank of China under the Central People's Government of China.
HK$	=	Hong Kong dollar.
Fl.	=	guilder (Indonesia).
Y.	=	yen (Japan).
W.	=	won (Republic of Korea).
M$	=	Malayan dollar (Malaya and British Borneo, embracing North Borneo, Brunei, Sarawak, Federation of Malaya and Singapore).
P.	=	peso (the Philippines).

PART ONE

THE ECONOMIC SITUATION DURING THE YEAR

CHAPTER I

Food and Agriculture[1]

Preliminary reports on the volume of agricultural production in the Far Eastern countries show a decrease of 2 per cent in 1949/50 [2] below 1948/49, bringing the regional production level once again down to 92 per cent of the pre-war average. Production increases ranging from 4 to 12 per cent were attained for tea, vegetable oils, cotton and silk. For major food-grains and other crops, 3 to 7 per cent decreases were registered. The FAO preliminary index numbers shown in table 1 indicate the changes during the last three years in total agricultural production and in the production of major food and non-food commodity groups. It will be noted that the production of foods, after reaching 95 per cent of pre-war levels in 1948/49, dropped once again by 1 per cent, and that the non-food agricultural crops were 14 per cent below pre-war.

Table 1. Preliminary Index of Agricultural Production

(Pre-war 1934-38 = 100)

	1947/48	*1948/49*	*1949/50*
Total agricultural production...	90	94	92
Production of foods[a]	92	95	94
Production of non-foods[b]	85	88	86

[a] Includes: rice, wheat, coarse grains, sugar, and fats and oils.
[b] Includes: tea, cotton, jute, abaca, silk, tobacco and rubber.

Food Production

Food Crops

The region's food-grains production in 1949/50, shown in table 2, was 1.8 per cent less than 1948/49 and 5 per cent lower than pre-war. If China, where crops in 1949 were affected by adverse weather conditions, floods and war, is excluded, then the total food-grains production of the remaining countries in the region will be seen to have registered an increase of 1 per cent against 1948/49, even though it still remains below pre-war.

[1] Prepared by the Food and Agriculture Organization of the United Nations. The 1949 production and consumption statistics used are provisional and subject to considerable revision during the course of the year.
[2] Production estimates refer to crop years, which are generally from 1 July to 30 June.

Table 2. Production of Food-Grains

(In thousands of metric tons)

	Average 1934-1938	*1947/48*	*1948/49*	*1949/50*[a]
Rice (paddy)	142,378	134,452	136,547	135,514
Wheat	34,776	33,469	35,086	34,380
Coarse grains	64,981	59,736	62,876	60,310
TOTALS	242,135	227,657	234,509	230,204

[a] Preliminary.

Rice

Preliminary figures show rice production (paddy) in the region in 1949/50 to be 135.5 million metric tons, or just about 1 million tons less than 1948/49.

Table 3. Rice Production (in terms of paddy)

(In thousands of metric tons)

	Average 1934-1938	*1947/48*	*1948/49*	*1949/50*[a]
Burma	6,971	5,429	5,287	4,200
British Borneo	170	119	116	120
Ceylon	340	251	257	260
China:				
22 Provinces	50,064[b]	46,507	46,524	44,500
Manchuria	411[b]	459	460	380
Taiwan	1,642[b]	1,205	1,530	1,680
French Territories in India	24	39	34	35
India:				
Reported	29,645[b]	29,847	28,748	33,000
Unreported	2,664[d]	2,567	2,500	
Indochina	6,500	4,800	5,100	5,100
Indonesia:	9,987	8,611	9,302	9,987
Java and Madura	(6,081)	(5,145)	(5,402)	(6,199)
Other islands	(3,906)	(3,466)	(3,900)	(3,788)
Japan	11,501	11,298	11,632	11,516
Korea:				
North Korea	4,212	630	635	640
South Korea		2,779	3,052	2,956
Malaya, Federation of	513	553	495	645
Pakistan	11,168[c]	11,819	12,846	12,300
Philippines	2,179	2,335	2,491	2,530
Thailand	4,357	5,174	5,506	5,630
Others	30	30	32	35
TOTALS	142,378	134,452	136,547	135,514

[a] Preliminary.
[b] Average of seven years, 1931-37.
[c] Average for three years, 1936/37—1938/39.
[d] Estimate for 1938/39.

The greatest reductions in output of rice have been registered in Burma and China. In Burma, traditionally a great exporter of rice, sown area in 1949/50 was about 10 per cent less than in 1948/49. Production fell from about 7 million tons pre-war, and 5.3 million tons in 1948/49, to 4.2 million tons in 1949/50. This is a serious setback, particularly as the early post-war rehabilitation of rice production was proceeding at the rate of 1 million tons of additional yield per annum, and as production was previously expected to return to the pre-war level by 1951. In China, the most important single consumer and producer of rice in the region, the estimated production seems to have fallen by some 2 million tons as compared to the last two years, with the result that it was 5.5 million tons or 11 per cent less than pre-war. No details of food prices and conditions of distribution are available, but the considerable decrease in the production of rice must have affected the food consumption levels of the people in some parts of the country. Estimates of area sown are not yet available for Indochina, but the crop was no better than in the previous year. Production was lower than pre-war by some 1.4 million tons, or 20 per cent.

If China is excluded, the region's rice production in 1949/50 was some 89 million tons against 88 million tons in 1948/49, and about 1 million tons lower than pre-war (1934-1938). Greater progress would have been attained but for the setback in Burma. Estimated production in Burma and Indochina combined was some 4 million tons lower than pre-war. The main progress since the war has been in India, Indonesia and Thailand. Thailand's rice production is now some 1.27 million tons above pre-war, which represents an increase of 29 per cent. Most of this, however, had been accomplished by 1947/48. In India, production increased to 33 million tons during 1949/50 as a result of the favourable weather conditions and Government's development plans, against 31.2 million tons in 1948/49 and 32.4 million tons pre-war. Japan also harvested a good rice crop in 1949/50 and its rice production reached the pre-war levels. Korea maintained a good crop for the first time in post-war years, and may export small quantities to Japan. Pakistan and the Philippines have maintained more or less stable production, although there has been some progress compared with pre-war years.

The post-war increase in estimated rice production has not been in proportion to the increase in area sown, since yields per acre have gone down. A partial explanation is that the new lands brought under cultivation are marginal lands.

Other Food-Grains

The estimated wheat production of the region in 1948/49 exceeded pre-war for the first time by about 1 per cent. This recovery has, however, not been maintained, and current production is estimated to be 700,000

tons less than in 1948/49, and 1 per cent less than pre-war. The reduction is due to unfavourable crops in China, where dry weather at planting and excessive rainfall in summer and autumn caused drastic reductions in Manchuria and North and Central China. In Pakistan, not only were crops better than in the previous year but, with the re-establishment of confidence and administrative progress, more grain is being effectively procured and some surplus has been secured.

The regional production of coarse grains in 1949, though higher than in 1947, was some 2.5 million tons, or 4 per cent less than in 1948, and 7 per cent lower than pre-war. This reduction is almost wholly due to low production in China. Production of coarse grains in other important countries in the region, such as India, Indonesia, Japan and Pakistan, has been maintained at about the pre-war level. Of the total supply of coarse grains, over 55 per cent is accounted for by different crops such as kaoliang, buckwheat, foxtail, proso millets, glutinous millets, and sorghums in China and Japan, and jowar, bajra, ragi, and other small millets in India and Pakistan. Their production in the region is still lower than pre-war by some 4.5 million tons or 7 per cent.

Oils and Fats

Oilseed production in 1949 appears to have been slightly above the 1948 level even though it still remains 10 per cent below pre-war. The greatest progress was in Indonesia and the Philippines — the chief post-war exporters of fats and oils from Asia. Production of oil-seeds in India and Pakistan has, however, failed to regain pre-war levels because of the increased demand for cultivable lands for the production of food. Table 4 shows the supplies of vegetable and animal oils and fats in terms of oil equivalent.

Table 4. Production of Fats and Oils

(Calendar year availability of 1,000 metric tons in oil equivalent)

	Average 1934-1938	*1947*	*1948*	*1949*
Ceylon	135	100	140	135
China (incl. Taiwan and Kwantung)	3,015	2,750	2,900	2,950
Manchuria	585	200	200	200
India	2,110	1,990	1,995	1,915
Indonesia	1,045	500	650	840
Japan	245	50	90	115
Malaya	160	140	145	160
Pakistan	205	160	175	175
Philippines	455	760	590	570
Other	420	390	410	440
TOTALS	8,375	7,040	7,295	7,500

Sugar

Production of sugar in the ECAFE region declined from approximately 7.2 million tons pre-war to 6 million tons in 1948/49 and to an estimated 5.8 million tons in 1949/50. The decline in regional production is explained by lower production in China (including Taiwan). Steady progress is noticeable in the pre-war exporting areas of Indonesia and the Philippines, even though output in Indonesia still remains far below pre-war levels. In India and Pakistan, which before the war produced about half of the region's sugar and now produce almost two thirds, 1949/50 production registered a slight decline because of the diversion of land to the cultivation of food-grains.

Lower production of sugar and increase in domestic consumption, in spite of controls to regulate consumption in certain countries, have resulted in substantially lower exports from the ECAFE region. It is doubtful whether exports during 1949/50 will reach 1 million tons as compared with the pre-war average of 2.8 million tons.

Fisheries

Very little information is available with regard to fisheries production in the region in 1949. Generally speaking, however, gradual post-war recovery continued, though civil disturbances hampered progress in some countries.

In Japan proper, 1949 output of fisheries products (excluding seaweeds and whales) amounted to 2.7 million metric tons compared with 2.3 million metric tons in 1948, the increase being chiefly due to a more favourable run of sardines in Japanese waters. A better supply of fishing gear also helped in the improvement. Production in Thailand is likewise reported to have increased. In the Philippines the fishing industry is being fast rehabilitated. India, Pakistan, Ceylon and Indonesia, with ancient fisheries employing millions of people, are undertaking plans to expand and modernize their fishing industries. In Indonesia considerable progress has also been made in exploring new fishing sites, but the shortage of fishing materials continues to be a limiting factor. In China many fishing activities were hampered or curtailed in 1949 because of the civil war.

Food Consumption and Nutrition

Increase in the regional production of major food crops and the improved availability of imports of cereals raised *per capita* food supplies available for consumption during 1948/49 by some 2.5 per cent. This was still 3 per cent below the pre-war supplies. Since population may be assumed to have increased by some 10 per cent since before the

war, *per capita* supplies may be estimated at only 88 per cent of pre-war levels. Table 5 shows the energy, protein and fat content of food supplies in major countries of the region for pre-war years, 1947/48, and 1948/49.

The average calorie intake in most of the countries is still below pre-war levels notwithstanding the fact that most of the post-war increase in production took place in the energy foods like cereals and oils. In

Table 5. Energy, Protein and Fat Content of Food Supplies

Country and Period	Calories (estimated)		Protein			Fat
	Daily supply per capita (Number)	Percentage from cereals and tubers (Per cent)	Daily supply per capita		Animal protein related to total protein (Per cent)	Daily supply per capita (Grammes)
			Total (Grammes)	Animal (Grammes)		
Burma						
1934-1938	2,080	68.1	72.2	32.7	45.3	31.9
1947/48	1,986	73.7	67.6	26.5	39.2	22.8
1948/49	1,877	71.6	65.2	26.4	40.5	24.0
Ceylon						
1934-1938	2,223	60.8	56.9	16.3	28.6	61.1
1947/48	1,977	54.3	55.9	14.7	26.3	61.8
1948/49	1,918	58.0	43.2	10.6	24.5	56.7
China (22 provinces)						
1931-1937	2,226	76.4	70.8	5.7	8.1	40.1
1947/48	2,115	77.0	65.7	4.5	6.8	38.3
India and Pakistan						
1934-1938	1,968	69.3	56.1	8.3	14.8	26.8
1947/48	1,685	65.3	47.7	7.6	15.9	27.0
1948/49 (India)	1,593	65.9	42.3	5.5	13.0	24.4
(Pakistan)	1,822		46.8	6.8	14.5	14.1[a]
Indochina						
1934-1938	1,896	76.6	48.4	12.1	25.0	23.0
1947/48	2,039	81.4	47.2	4.7	10.0	16.6
Japan[b]						
1934-1938	2,175	77.1	63.8	10.4	16.3	20.2
1947/48	1,670	83.2	50.1	7.8	15.6	12.5
1948/49	1,795	84.0	53.6	10.9	20.3	13.9
Java and Madura						
1934-1938	2,045	84.2	46.3	4.4	9.5	25.0
1947/48	1,840	77.2	44.4	3.2	7.2	21.6
Philippines						
1934-1938	1,908	67.2	53.1	19.6	36.9	33.6
1947/48	1,770	65.6	48.8	18.0	36.9	39.2
Thailand						
1934-1938	1,724	61.7	49.1	16.0	32.6	34.3
1947/48	2,110	71.1	54.4	14.1	25.9	35.2
1948/49	2,020	70.4	52.5	14.0	26.7	34.2

[a] Preliminary.
[b] It is believed that there is an appreciable underestimation of production.

Thailand and Pakistan, which have rice and wheat surpluses respectively, calorie intake is around pre-war levels, though even here improvement in domestic consumption has been achieved by limiting exports. Japan has raised its *per capita* consumption levels to some 92 per cent of pre-war. Substantial increase in the production of sweet and white potatoes has been the primary factor. Some scope for raising calorie supplies with the existing land and agricultural resources exists in deficit countries like Ceylon, India, Indonesia and Malaya.

Coarse grain consumption in the region is some 6 per cent below pre-war. The decline in rice consumption in some parts of the region has been offset by the imports of 6.5 million tons of wheat and cereals from the Western Hemisphere. Consumption of roots and tuber crops shows an appreciable increase in some countries. A desirable increase in vegetable supplies has been reported from a few countries, but available information on the production of vegetables and pulses is most inadequate. In the consumption of animal foods, including dairy products, there has been little recovery from the tremendous drop since the war. But the rehabilitation of fishing fleets is making rapid progress and fish consumption levels are approaching pre-war levels in some countries, notably Japan, the Philippines and Thailand. *Per capita* consumption of fats and oils is still low in Burma, Indonesia, Malaya, Japan and Pakistan, though in Thailand it has reached, and in the Philippines has exceeded, the pre-war levels.

Low levels of supplies have necessitated the continuance of food rationing, strict policies of internal collection, and large-scale government imports in the densely populated food deficit countries of the region. A few countries, during the year under review, have continued attempts to secure a more equitable distribution of the limited food supplies through special schemes of priority distribution of protective foods to specially vulnerable groups of their populations.

Besides the quantitative deficiency in food supplies general diets in the region continue to be defective in quality. Thus in most countries calories derived from cereals and tubers exceed two-thirds of the total. Average diets contain too little of the protective foods, such as vegetables, fruits and animal products. Protein intake is most inadequate, the deficiency in animal protein being particularly striking. With low calorie intakes and unbalanced diets, the region ranks nutritionally as one of the poorest in the world. The gradual improvement in agricultural production since the war has failed to keep pace with the increasing population and, in contrast with the situation in other regions of the world, the attainment of pre-war consumption levels remains a distant goal. Even more remote is any possibility of raising levels of nutrition above the pre-war mark. A few surveys carried out during 1949 have confirmed this, particularly for the poorer sections of the population.

Non-Food Agricultural Production

Fibres

Cotton. Table 6 shows raw cotton production in the Far East in 1948/49 and 1949/50 as compared to pre-war, when the Far East produced nearly 30 per cent of the world's raw cotton. Despite expanding internal consumption, India exported substantial quantities to Japan. In 1934-1938 the Far Eastern countries accounted for about one-third of world cotton consumption and depended on outside sources for approximately one-quarter of their total raw cotton requirements.

Table 6. Raw Cotton Production

(In thousands of metric tons)

	1934-1938	*1948/49*	*1949/50*[a]
China (incl. Manchuria)	680	460	369
India	1,038	421	520
Pakistan		195	217
Others	65	31	39
TOTALS	1,783	1,107	1,145

[a] Preliminary.

Since the war, production of cotton in the Far East has been slow to recover, mainly by reason of the continuing need for achieving maximum food production and the unsettled political conditions. The 1949/50 crop in China was estimated at 20 per cent below that of 1948/49. Crops in India and Pakistan may be appreciably larger than the poor yield of the 1948/49 season, but will still be about 30 per cent below pre-war. The reduction of cotton production in these two countries from 17 per cent of the world total before the war to only about 10 per cent in post-war years, represents a major shift in the sources of world cotton supply.

Jute. Table 7 shows jute production in India and Pakistan which together produce practically the entire world output.

Table 7. Jute Production

(Seasons beginning 1 July)

	Area (Thousands of hectares)			*Production (Thousands of metric tons)*		
	1934-1938	*1948*	*1949*[a]	*1934-1938*	*1948*	*1949*[b]
India	1,420	310	320	1,860	868	450
Pakistan		759	631		994	820

[a] Preliminary.
[b] Unofficial figures based on trade estimates as of December 1949.

Before the war jute production was ample to meet world demand. In recent years, because of the food shortage, jute lands have been diverted to rice with the result that output of jute has fallen far below the pre-war average. In 1948/49 and 1949/50 the deficit was further intensified by crop losses in Pakistan. Preliminary estimates for 1949/50 show that total world output will be some 70 per cent of the 1934-1938 average. Jute plantings in 1950 may be strongly influenced by the recent trade deadlock between India and Pakistan. While in India production might be expected to increase, in Pakistan the incentives to plant jute might be less.

Silk. Japanese production of raw silk in 1949, at a post-war peak of approximately 10,000 tons, was less than a quarter of the 1934-1938 average. Although silk no longer occupies the key position it once held in the Japanese economy, 40 per cent of the country's dollar exports and 15 per cent of its total exports in 1948 were accounted for by raw silk and silk fabrics. In the first ten months of 1949, raw silk shipments were much less than a year earlier, but exports of silk fabrics increased by more than 20 per cent. Substantial progress in silk production and trade is unlikely.

Rubber. Table 8 shows the production of natural rubber in 1948 and 1949 as compared to pre-war. Output in 1949 was less by 38,000 tons than in 1948, although it was still 546,000 tons greater than in 1938. Indonesian estate production has increased but small-holder's output in Indonesia and Malaya fell short of expectations. Production in Indochina continues below capacity.

Table 8. Production of Natural Rubber

(In thousands of metric tons)

	1938	*1948*	*1949*
Burma	7	9	8[a]
Ceylon	51	97	91
Indochina	61	45	42
Indonesia	322	439	438
Malaya	365	709	682
Sarawak[b]	29	63	61[a]
Thailand	43	98	97[a]
Other countries	13	15	17
TOTALS	891	1,475	1,437

[a] Estimate.
[b] Includes Brunei and British North Borneo.

Tea and Tobacco

Tea. Table 9 shows the pre- and post-war production of tea in the Far East. Production increased in 1949 by 7 per cent over 1948. The main increases of 13,000 tons each were in India and Indonesia, where output

increased by 5 and 100 per cent, respectively. However, in Indonesia, production still amounted to only one-third of the pre-war level. Japan also had a substantial increase over the previous year, but production is still two-thirds of pre-war. In other major producing countries — Ceylon and Pakistan — there was little change to report. The tea crop in Taiwan suffered from unfavourable weather, and blister blight had some adverse effect in Indonesia.

Table 9. Tea Production

(In thousands of metric tons)

	1934-1938	*1947*	*1948*	*1949*
Ceylon	103.9	134.6	135.6	136.0[a]
China				
22 Provinces[b]	41.0	11.7	. .	.
Taiwan	11.6	7.6[c]	9.6[c]	3.8[c]
India	167.6[d]	268.8	249.7[c]	263.0[c]
Indochina	10.9[e]	8.0	10.0	. .
Indonesia	74.8	1.2[f]	12.6	25.0[c]
Japan	49.3	24.9	26.0	34.0
Malaya	0.4	0.6	1.0	
Pakistan	25.6[d]	18.8	19.3	20.9[c]
TOTALS	485.1	476.2	470.0[g]	500.0[g]

[a] 1949 January - September: 224,459,500 lbs., estimated, October - December, 77 million lbs.
[b] Export.
[c] Estimate, based on International Tea Committee's monthly reports or latest U.S. consular reports where these are in accordance with the trend in Tea Committee summaries.
[d] 1936/37-1938/39.
[e] 1938.
[f] 1947, estates in Java only; from 1948, estates in Java, Sumatra and native Java.
[g] The totals do not add up as given because of allowance for output of countries for which returns are not available.

Tobacco. Indications are that the tobacco crop in 1949 was somewhat smaller than in 1948, mainly due to lower production in China. There has also been a continued decline in production in India, which is the second important tobacco-producing country in the region. South Korea had a record harvest in 1949, about 35 per cent above 1948. Production in Thailand was 15 per cent higher. Production in Indonesia is gradually recovering. In Japan the harvest was lower than in 1948, but was still 30 per cent above the pre-war average.

Forest Products

In forest resources and the production of forest products, countries of the region fall into four groups, each with its own peculiar conditions. In China, India, Pakistan, Ceylon, and Hong Kong, forest resources are extremely limited while populations are very large. Burma, Indochina

and Indonesia are relatively rich in forest resources, but political conditions since the war have hampered re-establishment of forest output. Malaya, North Borneo, Sarawak, New Guinea, the Philippines, and Thailand are also rich in forests, and here post-war recovery has been rapid. Japan is in a category by itself since it is the only country in the region which has both reasonably large forest resources and highly-developed and diversified wood-manufacturing industries.

Supplies of fuel-wood continued to be inadequate in India, China and Hong Kong. The timber position, too, continued to be unsatisfactory throughout most of the region. Production in China and India has been declining, while in Burma, Indochina and Indonesia it shows only small gains. Burma's production was 1.1 million cubic meters in 1948/49, which was slightly higher than the previous year but well below pre-war levels. The average pre-war output of teak in Burma (including logs from Thailand) was about 700,000 cubic metres in the round, and the export about 293,000 cubic meters in sawn form. But today the export is hardly a quarter of pre-war. Similarly, unsettled conditions in Indochina have disrupted the saw-mill industry, and departmental exploitation and saw-milling have been initiated through a special agency. Production in Indonesia for 1948/49 was about 1 million cubic metres, or half the pre-war level. In Ceylon, through the opening up of new areas by access roads, production has been increased almost to the pre-war level, being about 85,000 cubic metres in 1948/49. Production in Japan was about 20 million cubic metres of sawn logs in 1948/49, slightly lower than the previous year. Japan has a large sawing capacity and production of lumber was 9.8 million cubic metres, an increase of about 10 per cent over the previous year. Accessible forests were heavily depleted during the war. Japan depends on the imports of special tropical hard-wood for its ply-wood industry. Remarkable recovery has been made in repairing the war damage in Malaya, North Borneo, Sarawak, the Philippines and Thailand.

Before the war, Asia exported some 500,000 cubic metres of teak. Owing primarily to slow post-war rehabilitation, the present volume of this trade is about 70 per cent less. Some export trade is being developed in non-teak species of timber, principally *Dipterocarps*. Sandal-wood is also of some economic importance in world trade. In addition to timber, there is a large volume of trade in minor forest-products such as gums, resins, rattan and so forth. Exports from the British dependencies in the region increased during 1948/49 by 33,000 cubic metres to 246,000 cubic metres. A large increase is expected in future years when further development of unexploited forests is carried out. The Philippines are reported to have doubled their exports which went mainly to the United States during 1948/49. Thailand exported 37,000 cubic metres of non-teak species — notably *Dipterocarps* — in 1948/49 against 3,000 cubic metres in 1947/48.

Ply-wood is important in the region for making chests for tea exports and for other domestic uses. Though attempts are being made to expand local manufacture, progress has not been enough to obviate the need for large imports from Europe. Quick recovery has been made in Japan where the production in 1948 was 24.3 million square metres, which was higher than in 1947 but was only 31 per cent of the peak production in 1940. India expanded its ply-wood industry during the war, and a government inspectorate now controls quality. Two modern veneer mills have been put up and more are planned. The Ceylon Government mill has a capacity of 370,000 square metres, and a private mill is projected. Thailand has plans for establishing a mill in the near future.

Japan has occupied an important position in the manufacture of paper and rayon from wood-pulp. It formerly exported large quantities of rayon to other Asian countries. Output of wood-pulp increased in 1948/49 by 44 per cent over the previous year, reaching 410,000 metric tons. Plans call for increasing the total to 620,000 metric tons in 1950 and 650,000 metric tons in 1951. This is to be accomplished by a greater utilization of agricultural residues, such as straw, and increased production of pulp-wood. The latter course may be difficult to achieve as pulp-wood and other requirements in 1948/49 involved an overcutting of forests to the extent of two and one-half times the annual growth. India also is an important manufacturer of paper pulp, and since 1948/49 has produced about 110,000 tons of writing paper mainly from bamboo supplemented by grass, straw, waste rags and so on. No details are available of paper mills in South Korea, Indochina and the Philippines. All countries except Korea and Japan are dependent on imported news-print. India has plans to put up a mill using *Boswellia serrata* — a hard-wood — as the principal raw material with admixture of bamboo pulp.

Work Animals and Agricultural Requisites

Work Animals

Work animals provide the main source of farm power in the region, and the reduction in their number during the war has been an important factor in the slow progress in post-war recovery of agriculture.

The draft power position in the AFE region, according to a broad index recently prepared by FAO, is shown in table 10.

Table 10. Agricultural Draft Power[a]

(In millions of units)

Year[b]	*Tractors*	*Draft animals*[c]	*Total draft power*
1930	...	89.6	89.6
1939	...	98.1	98.1
1947	0.1	88.6	88.7
1949	0.1	90.0	90.1

[a] Draft cattle of working age have been taken at half of the total cattle numbers in India and at 60 per cent for other countries.
[b] Figures do not in all cases apply to the same dates.
[c] Draft power units are: tractor 6; horse and mule 1; buffalo 0.9; draft cattle 0.5.

The draft animal index in 1949 was still some 8 per cent below pre-war. Cattle in Ceylon, Japan and Pakistan and buffaloes in Indonesia, Malaya and Thailand have almost reached pre-war figures.

Agricultural Machinery

During 1948 many Governments of the region reported to the FAO/ECAFE Joint Working Party serious difficulties in obtaining tractors and associated imported equipment for carrying out agricultural development projects. The quantities stated by the Governments for meeting their immediate requirements were small — less than half of one per cent of the total world tractor production and 2½ per cent of the quantity of farm machinery entering world trade. One-third, however, of the tractors most urgently needed were crawler and heavy-wheeled types. Production of both types in 1946-1948 was inadequate to meet the accumulated world demand. The United States was virtually the sole supplier of heavy equipment at that time. Delays in delivery of from six to eighteen months had been reported in 1948. During 1949 a rapid change took place in the supply position. In both North America and Europe productive capacity had been greatly expanded. At the same time sales of tractors and farm machinery in the United States declined by over 10 per cent in value and rather more in volume as compared with 1948 domestic sales. Exchange difficulties further reduced the volume of orders from certain importing areas. As a result, prompt delivery became possible for most types of equipment. Some shortage of heavy tractors and associated implements, however, persisted during 1949 despite the entry into this field of a number of British and European producers.

Burma, Ceylon, India, Malaya and Pakistan, which require equipment of this type, are in the sterling area and as some of them have substantial sterling balances, their natural tendency has been to buy as much as possible from sterling sources. The devaluation of sterling in September

1949 did little more than reinforce this tendency. For materials not available from sterling or other soft currency sources most Governments of the region have set aside the necessary dollar exchange. A loan of US $10 million to India by the International Bank for Reconstruction and Development at the end of 1949 has facilitated the purchase in the United States of 375 heavy tractors and allied equipment for specific land reclamation and jungle-clearing projects.

Prospects for 1950 are that virtually all types of equipment will be readily available for delivery with no more than the normal commercial delay, provided that firm orders are placed and arrangements for payment concluded. Moreover, since some of the items are produced by manufacturers according to seasonal schedules, there may be some delay unless orders are placed well in advance.

Factory prices of equipment in the United States have advanced by about 70 percent above the pre-war levels. A somewhat larger advance in the price of farm machinery produced in the United Kingdom has been offset in relation to United States prices by the devaluation of the pound. As a result of wage increases and a rise in the costs of raw materials of a fairly rigid nature, no substantial immediate decline in farm machinery prices seems probable, though small downward adjustments may occur as competition for markets becomes keener.

Fertilizers[1]

In spite of some reduction in China, the total production of chemical fertilizers in the Far East in 1949 exceeded that in 1948. Imports were also higher, chiefly because of the need for increased food production. The total supply of commercial fertilizers was accordingly larger than in the previous year or pre-war.

Table 11 shows the production, imports and consumption of chemical nitrogen in the region for pre-war, 1948/49 and 1949/50 (estimated). In China, output of chemical nitrogen in 1949 is reported as having been about 15,000 tons of cyanamide at the Keelung plant in Taiwan. No information is available on the current production of the sulphate of ammonia plant at Nanking. The plant at Konan, North Korea, with a rated capacity of 104,000 tons of nitrogen, is producing at a rate of only 20,000 tons because of post-war dismantling.

The largest prospective increase in the output of chemical nitrogen will result from the Sindri plant in India, now in course of construction, with a capacity of 70,000 metric tons of nitrogen. It is expected to be in operation by early 1951. In Japan, by a better use of existing capacity,

[1] See also chapter II on Industry and Mining.

output of nitrogen is planned to increase from 265,320 metric tons in 1948/49 to 288,000 tons in 1949/50. In Taiwan, the carbide plant at Hsinchu is being converted into a cyanamide plant with an annual capacity of 36,000 tons. A new plant to produce 7,000 tons of ammonium sulphate is expected to come into operation late in 1950.

Table 11. Production, Import and Consumption of Chemical Nitrogenous Fertilizers

(In thousand metric tons of nitrogen content)

	Pre-war		*1948/49*		*1949/50*[a]	
	Thousand tons	*Per cent*	*Thousand tons*	*Per cent*	*Thousand tons*	*Per cent*
Seven ECAFE countries[b]						
Production	23.65	19.6	19.89	17.2	27.43	14.8
Import	96.95	80.4	95.80	82.8	157.75	85.2
Total supply	120.60	100.0	115.69	100.0	185.18	100.0
Japan, Ryukyus and South Korea						
Production	279.86	45.5	285.21	52.1	315.43	43.3
Import	238.59	48.2	166.60	38.6	254.90	47.0
Total supply	494.80	100.0	431.92	100.0	542.90	100.0
Total						
Production	279.86	45.5	285.21	52.1	315.43	43.3
Import	335.54	54.5	262.40	47.9	412.65	56.7
Total supply	615.40	100.0	547.61	100.0	728.08	100.0

[a] Preliminary.
[b] Burma, China (including Taiwan), India, Indonesia, Pakistan, the Philippines and Thailand.

Progress in the production of superphosphates has been less marked. The main difficulty has been to secure a satisfactory supply of phosphate rock and sulphuric acid. Compared with pre-war, phosphate production in Japan, the largest producer, was only 23 per cent in 1946/47 and 54 per cent in 1948/49. India has a capacity of 13,300 tons P_2O_5 annually, but estimated production in 1948/49 was only 5,400 tons. New production of superphosphate in the Philippines is as yet at an early stage. Production in 1949 in the Keelung and Kaoshiung plants in Taiwan was reported to be 31,830 tons superphosphate, 20 per cent P_2O_5.

Potash production is negligible in the Far East. Some 2,000 tons of K_2O is produced in Japan, chiefly from bittern and feldspar. The major

part of the potash supply in Japan is imported from Germany and other countries.

In the maintenance of soil fertility in the Far East, natural organic manures are far more important than inorganic fertilizers. The conservation of plant nutrients from natural organic manures is now being better organized in several countries. In India, potential supplies of animal manure have been estimated at 600 million tons per annum of which only about 40 per cent is made into manure in cattle sheds. It is planned to increase current utilization by 50 per cent by collecting the manure, urine mixed with soil, litter and vegetable refuse, which are largely wasted now, for improved storage in trenches. It is expected that the present nitrogen content of the manure, which on a wet basis is 0.4 per cent, will be doubled by this method. Improved in this way, 300 million tons of animal manure is expected to provide some 1.2 million tons of extra nitrogen, together with large quantities of phosphoric acid and potash. In another project in India an ultimate annual target of 11 million tons of compost from municipal waste has been fixed. The programme is 1 million tons in 1949/50, 3 million tons in 1950/51 and 11 million tons by 1954. It has been calculated that this compost applied to wheat areas within five miles of the source of production, will yield Rs. 25 on every Rs. 10 invested.

In Japan large supplies of plant nutrients are obtained from compost, green manure, night soil and other materials. In addition to nitrogen, these sources provided an estimated total of 200,000 tons of P_2O_5 and 410,000 tons K_2O in 1948/49. Ground bones are important sources of supply in Burma and Pakistan. Ground rock phosphate is used in Indonesia, Indochina and other areas.

Other Requisites

These include chemical pesticides, materials for the production of biological laboratory equipment, and drugs for the prevention and treatment of cattle diseases. The requirements of the countries in the region have been small, and, though no data are available, it is probable that with the improving world supply no difficult problems will arise in meeting them.

Factors Hindering Progress

Post-war rehabilitation of agriculture in Asia and the Far East has proceeded at a much slower rate than in other parts of the world. Political and economic instability in many countries has had a direct influence on the agricultural rehabilitation in an area where over 75 per cent of the population depends on agriculture for its livelihood. There

have also been the traditional and short-term factors hindering progress in agriculture. In the former category are: small and fragmented holdings; absentee landlordism and insecure tenancy conditions; absence of suitable rural credit, marketing and storage facilities; generally poor health and low levels of technical knowledge among the farming communities. Reforms which are being currently undertaken seek to eliminate or reduce these shortcomings in some of the countries, but progress in this respect must be admittedly slow.

Specific short-term factors in retarding recovery have been the following:

(1) In a number of countries farmers have been maintaining larger stocks of produce, particularly food grains, than would be justified but for the continuance of inflationary conditions. This has not only made the task of government procurement difficult in surplus areas, but has prevented to some extent the use of capital resources for improving land, farm equipment and agricultural methods.

(2) In certain areas, on the other hand, where political and economic conditions have been more settled in the last two years, there has been delay in devising measures for the mobilization of savings from increased agricultural incomes for use in productive resources.

(3) Even for the typical small-scale improvement schemes, which in practice are carried out by the owner of the land — possibly with government advice, grants or subsidies, and loans — there are often difficulties in obtaining the necessary materials such as coal, iron and cement at reasonable prices.

In the slow post-war progress of agriculture, particularly in respect of food production, the low rate of investment from outside the region can hardly be considered a major factor. With the sole exception of land reclamation projects in India—for which a loan from the International Bank for Reconstruction and Development has been negotiated—the short-term agricultural plans as reported by Governments envisage the import of only limited quantities of farm machinery, fertilizers and pesticides. Total planned expenditure on the implementation of agricultural plans in Asia and the Far East during 1949-1951 may be put at about 750 to 1,000 million dollars.[1] The value of equipment and materials required to be imported is not expected to exceed 250 million dollars at the most. In other words, the annual value of these imports represents less than 3 per cent of the value of the total import trade of the region in 1948. Such countries as Ceylon, Malaya, India, Pakistan and Thailand are now getting increased supplies of capital goods from

[1] See Chapter XVII on External Aid and Investment.

the United Kingdom. Under special trade and payments agreements, some materials are now also available in Japan. The balance that must be imported from hard-currency areas need not, therefore, present a serious obstacle to the implementation of these short-term programmes.

For longer-term development plans, however, international investments obviously have an important role. The rehabilitation of plantation agriculture, the setting up of semi-agricultural industries such as processing, preservation, refrigeration and cold storage, the implementation of national multi-purpose projects for power supply, irrigation and flood control, and the programme of industrial development to reduce the pressure of population on land, all offer important fields for productive investment.

CHAPTER II

Industry and Mining

There was a general improvement in industrial and mineral production in the AFE region in 1949 as compared to 1948. The improvement was, however, less marked in the ECAFE region than in Japan, a fact which can be seen from the higher percentage increase in the output of major industries in the AFE, as compared with the ECAFE, region (compare table 12-A with table 12-B). The lower contribution of the ECAFE countries is mainly accounted for by two factors. Firstly, production in China of almost all categories of goods suffered a decline. Secondly, output of the principal industrial product of the region, cotton textiles, in the major producing countries, China and India, did not share the general trend of improvement. On the other hand, production of electric power, steel and cement in ECAFE countries exceeded the pre-war level. Among the major industries in the AFE region, excluding China, increases over 1948 were substantial for iron ore, pig-iron and steel, sulphuric acid, and cement, but only moderate for tin concentrates, electric power and coal. As compared with pre-war, only electric-power output increased by 51 per cent, while production of tin concentrates was only 3 per cent short of the 1938 level. All other items were below the pre-war levels, ranging from 52 per cent for iron ore to 13 per cent for pig-iron (see tables 12-A and 12-B).

In the AFE region Japan is distinguished from other countries by its advanced industrial development. In certain parts of China and India, mining and industry have developed because of the presence of power facilities, labour force, modern transport and access to raw materials and markets. Petroleum in Indonesia, Burma and British Borneo and tin ore in Malaya and Indonesia are important in the export trade and contribute significantly to the national incomes of these countries. Other countries in the region such as Ceylon, Indochina, Pakistan, the Philippines and Thailand are predominantly agricultural, although small-scale and handicraft industries are developing.

In China the spread of civil war to the whole of the mainland in 1949 was primarily responsible for an over-all decline in industrial and mineral production. The Nationalist blockade since June caused great difficulties in obtaining raw materials and market outlets for Shanghai's industries, which, as a result, operated at about 40 per cent of capacity between June and December. Coal, produced primarily in Manchuria and North China, was the only major item to show an increase over 1948.

Table 12-A. Production of Major Industrial and Mineral Products in the ECAFE Region[a]

(In thousands of metric tons)

	1938	1948	1949	Relative change in 1949 1948=100	1938=100
Coal	70,294	46,488	50,396	108	72
Electricity (million KWH)	2,710	5,127	5,550	108	205
Tin concentrate	103	87	100	115	97
Iron ore	7,717	2,627	3,193	122	41
Pig-iron	1,572	1,440	1,572	109	100
Steel ingots and castings	984	1,272	1,380	108	140
Cement	1,952	1,866	2,615	140	134
Cotton yarn	985	988	817	83	83
Sulphuric acid	...	81	95	117	...

Sources: See tables 13 to 33 for this chapter.

[a] Countries included under each product in this table are as follows:
Coal: China, India, Indochina, Indonesia, South Korea, Malaya, Pakistan and the Philippines.
Electricity: India, Pakistan, the Philippines and Thailand.
Tin concentrate: Burma, China, Indonesia, Malaya and Thailand.
Iron ore: China, India, Malaya and the Philippines.
Pig iron: India.
Crude steel: India.
Cement: India, Indochina, the Philippines and Thailand.
Cotton yarn: China and India.
Sulphuric acid: India.

Table 12-B. Production of Major Industrial and Mineral Products in Asia and the Far East[a]

(In thousands of metric tons)

	1938	1948	1949	Relative change in 1949 1948=100	1938=100
Coal	112,097	80,213	88,369	110	79
Electricity (million KWH)	27,453	36,852	41,512	113	151
Tin concentrate	103	87	100	115	97
Iron ore	8,341	3,184	3,964	124	48
Pig-iron	3,644	2,280	3,180	139	87
Steel ingots and castings	6,207	2,988	4,488	150	72
Cement	7,531	3,708	5,891	159	78
Cotton yarn	1,640	1,113	974	88	59
Sulphuric acid	...	2,031	2,677	132	...

Sources: See tables 13 to 33 for this chapter.

[a] Countries included in this table are those listed in table 12-A plus Japan, except for tin concentrate, of which Japan's production is negligible.

In India the index of industrial production, as compiled by the *Eastern Economist,* showed a decrease from 114.6 in the first eleven months of 1948 to 111.7 in the corresponding period of 1949 (production, July 1938-August 1939 = 100). The decline in the index of production was mainly due to reduced production of jute and cotton textiles, which carried 57 per cent of the weight of this index. The combined index for cotton and jute textiles declined from 112 in 1948 to 101 in 1949, largely because the supply of raw material from Pakistan was interrupted towards the end of the year and even before that was inadequate on account of poor harvests in 1948/49. However, in all other branches of industry there were signs of progress. On account of better transport facilities, the coal supply improved greatly. The index of production reached 155 for fuel and power, 149 for paper, 137 for steel ingots, 122 for cement and 105 for sulphuric acid, as compared with the corresponding indices of 139, 141, 121, 98 and 93 in 1948. The value of machinery imports also rose to Rs. 809 million in 1948/49, as compared with Rs. 591 million in 1947/48.[1] The labour situation improved with a 20 per cent fall in the number of man-days lost on account of industrial disputes.

In Japan, industrial production increased steadily. The index of industrial activity (1932-1936=100) rose from 74 in 1948 to 94 in 1949. This rapid increase was attributed mainly to the favourable supply of fuel and power as well as of basic raw materials. Increased import of raw materials, together with a rise in the domestic output of iron ore and coking coal, combined to boost the output of iron and steel. This made it possible to increase the output of machinery, which in its turn brought about an expansion in transport and industrial capacity. There was also an expansion in the import of raw cotton, oil, rayon, pulp and basic chemical materials. As a consequence, output of the non-durable manufacturing industries such as textiles and chemicals also increased. However, the index of production for non-durable manufacturing industries rose to only 54 in 1949 as compared with 104 and 101, respectively, for mining and durable manufacturing industries.

[1] Total value of major items of machinery imported into India for 1947-1948 and 1948-1949 are in (millions of rupees):

	1947-1948	*1948-1949*
Total	591.4	808.7
Textile machinery	94.8	150.6
Electric machinery	77.8	127.5
Prime movers	54.6	87.7
Metal working machinery	36.8	40.4
Boilers	32.3	36.6

Source: Office of the Economic Adviser to the Government of India: *The Review of the Economic Conditions of India with special reference to Foreign Trade in 1947-1948;* and the same for 1948-1949.

Thailand had a prosperous year with increased production in almost every branch of industry and mining. In the Philippines, industrial development was below expectation, especially in mining. Rehabilitation was confined mainly to the building industry. In Burma and Indochina political unrest caused losses to national wealth and hampered economic recovery. In Malaya and Indonesia there were also civil disturbances but the production of major export minerals was not so seriously affected. In the Republic of Korea, although the index of economic activity rose from 124 in 1948 to 189 in 1949 (1947 = 100), the existing industrial establishments still operate at only 50 per cent of capacity, mainly due to shortage of coal and power, raw materials and technical know-how.

Fuel and Power

Coal

Coal production in eight ECAFE countries increased from 46 million tons in 1948 to 50 million tons in 1949, or by 8 per cent. With the inclusion of Japan, output rose from 80 million tons to 88 million tons, or by 10 per cent. As compared with pre-war, however, the coal output of the eight ECAFE countries in 1949 reached only 72 per cent and, with the addition of Japan, 79 per cent (see table 13).

Every coal-producing country registered gain in 1949 over 1948, China and India accounting for increases of 1.7 million tons each and Japan for 4.2 million tons. These three countries, with 97 per cent of the total AFE output, shared 94 per cent of the region's 1949 increase.

China. Coal output increased from 13.8 million tons in 1948 to 15.5 million tons in 1949, chiefly because of greater production from Manchurian mines, which contributed 8 million tons, or 52 per cent, of total Chinese coal output in 1949 as compared with 14 million tons, or 38 per cent, in 1937. In other parts of China, coal output declined owing to the spread of civil war, the shortage of transport, and increased labour disputes. Coal stocks piled up in mines, and there was a decline in current proceeds with which to pay wages. The People's Government in Peking helped to finance the mines by arranging to exchange food for coal, and the food so obtained was used to pay a part of the wages for the labourers. In addition, loans to finance operations were granted to the mines by the People's Bank.

India. The main factors limiting post-war coal production were transport bottlenecks and a decline in the output per worker. In 1949 there was an improvement in both, resulting in an increase of coal output from 30 million tons in 1948 to 32 million tons. In the early months of 1949 the transport situation remained tight, as the daily supply of wagons was reduced. With high production figures, heavy stocks accumulated at pitheads, rising from 2,298,000 tons at the end of the fourth

quarter of 1948 to 2,747,000 tons at the end of the first quarter of 1949. The Ministry of Railways and Transport announced its decision to accord adequate transport facilities to three industries of which one was coal. In terms of metre-gauge wagons, the number of wagons available was increased to 1.2 million for the half-year period beginning 1 April 1949, as compared with 1 million during the corresponding period of 1948. Thus July 1949 was the first month since the introduction of coal control in which coal deliveries exceeded allocations. While coal deliveries increased from 6,896,000 tons during the second quarter to 7,730,000 tons during the third, coal stocks declined from 2,516,000 tons to 1,580,000 tons (see table 14).

Table 13. Coal Production[1]

(In thousands of metric tons)

					Relative change in 1949	
	1938	*1947*	*1948*	*1949*	*1948=100*	*1938=100*
China	36,900[a,b]	19,500[a,c]	13,800[a,c]	15,500[d]	112	42
India	28,798[e]	30,556[e]	30,301	32,011	106	111
Indochina	2,335	248	339	376	111	16
Indonesia	1,457	299	538	647[f]	120	44
Korea, South	277[g]	556	800	1,023[f]	128	369
Malaya	486	230	381	393	103	81
Pakistan	[e]	66[e]	241	323[e,h]	134	..
Philippines	41	45	88[j]	123[i]	140	300
Total eight ECAFE countries	70,294	51,500	46,488	50,396	108	72
Japan	41,803[j]	27,237	33,725	37,973	113	91
Total nine AFE countries	112,097	78,737	80,213	88,369	110	79

Sources: Annual figures for 1938, 1947 and 1948 are from the United Nations, *Statistical Yearbook 1948*, and those for 1949 are from the United Nations, *Monthly Bulletin of Statistics*, April 1950, unless otherwise indicated.

[a] Replies to questionnaires, ECAFE Industrial Development Working Party.
[b] 1937 only, including Manchuria.
[c] Production from all enterprises under the National Resources Commission and private owners within Nationalist China.
[d] Estimated.
[e] Pakistan figure included under India up to July, 1947.
[f] Estimated from data of the first ten months.
[g] United Nations, *Monthly Bulletin of Statistics*, April 1950.
[h] Estimated from data of the first eleven months.
[i] Bureau of Mines, Government of the Philippines.
[j] 1936 figure.

[1] For import and export of coal, see chapter IX on International Trade.

Table 14. India: Coal Production, Deliveries and Stocks

(In thousands of metric tons)

	Production	*Deliveries*	*Stocks*[a]
1938	28,798[b]	...	...
1947	30,556[b]	26,287[c]	2,361
1948	30,301	26,278	2,298
1949	32,011	28,513	
1948			
1st quarter	8,164	6,604	2,915
2nd quarter	7,612	6,431	3,065
3rd quarter	7,161	6,445	2,718
4th quarter	7,364	6,798	2,298
1949			
1st quarter	8,212	6,678	2,747
2nd quarter	7,784	6,896	2,516
3rd quarter	7,850	7,730	1,580
4th quarter	8,165	7,209	

Sources: Production data from table 13; data on deliveries and stocks from *Monthly Abstract of Statistics*, January-February 1950, India.

[a] Stocks of coal at pitheads at the end of given year or quarter.
[b] Pakistan production included under India up to July 1947.
[c] Estimated from data of the first seven months.

On the whole the labour situation during 1949 remained satisfactory except for strikes of short duration in a few collieries. There was a consequent decline in the numbers of labour disputes, workers involved and man-days lost.The improvement was attributed mainly to the welfare measures taken to ameliorate the working conditions in the mines. With a reduction in the number of surplus labourers, the output per worker also showed an improvement. The number of workers employed daily in mines was reduced from 321,537 in 1947 to 308,263 in 1948, while there was an increase in monthly output per worker from 7.9 to 8.2 tons; this was, however, still considerably below the 1938 average of 11.8 tons.

On 21 April 1949 the prices of grade IIIA and grade IIIB coal were reduced respectively by Rs. 1/7 and Rs. 2/4 per ton on the grounds that the price fixed in 1947 left a high margin of profit to companies, and that withdrawal of surplus labour provided room for reduction of costs.

In general, the increase of coal production and shipments, and the reduction of coal prices in 1949, facilitated industrial activity in India. Further substantial increases in coal production and labour productivity, however, cannot be realized without replacement of worn-out equipment, resort to deeper-cut mining and rationalization of management.

Japan. Coal production increased from 33.7 million tons in 1948 to 38 million tons in 1949. This was an increase of almost 13 per cent, and brought output up to 91 per cent of the 1936 level. The year 1949 marked a great change in Japan's post-war coal situation. The appearance of an excess of supply over demand made possible the replacement of coal rationing with a free distribution system.

Since V-J day increased coal production had been regarded as a prerequisite of general industrial recovery, and coal-mines had been urged to increase output at almost any cost. Priority in the supply of materials and equipment was granted along with loans for rehabilitation. Coal prices, calculated through a system of pool accounting, were officially fixed at such levels as would cover costs in full for any colliery but would not raise costs for other industries. The mines were subsidized by the Government up to the extent of the deficits incurred. Coal distribution was controlled by the Coal Distribution Corporation, which granted priorities to transportation, electric power and other basic industries such as iron and steel and heavy chemicals. The number of coal-mines in operation increased from 392 in 1945 to over 600 by the middle of 1949. Undoubtedly these measures contributed to the continuous increase in Japan's post-war production of coal.

Japan's coal industry, as it now stands, is far from efficient. The monthly output of coal per worker was 6.1 tons in 1948 and 7.0 tons in the first quarter of 1949, as compared with the pre-war average of 17.6 tons. Delay in the revision of coal prices and the rapid rise in the cost of production under inflationary conditions caused heavy losses to the operators which at the end of June 1948 amounted to about Y. 20,000 million. This was in addition to a subsidy of Y. 28,000 million by the Government. In March 1949, coal-mines were advised to make themselves independent of government assistance and to become self-supporting through improved management and productivity, at the same time holding down the price of coal to the consumer in accordance with the Dodge Mission's policy of disinflation. Rationalization was introduced, with a reduction in the number of labourers employed. The ratio of underground workers to the total number of workers employed was increased. The productivity of labour showed a steady improvement throughout 1949, reaching 8 tons per worker per month in the fourth quarter of 1949 (see table 15).

Table 15. Japan: Coal Production, Deliveries and Stocks and Employment and Productivity per Wage-Earner

	Production	*Deliveries*	*Stocks*[a]	*Employment*[b]	*Monthly output per wage earner*
	(In thousands of metric tons)			*(Wage earners)*	*(Metric tons)*
1936	41,803	49,248	846	198,346[c]	17.6
1947	27,237	26,712	1,001	408,071	5.6
1948	33,725	35,244	1,768	464,315	6.1
1949	37,973	34,287[d]	3,179	427,942	7.4
1948					
1st quarter	8,480	8,740	1,001	461,551	6.1
2nd quarter	8,001	8,497	1,031	473,150	5.6
3rd quarter	8,121	8,544	1,144	466,161	5.8
4th quarter	9,123	9,458	1,277	456,399	6.7
1949					
1st quarter	9,547	9,604	1,768	456,057	7.0
2nd quarter	9,246	8,604	2,532	437,573	7.1
3rd quarter	9,568	6,756	5,186	419,547	7.6
4th quarter	9,612	9,323[e]	4,275	398,588	8.0

Sources: Annual production figures for 1936, 1947 and 1948 are from the United Nations, *Statistical Yearbook, 1948,* and quarterly figures from the United Nations, *Monthly Bulletin of Statistics,* April 1950. Data on deliveries, stockpile, employment and productivity are from SCAP, *Japanese Economic Statistics,* January 1950.

[a] Annual figures represent the stockpile of coal on 31 March of the year following; quarterly figures represent the stockpile of coal at the end of each quarter.
[b] Average employment per year or quarter.
[c] Employment on 30 June.
[d] The total of quarterly figures given below.
[e] Estimated from October and November figures.

Petroleum

The largest pre-war (1938) producer of crude petroleum was Indonesia, with an output of 7.4 million tons or three-fourths of the regional output; next in magnitude were Burma with 1 million tons and Brunei with 0.7 million tons. Data on 1949 output are not available. But estimating on the 4.1 million tons export of petroleum and its derivatives from Indonesia for the first nine months, the year's export of the country would have amounted to 5.4 million tons. This is 32 per cent higher than the 1948 output of 4.1 million tons.

In Burma the three principal oil-fields, located in the central part of the country, suffered severe damage during the war. Since the war, the oil companies spent £8 million on the rebuilding and the reconstruction of the oil-wells, importing personnel and equipment after guarantee by the British Government against future losses. A refinery was set up at Chauk, and 15,000 barrels of crude oil were processed in July 1949. Lack of equipment to generate power and the difficulty of completing reconstruction of a pipeline from the oil-fields to the refining centre in Syriam, which is under constant threat of gunfire,

prevented continuation of operations. In July 1949, Yenangyaung, one of the three principal oil-fields, was attacked and occupied by the insurgent forces. The British working staff withdrew, and consequently 2,000 workers were unemployed. The British Government withdrew its guarantee against future losses. The prospect of rehabilitation appears to be limited, and it seems unlikely that 1949 output of crude petroleum from Burma would have exceeded the 8,000 tons for 1948.

Production data from Brunei and Sarawak are not yet available. Export of crude petroleum from Sarawak in 1949 was 1.79 million tons and of refined petroleum, 1.52 million tons. Among the less-important producing countries, Japan produced 198,000 tons and Pakistan 90,120 tons in 1949.[1] In China, 29 new wells were opened in 1949 in the Kansu oil-fields which were taken over by the People's Army without damage. The output is unknown, however.

Japan and India are the two major refiners of crude petroleum in the region. In Japan, almost all kinds of petroleum products were refined, such as motor spirit, kerosene, gas, fuel, diesel and lubricating oils. The pre-war (1936) output of petroleum products was 283 million (imperial) gallons, but on account of the post-war close-down of the refining plants, the 1949 output was only 40 million gallons, or 14 per cent of pre-war. The reopening of Pacific coast refineries in Japan has been authorized by SCAP. Out of the nine refineries operated by seven companies, five are scheduled to reopen by January 1950, and two by July of the same year, with a total estimated capacity of 100,000 tons per month. If these refineries reopen on schedule, the refining of imported crude petroleum may enable Japan to regain self-sufficiency in all major oil products except heavy oil. Five of the seven companies have already concluded contracts with American concerns, and two with British, for investment or joint enterprise. In India, petroleum products refined were mainly motor spirit and kerosene. The output of motor spirit was 14.7 million gallons in 1948 (1949 data not available) compared with 18.7 million in 1938, and of kerosene, 11.3 million gallons in 1949 compared with the 1938 total of 38.2 million. The increased production of power alcohol from 2,034,000 gallons in 1948 to 3,676,000 gallons in 1949, however, helped to make up for some of the decline in motor-spirit production.

Electric Power

The major part of the post-war output of power in the AFE region came from Japan, India and China in that order. In 1949 output increased in all countries except China, where it declined owing to the civil war (see table 16).

[1] For export and import of petroleum and petroleum products of ECAFE countries, see chapter IX on International Trade.

Table 16. Electric Power Production[a]

(In millions of kilowatt-hours)

	1938	1947	1948	1949	Relative change in 1949 1948=100	1938=100
Ceylon	...	...	...	59[b]	...	...
China[c]	3,130[d]	3,120	2,860	...	...	...
Hong Kong	...	104	150	217	145	...
India	2,530[c,e]	4,164[e]	4,584	4,920	107	194
Korea, South	...	277	479	652[f]	136	...
Pakistan	[e]	52[e]	131	154[g]	118	...
Philippines[h]	145	258[c]	364	423[i]	116	292
Thailand	35[j]	40[j]	48[k]	53[k,l]	110	151
Total six ECAFE countries[m]	...	4,895	5,756	6,419	112	...
Japan	24,743[n,o]	29,407[o]	31,725[o]	35,962	113	145
Total seven AFE countries[m]	...	34,302	37,481	42,381	113	...

Sources: United Nations, *Monthly Bulletin of Statistics*, April 1950, unless otherwise indicated.

[a] Electric power generated by public utilities only.
[b] Data supplied by the Government of Ceylon.
[c] Replies to questionnaires, ECAFE Industrial Development Working Party.
[d] 1937.
[e] Pakistan figure included under India up to July 1947.
[f] Estimated from data of the first ten months.
[g] Estimated from data of the first seven months.
[h] Manila only.
[i] Estimated from first ten-months' and December data.
[j] 12 months beginning 1 April of the year stated.
[k] Bangkok only, approximately 93 per cent of total generation.
[l] Estimated from data of the first nine months.
[m] Ceylon and China are not included.
[n] 1936.
[o] United Nations, *Statistical Yearbook, 1948*.

The power output of six ECAFE countries (excluding Ceylon and China) increased from 5,756 million to 6,419 million kwh. during 1948/49, or by 12 per cent, while that of Japan increased from 37,481 million to 42,381 million kwh., or by 13 per cent. Of five countries in the AFE region (India, Pakistan, the Philippines, Thailand and Japan), the 1949 power output represented an increase of 51 per cent over pre-war.

India. The doubling of power output for India, from 2,530 million kwh. in 1938 to 4,920 million kwh. in 1949, represented a striking advance.

Japan. The 1949 output was also a record one, exceeding pre-war (1936) output by 45 per cent. This was due to the increased supply of coal, the unusually warm winter which made available a larger water

supply to the hydro-electric plants, and the installation of new power generation and transmission plants, for iron and steel and fertilizer plants, to work midnight shifts and to use power in excess of allotment. On account of the increase in power consumption for heating purposes, however, the country is still looking forward to an expansion in power supply.

Philippines. Power output in 1949 rose to almost three times the pre-war total, as a result of post-war rehabilitation and expansion, which involved a total outlay of P. 36.2 million. The Manila Electricity Company in 1949 alone incurred a construction expenditure of P. 16 million. By 1950 another P. 10 million will be spent, thus completing substantially the P. 50-million programme of post-war power rehabilitation and expansion.

Pakistan. Power production, despite an increase from 131 million to 154 million kwh. during 1948-1949, is still inadequate. In East Pakistan only eighteen out of the fifty-eight towns with a population of over 5,000 enjoy power supplies. Most of the power plants are of relatively small size varying from 200 to 500 kwh. capacity and use Diesel engines.

Malaya. The generation and distribution of electricity is carried out by the newly formed Central Electricity Board and various private and municipal undertakings. The six most important stations had a total capacity of 101,800 kw. in 1949 compared with 121,300 kw. pre-war. In addition, there were fifty smaller power stations throughout the country equipped with oil engine-driven generating plants varying in capacity from 22 to 1,500 kw. Over 50 per cent of the generating plants in use throughout the country were over 24 years old and by modern standards were inefficient and should have been replaced. As a result of war damage and arrested development during the last ten years, the Federation now faces a grave shortage of electric power. It is estimated that when all available generating plants have been rehabilitated by the end of 1949, they will be capable of supplying approximately 80 per cent of the power generated in 1941. In the past four years many industries, such as tin mines and rubber factories, had to restrict their production on account of power shortage, which is also impeding industrial development. Owing to the relatively high wage levels in Malaya, there is now a marked tendency towards an increasing use of machinery in all industries. A conservative survey indicates that there is at present a shortage of 120,000 kw. of power capacity.

China. Apart from Manchuria, where settled conditions were restored early in the year, China generally faced shortages of coal and power. In Shanghai, power supply was severely curtailed after occupation by the People's Liberation Army in late May and, as a result of the blockade subsequently imposed by the Nationalist Government. Cotton mills and other factories had to operate part time and curtail production.

In North China, the explosion in September of one of the main generators in the Shihchinshan power plant near Peking adversely affected an already reduced power supply.

Hong Kong. Power supply in 1949 was increased by 45 per cent over 1948 to meet a considerable growth in demand arising from the rapid development of both residential and industrial properties. This progress was brought about through the installation of one 15,000-kw. turbo-alternator at the North Point Generation Station and the conversion of a major part of the boiler plant to oil burning. As a result, more lighting facilities were provided for the town. It is planned to install another turbo-alternator of 15,000-kw. capacity and a high terrain feeder to meet the peak-load demand.

Metal Mining

Iron Ore

The principal pre-war producing countries of iron ore in the region were China, India, Malaya, the Philippines and Japan. Their total output reached about 8 million tons, mostly consumed by Japan's iron and steel industry. In post-war years the regional output barely reached

Table 17. Iron Ore Production

(In thousands of metric tons)

					Relative change in 1949	
	1938	*1947*	*1948*	*1949*	*1948=100*	*1938=100*
China	3,360[a]	150	158	364[b]	230	11
India	1,788[c]	2,450	2,450	2,450[d]	100	137
Malaya	1,642[e]	1.7	0.7	8.5	1,200	...
Philippines	927	...	18	370[f]	2,056	40
Total four ECAFE countries	7,717	2,601.7	2,626.7	3,192.5	122	41
Japan	624[a]	496	557	771	138	124
Total five AFE countries	8,341	3,097.7	3,183.7	3,963.5	124	48

Sources: For China and India, data are from replies to questionnaires, ECAFE Industrial Development Working Party; for Malaya, from *Monthly Economic Bulletin,* January 1950, Singapore; for the Philippines from the *Statistical Bulletin,* December 1949, the Central Bank of the Philippines and for Japan from SCAP, *Japanese Economic Statistics,* January 1950, unless otherwise indicated.

[a] 1936.

[b] Represents Japan's iron ore import from China. China's total output in 1949 was however higher.

[c] United Nations, *Statistical Yearbook, 1948.*

[d] In the absence of new estimates, output is assumed to be the same as 1948.

[e] ECAFE document E/CN.11/I&T/16, 25 March 1950.

[f] Bureau of Mines, Government of the Philippines.

50 per cent of pre-war, owing to sharp declines in China, Malaya and the Philippines which were only partly offset by increased production in India. In 1949 there was a distinct improvement in China, Malaya, the Philippines and Japan, as output in the five AFE countries shown in table 17, according to incomplete figures, appears to have risen by over 24 per cent as compared with 1948.

China. The post-war iron ore output was a mere fraction of pre-war. In 1949 production from Hainan Island, a newly developed source then untouched by the civil war, helped to boost total output to over one-tenth of the 1936 level.

Malaya. The pre-war production of over 1.6 million tons virtually disappeared since the war. The 8,500 tons output of 1949 was mainly produced for "jig ragging" in tin ore dressing. Other mines ceased operation because of uncertain trade with Japan and lack of demand elsewhere.

Philippines. Iron ore output rose significantly from 18,000 tons in 1948 to 370,000 tons in 1949, the latter being 39 per cent of the pre-war (1938) total. This improvement was attributed to the revival of trade with Japan. Almost all the iron ore produced was contracted for delivery to that country.

Japan. Iron ore output in 1949 rose to 771,000 tons, about 40 per cent more than 1948, and exceeded for the first time the pre-war (1936) total of 624,000 tons. In 1949 domestic output accounted for 35 per cent of Japan's total supply. This compared with 15 per cent pre-war (1935-1939), when total Japanese consumption was considerably greater, 7 per cent being supplied from sources outside the region and 78 per cent from other producing countries in the region — 37 per cent from Malaya, 18 per cent from China, 13 per cent from the Philippines, 7 per cent from Korea and 3 per cent from India.

Tin Concentrate

Production

Output of tin concentrate in the ECAFE region increased by 15 per cent in 1949 over the previous year, and nearly regained its pre-war level. The region's output in 1949 was 99,710 tons or 61 per cent of the world total, as compared with 102,590 tons or 63 per cent of the world total in 1938.

The five major producers of tin concentrate in the region are Malaya, Indonesia, Thailand, China and Burma. Malaya and Indonesia accounted for 85 per cent of the region's 1949 output, as compared with 71 per cent in 1938 (see table 18).

Table 18. Tin Concentrate Production

(In thousands of metric tons)

	1938	1947	1948	1949	Relative change in 1949 1948=100	1938=100
Burma	5.03	1.82	1.17	1.94[a]	166	39
China	10.84[b]	4.06[a]	4.88[a]	4.27[a]	87	37
Indonesia	27.74	16.17	31.05	29.43	95	106
Malaya	44.07	27.46	45.53	55.79	123	127
Thailand	14.94	1.42	4.31	8.28	192	55
Total five ECAFE countries	102.59	50.93	86.94	99.71	115	97
World total	162.57	115.83	155.96	163.99	105	101
ECAFE total as percentage of world total	63	44	56	61		

Source: International Tin Study Group, *Statistical Bulletin*, February 1950.

[a] Estimated.
[b] 1936.

Malaya. The number of operating mines increased from 633 at the end of 1948 to 686 at the end of 1949. Financial assistance by the various loan boards continued as in 1948 and the supply position of engineering materials, coal and electric power improved. More mechanical power per worker was used, the average rising from 4.25 hp. in March 1948 to 5.30 in September 1949 for all mine workers, of whom 92 per cent were tin-mine workers. As a result, efficiency improved and output frose from 45,530 to 55,800 tons during 1948/49, or by 23 per cent.

Indonesia. At least eight big modern bucket dredges were put into service after the war — two being built in the United States and six in the Netherlands — increasing considerably the producing capacity of the industry. These dredges dig up the soil from a depth of 100 feet and wash the sand off the riffles. New hydraulic monitors were employed in open-cast mines, and various kinds of pumps and jigs were added to the equipment. The supply of electric power, too, has increased. The slight recession in output of tin concentrate from 31,050 to 29,430 tons during 1948/49 was accounted for by civil disturbances.

Thailand. Tin concentrate output in 1949 increased by 92 per cent, from 4,310 tons in 1948 to 8,280 tons, but was still only 55 per cent of pre-war. Considerable progress was recorded in the rehabilitation of foreign-owned dredges. These dredges, with the help of imported machines and tools, accounted for over one-half of the country's total output.

Burma. Although tin concentrate output in 1949 rose by 66 per cent to 1,940 tons, it was still only 39 per cent of pre-war. Civil war in the central part of the country hampered further improvement.

China. Output of tin concentrate in 1949, estimated at 4,270 tons, was 13 per cent below 1948, and only 37 per cent of pre-war; Yunnan, the major producing area, was under constant threat of civil war.

Consumption

Looking at the region as a whole, it is seen that, during the early post-war years, supplies of tin concentrate failed to meet the requirements of the tin industry. Other factors preventing a rapid expansion of the industry were lack of equipment, insufficient stocks of coal and steel, and labour disputes in the tin-plate industry. Since mid-1948, although the output of tin increased steadily, consumption began to decline, as shown by the statistics given below.

World Consumption of Tin

(In thousands of metric tons)

1946, half year average	55.37	1948, first half year	72.44
		second half year	70.21
1947, half year average	68.53	1949, first half year	60.76
		second half year	59.44

Source: International Tin Study Group, *Statistical Bulletin,* February 1950.

This decline in world consumption of tin arises from extension of the electrolytic process of tin-plating in the United States, the United Kingdom and Canada. The new process makes it possible to deposit a coating of tin at the rate of one-half pound or less per base box of tin-plates, as against one and one-half pounds under the old process. It may be noted that the tin-plating industry, the largest single tin-consuming industry, usually absorbs one-third of the world's tin production.

The extent to which the electrolytic process is applied in total tin-plate production has increased from 33 per cent in 1946 to about 53 per cent in the first half of 1949. Although in 1948 tin output was one-sixth higher than in 1941, consumption was 14,000 tons less than in 1941. But for the strategic stockpiling by the United States, the demand and price for tin would have dropped. Such stockpiling, however, cannot continue forever, and only delays a crisis of over-production if producing countries fail to take adequate steps to adjust their output to changing conditions of world demand.

Other Minerals

With China in the midst of civil war, there was a continued decline in the region's output of the important non-ferrous alloys, tungsten and antimony. Burma's tungsten output, 703 tons in 1949, was substantially below the pre-war total (4,074 tons in 1938), but exceeded Thailand's output of 660 tons in 1949 and 456 tons in 1948. Malaya, with an output of 629 tons in 1938, produced only 31 tons in 1949 and 47 tons in 1948. South Korea, on the other hand, with a pre-war (1936) output of 1,110 tons, produced 1,313 tons in 1949.

Japan, the region's largest producer of copper ore and aluminium, produced in 1949 a total of 96,480 tons of copper, representing a 24 per cent increase over the pre-war (1936) total of 77,976 tons. Its aluminium output in 1949, 21,222 tons, was three times the 1948 total of 6,965 tons.

Burma's zinc and lead output, the largest in the region in pre-war years, was insignificant in 1949. Lead-smelting operations were suspended as a result of non-arrival of blast-furnace coke, due to immobilization of through traffic between Mandalay and Rangoon by insurgent activity. Japan's zinc output, 21,180 metric tons in 1948 and 32,315 tons in 1949, is rapidly approaching the pre-war (1936) total of 37,900 tons.

In 1949 Japan produced 3,995 kilogrammes of refined gold, as compared with 3,036 kilogrammes in 1948, but this was barely 20 per cent of the pre-war total. Gold output in the Philippines in 1949 was 8,160 kilogrammes or 35 per cent of pre-war, as compared with 5,931 kilogrammes in 1948. One reason for the relatively low production level is that while the costs of production have risen three times, the price of gold, as internationally determined, remained fixed at $35 per ounce.[1] Costs can only be reduced by resort to modern machinery and improved technique which might raise the rate of gold recovery from the ore.

Durable Manufacturing Industries

Iron and Steel

Japan, India and China are the major producers of iron and steel in the region; among them, Japan is the most important and advanced, although much of the expansion of its industry was war-induced and not economical.

[1] While the official gold price is $35 per ounce, there is a premium in all "free" gold markets.

Table 19. China, India and Japan: Iron and Steel Production

(In thousands of metric tons)

	1938	1947	1948	1949	Relative change in 1949 1948=100	Relative change in 1949 1938=100
Pig iron and ferro-alloys:						
China	1,535[a,b]	6[b]	11[b]	94[c]	...	. .
India	1,572	1,356	1,440	1,572	109	100
Japan	2,072[d]	372	840	1,608	191	78
Steel ingots and castings:						
China	810[a,b]	57[b]	44[b]	83[c]	...	...
India	984	1,224	1,272	1,380	108	140
Japan	5,223[e]	936	1,716	3,108	181	60
Finished steel:						
China		34[b,f]	...	89[c]	...	...
India	856[g]	990	968	1,041	108	122
Japan	4,548[h]	652	1,262	2,220	176	49

Sources: For pig iron and ferro-alloys and steel ingots and castings, data are from the United Nations, *Monthly Bulletin of Statistics,* April 1950, unless otherwise indicated. For finished steel, data are from Government of India, *Monthly Abstract of Statistics,* January-February 1950, and SCAP, *Japanese Economic Statistics,* January 1950.

a Pre-war average of 1935-1939.
b Data from replies to questionnaires, ECAFE Industrial Development Working Party.
c Manchuria only. Data quoted from *Ta-Kung-Pao,* Hong Kong, 7 January 1950.
d 1936. United Nations, *Statistical Yearbook, 1948.*
e 1936. United Nations, *Statistical Yearbook, 1948.* Figures refer to crude steel.
f Production under the control of the National Resources Commission.
g 1939.
h 1936.

In 1949 production of iron and steel increased in these three countries, most notably in Japan. In India the increase over 1948 was 9 per cent for pig-iron and ferro-alloys, 8 per cent for steel ingots and castings, and 8 per cent for finished steel. The corresponding percentage increases for Japan were much higher, being respectively 91, 81, and 76. However, while India's output in 1949 exceeded the pre-war levels by 40 per cent for steel ingots and castings, and 22 per cent for finished steel, Japan's output of all varieties of iron and steel was considerably less than pre-war. China's output in 1949 was still a fraction of pre-war, although the restoration of peace in Manchuria allowed increases over 1948.

Japan. Production of steel ingots and castings reached 5,223,000 tons in 1936, but in 1947 was only 936,000 tons, or 18 per cent of the pre-war figure. Since then there has been a steady increase to 1,716,000

tons in 1948 and 3,108,000 tons in 1949. The last figure is less than three-fifths of the 1936 total, but is more than double the output of India.

Similarly, Japan's output of pig-iron and ferro-alloys reached 2,072,000 tons in 1936, but in 1947 dropped to 372,000 tons or 18 per cent of the pre-war figure. It then rose to 840,000 tons in 1948 and 1,608,000 tons in 1949, thus reaching 78 per cent of 1936 output; this was a little more than the output of India.

Japan, in its rapid post-war recovery of iron and steel production, has had to face the problem of securing supplies of coking coal, iron ore and even pig-iron. As pointed out earlier, during the pre-war period 1935-1939, the country had to import 85 per cent of its iron ore and 35 per cent of its coking coal, mainly from other countries in the Far East. During the same period, Japan had to import 30 per cent of its pig-iron supply from India, China and other countries.

Since the war, with the sources of import for these materials cut off or considerably reduced, the country has depended on increased home production of iron ore and on the import of coking coal from the United States. At the same time, it has curtailed home production of both pig-iron and steel (see table 20).

Table 20. Japan: Production, Import, Export and Net Supply of Iron Ore, Pig-Iron and Crude Steel

(In thousands of metric tons)

	Production	*Import*	*Export*	*Net Supply*
		Iron Ore[a]		
1936	624	4,023	0	4,647
1947	496	0	0	496
1948	557	531	0	1,087
1949	771[b]	1,560[b]	0	2,331[b]
		Pig-Iron		
1936	2,008	1,094	1	3,101
1947	355	8	0	363
1948	807	11	0	818
1949	1,549	138[b]	0	1,687[b]
		Crude Steel		
1936	5,223	242	14	5,451
1947	941	0	0	941
1948	1,714	0	0	1,714
1949	3,111	0	0	3,111

Source: SCAP, *Japanese Economic Statistics*, January 1950.

[a] Production of iron ore, not converted into iron concentrate of the ore mined.
[b] Provisional.

As shown in table 20, Japan during 1949 imported 1,560,000 tons of iron ore and 138,000 tons of pig-iron, 39 per cent and 12 per cent, respectively, of its pre-war (1936) import. These imports, however, represented a three-fold increase over 1948 for iron ore, and a twelve-fold increase for pig-iron. On 1 July 1949 a six-months' stock of imported coking coal was on hand. This enabled steel production to expand to 3,111,000 tons in 1949, compared with 1,714,000 tons in 1948.

India. The year 1949 saw an increase over 1948 of 9 per cent in the production of pig-iron and ferro-alloys, 8 per cent in that of steel ingots and castings and 8 per cent in that of finished steel. This improvement was made possible by improved coal supplies and greater railway transport facilities. Further expansion is difficult on account of limitations of existing capacity. Industrial demand for steel is increasing, and has to be satisfied in part by imports from hard-currency countries. Shortage of capital handicaps expansion of private investment in the industry, and may prevent early materialization of private plans, calling for a capital investment of Rs. 400 million, to increase steel production capacity by another 500,000 tons. The productivity of labour is low. In a recent speech, the chairman of the Tata Iron and Steel Company stated that labour productivity in the steel industry had dropped from 24.4 tons per worker in 1939/40 to 16.3 tons in 1948/49. To expedite industrial development, the Government of India proposes to erect two plants with an aggregate capacity of one million tons of steel, at a capital cost of Rs. 500 to 600 million each. Financial stringency may, however, impede implementation of this plan.

China. The years of both the Japanese and civil wars have caused a considerable reduction in iron and steel output. Post-war production, although it has increased in recent months, is only a small fraction of pre-war. The output of iron and steel is estimated to have increased during 1948/49 from 11,000 to 94,000 tons for pig-iron and ferro-alloys; from 44,000 to 83,000 tons for steel ingots and castings; and from 34,000 (1947) to 89,000 tons for finished steel. During 1949 the rehabilitation of the industry in Manchuria progressed steadily, particularly during the second half of the year. In North China the repair work on the severely damaged plants was started only in September. Limited production started before the year.

Machinery

Data on machinery production are available for the two major producing countries in the region, Japan and India.

Japan. As compared with 1936, the index of production for all machinery declined by 21.4 per cent. Output of transport equipment was still below the level of 1936 by 36.8 per cent, and that of other machinery by 10.3 per cent.

The output of transport equipment in 1949, as compared with 1936, increased by 86 per cent for motor vehicles and 35 per cent for industrial freight cars. Other items, however, showed decreases — 69 per cent below the 1936 level for railway locomotives, 46 per cent for steel vessels and 33 per cent for railway freight cars.

Except for pumps, machine tools and construction machinery, whose output decreased respectively by 1, 17, and 41 per cent, the output for other items of machinery rose in 1949 as compared with 1948. These included cotton spindles and looms, mining and excavating machinery, iron and steel works and coke-oven plant equipment, chemical machinery, food products machinery, internal combustion engines and power transmission equipment (see table 21).

The increase in Japan's machinery production, shared by other heavy industries like iron and steel, is in distinct contrast to the drastic decline in Japan's textile production. This would appear to be a structural change in Japan's industry as a whole, which is already affecting its pattern of trade with countries in the ECAFE region.

The drastic curtailment of the 1949/50 budget and consequent decline in government orders brought about a fall in the production of communications equipment, particularly telephones and telegraph equipment, to below the 1948 level. All companies had to reduce the number of employees and to take various measures of rationalization. For heavy electrical machinery, such as generators and motors and transformers, the effect of budget retrenchment was less, but the difficulty of proceeding with the power-development programme on schedule caused factory inventories to accumulate. As the programme will be financed by the U. S. Aid Counterpart Fund in 1950, export contracts have been signed with India, Pakistan, Brazil and Argentina, and inquiries from other countries for such equipment have increased, and the prospects for the industry seem to be good.

India. The machinery industry is much less developed in India than in Japan. The rate of production for such items as machine tools, bicycles, electric fans, light tension insulators and motor-car batteries slowed down in 1949 as compared with 1948. The bicycle industry has received assistance from the Government in the form of priority in the supply of steel and a protective duty on imports. Because of the keen competition from imports, the duty was raised in 1949 from 24 to 60 per cent for United Kingdom imports and from 36 to 72 per cent for those from elsewhere. Many other industries, such as sewing machines, machine tools and so forth, have also received government assistance. Many automobile accessories, not shown in the table, such as tyres and inner-tubes, fan belts, springs and radiators, have also been manufactured in India. It is expected that locomotives will be produced towards the end of 1951 and complete automobiles within six years.

Table 21. Japan: Output of Selected Machinery Products

	1936	1947	1948	1949	Relative change in 1949 1948=100	1936=100
Transport equipment (units):						
Railway locomotives	348[a]	168	36	108	300	31
Industrial locomotives	444[b]	480	504	432[c]	86	97
Railway freight cars	5,724[a]	1,788	4,404	3,864	88	67
Industrial freight cars	7,104	8,376	19,344	9,624[c]	50	135
Motor vehicles	35,844[a,d]	22,200	47,004	66,576[e]	142	186
Steel vessels (gross tons)	294,000[f]	93,000	173,000	158,389	92	54
Diesel engines and other internal combustion engines (units)	..	34,728	75,984	102,936[c]	135	...
Machine tools (units)	10,056[a]	5,736	8,052	6,720[c]	83	67
Industrial machinery metric tons:						
Cotton spinning frames (units)	.		...	1,836	...	...
Cotton textile looms (units)	.	11,880	36,840	40,680	110	...
Power transmission equipment	.	3,108	7,320	13,908[c]	190	...
Pumps		14,508	14,772	14,616[c]	99	...
Mining and excavating machinery	...	12,696	26,220	30,900[c]	118	...
Construction machinery	...	6,864	10,992	6,456[c]	59	...
Iron and steel works and coke-oven plant equipment	. .	23,244	37,284	60,372[c]	162	...
Chemical industry machinery and equipment	...	32,268	26,664	42,144[c]	158	...
Food products machinery	...	7,056	5,712	11,808[c]	207	...
Overall index (base: 1932-1936=100)						
All machinery	146.4	64.8	98.2	115.1[c]	117.2	78.6
Transport equipment	152.0	47.7	96.2	96.1[c]	99.8	63.2
Other machinery	143.1	76.7	99.8	128.4[c]	128.7	89.7

Source: SCAP, *Japanese Economic Statistics,* January 1950.

[a] Year ending 31 March.
[b] 1937.
[c] Provisional.
[d] 1938.
[e] Estimated from data for the last eight months.
[f] United Nations, *Statistical Yearbook, 1948.*

Table 22. India: Production of Selected Machinery Products

Item	*Unit*	*1948*	*1949*[a]	*Relative change in 1949 (1948=100)*
Machinery products:				
Diesel engines	unit	1,025	2,058	201
Electric motors	thousand hp.	60.0	67.5	113
Machine tools	value in thousand Rs.	5,473	5,004	91
Sewing machines	thousand	20	24.4	122
Bicycles	thousand	64.7	60.9	94
Electric appliances:				
Electric transformers	thousand kva.	82	106	129
Insulators L.T.	thousand	2,503	1,739	69
Insulators H.T.	thousand	90	135	150
Electric lamps	thousand	9,246	13,797	149
Electric fans	thousand	180	151	84
Motor car batteries	thousand	110	95[b]	86

Source: Department of Industry and Supply, India: *Industry and Supply Bulletin,* July-September and October-November 1949.

[a] Fourth quarter figures are estimated.
[b] Estimated from data for the first nine months.

Cement

Production of cement in 1949 increased substantially in seven AFE countries in response mainly to the improvement in the supply of coal and the high demand for housing construction for industrial and residential purposes. In India, the Philippines and Thailand, output of cement in 1949 already exceeded the pre-war level. In Japan and Indochina, however, production was only 59 per cent and 56 per cent, respectively, of pre-war.

India. The increased output of cement was mainly due to expansion of capacity to meet the rising demand. Owing to large turnover and low freight charges, cement companies were able to make considerable profits at a low selling price, in spite of greater increases in raw materials prices, wages and salaries. This does not mean that the industry has operated at optimum level of efficiency. Many cement factories are located at some distance from coal areas and in proximity to limestone. If freight charges on coal had increased as much as raw-material costs, the burden on the industry would have been considerable.

Japan. Output of cement in 1949 increased over 1948 by 78 per cent, owing to the favourable supply of coal, and the introduction, since the war, of improved and expanded manufacturing facilities. On account of the general deflationary tendency and unfavourable overseas markets, the percentage of deliveries to production dropped from 99 in the first

quarter of the year to 93 in the third quarter. Nevertheless, in view of the Government's five-year plan for road construction, announced early in 1949, it is likely that the 30 per cent unused capacity of the industry will soon be utilized.

Indochina. A 52 per cent increase in output in 1949 was due to the completion of repairs to the Haiphong plant which had been damaged during the war. The operation of this repaired plant made it possible for other plants to undertake necessary repairs without adversely affecting the total output of the industry.

Table 23. Cement Production

(In thousands of metric tons)

	1938	1947	1948	1949	Relative change in 1949 1948=100	1938=100
China	710[a,b]	749	550[a]	..	.	...
Hong Kong[c]	...	35	53	59	111	...
India	1,427[d]	1,764[d]	1,566	2,136	136	150
Indochina	266	41	98	149[e]	152	56
Indonesia	211[a,b]	168[a]		..	..	...
Japan	5,579[g]	1,232	1,842	3,276	178	59
Korea, South	...	18	17	21[f]	124	...
Philippines	167	134	119	203[f]	171	122
Thailand	92	59	83	127	153	138

Sources: Unless otherwise indicated, annual figures for 1938, 1947 and 1948 are from the United Nations, *Statistical Yearbook, 1948,* and those for 1949 are from the United Nations, *Monthly Bulletin of Statistics,* April 1950.

[a] Replies to questionnaires, ECAFE Industrial Development Working Party.
[b] Pre-war average of 1935-39.
[c] United Nations, *Monthly Bulletin of Statistics,* April 1950.
[d] Including Pakistan to July 1947.
[e] Estimated from data for the first eleven months.
[f] Estimated from data for the first ten months.
[g] 1936.

Philippines. Before the war, two plants were able to supply practically all of the country's requirements for cement. After liberation, the larger one, which had suffered from insufficient maintenance during the Japanese occupation, produced at a low level. New equipment, including a power generator, was installed in the autumn of 1948 at a total cost of P. 6 million, and reconstruction was completed towards the end of 1949, resulting in a doubling of output. This plant also owns and operates two coal mines.

Thailand. The production of the one cement plant has shown a rapid increase since 1947. Output in 1949 increased by 53 per cent over 1948. Since December 1948, the import of cement and several other commodities has been subject to licence.

Burma. Rehabilitation of the cement works at Thayetmyo was completed and the works brought into operation late in 1948. In March 1949, insurgents seized control of the area. Data on output are not available, but it is not believed to be large.

NON-DURABLE MANUFACTURING INDUSTRIES

Textiles

The year 1949 witnessed setbacks for the cotton and jute industries in China and India, but in Japan there was some increase in cotton textile production, and a more rapid increase in rayon. The output of cotton yarn declined by 5 per cent in India and by 40 per cent in China; for the region, the limited increase in Japan could not offset the decrease in India and China. As a result, the total cotton yarn output in these three countries in 1949 represented about 88 per cent of that of 1948, and only 59 per cent of pre-war (see table 24).

Table 24. China, India and Japan: Cotton Yarn Output

(In thousands of metric tons)

	1938	*1947*	*1948*	*1949*	*Relative change in 1949* *1948=100*	*1938=100*
China	394[a]	299	336	200[b]	60	51
India	591	603[c]	652[d]	617	95	104
Japan	655[a]	122	125	157	126	24
TOTALS	1,640	1,024	1,113	974	88	59

Sources: For Japan and India, figures for 1938, 1947 and 1948 are from the United Nations, *Statistical Yearbook, 1948;* 1949 figures are from the United Nations, *Monthly Bulletin of Statistics,* April 1950. For China, 1936, 1947 and 1948 figures are from the ECAFE Industrial Development Working Party Report, 1948.

[a] 1936.
[b] Estimated.
[c] Inclusive of Pakistan up to August 1947.
[d] United Nations, *Monthly Bulletin of Statistics,* April 1950.

China. The civil war already affected the cotton-textile industry in respect of supplies of fuel and power, raw cotton, transport and markets.

Cotton yarn production, which rose from 299,000 tons in 1947 to 336,000 tons in 1948, declined to an estimated total of 200,000 tons in 1949. This represented a 40 per cent decline from the 1948 level and was only 51 per cent of the 1936 output.

Shanghai had one half of China's cotton spindles. Before occupation of the city by the People's Liberation Army on 27 May 1949, coal supplies from North China had already declined and the consequent reduction of power generation had handicapped the cotton mills.

With the coastal blockade starting in June, raw cotton from abroad was difficult to obtain and markets in South-East Asia were also no longer accessible. ECA supplies of raw cotton and petrol for power generation were also discontinued. As a result, the mills had to work on a part-time basis. The State-owned mills, which had more spindles than the privately-owned mills, were working up to 56 per cent of capacity in June and 46 per cent in July. The privately-owned mills worked up to 80 per cent of capacity. However, while the State-owned mills worked four days and five nights in the week, the privately-owned mills worked less, some only two days and two nights in the week. Labour disputes also contributed to depress the level of production. Following the resumption of railway transport in September, the grant of low freight rates to the industry and the extension of loans by Government banks, production of cotton goods, especially yarn, began to pick up.

Production in Tientsin, another important cotton-textile centre, recovered earlier than in Shanghai. This city, which was taken over by the People's Liberation Army in January 1949, had easier access to the North China coal fields, the centres of raw cotton production, and the markets in Manchuria. Tientsin also enjoyed relative immunity from the coastal blockade, which was applied much less effectively to North China. Other spinning centres, such as Tsingtao and Hankow, were less favourably located, but taken as a whole production in the industry began to show a general improvement towards the end of the year.

India. The cotton-textile industry suffered a setback in 1949, although to a much smaller extent than in China. Yarn production decreased by 5 per cent, from 652,000 tons in 1948 to 617,000 tons in 1949. Piece goods output fell from 4,393 million to 3,909 million yards, or by 10 per cent. This decline was caused mainly by the inadequate and irregular supply of raw cotton, and inefficiency of control over the distribution of cotton goods.

During 1947/48 imports from Pakistan accounted for about one-half of the total raw cotton imports into India, while Pakistan took about two-thirds of India's exports of cotton manufactures. In 1949, trade in raw cotton and cotton goods between the two countries declined. Since Pakistan cotton became more expensive in terms of the Indian rupee after the devaluation of the latter, the Government of India levied a heavy duty and other charges on cotton goods exported to Pakistan. Indian mills also began to look elsewhere for their supplies of

long staple cotton for fine spinning hitherto imported from Pakistan. As a result, in the mill consumption of raw cotton by Indian mills, there was a 43 per cent decrease in Pakistan cotton, with a 30 per cent increase in Egyptian cotton and a 9 per cent increase in Indian cotton. Indian cotton, of short staple and used for coarse spinning, became, in terms of the devalued rupee, the cheapest in the world. To reduce the large outflow of Indian cotton, the Government raised the export duty from Rs. 40 to Rs. 100 per bale.

Table 25. India: Cotton Goods Production

	Cotton yarn (Thousand metric tons)	*Cotton piece goods (Million yards)*
1938	591	4,306
1947	603[a]	3,745[b]
1948	652	4,393
1949	617	3,909
1948		
First quarter	150	923
Second quarter	166	1,159
Third quarter	172	1,104
Fourth quarter	164	1,209
1949		
First quarter	162	995
Second quarter	157	992
Third quarter	150	965
Fourth quarter	148	957

Source: Data for cotton yarn are from the United Nations, *Statistical Yearbook, 1948* and the United Nations, *Monthly Bulletin of Statistics,* April 1950. Data for cotton piece goods are from the *Monthly Abstract of Statistics,* India, January-February 1950.

[a] Including Pakistan up to August 1947.
[b] Estimated from data of the last five months.

Table 26. India: Mill Consumption of Raw Cotton

(In thousand bales of 400 pounds gross)

From September to August	*Indian cotton*	*Pakistan cotton*	*Egyptian cotton*	*Other foreign cotton*	*Total*
1947-1948	2,863	723	306	319	4,211
1948-1949	3,124	411	396	324	4,255
Net change	+ 260	−312	+ 90	+ 5	+ 44
Percentage of change	+ 9	− 43	+ 30	+ 1.5	+ 1

Source: *Commerce,* Bombay, India, December 1949, Annual Review Number.

Pakistan's refusal to take Indian cotton goods posed a difficult marketing problem for the Indian mills. Under the Inter-Dominion Agreement for 1948/49, Pakistan had agreed to take 300,000 bales of cloth and 100,000 bales of yarn from India. Against this, Pakistan in 1948/1949 purchased only 19,000 bales of cloth and 24,000 bales of yarn. Of these only 10,000 bales of cloth and 8,000 bales of yarn had actually been shipped by the end of July 1949. This affected the Indian mills adversely, and obliged them to look for markets elsewhere. As shown by cloth export statistics for the port of Bombay (see table 27) there was a considerable jump in the cloth exported after the third quarter of 1949, as compared with the corresponding period in 1948.

Table 27. India: Monthly Exports of Cotton Cloth through the Port of Bombay

(Thousand bales)

Monthly average or calendar month	*1948*	*1949*
1st quarter	12.0	22.4
2nd quarter	10.2	20.0
3rd quarter	23.0	29.8
October	13.6	46.3
November	18.5	52.7

Source: *Commerce*, Bombay, India, December 1949, Annual Review Number.

Government control over distribution of cotton goods was introduced in 1943 and abandoned only for a brief period of five months during the first half of 1948. This control, however, was less effective after than it was during the war. The Central Government only fixed the quotas for domestic consumption of cloth for the Provinces and States, and the latter were responsible for distribution through their own nominees. Considerable delay by the nominees in taking over the cloth caused an accumulation of cloth in stock and locked up the liquid funds of mills with resultant heavy losses in interest charges. To ease this situation, the Government, early in July, permitted the mills, through their own dealers, to sell stocks not taken up by the Provinces and States within the specified period. As the Provinces and States were still given too much time to lift their allocations, a crisis ensued. In September, ten mills had to close down completely and fourteen mills worked only one shift, throwing 28,000 workers out of employment. Eleven other mills, employing 7,500 workers, were threatened with closure if immediate steps were not taken to speed up the disposal of accumulated stocks. Some relief was afforded by the Governments through further reduction of the time-limit given to the nominees.

For similar reasons, India's jute industry suffered a depression in 1949. The year's production declined from 1,103,000 tons in 1948 to 938,000 tons, or by 15 per cent. The decline was particularly marked during the last half of the year (see table 28).

Table 28. India: Production of Jute Manufactures

(In thousands of metric tons)

	1st quarter	*2nd quarter*	*3rd quarter*	*4th quarter*	*Total*
1938	.	.	.	.	1,286
1947	269	246	277	276	1,068
1948	280	258	287	278	1,103
1949[a]	240	271	212	215	938

Source: *Monthly Abstract of Statistics,* India, January-February 1950.

[a] For 1949, figures refer to the production by member mills of the Indian Jute Mills' Association.

Pakistan. With three times the raw jute production of India, Pakistan has no facilities for jute manufacture, while India has 113 jute mills. India, as a result, has to import about 500,000 tons of raw jute from Pakistan to keep its mills stocked and working. In 1949 India imported a smaller quantity of raw jute from Pakistan. By April it became evident that if no attempt were made to conserve the dwindling stock until the arrival of the new crop, the industry would have to face a complete closing-down. Accordingly, the Indian Jute Mills' Association decided to seal 12.5 per cent of the looms for twenty-four weeks. In June an arrangement was made with Pakistan for the supply of 400,000 bales of raw jute, but was ineffective because of the strained relationship between the two countries. During the third quarter the raw jute stock in India was reduced further to 698,000 bales, as compared with 1,132,000 bales for the second quarter and 989,000 bales for the corresponding period in 1948. At this time it was reported that the raw jute crop in East Pakistan had suffered severe damage and the yield would be 25 to 50 per cent less than earlier estimates. The Indian Jute Mills' Association, in further efforts to conserve the dwindling stock, decided to suspend production for one week in each month from July to December. The devaluation of the Indian rupee coupled with the non-devaluation of the Pakistan rupee in September substantially raised the cost of raw jute to India and, by raising costs of manufacture, largely nullified the advantage which Indian exports of jute products would otherwise have derived from devaluation. Owing to the unwillingness of Indian mills to purchase Pakistan jute at the higher prices in Indian rupees, a crisis developed in East Pakistan and there was

a collapse in domestic prices quoted for the crop. The Government of Pakistan, to protect jute prices, established a special commercial bank, known as the National Bank of Pakistan, to purchase jute at a certain minimum price. This minimum price, however, was afterwards reduced to two-thirds of the previous price to facilitate export.

In these circumstances, while India has set out to grow more raw cotton and jute, Pakistan has taken steps to establish jute and cotton mills. Three jute mills, with a capacity of 1,000 looms each, are being set up in Pakistan with an output expected to meet about half the country's requirements for gunny bags.

Japan. Rapid recovery was achieved in the Japanese textile industry in 1949. With 1932-1936 as the pre-war base, the index of output rose from 15.5 in 1947 to 18.1 in 1948 and 23.4 in 1949. There was a rise of 12.9 per cent in 1949, as compared with one of 11.7 per cent in 1948.

As shown by statistics compiled by the Research Section of the Secretariat of the Japanese Ministry of Trade and Industry (see table 29), recovery since the war has been particularly rapid in respect of machinery and equipment for cotton, silk and wool.

Table 29. Japan: Number of Spindles and Looms in the Textile Industry

(In thousands)

Spindles	*Cotton*	*Spun silk and pongee*	*Worsted*
Pre-war high	12,139	462	1,628
August 1945	2,713	150	396
Authorized interim target	4,000	241	733
31 December 1949	3,736	223	697

Looms	*Cotton mixed*	*Silk and rayon mixed*
Pre-war high	362	356
August, 1945	136	133
Authorized interim target	240	—
31 December 1949	212	162

Source: Research Section, Secretariat of the Ministry of Trade and Industry, Japan.

In other respects the industry was not so favourably situated. The supply of power was limited and uncertain, and raw materials other than silk had to be imported with United States aid through the SCAP. Effective demand at home was affected by the disinflationary policy inaugurated during the year and the export trade was carried on with some difficulty because of floor prices and the revaluation of the yen. By the end of the year, however, export demand was rising and supplies intended for the domestic market were released for export.

The lack of raw materials was especially serious. In 1948, stocks of raw cotton had declined almost every month, falling at the end of the year to less than one month's requirements at an operating rate of 80 per cent of capacity. This amount corresponded to only one-third of the stock available at the end of 1947, and created a critical situation. The stock of raw wool at the end of 1948 had also declined to an amount sufficient for only one and a half month's requirements. In 1949, the situation improved as a result of the measures taken by the SCAP; imports of raw cotton more than doubled and those of wool and rayon pulp also increased (see table 30).

Table 30. Japan: Import of Fibres for the Textile Industry

(In thousands of metric tons)

	Raw cotton	*Wool*	*Rayon pulp*[a]
1936	925	99.7	172
1947	126	1.3	—
1948	94	10.1	23
1949[b]	200	18.3	32

Source: SCAP, *Japanese Economic Statistics,* December 1949.

[a] Includes cotton lint and pulp.
[b] Estimated from data for the first ten months.

The increased import of fibres enabled textile production in 1949 to show increases over 1948 of 26 per cent for cotton yarn, 17 per cent for woollen yarn, and 87 per cent for rayon yarn. These percentage increases and also those for fabrics are shown in table 31.

Table 31. Japan: Production of Textile Goods

	1936	*1947*	*1948*	*1949*	*Relative change in 1949* *1948=100*	*1936=100*
Yarn (million pounds)						
Cotton	1,443.0	269.2	274.8	347.2	126	24
Woollen	52.0	20.1	19.9	23.2	117	45
Rayon	279.4	16.3	35.7	66.8	187	24
Fabric (million square yards)						
Cotton	3,496.0	663.1	923.9	984.9	107	28
Woollen	316.9	21.0	25.2	34.1	135	11
Rayon	927.5	46.2	40.4	119.9	297	13

Source: SCAP, *Japanese Economic Statistics,* January 1950.

As pointed out in the 1948 *Survey,* Japan's silk industry was seriously affected by the development of synthetic substitutes in America by the war-time suspension of silk exports, and by the conversion of mulberry

fields to food-crop production. However, there has been a slow but steady recovery since the war. The number of reeling basins more than doubled from 21,000 in 1945 to 49,000 in 1949, and raw silk output rose from 12.3 million lb. to 21.7 million lb. during the same period. Output in 1949 was 22 per cent above 1948, but was still only 23 per cent of the 1936 level. About 70 per cent of Japan's pre-war raw silk production went to foreign markets, and the post-war revival of output has been conditioned by the export situation. Large stocks of silk held overseas, coupled with the recession in the United States, caused silk exports to slacken early in 1949. The adoption of the new exchange rate also handicapped export by raising the prices in terms of dollars. After decontrol in May there was an expansion in domestic consumption, and with the end of the American recession in the fall, the export trade in silk also began to revive.

Natural silk can hardly expect to survive the competition from synthetic fibres unless new inventions are introduced to improve the quality and reduce the cost. An automatic reeling machine, recently invented, is expected to be available soon for industrial application. It is claimed to be three times as efficient as the existing equipment and to be capable of regulating the denier and other specifications of raw silk which have so far been adjusted by hand. Another invention is the automatic cone-reeling process which eliminates the need of making skeins in the first instance, and enables the coned silk to be easily mixed with rayon without any preparatory process. As natural silk comprises only 0.3 per cent of the world's textile fibre consumption, as contrasted with 18 to 19 per cent for rayon, its future as a mixing fibre for different varieties of textile fabrics seems to hold promise of expansion.

Chemicals

Japan, India and China are the only countries in the AFE region which produce appreciable quantities of heavy chemicals, including fertilizers,[1] and light items for daily use such as paper, soap and alcohol.

India. The chemical industry has grown under the Government's protection policy. Under the increasing pressure of food deficit since partition and in the face of a growing population, emphasis has been laid on the "Grow more food" campaign, and on increased production of chemical fertilizers. In 1949, the output of fertilizers showed a marked increase to 46,230 tons of superphosphate; output of ammonia sulphate was 55,000 tons in 1948/49. With a view to ensuring production and equitable distribution of fertilizers, the Government of India formed a pool with which the Ministry of Agriculture purchased 20,000 tons of ammonia sulphate during the year 1948/49 and would take over all superphosphate

[1] See chapter I on Food and Agriculture, pp. 16 to 18.

produced in the country at a fixed price for redistribution to the Provinces and States. It is hoped that by this arrangement all fertilizer plants will work at full capacity to produce 75,000 tons of ammonia sulphate and 50,000 tons of superphosphate in 1950. It is planned also to import another 400,000 tons of ammonia sulphate and 50,000 tons of superphosphate to meet the country's requirements.

All other chemical items in India, except bleaching powder, soap and soda ash, showed increases in 1949 over 1948. Industrial and power alcohol rose from 4.95 million gallons in 1948 to 7.15 million gallons in 1949, or by 45 per cent (see table 32).

Table 32. India: Production of Selected Chemicals

(In thousands of long tons)

	1948	*1949*[a]
Chemical fertilizers:		
Ammonia sulphate		55.88[b,c]
Superphosphate	21.70	46.97[c]
Soda and allied products:		
Soda ash	29.62	16.17
Caustic soda	4.45	6.20
Liquid chlorine	1.83	2.72
Bleaching powder	2.89	2.47
Sulphuric acid	81.00[d]	95.00[d]
Soap	76.58	72.06
Paper and paper products	99.48	104.45
Alcohol (million bulk gallons)	4.93	7.15
(*a*) Industrial	2.87	3.30
(*b*) Power	2.06	3.85

Source: *Industry and Supply Bulletin, India,* July-September and October-December 1949, unless otherwise indicated.

[a] Fourth quarter figures are estimated.
[b] Fertilizer year 1948/49, ending 30 June, 1949. Data from Ministry of Agriculture, Government of India, *Annual Progress and Programme Report to FAO,* 1949.
[c] Figures differ from those given in table 11 in chapter I owing primarily to differences in nitrogen and phosphate content.
[d] Estimated.

Japan. The overall index for the industry, only 56 per cent of pre-war (1932-1936) in 1948, rose to 81 in 1949—an increase of 45 per cent. The index for heavy chemicals, including fertilizers, soda and allied products, and inorganic acids, was 138.5 in 1949, while that for other chemicals such as dyestuffs, soap, paper and alcohol stood at 57.4. These compared favourably with the 1948 figures of 102.6 for heavy chemicals and 38.1 for other chemicals, the increases over 1948 being 35 per cent for heavy chemicals and 50 per cent for other chemicals (see table 33).

Table 33. Japan: Output of Selected Chemical Products

(In thousands of metric tons)

	1936	*1947*	*1948*	*1949*[a]
Chemical fertilizer:[b]				
Ammonium sulphate[c]	875	721	946	1,233
Calcium cyanamide[c]	215	175	205	351
Calcium superphosphate[d]	1,437	709	955	1,161
Soda and allied products:				
Soda ash (finished)	232[e]	38	75	123
Caustic soda	299[e]	43	107	146
Liquid chlorine	10[e]	4	6	10.5
Bleaching powder	68[e]	14	27	43
Sulphuric acid[f]	2,891	1,489	1,950	2,582
Dyestuffs	19	3	5	6.6
Soap	192	5	14	25
Paper	1,057	287	429	629
Methyl alcohol (99 per cent)	4	4	8	11
Ethyl alcohol (thousand kilolitres)	6	19	29	26
Overall index (Base: 1932-1936 = 100):				
All chemicals	132.4	34.5	56.0	80.5
Heavy chemicals	142.4	64.2	102.6	138.5
Other chemicals	128.2	23.0	38.1	57.4

Source: SCAP, *Japanese Economic Statistics*, January 1950.

[a] Provisional.

[b] Figures given here differ from those in table 11 in chapter I owing primarily to differences in nitrogen and phosphate content.

[c] Converted to 20 per cent N_2 content.

[d] Converted to 16 per cent P_2O_5 content.

[e] Year ending 31 March.

[f] Converted to 50° Be.

The rapid recovery of chemical production, especially in the heavy branch, may be attributed to the availability of coal, power and raw materials. With the improvement in power supply, output of synthetic ammonia and carbide was more than doubled. The quality of carbide, too, was improved owing to the use of anthracite coal imported from the United States; and 56 per cent of the carbide produced was applied to the production of calcium cyanamide. The soda industry which had been inactive because of the raw material shortage, was revived by the accelerated import of industrial salt in the latter half of 1949. A total of thirty-two factories using the electrolytic process and three using the ammonia process are now in operation, although the reduction in the government subsidy and a rise in the price of salt have caused difficulties to the industry. The output of sulphuric acid increased by 13 per cent in 1949 owing to the continuous import of pyrites after December 1948.

China. Data for 1949 are not available for China whose production declined on account of the spread of civil war to centres such as Shanghai and Nanking. The estimated output of chemical nitrogen at the Keelung plant in Taiwan was about 15,000 tons of cyanamide.[1]

[1] See chapter I on Food and Agriculture, p. 16.

The Problem of Industrial Recovery and Development

Four years after the end of the war industrial production in Asia and the Far East is still appreciably below its pre-war level. In Europe, by contrast, the pre-war level was already exceeded in 1948. Both political and economic factors have held back industrial recovery in the region.

Civil war was more extensive in China in 1949, and did not cease on the mainland until the end of the year. Although, in some parts of China such as Manchuria, order was re-established earlier, in other parts of the mainland it will take much time to repair the damage and destruction wrought by war. In Burma, Indochina and Indonesia, civil disturbances also accounted for the decline in production in some if not all branches, although in Malaya production improved owing to the Government's effort against terrorism. The strained relationship between India and Pakistan seriously affected transport and the smooth flow of trade, and, in consequence, several industries, particularly cotton and jute textiles, sustained a decline in production.

Of the economic factors responsible for the slow pace of industrial recovery in the region during 1949 the most important is the shortage of capital goods—industrial and mining machinery and transport equipment—arising from the serious damage and heavy depreciation sustained during the war. War damage to productive equipment was especially serious in Burma, China, Indochina, Malaya and the Philippines, while depreciation of capital goods was particularly heavy in India. In India, locomotives have been used beyond their age of efficient service, their average age of forty years far exceeding the economic optimum of ten to fifteen years.

To make good this serious damage and replace the heavily depreciated machinery and equipment requires large imports from outside the region. However, the generally depressed production of the export commodities and the unusually heavy requirements for imports of food, cotton textiles and petroleum have resulted in an acute shortage of foreign exchange with which to finance the import of machinery, equipment and other supplies essential to the building up of the productive capacity of the region. The slow recovery of some of the region's staple exports, due in part to the competition from synthetic substitutes, especially synthetic rubber, nylon and detergents, has also limited foreign exchange earnings.

Japan has the capacity to produce capital goods substantially in excess of its domestic requirements. However, from the end of the war and until 1947, the producing capacity had been kept at a low level — the index of production of all machinery was 60.8 in 1946 and 64.8 in 1947, with the base period 1932-1936 equal to 100 — by shortage of such raw materials as coking coal and high quality iron ore, which are required to keep the iron and steel industry going at full capacity. This may also

be said, to a lesser extent, of Japan's capacity to manufacture the chemical fertilizers needed for the increased production of food. The situation improved in 1949; the index of machinery production rose from 98.2 in 1948 to 115.1 in 1949 and the total value of machinery exports (including transport equipment) to ECAFE countries rose from $3.6 million in 1948 to $35.9 million in 1949.

The inflow of foreign capital, e.g., British grants and loans to British Borneo, Burma and Malaya and American aid funds to Japan, Korea and the Philippines, also helped to hasten the region's recovery. The amounts, small by themselves, had to pay largely for imports of food and other consumer goods and could be used only to a small extent on replacement of machinery and equipment. Detailed estimates of the flow of private capital to the region are not available, but it is not thought to be large.

Further recovery and development of industries and mining in the region call not only for a larger import of capital goods but also for the adoption of modern technique and methods of management. It is the combination of these three factors—capital, technique and management —that determines the line of demarcation between modern and primitive modes of production. Such a combination is of great importance in market competition, in respect of cost of production, quality of products and prices, especially when wages are rigid owing to many social factors. In order to face international competition, industries in the region would generally require comprehensive rationalization. Effective and full utilization of existing capacity, smooth supply of raw and auxiliary materials, and expansion of equipment are especially important in the near future.

CHAPTER III

Transport

In 1949 there was a general improvement in the transport situation in the region, due mainly to a fuller utilization of existing equipment and partly to increased supplies of new equipment. The volume of railway passenger traffic carried surpassed pre-war levels by 149 per cent, and that of freight traffic by 24 per cent. Continuing a trend noted since the war, the supply of operating equipment increased less than the volume of traffic, creating additional strain on existing transport systems.

Limited progress was made in the repair and maintenance of highways which are still far below the required standards. Little progress was made in the construction either of main roads or of urgently needed rural roads. Vehicle fleets, although 9 per cent above pre-war figures, consisted largely of converted military types unsuitable for civilian purposes and uneconomical to maintain. Inadequate repair and maintenance facilities, accompanied by shortage of spare parts and garage equipment, resulted in inefficient and uneconomic operation.

Development of inland water transport was limited, apart from inadequate conservancy work resulting in poor navigability of waterways, by lack of modern equipment and, in some instances, by poor organization and operation of existing fleets. Repair facilities were not always adequate. Port shipping traffic, although higher than in 1948, was still 51 per cent below the pre-war level.

In contrast, air transport made rapid and outstanding progress, partly because of its suitability to the geography of the countries of the region, and partly because of limited international connexions by rail or road between countries with common frontiers. Continuation of other factors which have contributed to a rapid post-war expansion of air transport included the availability of surplus aircraft and facilities; the Governments' policy of promoting civil aviation by establishment of new airlines and financial support to private airlines with subsidies or airmail; the realization by Governments that air transport is the quickest and most economical method of re-establishing disrupted systems of communications, and the element of security provided by air transport for travel over politically unsettled areas.

A widespread shortage of all forms of transport equipment still existed. Although both indigenous and overseas production increased, imports were restricted by lack of foreign exchange. In addition, there was still an acute and widespread shortage of trained personnel with a knowledge of modern technique. This has resulted in inefficient and uneconomic

methods of operation. Unless speedier progress can be achieved, transport will remain an impediment to any substantial improvement in the economic and social conditions of the region.

Railway Transport

Track

Pre-war and post-war

The rough compilation in table 34 of the available data on pre-war and post-war (mostly 1948 or 1949) length of railway lines in countries of the ECAFE region and Japan shows an increase of about 5 per cent from approximately 116,000 to approximately 121,000 kilometres. This increase is, however, apparent rather than real, being attributable mainly to developments in China. China, with a pre-war (1936) length of 7,416 kilometres, showed an increase to 13,066 kilometres in 1948 owing to the addition of lines in areas formerly occupied by Japan, and a further increase to 18,391 kilometres in 1949, owing to the inclusion of Manchurian lines not under control of the National Government in 1948. If China is excluded, the total length of railways in countries of the region is now 102,600 kilometres or over 5 per cent below pre-war. Only Japan and Thailand showed a real increase compared with pre-war. The length in all other countries of the region declined from a pre-war total of 88,000 kilometres to a post-war total of 80,000 kilometres—a decrease of 9 per cent, owing to war-time destruction. Slow rehabilitation and development of railways since the war may be attributed to the continuing shortage of such things as iron, steel, cement and rails, and, in some countries, to civil disturbances. At the time of the Indo-Pakistan partition, 10,752 kilometres of railway were in Pakistan. By 1949 there had been a small net addition to the railway system in India.

Progress in 1949

The end of fighting on the mainland of China allowed the railway system to operate over a much wider area, and, because of the importance of rail transport, it was given a high priority in rehabilitation. By the end of 1949, China was able to rehabilitate practically all its railways on the mainland and to establish railway connexions from Manchuria to Hong Kong via Canton.

In India, a total of 253 kilometres of new line was opened to traffic during 1949, and nine new lines of a total length of 857 kilometres were under construction.

In Pakistan a scheme is being considered for the conversion of some important sections of broad gauge (5 ft. 6 ins.) line to metre gauge (3 ft. 3⅜ ins.) in East Pakistan and from metre to broad gauge in West Pakistan. This is expected to facilitate operation and cater better to the needs of the country since partition.

Table 34. Length of Railway Lines

(In kilometres)

	1938	*1947*	*1948*	*1949*
Burma	3,315	...	2,874	...
Ceylon	1,530	1,469	1,439	...
China	7,416[a]	13,366	13,066[b]	18,391[c]
Hong Kong	35	35	35	...
India }	66,197	54,692[d]	54,492[d]	54,745
Pakistan }		10,752	..	...
Indochina	2,908	1,259[e]	1,353[e]	...
Indonesia	7,332	...	3,844	...
Japan[f]	17,355[a]	19,731	19,760	19,760[g]
Korea[h]	3,831	2,558	2,558	2,684
Malaya	1,718	1,304	1,384	...
Philippines	1,352[i]	875	...	900
Thailand	3,100	3,213	3,213	3,272

Sources:

Burma: *Financial and Economic Annual of Burma,* July 1943; Replies to 1948 ECAFE questionnaires.

Ceylon: *Statistical Abstract of Ceylon,* 1949.

China: *China Statistical Yearbook, 1948; Statistical Monthly* (in Chinese), Directorate of Statistics, Nanking, 1948; New China News Agency (official) dispatch from Peking dated 18 October 1949, quoted in *Ta Kung Pao,* Hong Kong, 20 October 1949.

India: *Transport,* by National Planning Committee; *Report by the Railway Board on Indian Railways for 1948/49.*

Indochina: *Annuaire statistique de l'Indochine,* 1943-46, 1947-48.

Indonesia: K.R.C. Greene, *Economic Survey of Pacific Area: Transportation,* Institute of Pacific Relations, 1941; 1948 data supplied by the Government of USI.

Japan: *Japanese Economic Statistics,* July 1949, Bull. No. 35, Section I: Industrial Production.

Korea: Bank of Korea, Survey Department, *Economic Review,* 1949; data supplied by the Government of the Republic of Korea for 1949.

Malaya: Greene, *op. cit.; Malayan Railway Report,* 1948.

Pakistan: *Survey of Pakistan,* 1947-48, prepared by the Government of Pakistan.

Philippines: *Yearbook of Philippine Statistics, 1946;* Replies to 1947 ECAFE questionnaires: *Report of the General Manager for the Fiscal Year ending 30 June 1949,* Manila Railroad Company.

Thailand: 1949, Royal State Railways of Thailand, *Rehabilitation and Improvement Project.*

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[a] 1936.

[b] September 1948.

[c] Length in operation as of 10 October 1949, as reported by the Deputy Director, Engineering Bureau, Ministry of Railways, People's Republic of China, Peking. Other years refer to length in operation under the National Government.

[d] For the year as stated ending 1 April.

[e] Length in operation.

[f] Government railways only. For year ending 31 March of the year given.

[g] As of September 1949.

[h] South Korea only for post-war years.

[i] 1939.

The Philippine railroads succeeded in rehabilitating a good proportion of the track and repairing many bridges. During the year several schemes for railway extension were completed, increasing the total length from 875 kilometres in 1947 to 900 kilometres.

In Thailand plans were under consideration for the construction of several new lines. The Thai Government gave the highest priority to a ten-year programme of railway improvement, extension and rehabilitation. The programme involves new construction of 944 kilometres of line at an estimated expenditure of 1,138 million baht, or roughly US$50 million spread over the ten-year period, for part of which a loan is being sought from the International Bank for Reconstruction and Development.

Rolling-Stock

The limited data available suggests that the total number of locomotives in the AFE region rose from 17,175 pre-war to 20,738, or by more than 20 per cent, in 1948/49 (see table 35). Excluding China, the increase was of 15 per cent from 15,932 to 18,261.

In 1949 the number of locomotives in Japan, Korea, Malaya and Thailand increased over pre-war owing especially to increased Japanese production and export. Numbers declined to below pre-war levels in Burma, Ceylon, Hong Kong, India, Indochina, Indonesia and the Philippines, mainly because of war devastation, post-war civil disturbances and the increasing number of locomotives awaiting repair.

The slight increase in the number of locomotives in the region as a whole was not accompanied by an operational improvement. Because of the civil disturbance, the region's greater requirement for transportation has also resulted in diversion of existing equipment to non-economic uses. Much rolling-stock has become obsolete through age and deterioration. The statistics do not in all cases indicate whether locomotives were operating or awaiting repair, and effective capacity may have been below pre-war. The improvement noted is due to increased indigenous production in India and Japan, and of increased supply from extra-regional sources. A further increase of rolling-stock is impeded by shortage of foreign exchange.

The position in regard to passenger and freight cars as shown in table 36-A is largely similar to that for locomotives. As compared with pre-war, there has been an increase in Ceylon, China, Japan, Korea and Thailand, but a decrease or little change in others.

Table 35. Number of Locomotives

	1938	*1947*	*1948*	*1949*
Burma	369[a]	205[b]	274[b]	...
Ceylon	249[b]	234[b]	239[b]	236
China[c]	1,243[d,e]	2,171[d,e]	2,477[b]	...
Hong Kong	17	17	19	16
India[a]	8,488	9,136	8,194	8,228
Pakistan	..	1,247[f]	...	...
Indochina	210	122	.	...
Indonesia	1,279[g]	360[g]	450[h]	870[i]
Japan[j]	4,245	6,278	6,283	5,973
Korea	518	622[k]	650[k]	626[l]
Malaya	179[m]	210[e]	201[e]	...
Philippines	178[n]	74	90	88[b]
Thailand	200	365	318[o]	388[b]

Sources: United Nations, *Statistical Yearbook, 1948* and country sources listed below; also data supplied by the United Nations Statistical Office.

Ceylon: *Statistical Abstract of Ceylon,* 1949; data supplied by the Government of Ceylon on 14 March 1950.

China: *China Statistical Yearbook, 1948; Statistical Monthly* up to September 1948, Directorate of Statistics, Nanking.

Indochina: Replies to 1948 ECAFE questionnaires.

Indonesia: 1948 data supplied by the Government of USI.

Korea: 1949 data supplied by the Government of Korea.

Philippines: 1949 data from *Report of the General Manager,* June 1949, Manila Railroad Company.

Thailand: 1949 data supplied by the Royal State Railways of Thailand.

[a] As of 31 March of the year given.
[b] September.
[c] Taiwan excluded.
[d] 1936.
[e] On 31 December.
[f] 15 August 1947.
[g] State railways only. Beginning 1946, Federal Area only.
[h] Approximate figure.
[i] Plan figure only.
[j] Government railways. Data refer to condition on 31 March of the year given.
[k] Including non-operative locomotives, and for South Korea only. Locomotives in operation numbered 212 in 1946, 247 in 1947, and 259 in 1948.
[l] Total number, including 333 under repair.
[m] 1941.
[n] 1939.
[o] Provisional.

A comparison between pre-war and post-war available statistics on the number of passenger and freight cars in the region, as given in table 36-B, shows an apparent increase of 100 per cent in China, the reasons for which were noted earlier; an increase of 44 per cent in Japan owing to increased production; a decline of 3 per cent in India and Pakistan owing to failure of replacements to catch up with requirements; and a 22 per cent decline in all other countries in the region, accounted for by war-time destruction, post-war civil disturbances and shortage of foreign

Table 36-A. Number of Railway Passenger and Freight Cars

	Passenger cars				Freight cars			
	1938	*1947*	*1948*	*1949*	*1938*	*1947*	*1948*	*1949*
Burma	1,167[a]	291[b]	443[b]	...	9,690[a]	3,866[b]	6,276[b]	...
Ceylon[b]	1,324	1,295	1,276	...[c]	2,286	2,689	2,764	...[c]
China	2,047[d,e,f]	3,388[f]	3,694[b]	...	15,482[d,e,f]	25,027[f]	31,354[b]	...
Hong Kong	44	33	35	36[a]	134	90	90	86[a]
India[a,g]	26,338	25,511[h]	20,979	21,112	221,509	243,821[h]	214,220	214,270
Pakistan	...	3,894[i]	...	...	...	37,499[i]	...	...
Indochina	438	205	...	...	2,123	2,296	...	...
Indonesia[j]	3,600	1,335	1,863	...	27,236	13,499	15,000	...
Japan[a,k]	9,640[l]	11,160	11,706	11,606	73,784[l]	116,553	107,716	108,155
Korea[m]	1,112	1,321	...	732[n]	6,634	9,389	9,318	8,767[n]
Malaya	405[o]	313[f]	289[f]	...	5,776[o]	4,815[f]	5,363[f]	...
Philippines	397[p]	98	310	298[q]	2,427[p]	1,674	2,088	1,931[q]
Thailand	322	450	452[r]	...	3,833	5,535	5,411[r]	...

Sources: United Nations, *Statistical Yearbook, 1948* and country sources listed below; also data supplied by the United Nations Statistical Office.

Ceylon: *Statistical Abstract of Ceylon,* 1949; 1949 data supplied by the Government of Ceylon on 14 March 1950.

China: *China Statistical Yearbook, 1948; Statistical Monthly* (in Chinese), Directorate of Statistics, Nanking, 1948.

Hong Kong: *Annual Report of the General Manager,* Kowloon-Canton Railways, 1947-48.

Korea: 1949 data supplied by the Government of the Republic of Korea.

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[a] 31 March.
[b] 30 September.
[c] According to the 1949 data supplied by the Government of Ceylon there were 1,591 passenger cars and 3,766 freight cars.
[d] 1936.
[e] Taiwan excluded.
[f] 31 December.
[g] Including service vehicles.
[h] Including Pakistan.
[i] 15 August.
[j] State railways only. Beginning 1946, Federal Area only.
[k] Government railways. Passenger stock includes postal vans.
[l] 1937.
[m] Post-war figures relate to South Korea only.
[n] Presumably rolling stock in use.
[o] 1941.
[p] 1939.
[q] Manila Railroad Company only.
[r] Provisional figure.

exchange. While the Indo-Pakistan subcontinent accounted for 62.7 per cent of the total number of passenger and freight cars in pre-war years, the proportion has fallen to 57.1 per cent since the war. The corresponding percentages for other countries are as follows: China, 3.8 per cent pre-war and 7.2 per cent post-war; Japan, 18.4 per cent pre-war and 24.7 per cent post-war; and other countries in the region, 15.1 per cent pre-war and 11.0 per cent post-war.

Table 36-B. Number of Railway Passenger and Freight Cars: Summary Statistics

(In thousands of units)

	Passenger cars		*Freight cars*		*Total*	
	Pre-war	*Post-war*	*Pre-war*	*Post-war*	*Pre-war*	*Post-war*
China	2.0	3.7	15.5	31.3	17.5	35.0
India and Pakistan	26.3	25.0	259.0	251.8	285.3	276.8
Other countries	8.8	5.6	60.1	47.9	68.9	53.5
Total ECAFE	37.1	34.3	334.6	331.0	371.7	365.3
Japan	9.6	11.6	73.8	108.2	83.4	119.8
Total AFE	46.7	45.9	408.4	439.2	455.1	485.1
			Percentage distribution			
China	4.3	8.0	3.8	7.1	3.8	7.2
India and Pakistan	56.3	54.5	63.4	57.4	62.7	57.1
Other countries	18.8	12.2	14.7	10.9	15.1	11.0
Total ECAFE	79.4	74.7	81.9	75.4	81.6	75.3
Japan	20.6	25.3	18.1	24.6	18.4	24.7
Total AFE	100.0	100.0	100.0	100.0	100.0	100.0

The condition of both passenger and goods rolling-stock is still far from satisfactory. In spite of considerable replacements, it has not been possible to catch up with the heavy war-time arrears of maintenance, with the result that the standard of passenger coaches in particular is well below that of pre-war days. Large numbers of obsolete, worn-out and over-age locomotives are still in service on most railways of the region.

A lack of adequately trained personnel has meant defective organization and supervision of workshops, which, coupled with shortage of modern machinery and essential replacement parts, has resulted in poor quality and reduced output of workshop repairs.

Rail Traffic

Tables 37 and 38 give the data on pre-war and post-war railway passenger and freight traffic in countries of the AFE region.

Table 37. Railway Passenger Traffic

(In millions)

	Number of passengers				Passengers—kilometres			
	1938	1947	1948	1949	1938	1947	1948	1949
Burma	18.92[a]	11.00	9.77	...	703[a]	558	538[b]	...
Ceylon[c]	10.86	26.00	26.48	..	...	...	.	..
China[d]	46.92[e]	146.52	163.92[f]	..	4,349[e]	14,743	14,083[f]	..
Hong Kong	..	2.76	3.68	4.75	37.40[g]	63.73[h]	116.25[a]	...
India[i]	512.7	(335.2[j])	1,123	...	28,620	(14,992[j])	58,568	61,000[k]
Pakistan	...	.	142.40	.	...	7,266	9,529	...
Indochina[l]	17.43	1.21	1.63	1.36[m]	883.8	74.8	99.8	80.0[k]
Indonesia[n]	84.21	16.96[o]	51.08	65.10[p]	...	...	...	...
Japan	985[q]	3,216	3,241	2,924	24,173[q]	85,362	82,219	68,884
Korea	35.91	54.64	57.37	62.82	3,047	2,806	2,829	..
Malaya	11.46[g]	4.41	3.82	...	...	.	.	.
Philippines	10.00	3.53	4.63	6.11	475.0	227	287	372
Thailand	5.72[q]	18.06	26.82	...	294[q]	1,040	1,307	...

Sources: Data from the United Nations, *Statistical Yearbook, 1948,* United Nations, *Monthly Bulletin of Statistics,* United Nations Statistical Office and the following country sources:

Burma: Replies to 1948 ECAFE questionnaire; *Burma Railways Commercial Statistics,* 1947-1948.

China: *China Statistical Yearbook, 1948; Statistical Monthly* (in Chinese), 1948.

Hong Kong: *Supplement No. 4 to the Hong Kong Government Gazette.*

Indonesia: *Economic Review of Indonesia,* vol. III, no. 3, 1949.

Japan: *Japanese Economic Statistics.*

Korea: K.R.C. Greene, *Economic Survey of Pacific Area: Transportation,* Institute of Pacific Relations, 1941; 1949 data supplied by the Government of the Republic of Korea.

Malaya: *Malayan Railway Report, 1948.*

Pakistan: Replies to 1948 ECAFE questionnaires.

Philippines: *Report of the General Manager for Fiscal Year ending 30 June 1949,* Manila Railway Company.

Thailand: Royal State Railways of Thailand, *Rehabilitation and Improvement Project, 1949.*

Table 38. Railway Freight Traffic

(In millions)

	Freight (metric tons)				Net freight (metric tons-kilometres)			
	1938	*1947*	*1948*	*1949*	*1938*	*1947*	*1948*	*1949*
Burma[a]	4.06[b,c]	1.97[d]	1.39	...	1,141[c]	521[e]	626[e]	...
Ceylon[e]	0.92	1.13	1.22	1.29	...	...	...	...
China[a,f]	34.36[g]	31.09	33.23[h]		6,489[g]	5,270	4,784[h]	...
Hong Kong	0.48	0.13	0.09	0.04	1.00[b]	7.36[d,i]	2.81[c]	...
India[j]	115.14	(26.98[k])	99.23	120.0[l]	35,616	(9,084[k])	33,730	40,000[l]
Pakistan[j]		...	5.30	..		1,370	17,210	...
Indochina	1.55	0.42	0.71	0.96[m]	335	49.0	81.9	131.1[m]
Indonesia[n]	9.70	1.02[o]	3.51	5.04[p]	...	..	...	...
Japan	81.94[g,q]	92.47	109.97	117.48	14,011[g,q]	19,828	23,816	28,209
Korea[r]	11.37	4.84	5.12	6.42	3,058	995	1,041	...
Malaya	1.88	1.41	1.61	.	262[b]	273	316	...
Philippines[s]	1.54	0.83	0.89	0.89	162	81	125	163
Thailand	1.68[c]	0.86	1.20	.	453[c]	223	301	...

Sources: United Nations, *Monthly Bulletin of Statistics*, United Nations, *Statistical Year Book, 1948*, data supplied by the United Nations Statistical Office, and the following country sources:

Burma: *Burma Railways Commercial Statistics*, 1947-48.

China: Replies to 1948 ECAFE questionnaires; *Statistical Monthly* (in Chinese), Directorate of Statistics, Nanking.

Hong Kong: 1949 data from *Supplement No. 4 to the Hong Kong Government Gazette.*

Japan: *Japanese Economic Statistics.*

Korea: K.R.C. Greene, *Economic Survey of Pacific Area: Transportation*, Institute of Pacific Relations, 1941; Bank of Korea, *Monthly Economic Statistics;* 1949 data supplied by the Government of the Republic of Korea.

Pakistan: Replies to 1948 ECAFE questionnaires.

Philippines: 1949 data from *Report of the General Manager for Fiscal Year ending 30 June 1949*, Manila Railroad Company.

Thailand: Royal State Railways of Thailand, *Rehabilitation and Improvement Project, 1949;* and data supplied by the Royal State Railways of Thailand.

NOTES TO TABLE 37

[a] Year beginning 1 April.

[b] Year ending 30 September.

[c] Excluding season ticket holders.

[d] Excluding Taiwan.

[e] 1936.

[f] Estimated on basis of January to September returns.

[g] 1939.

[h] 1946. Estimated on basis of eleven months beginning 1 May.

[i] Class I railways only, which in 1946 covered about 96 per cent of the passenger-kilometres performed. 1937-46: covers India and Pakistan for the twelve-month period beginning 1 April of the year given.

[j] September-December.

[k] Estimate.

[l] Government railways.

[m] Estimated on basis of January-September returns.

[n] Post-war figures refer to Federal Area only. Including tram and bus services.

[o] Excluding Deli Railways.

[p] Estimated on basis of January-November returns.

[q] Twelve months ending 30 March 1936.

[r] Referring to South Korea only in post-war years.

[s] Year ending 30 June of the year given. Manila Railway Co. only.

NOTES TO TABLE 38

[a] Including service traffic.

[b] 1939.

[c] Year beginning 1 April.

[d] 1946.

[e] Year ending 30 September.

[f] Excluding Taiwan.

[g] 1936.

[h] Estimated on basis of January to September returns.

[i] Estimated on basis of eleven months beginning 1 May.

[j] Including service traffic. Class I railways only, which in 1946 covered about 98 per cent of the ton-kilometres performed. 1937-46: covers India and Pakistan for the twelve-month period beginning 1 April of year stated.

[k] September-December.

[l] Estimate.

[m] Estimated on basis of January-November returns.

[n] Post-war figures refer to Federal Area only.

[o] Excluding Deli Railway.

[p] Estimated on basis of January-June returns.

[q] Year ending 31 March.

[r] Referring to South Korea only in post-war years.

[s] Year ending 30 June.

On the basis of tables 37 and 38, the following summary is compiled for China, India and Pakistan, other ECAFE countries and Japan (see table 39).

Table 39. Railway Passenger and Goods Traffic

(In millions)

	Passenger-kilometres		*Ton-kilometres*	
	Pre-war	*Post-war*[a]	*Pre-war*	*Post-war*[a]
China	4,349	14,083	6,489	4,784
India and Pakistan	20,620	70,529	35,616	57,210
Other countries	5,440	5,242	5,412	2,581
Total ECAFE	38,409	89,854	47,517	64,575
Japan	24,173	68,004	14,011	27,400
Total AFE	62,582	157,858	61,528	91,975
	Percentage distribution			
China	7.0	8.9	10.5	5.2
India and Pakistan	45.7	44.7	57.9	62.2
Other countries	8.7	3.3	8.8	2.8
Total ECAFE	61.4	56.9	77.2	70.2
Japan	38.6	43.1	22.8	29.8
Total AFE	100.0	100.0	100.0	100.0

[a] Post-war figures refer to the latest statistics available for each country.

In the AFE region as a whole, the volume of passenger traffic increased over pre-war by 152 per cent, though the number of passenger cars decreased by 2 per cent. The number of freight cars and the volume of freight traffic rose by 6 and 49 per cent respectively. There was thus, if one assumes that not many passengers were carried in freight cars, a greater increase in the use of passenger cars than in that of freight cars. Taking the pre-war period as base, the regional index of changes in utilization, that is, the ratio of the relative change in the volume of traffic to that in the number of cars, reached 252 for passenger cars, but only 141 for freight cars (see table 40).

The post-war index of changes in utilization for passenger or freight cars varies considerably among countries in the region. Although the index of changes in utilization in India and Pakistan rose more than in China, the post-war ratio of passenger traffic to passenger cars was still higher in China (3,812) than in India and Pakistan (2,647). This disparity was smaller than that in the pre-war ratios, which were 2,124 for China and 1,087 for India and Pakistan (see table 41).

Table 40. Index of Changes in Utilization of Passenger and Freight Cars in a Post-War[a] Year

(pre-war[b] year = 100)

	China	*India and Pakistan*	*Other ECAFE*	*Total ECAFE*	*Japan*	*Total AFE*
Passenger traffic index	324	342	96	234	281	252
Passenger car index	185	94	64	96	121	98
Index of utilization	175	364	150	244	232	257
Freight traffic index	74	161	47	136	195	149
Freight car index	202	97	80	99	147	106
Index of utilization	36	166	60	154	133	141

Source: The index of passenger or freight-car increase is compiled on the basis of data presented in table 36-B and the index of passenger or freight traffic increase is compiled on the basis of data presented in table 39, which in turn is summed up from data given in tables 37 and 38 in terms of passenger-kilometres or ton-kilometres.

[a] Post-war year refers to that year for which both car and traffic statistics are available in the same countries. It is either 1948 or 1949.

[b] The pre-war year is mostly 1938.

Table 41. Ratio of Traffic Volume to Number of Cars

(Ratio in thousands of passenger-kilometres to the number of passenger cars and ratio in thousands of freight ton-kilometres to the number of freight cars)

	Passenger traffic				*Freight traffic*			
	1938	*1947*	*1948*	*1949*	*1938*	*1947*	*1948*	*1949*
Burma	602	1,918	1,214	...	118	135	100	...
China	2,124	4,352	3,812	.	419	211	153	...
Hong Kong	850	1,931	3,321	...	7	82	31	...
India and Pakistan	1,087	2,048	2,647	2,730	161	117	139	164
Indochina	2,018	365	...	...	158	21	...	...
Japan	2,508	7,649	7,024	5,859	190	170	221	253
Korea	2,740	2,124	...	...	461	106	112	...
Malaya	...	...	...	...	45	57	59	...
Philippines	1,196	2,316	926	1,248	67	48	60	84
Thailand	913	2,311	2,892	...	118	40	56	...

With the pre-war year as the base, the index of changes in utilization for freight cars rose to 166 in India and Pakistan but fell to 36 in China. In China the ratio of volume of freight traffic to number of freight cars fell from 419 pre-war to 153 post-war, while in India and Pakistan it rose from 161 to 164.

The post-war index of changes in utilization for passenger cars is highest in India and Pakistan (364), followed by Japan (232), China (175) and other ECAFE countries (121); while that for freight cars is highest in India and Pakistan (166), followed by Japan (154), other ECAFE countries (60) and China (36). The AFE index of changes in utilization in the post-war years for passenger cars of 257 is 83 per cent higher than that for freight cars (100). This indicates greater movement of persons than of goods, owing to generally unsettled conditions — the great refugee movements in India and Pakistan, the migration of war and other refugees in China, Korea and other ECAFE countries, and the repatriation of Japanese soldiers, civil servants and emigrants from abroad.

The rapid increase of passenger traffic and slight decrease of passenger cars have resulted in severe over-crowding of passenger trains, especially in India and Pakistan, Japan, China and other ECAFE countries such as Ceylon, Hong Kong, Korea and Thailand. Only in Indochina, Indonesia, Malaya and the Philippines has the post-war volume of passenger traffic fallen below the pre-war level.

As regards goods traffic, the post-war developments in comparison with prewar include an increase of 61 per cent in the volume carried in India and Pakistan and of 95 per cent in Japan, and a drop of 26 per cent in China and of 53 per cent in other ECAFE countries. In India and Pakistan, the position improved so much that they have been able to meet the full requirements for transport of priority food-grains, coal, iron, steel, textiles and cement. The trade between the two countries, however, decreased in 1949 owing to the different policies which they adopted in regard to devaluation. Among other ECAFE countries, the volume of freight traffic declined below pre-war in Burma, Indochina, Indonesia, Republic of Korea and Thailand, but rose in Ceylon, Hong Kong, Malaya and the Philippines. In these countries, more than in Japan, India and Pakistan, the capacity of existing rolling-stock is handicapped by slow turn-round of wagons, insufficient capacity of marshalling yards, and lack of train-control systems on some railways. Shortage of trained personnel, which also constitutes a major obstacle to improvement, must be remedied if present progress is to be maintained; otherwise existing capacity will be unequal to the demands of increasing production.

Road Transport

Length of Highways

According to incomplete data available, the post-war lengths of highways in the region have increased over pre-war except in Burma, Indochina, Indonesia, Japan and Malaya. In this group of countries, road

systems suffered from the war-time destruction and post-war civil disturbances. The statistics are, however, not comparable in all cases (see table 42).

Table 42. Length of Highways

(In kilometres)

	1938	*1947*	*1948*	*1949*
Burma	41,029[a]	...	...	...
Ceylon	9,424	10,729	10,699	..
China	107,254[b]	131,466	131,912[c]	203,414
Hong Kong	550	623	644[d]	..
India	457,349[e]		384,753[f]	...
Pakistan	..	9,117[g]	...	..
Indochina	27,441	...	20,377[h]	...
Cambodia			6,883[h]	
Laos			3,500[h]	
Viet Nam			9,994[h]	
Indonesia	..	...	3,844	
Japan	924,521	919,621	...	...
Korea[i]	...	14,270[j]	..	29,223
Malaya	13,791	9,941	10,493	...
Singapore	519	526	..	..
Philippines	19,175	24,085[j]	23,851	
Thailand	3,309	5,748	5,758	...

Sources: Burma: *Financial and Economic Annual of Burma,* July 1943.

Ceylon: *Statistical Abstract of Ceylon, 1949; Ceylon Yearbook, 1949.*

China: Replies to 1947 ECAFE questionnaires; *Statistical Monthly,* (in Chinese), Directorate of Statistics, Nanking, 1948; 1949 data from *Ta Kung Pao,* 1950, in Chinese.

Hong Kong: Replies to 1947 ECAFE questionnaires; *Hong Kong Annual Report, 1948.*

India: *Transport,* by the National Planning Committee; *Our Roads,* Modern India Series, No. 11, published by the Ministry of Information and Broadcasting, Government of India.

Indochina: *Annuaire statistique de l'Indochine,* 1943-46 and 1947-48.

Indonesia: Data supplied by the Government USI.

Japan: Replies to 1947 ECAFE questionnaires.

Korea: Replies to 1947 ECAFE questionnaires; 1949 data supplied by the Government of the Republic of Korea.

Malaya: K.R.C. Greene, *Economic Survey of Pacific Area: Transportation,* Institute of Pacific Relations, 1941; Replies to 1947 ECAFE questionnaires; and Federation of Malaya, *Annual Report of the Road Transport Department, 1948.*

Pakistan: *Survey of Pakistan, 1947-48,* prepared by the Government of Pakistan.

Philippines: K.R.C. Greene, *op. cit.; Yearbook of Philippine Statistics, 1946;* and replies to 1947 ECAFE questionnaires.

Singapore: Replies to 1947 ECAFE questionnaires.

Thailand: Data supplied by the Highways Department, Government of Thailand.

NOTES TO TABLE 42

[a] 1940.
[b] 1936.
[c] As of 31 October 1948.
[d] Approximate.
[e] As of 31 March 1939.
[f] Including 92,638 kilometres of roads not passable by motor-cars.
[g] National highways only.
[h] Including all roads under Government control.
[i] Referring to South Korea only in post-war years.
[j] 1946.

The increase of highways in China from 107,254 kilometres in 1936 to 131,466 in 1947 represents largely the taking over of roads in the Japanese-occupied territory. An even sharper increase from 131,912 kilometres in 1948 to 203,414 kilometres was reported in the latter part of 1949. This increase was due to the incorporation of roads formerly located in territory under the People's Government, especially in Manchuria and parts of North China. The more than twofold increase of highways in South Korea from 14,270 kilometres in 1947 to 29,223 kilometres in 1949 was probably accounted for by a change in the definition of highways in the replies transmitted, as the 1949 figure referred to "total length of authorized line". The expansion of highways in Thailand from 3,309 kilometres in 1938 to 5,758 kilometres in 1948 represented progress in a country which prospered from the region's urgent need for its rice exports.

Many important highway development schemes are under consideration and in some cases have been implemented. Among these are the five-year plans of the Governments of India and Thailand. Progress was also made during the year in the repair and maintenance of existing roads and rebuilding of bridges, particularly in the Philippines where the highway system suffered extensive war damage.[1]

Rapid implementation of these projects is hindered by inadequate planning, the shortage of modern road-building machinery and the lack of suitably-trained technical staff. The absence of adequate national highway networks and the totally insufficient interconnecting rural roads seriously limit industrial and agricultural development and the economic and social progress of the region.

Road Vehicles

As compared with pre-war, numbers of private passenger cars in the region declined by about 24 per cent while commercial buses and lorries increased by 59 per cent. Taken together the two groups showed an increase of 9.2 per cent (see tables 43-A and 43-B).

[1] See chapter XVI on Economic Planning.

Table 43-A. Number of Commercial and Private Motor Vehicles[n]

(In thousands of units)

	Commercial motor vehicles[o]				*Passenger motor vehicles*[o]			
	1938	*1947*	*1948*	*1949*	*1938*	*1947*	*1948*	*1949*
Burma	14.00	...	...	22.02[a]	6.90	..	...	10.56[a]
Ceylon	6.94	10.47	12.46	13.23	21.04	22.93	27.60	31.26
China	28.49[b]	39.87[c]	...		36.14[b]	16.16[c]	...	...
Hong Kong[d]	...	2.53	2.90	3.25		4.60	6.39	8.53
India[e]	38.00	64.57	65.01		97.00	90.12	73.64	...
Pakistan			3.76				20.97	
Indochina	4.54	11.39[f]	7.61	.	16.53	11.35[f]	13.28	...
Cambodia			1.22				0.94	
Laos			0.30				0.20	
Viet Nam			6.09				12.14	
Indonesia[g]	15.87	12.14	11.58	13.31	50.01	12.50	10.28	...
Japan	80.40[h]	89.13	108.21	124.11	37.00[h]	19.98	21.30	22.16
Korea	4.27	9.95	10.91[j]	12.32	5.16	3.50	3.80[j]	3.44
Malaya	6.52[k]	13.59	15.14		20.45[k]	14.95	19.76	...
Singapore	3.02	5.50[l]	.	.	10.18	8.00[l]	.	...
Philippines	18.29[b]	38.24	44.79	34.10[l]	30.36[b]	21.97	28.82	18.42[l]
Thailand[m]	5.13	1.87[n]	2.67[n]	..	5.11	4.47[n]	6.47[n]	...

Sources: United Nations, *Statistical Year-book, 1948;* data supplied by United Nations Statistical Office: and the following country sources:

Burma: Data supplied by the Government of Burma.

China: *China Statistical Year-book, 1948.*

Hong Kong: *Supplement No. 4 to the Hong Kong Government Gazette.*

Indochina: *Annuaire statistique de l'Indochine, 1947-48.*

Korea: Bank of Korea, Survey Department. *Economic Review*, 1949; 1949 data supplied by the Government of the Republic of Korea.

NOTES TO TABLE 43-A

[a] Approximate. 1949 figures for passenger motor vehicles consists of 4,526 passenger cars and 6,037 jeeps.
[b] 1937.
[c] As of 30 June 1947.
[d] As of December.
[e] Estimated.
[f] 1946.
[g] Post-war figures refer to Federal Area only.
[h] 1936.
[i] Referring to South Korea only in post-war years.
[j] As on 31 December 1948. Including special and small-sized cars.
[k] 1940.
[l] Estimated.
[m] Taxis are included in commercial vehicles.
[n] Bangkok only.
[o] Buses are included under commercial vehicles and taxis under passenger cars.

Table 43-B. Number of Commercial and Private Motor Vehicles: Summary Statistics

(In thousands of units)

	Pre-war			*Post-war*		
	Commercial	*Private*	*Total*	*Commercial*	*Private*	*Total*
China	28.5	36.1	64.6	39.9	16.2	56.1
India and Pakistan	38.0	97.0	135.0	68.8	94.6	163.4
Other countries	78.6	165.8	244.4	125.8	121.6	247.4
Total ECAFE	145.1	298.9	444.0	234.5	232.4	466.9
Japan	80.4	37.0	117.4	124.1	22.2	146.3
Total AFE	225.5	335.9	561.4	358.6	254.6	613.2
Pre-war = 100	100.0	100.0	100.0	159.0	75.8	109.2
			Percentage distribution			
China	12.6	10.7	11.5	11.1	6.4	9.2
India and Pakistan	16.8	28.9	24.1	19.2	37.1	26.6
Other countries	34.9	49.4	43.5	35.1	47.8	40.3
Total ECAFE	64.3	89.0	79.1	65.4	91.3	76.1
Japan	35.7	11.0	20.9	34.6	8.7	23.9
Total AFE	100.0	100.0	100.0	100.0	100.0	100.0

There has been a decline in private passenger cars, caused by the shortage of foreign exchange for the import of petrol and the consequent rationing of petrol in most countries of the region. The number of commercial buses and lorries, on the other hand, increased in all countries except Indonesia and Thailand, mainly owing to large-scale conversion of surplus military vehicles for civilian use. Most of these vehicles, however, are uneconomical to maintain and to operate and their replacement by more suitable types is likely soon to be a major problem.

Repair and maintenance is very unsatisfactory in most countries, due to the shortage of skilled staff, the inadequate capacity of workshops, and the lack of machinery and spare parts.

The problem of organization, control and co-ordination of road transport services, particularly in respect of public buses and lorries, is of major concern at the present time to all the Governments. Bus services with few exceptions fail to provide comfort, convenience, cleanliness and safety for the public, and in most cases the vehicles themselves are unsuitably designed, uneconomic and inefficient in operation. For these reasons, many countries, including Ceylon, Pakistan and India, are considering plans for thorough reorganization and control of existing and future road transport services.

The animal-drawn cart still plays an important part in freight transport, especially in rural areas. In India alone there are some 10 million country carts carrying about 100 million tons of goods a year and representing a capital investment of Rs.2,610 million, compared with Rs.670 million in motor lorry transport.[1] A major problem arising from this type of transport is the damage done to the surface of motor roads, the solution of which, as in some parts of China and other countries, might be an improvement of design incorporating pneumatic tyres which would save maintenance costs on roads and increase the capacity and utility of these vehicles.

Water Transport

Inland Navigation

From the procurable statistics, it appears that the improvement noticeable in 1948 in the availability of craft was well maintained in most parts of the region, although unsettled conditions still prevailed in a number of countries.

The small wooden craft (country boats, junks, etc.), which circulate on most waterways of the region and carry the bulk of river and canal traffic, escape statistics. The available official figures on inland water transport, which refer only to organized companies, are therefore far below reality.

Most commodities have to be carried by road or by small craft before, and often after, they are transported by railways or larger vessels. In

[1] *Our Roads.* Modern India Series No. 11, Ministry of Information and Broadcasting, Government of India, New Delhi.

countries with poor road networks, but relatively extensive inland waterways, the latter may be the most important feeders. Waterways carry a significant fraction of the total inland transport, notably in countries with large navigable rivers and canals but with limited railway development.

In India and Pakistan the country boats, severely depleted during the war, are being gradually though not systematically replaced. By proper organization of these small craft, which can negotiate watercourses inaccessible to larger vessels, the transport potential of the two countries could be increased and the strain on railways lessened.

Towards the end of 1949, owing to political and economic difficulties between India and Pakistan, traffic between the two countries came to a standstill. This caused severe damage to their interdependent inland navigation and had a serious effect on the river navigation companies which in the course of the last hundred years organized and developed efficient services in East and West Bengal and beyond.

India is considering improvement of the navigability of the River Ganga system and its linking with the River Damodar to carry coal from the collieries.

In Ceylon the canal system has suffered severely from past neglect and has become unsuitable for power-driven craft. There is now a growing appreciation of the importance of canals, and rehabilitation schemes are being taken in hand.

In Burma although internal conditions are still far from stable, the volume of cargo and the number of passengers carried over the waterways showed an increase, particularly towards the close of the year. Since the Government controls only the lower reaches of the Irrawaddy system, the average haul of 136 kilometres was much restricted, when compared with 235 kilometres in the previous year. Lack of proper river conservancy, owing to insecurity, caused frequent groundings of river craft in certain channels and added to the difficulties of operation.

With the return of more stable conditions in Indonesia, the fleet of river craft was augmented by special-type shallow draft tugs with lighters designed to navigate in narrow and tortuous channels. This had enabled river craft to reach places previously inaccessible during the dry season, and has considerably helped the indigenous rubber industry.

Port Traffic

Port shipping traffic statistics in countries of the region are given in tables 44-A and 44-B.

Table 44-A. Entrances and Clearances of Vessels in External Trade

(Thousand net registered tons)

	1938		1947		1948		1949	
	Entered	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*
Burma[a]	3,725[b]	4,308[b]	1,152[c]	1,205[c]	1,420[c]	1,889[c]	1,052[d]	1,348[d]
Ceylon	10,951	10,697	3,969	3,747	5,694	5,628	7,678	6,834
China[e]	22,744[f]	22,489[f]	10,054	9,979	10,862	10,909	. .	. . .
Hong Kong[e,g]	14,739	14,791	8,016	8,033	9,386	9,297	11,854	11,721
India[h]	9,125	9,519	6,599	5,987	7,593	6,664	8,990[i]	8,600[i]
Pakistan ...	. . .		(512)[j]	(353)[j]	2,408	1,731	3,688[k]	2,485[k]
Indochina[e,l] .	3,224	2,943	1,155	1,166	1,490	1,432	1,770	1,815
Indonesia ...	8,939[e]		.	.	.	.	. .	. . .
Japan[e] ...	73,219[f]	73,077[f]	7,481	7,375	11,375	11,154	18,490	17,864
Korea[e,m] .	13,062	12,991	1,085	1,100	292	291	368[n]	362[n]
Malaya[o] .. .	16,243	15,697	9,468	8,383	11,416	10,703	14,420[p]	13,020[p]
Philippines .	4,448[q]	5,231[q]	1,500[r]	710[r]	5,398	5,251	5,710	5,704
Thailand[s] ..	859[b]	1,206[b]	513	602	801	1,103	1,060[p]	1,460[p]

Sources: United Nations, *Statistical Year Book, 1948; United Nations Monthly Bulletin of Statistics;* data supplied by United Nations Statistical Office; and the following country sources:

China: The Statistical Department of the Inspectorate General of Customs: *The Trade of China,* 1936; *Monthly Returns of the Foreign Trade of China,* 1947, 1948.

Hong Kong: *Supplement No. 4 to the Hong Kong Government Gazette.*

Korea: Bank of Korea: *Monthly Statistical Review.*

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[a] Including all entrances and clearances at each port.
[b] Year beginning 1 April.
[c] Year ending 30 September.
[d] Estimated on basis of October-June returns.
[e] Including vessels in ballast.
[f] 1936.
[g] Beginning 1947 including river boats of more than 60 tons.
[h] Beginning September 1947 excluding Pakistan. September 1947 to February 1948 excluding traffic between India and Pakistan.
[i] Estimated on basis of January-November returns.
[j] 15 August to 31 December.
[k] Estimated on basis of January-September returns.
[l] Port of Saigon only.
[m] Referring to South Korea only in post-war years.
[n] Estimated on basis of January-October returns.
[o] Including Singapore.
[p] Estimated on basis of January-September returns.
[q] 1937.
[r] Estimate for 1946.
[s] Port of Bangkok only.

Statistics on entrances and clearances of vessels in external trade showed an overall improvement of port traffic in AFE countries in 1949 as compared with 1948, except in China and Burma. But except in India and Pakistan, the Philippines and Thailand, the 1949 level was still below pre-war. No comparable statistics are available for Indonesia.

Table 44-B. Entrances and Clearances of Vessels in External Trade: Summary Statistics

(In millions of net registered tons)

	Pre-war[a]			Post-war[b]		
	Entered	*Cleared*	*Total*	*Entered*	*Cleared*	*Total*
China	17.8	17.7	35.5	10.9	10.9	21.8
India and Pakistan	9.1	9.5	18.6	12.7	11.1	23.8
Other ECAFE countries[c]	140.5	140.9	281.4	62.4	60.1	122.5

Sources: See table 44-A.

[a] Pre-war year refers to 1938 for all countries except China and the Philippines, for which it refers to 1937.

[b] Post-war year refers to 1949, except for China for which data are available only for 1948.

[c] Indonesia not included because of lack of comparable post-war data. Data for Korea in 1938 but for South Korea in 1949.

For the eleven AFE countries for which data are available (Burma, Ceylon, Hong Kong, India, Indochina, Japan, Korea, Malaya, Pakistan, the Philippines and Thailand) and are given in table 44-A, a comparison between pre-war and post-war years is shown in table 44-C.

Table 44-C. Entrances and Clearances of Vessels in External Trade[a]

(In millions of net registered tons)

	Entered	*Cleared*	*Total*
1938	149.6	150.5	300.1
1947	41.4	38.7	80.1
1948	57.3	55.1	112.4
1949	75.1	71.2	146.3
Index (1938 = 100)			
1947	27.7	25.7	26.7
1948	38.3	36.6	37.5
1949	50.2	47.3	48.8

[a] For eleven AFE countries.

Plans for the restoration and improvement of port facilities are in hand in several countries, but their implementation is hampered by financial and exchange difficulties. Heavy cranes, dredgers, hopper barges and other equipment needs for several ports are in short supply. In view of the increasing cost of manual labour, light mechanical port and warehouse equipment will become more necessary.

The development of Chittagong as the main port of East Pakistan is being pushed ahead energetically, and plans for further development of Colombo port in Ceylon are under consideration. Work has started on the port of Kandla on the west coast of India.

Shipbuilding and repair facilities for sea-going vessels and inland craft are improving. Projects for graving docks and modern workshops are

being studied in Bangkok, Chittagong and other ports. Excess ship-building and repair capacity is reported from East Bengal and in the Calcutta yards. There is no longer an acute shortage of steel.

Import restrictions, necessitated by foreign exchange difficulties, and unsatisfactory shipyard management appear to be factors limiting the restoration of port facilities in the region.

The position of navigation aids (lights, buoys, etc.) has considerably improved in many parts of the region.

Railways and Ports—Goods Traffic

Table 45 compares the tonnage of goods carried by the railways with that of goods unloaded and loaded in foreign trade at the ports in Ceylon, Indochina, Indonesia and Japan. The tonnage unloaded at ports is either shipped further by inland rail, road or waterway transport or in coasting vessels, or consumed in the port of unloading, or re-exported after consignment to *entrepôt*. The tonnage loaded at ports is either brought by inland transport or coasting vessels, or produced in the port of loading, or loaded from *entrepôt*. The tonnage carried by the railways is made up as follows: internal traffic (including goods part of whose journey is by coasting vessel), imports forwarded by rail from the ports, exports arriving at the ports by rail, imports by rail over land frontiers, exports by rail over land frontiers, and international transit traffic by rail.

Table 45. Comparison of Railway and Port Goods Traffic

(Railway traffic and international port traffic as a percentage of total international port traffic for selected countries)

Country	*Year*	*Total railway traffic*	*International port traffic*	
			Unloadings	*Loadings*
			(Percentages)	
Ceylon	1937	44	69	31
	1948	52	69	31
Indochina	1937	48	13	87
	1948	59	54	46
Indonesia	1938	75	15	85
	1948	49	27	73
Japan	1937	166	74	26
	1948	1,175	78	22

In the light of this analysis, it appears that in Ceylon, Indochina and Indonesia, there is relatively little internal or international railway traffic, traffic being centred in the ports. A large proportion of the goods moved was distributed from the ports or brought to the ports by water, that is, either by inland waterway or coasting vessels.

In Japan the relative increase of rail traffic since the war as compared with pre-war, is due to a severe post-war decline of coastwise shipping induced by loss of vessels and damage to harbours.

Air Transport[1]

The expansion of air transport in the region continued during 1949 at a more rapid pace than hitherto. Several factors contributed to this expansion. In the reconstruction of countries devastated by the war, air transport has been the quickest and most economical method of re-establishing disrupted systems of communications. Unsettled political conditions in some countries, with the consequent lack of security on highways, railways and internal waterways, have also contributed to the adoption of air transport as the safest means of transport. The geographical conditions of many countries in the region also make air travel an economical means of transport.

The greatest asset in the development of civil air transport in the post-war years has been a plentiful and cheap supply of such war surplus as transport aircraft, airports and air navigation equipment.

Table 46. Air Transport Bilateral Agreements Concluded or Under Negotiation

	Concluded 1948	*Concluded 1949*	*Concluded 1950*	*Under negotiation*
Burma	—	United States	—	—
Ceylon	India	Pakistan United Kingdom	Australia	Egypt Italy Iraq Iran
China	—	—		Union of Soviet Socialist Republics
India	Ceylon Sweden	Australia Ethiopia Norway Philippines Switzerland		Italy United Kingdom
Pakistan	Ethiopia Iraq	Iran Norway Australia Ceylon Philippines United Kingdom Denmark		Italy Switzerland
Philippines	United Kingdom	Pakistan India		Thailand Australia Italy
Thailand	—	—		Philippines

[1] Prepared by the International Civil Aviation Organization.

Governments have generally followed a policy of promoting air transport. Significant of this trend during 1949 was the signing of seventeen international bilateral agreements on air transport by Governments of the region among themselves and with Governments outside the region. More such agreements are under negotiation. By comparison, only six agreements were signed in 1948. This policy has been supported by

Governments in such ways as the financing of the establishment of air navigation facilities, financial support to airlines either by subsidies or airmail and establishment of new airlines (see table 46).

Table 47 reflects the tremendous post-war expansion of civil aviation in Ceylon, China, India, the Philippines and Thailand. The figures do

Table 47. Revenue Traffic on Scheduled Domestic and International Routes

(In thousands)

	Ceylon	China[a, b]	India[c]	Philippines	Thailand[d]
	Kilometres flown				
1937	—	2,673	856	1,606	125
1938	—	1,299	2,272	1,530	154
1946	—	12,187	7,273	9,967	28
1947	—	16,030	15,063	11,320	582
1948[e]	742	34,752	20,352	12,692	1,504
1949[e]	1,869	—	22,480	12,748	1,950
	Passenger-kilometres				
1937	—	17,229	318	2,735	10
1938	—	10,880	1,278	2,539	14
1946	—	225,603	98,265	99,327	159
1947	—	231,123	223,379	128,994	4,869
1948[e]	4,297	525,825	283,772	174,877	11,190
1949[e]	11,531	—	302,608	162,778	18,936
	Cargo ton-kilometres				
1937	—	341[f]	2	—	1
1938	—	205[f]	13	—	1
1946	—	13,279	686	2,923	1
1947	—	24,031	2,462	5,303	49
1948[e]	20[f]	63,509	4,622	5,909	173
1949[e]	76	—	6,152	4,868	280
	Mail ton-kilometres				
1937	—	[f]	86	—	7
1938	—	[f]	396	—	11
1946	—	1,878	638	17	—
1947	—	3,729	815	153	16
1948[e]	[f]	4,005	1,073	570	29
1949[e]	13	—	1,584	636	51

Source: Prepared by the International Civil Aviation Organization.

[a] 1937-1948 includes, in addition to China National Aviation Company, the operations of Central Air Transport Corporation (until 1943 known as Eurasia Aviation Company).

[b] From November 1946 includes the non-scheduled operations of Civil Air Transport.

[c] Excluding Pakistan from 15 August 1947. Figures for India prior to January 1947 included both revenue and non-revenue traffic.

[d] Until 1939, fiscal year beginning 1 April of year stated.

[e] 1948 data for China are estimated on the basis of January-August returns; 1949 data are estimated on the basis of January-November returns for Ceylon, January-March returns for India, January-June returns for the Philippines, and January-October returns for Thailand.

[f] Cargo and mail ton-kilometres combined.

not include non-scheduled operations, which have also developed on a large scale in the Far East.

To cope with the increasing demand for air transport, airlines and non-scheduled operators purchased a large number of aircraft during 1949. The formation of new sovereign states has led to the establishment of new national airlines. The expansion of civil aviation between the countries of the region and the rest of the world, however, is more clearly demonstrated by the new air routes opened or planned during 1949. The following lists indicate the most important of these:

New air routes

(1) Qantas: Sydney (Australia)—Darwin-Labuan (North Borneo)—Hong Kong.

(2) KLM: (Operated temporarily—now discontinued) Amsterdam-Khartoum-Mauritius-Batavia.

(3) Air France: Extension of Paris-Saigon service to Noumea/Tontouta via Darwin and Brisbane.

(4) Qantas: A service has been started linking a number of plantations in New Britain, New Guinea and various island groups in the Solomons with Port Moresby.

(5) Qantas: Port Moresby (Papua) to Popedetta (New Guinea) via Kokoda.

Planned new routes announced

(1) Ceylon-Australia: Approval has been given for Air Ceylon to operate a scheduled service from Colombo to Sydney via Singapore and Darwin.

(2) Indian Ocean route: United Kingdom-Australia via Perth-Cocos-Mauritius-South Africa has been surveyed by DCA Australia.

(3) Manila-Calcutta: Agreement has been reached between India and the Philippines for Manila-Calcutta service, then to London via Madrid.

(4) Australia-Indonesia: MacRobertson-Miller Aviation plans a service from Derby (West Australia) to Koepang (Indonesia) to shorten route by 700 miles.

(5) Extension of (3) above to Tahiti, via Bora-Bora.

New services in operation

(1) BOAC "Argonaut" services: United Kingdom-Japan via Rome, Cairo, Basra, Karachi, Calcutta, Rangoon, Bangkok, Hong Kong and Okinawa.

(2) KLM: Batavia-Canton (China) via Singapore and Bangkok.

(3) Indian Airlines: India-Japan via Bangkok, Saigon and Hong Kong.

(4) Qantas (Constellation): Sydney-London via Darwin-Singapore and Karachi-Cairo.

(5) BOAC (Constellation): London-Sydney via Singapore-Batavia-Darwin.

The route kilometres and kilometres scheduled per week for nine ECAFE countries are given in table 48.

Table 48. Route Kilometres and Kilometres Scheduled Per Week for ECAFE Countries as of 1 October 1949[a]

	Route kilometres	*Kilometres scheduled per week*
Burma	4,167	31,218
Ceylon	13,189	47,514
Hong Kong	6,116	31,079
India	37,258	519,170
Indochina	9,839	53,876
Pakistan	9,134	65,621
Philippines	36,431	229,260
Singapore	5,691	41,733
Thailand	11,168	37,895
TOTALS	132,993	1,057,366

[a] Data not available for China.

A good indication of the extent to which air transport is being developed in the region is the variety in its uses. These have included:

(1) Shipment of heavy engineering equipment urgently required for reconstruction in different countries.

(2) Photographic surveys which have given valuable assistance in the development of railroads.

(3) The only successful means of shipment to outlying areas of radioactive isotopes and similar medical aids from United States and United Kingdom manufacturers.

(4) The shipment of tea seed from Malaya upon which the development of the Nairobi tea plantations has relied.

(5) Development of heavy cargo shipments between India and Assam. This is an outgrowth of the separation by partition of the Indian State of Bengal into West Bengal (India) and East Bengal (Pakistan) which has made shipment of freight cheaper by air than by railroad, since the creation of an international frontier has given rise to obstacles in the way of railroad freightage between India and Assam. At present, however, the railway link between West Bengal and Assam has been installed.

(6) The spraying and dusting of crops; the employment of airborne fire-spotters; the continued supply of fresh foodstuffs and medical services to outlying areas, contributing to agricultural development.

Obstacles encountered in the development of air transport in the region have included the scarcity of dollars and other foreign exchange. Since many of the aircraft were war surplus, maintenance and spare parts have become important dollar-consuming items. The main obstacle, however, has been the lack of experts and trained personnel familiar with air navigation facilities.

In India and Pakistan the growth has been much greater than in other countries. By 21 May 1948, there were thirteen airlines operating in India with a total of 732 aircraft holding certificates of air-worthiness. The Government policy of operating domestic air services is one of controlled free enterprise. Only two companies operating before the war received a Government postal subsidy, and these pre-war contracts are still in force.

In Pakistan a second licensed airline commenced operations in August 1949. The country's commercial air fleet was brought up to a total of thirty-seven transport planes. Both airlines have been handicapped by lack of maintenance and overhaul facilities. The Government, through an Airport Development Programme, is improving nine airports.

In the Philippines there were by September 1948, 267 aircraft registered with the Civil Aeronautics Administration. Since September, Philippine Air Lines Inc. (PAL) has been the only scheduled airline. It has services to London, Bangkok, Calcutta, Karachi, Cairo, Rome, Madrid and Amsterdam. Today PAL operates forty-nine airplanes and has more than 1,400 employees. The Philippines National Development Company lent funds to PAL for the establishment in the country of an aircraft overhaul base.

Ceylon also expanded civil aviation a great deal during the year. The main difficulty has been the lack of trained personnel.

Japan, as an occupied country, is not permitted to provide civil air services but several foreign airlines have been licensed by the SCAP to operate to and through Japan. Two United States airlines, a British and a Philippine, a Dutch and a Chinese airline, were licensed as of November 1948.

CHAPTER IV

Labour[1]

While lack of statistical data and meagre reporting of information with respect to labour do not permit the making of any generalizations that would have validity for the entire region, certain trends can be noted in some countries. The chronic underemployment that is characteristic of predominantly agricultural economies has been aggravated by unsettled conditions in some areas, and by a decline in the demand for the products of others. Labour productivity has fallen in comparison with pre-war rates. On the other hand, efforts are being made in the region to utilize manpower more effectively, both by means of governmental employment services and by the registration of skilled personnel as well as of the unemployed by expert committees and trade-union groups.

In the following pages these trends are discussed in greater detail and some information is given on the level of wages in relation to cost of living, industrial relations (including trade union organization), conditions of work, industrial safety and health, and social security. Recent legislation is analysed, where appropriate, under each heading.

Two conferences of general interest took place during the period under discussion. The Asian Regional Conference, convened by the International Labour Organisation, met at Nuwara Eliya, Ceylon, in January 1950, and adopted a series of resolutions on labour questions which have been transmitted to the Governing Body of the ILO.

The first Pakistan Labour Conference, composed of representatives of the Government and employers' and workers' organizations, was convened at Karachi in February 1949. This Conference decided to establish a permanent tripartite labour conference and a standing labour committee, and approved a five-year programme of legislative and administrative measures relating to labour questions.

Employment and Unemployment

Some information was given in the 1948 *Survey* on the proportion of gainfully-occupied population in the total population, and on its occupational distribution. The figures indicated that about 40 per cent of the total population of the region was gainfully occupied, while a large proportion, varying from about 50 per cent to nearly 90 per cent according

[1] Prepared by the International Labour Office.

to the country, was engaged in agriculture. As industrialization proceeds, these percentages are likely to decline, but that is a long-term phenomenon, and in the short run the above proportions may be considered fairly stationary.

In many countries of the region there is surplus population in relation to existing resources. This does not show itself mainly in the form of unemployment as in more highly industrialized countries, but much more frequently in the form of chronic underemployment which affects a large proportion of the agricultural community. In reply to an inquiry by the United Nations concerning action to achieve and maintain full employment and economic stability and concerning any publicly available plans to prevent a future decline, the Government of Burma stated that the problem in that country was really one of disguised unemployment in agriculture, in which there is under-utilization of manpower on account of a shortage of land and capital.[1] There are also long periods of seasonal unemployment every year, and there may also be, from time to time, a certain amount of unemployment due to a decline in world demand for the products of these countries.

So far as seasonal unemployment is concerned, the following examples from India may be cited. In the Province of Madras, rice cultivation requires about ten weeks of work in the year for a single crop, and about sixteen weeks for a double crop, while dry land cultivation for millet, oil-seeds etc. provides work for only three or four weeks in the year. It has been estimated that, in the Punjab, agriculture provides work for about 200 days *per annum*.[2] For the United Provinces a recent Government survey reveals that the maximum employment in agriculture amounts to 258 to 280 days a year in the canal-irrigated wheat tracts in the north-west and central regions, whereas in the unirrigated non-wheat tracts of the eastern region employment amounts to about 114 to 118 days or roughly four months in the year.[3]

In regard to the problem of unemployment caused by a decline in the demand for the products of the region, the Government of Ceylon, in reply to the United Nations inquiry already referred to, draws attention to the importance of its exports of tea, rubber and coconut products, and adds: "About 80 per cent of the people are employed either directly or indirectly in the production and handling of these exports. Slight changes in the price or the volume of export of any of these products have, therefore, serious consequences on the employment of the people.

[1] See document E/1111.

[2] International Labour Office, Asian Regional Conference, January 1950, "Agricultural Wages and Incomes of Primary Producers", p. 15.

[3] Government of the United Provinces, Department of Economics and Statistics, *Rural Wages in the United Provinces*, A study of the material collected during the seventh quinquennial inquiry into rural wages conducted in December 1944 (Allahabad, 1947), pp. 115-116.

The Government therefore finds it extremely difficult to maintain a policy of full employment in view of these circumstances."[1]

Hardly any figures of the level of employment or unemployment are available for the Asian countries, and such figures as exist often refer to particular urban centres rather than to a whole country.

In Burma unemployment is acute in the oilfields area, and in the first half of 1949 it was also acute in Rangoon owing to the dearth of raw materials for the industries located there. In Ceylon unemployment has for a long time been a rather serious problem. The number of registered unemployed increased from 21,366 in December 1945 to 66,656 in December 1948, and continued to increase in 1949. This increase is largely due to the cessation of many war activities which had attracted labour to Colombo and other urban centres.

In India the general employment situation deteriorated from July 1949 onward. The decline was aggravated by the wide-spread retrenchment in Government expenditure in the last quarter of the year. There was at the same time a general shortage of skilled technicians in the engineering and building trades, but a surplus of clerks, untrained teachers, motorcar drivers, peons and other semi-skilled and unskilled workers. The situation in India is complicated by the large number of displaced persons from Pakistan. Many of these displaced persons have been settled on the land. Thus, arrangements were made to allot 4,735,000 acres to such persons, who had left 6,730,000 acres in West Pakistan. Other displaced persons have been placed in non-agricultural employment, and still others have been trained in special centres for handicrafts and industrial work. In addition, reference may be made to the decision of the Government of India to repatriate Indians from the rebel-held areas of Burma. By July 1949, 20,000 Indians had been repatriated, and of these 8,000 were destitute.[2]

In Japan, sample surveys of the labour force have been made since October 1947, covering agriculture, mining, industry, transport and commerce. While the index of employment rose from 100 in October 1947 to 106.8 in August 1949, unemployment increased from about 160,000 in August 1948 to about 340,000 in August 1949, no doubt because certain industries were experiencing difficulties in the middle of 1949. In Pakistan unemployment was increasing in the first half of 1949 and is fairly severe both in urban and rural areas. Thus, for example, cottage industries are suffering from a paucity of tools and implements, lack of sufficient capital, and absence of organization among the handicraftsmen. Like India, Pakistan also has a serious refugee problem.[3]

The lack of statistics on many aspects of employment is keenly felt in many Asian countries. In Burma, an Employment Statistics Act was

[1] *International Labour Review*, vol. LIX, no. 6, p. 696.
[2] International Labour Office, *Industry and Labour*, vol. II, no. 10, pp. 410-411.
[3] See *Pakistan Employment Service Review*, August 1949.

ciated equipment." In a speech to the Annual General Meeting of Shareholders of the Steel Corporation of Bengal Ltd., the Chairman said that in 1948 the Corporation produced 7,000 tons less of saleable steel than in 1942 although the number of employees had risen from 3,700 to nearly 6,000. Production per head had therefore declined from about 51 to about 31 tons, or by more than 40 per cent.[1] The Chairman of the Tata Iron and Steel Company also referred to productivity in his annual speech. He said that the output of finished steel per employee had declined from 24.4 tons in 1939/40 to 16.3 tons in 1948/49. He added that in his opinion this decline was due to the fact that the Indian workman was working far below his capacity.[2] This view was challenged by the Indian workers' representative at the third session of the ILO Iron and Steel Committee (Geneva, November-December 1949), who maintained that machinery in the industry had been used to capacity during the war and was now worn out. Moreover, he considered that in India management was less efficient than management in other countries, partly because it lacked experience.

In Japan, to quote again from the ILO report, "the coal output per month per worker declined from 17.6 metric tons in 1934-1938 to 6.1 metric tons in 1948, but there was a steady upward trend in the early part of 1949, the output for March 1949 being 7.9 metric tons. The chief reasons for the decline in Japan were the employment of new hands lacking experience, depreciated capital equipment, shortages of replacement equipment and the working of inferior seams." [3]

Productivity has recovered from the low figure at the end of the war much more slowly in Asia than in Europe where productivity rose from an index of 77 in 1946 (1938 = 100) to 88 in 1948, the increase in the latter year being as much as 9 per cent.[4]

The ILO report already cited concludes its brief survey of productivity in Asia as follows:

"In respect of two important factors behind the lower productivity of Asian labour—the lower ratio of capital intensity and the shortage of skilled workers—the position today is even worse than before the war. The limited capital equipment of the region has had to sustain the strain of war for a longer period than in Europe—in China and Japan for over eight years. Since the war, it has been harder for Asian than for European countries to obtain new capital equipment and spare parts, while the spread of civil disturbance in a number of countries has caused further depreciation and loss to existing equipment. Far-reaching political and administrative changes in a number of countries in the region

[1] *Capital*, Calcutta, 22 September 1949, p. 479.
[2] *Ibid.*, 1 September 1949.
[3] See Chapter II.
[4] United Nations, *Economic Survey of Europe in 1948*, p. 7. The figures relate to Europe excluding the USSR.

have had the immediate effect of causing serious dislocation, and production has often suffered in consequence."

Wages and Cost of Living

The only general wage statistics available are those of Japan where the index of real wages in manufacturing industries in March 1949 was 217 for men and 215 for women (average August 1946-March 1947 = 100). In China, certain figures are available up to June 1948 when the index of real wages was 167 (1937 = 100) in Shanghai, and 94 (1937 = 100) in Chungking.[1] One isolated example can be given for the iron and steel industry in India. In the speech referred to in the section on productivity, the Chairman of the Steel Corporation of Bengal said that wages per head in the Corporation had increased from nearly Rs. 1200 *per annum* in 1942 to about Rs.1740 *per annum* in 1948, a rise of about 45 per cent in money value.

While money wages have risen in Asian countries, the cost of living has also risen, with the result that in many cases real wages have declined.[2]

There have been interesting developments in respect of wage policy, aimed at protecting the workers' standard of living from deterioration during the period of rising prices, and at erecting a long-term legislative framework designed to protect workers' wages and to guarantee to the wage earner fair wages and a rising standard of living.

In Burma, an amendment to the Payment of Wages Act enacted in April 1949 considerably extended the coverage of the Act and the Government has announced its intention by a notification to extend the provisions relating to the protection of wages to all classes of persons employed in mines, quarries and oil-fields. In Ceylon, wages boards for the determination of minimum rates of wages in certain industries have been functioning for some years. It is estimated that over 80 per cent of the working population is at present covered by these boards. In China, the basic principles of wage policy are the establishment of a minimum standard of living and progressive wage scales with adequate differentials taking into account skill, output and responsibility. In India, a Minimum Wages Act was adopted in 1948, and in addition a series of awards of industrial tribunals has fixed basic minimum wage rates and cost of living allowances which the Governments concerned have declared binding for specified periods in cotton textiles, jute mills, engineering, mining etc. In Pakistan, the scope of the Payment of Wages Act was extended in June 1948 to oil-fields and coal mines and in March 1949 to salt mines and salt quarries. In the Philippines, no minimum wage legislation is in force at present for wage earners in private industry, but the Court of Industrial Relations set up before the war has played an important part

[1] *International Labour Review*, vol. LX, no. 5, p. 540.
[2] For cost of living changes, see chapter VIII.

in securing equitable adjustments in the earnings of workers. In Japan, reliance has been placed mainly on the machinery of collective bargaining, but in respect of the less organized industries the Labour Standards Law of 1947 provides for tripartite wage boards to make recommendations for minimum wages.[1]

Industrial Relations

An important element in industrial relations is freedom of association and the protection of the right to organize. There is a good deal of legislation on this subject and several governments in the region are encouraging the formation and growth of trade unions. There is also legislation on collective bargaining and the settlement of labour disputes.

Trade unions continue to increase in number and in membership. In most countries they have formed national trade union federations. Some of these are affiliated to the World Federation of Trade Unions (WFTU), others to the recently established International Confederation of Free Trade Unions (ICFTU), and some have no international affiliation.

An Asian Federation of Labour was formed in June 1949 on the initiative of the Indian National Trade Union Congress. In addition to the latter its membership includes the Chinese Federation of Labour, the Japanese Sodomei, and organizations in Indonesia, the Philippines, Iran and Turkey.

An Asian and Australasian trade union conference organized by the WFTU met in Peking from 16 November to 1 December 1949. It was attended by 117 delegates from thirteen countries (Burma, Ceylon, China, India, Indonesia, Iran, Korea, Malaya, Mongolia, the Philippines, Thailand, Union of Soviet Socialist Republics and Viet Nam). This conference decided, among other things, to set up a liaison office of the WFTU in Asia and to bring before the Economic and Social Council the question of restoring "democratic freedom and liquidating slave labour, anti-labour legislation and discrimination because of race, nationality, sex and religion in India, Persia, Japan, Indonesia, Burma, Malaya and Southern Korea."

Information is available on trade union organization in most of the Asian countries. Thus in Burma there are two main bodies, the All Burma Trade Union Congress (WFTU) with a membership of about 20,000 and the Trade Union Congress, Burma, which is of socialist tendency but for which no membership figure is available. In Ceylon there are several federations, of which the All Ceylon Trade Union Congress is affiliated to the ICFTU and the Ceylon Trade Union Federation to the WFTU. The total membership is estimated to be about 180,000.

[1] ILO, Asian Regional Conference, January 1950, "Report of the Director-General", pp. 98-104.

In China the All China Federation of Labour (WFTU) has a membership of about 3,500,000. The Chinese Federation of Labour, which was represented at the meeting which constituted the International Confederation of Free Trade Unions, has a membership of about 470,000. The Hong Kong and Kowloon Trade Union Council (ICFTU) has a membership of 80,700. India has four main trade union organizations, the All India Trade Union Congress (WFTU), the Indian National Trade Union Congress (ICFTU), the Hind Mazdoor Sabha (ICFTU) and the United Trades Union Congress, which is of socialist tendency but without any international affiliation. The total membership is estimated to be about 3 million. The General Confederation of Labour of Viet Nam (WFTU) has a membership of about 260,000. In Japan there are three main groups, the National Council of Labour Unions (ICFTU), the Liaison Council of All Trade Unions of Japan (WFTU), and a group of neutral or independent organizations (ICFTU), with a total membership of about 5,600,000. In the Federation of Malaya, the Working Committee of the Malayan Trade Union Conference (ICFTU) has a membership of 70,000, and in Singapore a new Trade Union Congress was to be set up in January 1950. In Thailand there are two unions, the General Thai Labour Union (WFTU) and the Thai Labour Union. In the Philippines there are several organizations, but the only membership figure known is that of the Congress of Industrial Organizations (WFTU), with 100,000 members. In Korea the Federation of Korean Trade Unions (ICFTU), with headquarters in Seoul, South Korea, has 1,200,000 members, and in addition there is a Federation of Trade Unions of Northern Korea (WFTU) with 467,000 members and a Federation of Trade Unions of Southern Korea (WFTU) with 252,000 members. In Pakistan four organizations with a total membership of 471,000 have no international affiliation. In Indonesia there are a number of trade union organizations which are now in process of regrouping and development, but no reliable membership figures are available.

So far as legislation is concerned, the following summary covers information on recent developments. In Burma, a committee has been appointed to examine the question of new legislation on the subject. In Ceylon, the legislation of 1935 is still in force. In Hong Kong, an Ordinance of 11 March 1948 regulates trade unions and provides, among other things, for their compulsory registration. In India, an Act of 20 December 1947 substantially amended the Act of 1926. It deals with the recognition of trade unions and the protection of the right to organize. In Indochina, a decree of 24 July 1947 provides that the right of occupational association will be formally guaranteed to all employers and wage earners on conditions similar to those prevailing in France. The Japanese law dates from 27 January 1946 and grants legal status to workers' trade unions. A further law of 17 November 1948 which covers workers in the service of the national railways and public corporations

protects the right to organize and bargain collectively, prohibits strikes and lockouts and establishes compulsory procedures for the settlement of disputes when voluntary methods fail. In the Federation of Malaya and in Singapore, the Trade Union Ordinance of 1940 came into force in 1946 and trade unions have been registered from that time on. In Pakistan, the legislation prior to separation from India remains in force, but its revision is under consideration. Thailand has no legislation on trade unions.

Statements have been made by leaders of the People's Government in China concerning the rights and responsibilities of the workers, laying as much stress on the latter as on the former.[1] The Common Programme adopted by the Chinese People's Political Consultative Council on 29 September 1949 provides that the system of workers taking part in the administration of production will at present be put into practice in State-owned enterprises and for this purpose factory administrative committees will be set up under the leadership of the factory director. In privately-owned enterprises collective contracts should be signed by the employer and the trade union representing the workers and employees.

Legislation on collective bargaining and the settlement of labour disputes is found in Burma, Ceylon, Hong Kong, India, Indochina, Japan, Malay, Singapore and Pakistan. In China, measures have been adopted by various municipal authorities (Canton, Shanghai and other cities), as for example the Provisional Measure for Mediating and Settling Labour-Capital Disputes in Private Enterprises, promulgated in Shanghai on 19 August 1949, which provides for mediation and, if necessary, arbitration by the Shanghai Labour Bureau. In India statistics of industrial disputes show a considerable improvement in 1948 as compared with 1947, an improvement which continued in 1949. This may be due to the Industrial Truce Resolution of 1947 and various steps to improve working conditions including the fixing of minimum wages in many industries. The Government of India (Amendment) Act, 1949, extends the executive authority of the Federal Government in the Provinces to cover certain subjects including industrial and labour disputes.

At a meeting of the Governing Body of the ILO at Mysore in January 1950, it was decided to establish a fact-finding and conciliation commission composed of nine independent persons to handle cases involving freedom of association and infringement of trade union rights referred by the United Nations General Assembly, the Economic and Social Council, the ILO Governing Body or the International Labour Conference.

Conditions of Work[2]

In respect of general conditions of work, new legislation has been enacted and existing legislation has been extended to new classes of

[1] See statement by Jao Shu-Shih in *Ta Kung Pao*, 30 June 1949.
[2] ILO, Asian Regional Conference, "Report of the Director-General", pp. 92-98.

workers and undertakings. Reference may, in particular, be made to the Factories (Amendment) Act, 1948, and the Mines (Amendment) Acts, 1948 and 1949, in Burma; the Factories (Amendment) Act, 1948, in India; the Shops and Commercial Establishments Act, 1948, in Bombay; and the Labour Standards Law, 1947, in Japan.

In India the scope of the Factories Act has been widened to cover industrial undertakings in which power is used and ten or more workers are employed, and also undertakings in which no power is used and twenty or more workers are employed. Provincial Governments are also authorized to apply the provisions of the Act to smaller establishments. The Bombay Shops and Establishments Act consolidates and amends the law regulating conditions of work and employment in shops, commercial establishments, hotels, restaurants, theatres and places of public amusement or entertainment.

In Japan, the Labour Standards Law applies to industrial, commercial and agricultural establishments and to all the workers employed in them irrespective of their occupation.

A number of measures have been passed regulating hours of work. In Burma, hours of work in factories have been reduced to forty-four a week and to eight a day. In Ceylon, a shorter working Saturday of seven hours has been established for industrial undertakings. In China, a working day of eight to ten hours will in general be enforced in publicly and privately operated undertakings, but some discretion is allowed in special circumstances. In India, adult workers in factories may not work for more than nine hours per day or forty-eight hours per week.

Another tendency noticeable in recent legislation is the increase in wage rates for overtime work. Steps to this end have been taken in Burma, India and Pakistan.

Legislation adopted in recent years in Asian countries normally contains provisions reaffirming and guaranteeing a weekly rest of at least twenty-four hours. In Burma and Ceylon, a weekly rest of one and a half days has been introduced in the case of commercial establishments. There is an increasing tendency to pay wages for the weekly rest day to workers employed on an hourly or daily wage basis. For example, in India the Factories (Amendment) Act, 1948, permits the payment for one rest day per week or, in the case of several classes of employed persons, for one and a half days.

The provision of paid public holidays has arisen rather from religious or national custom than from legislation. In some countries, public holidays are fixed by the competent authority in agreement with employers and workers. The number of public holidays varies from country to country but is usually from five to ten days a year.

There has been considerable development during the last decade in the statutory provisions for annual holidays with pay and, in addition, holiday clauses are now normally found in collective agreements. In India, the holiday is ten days for adults and fourteen days for children, in Indochina ten to fifteen days according to the class of workers, and in the French establishments in India fifteen days.

A good deal is being done to improve facilities for the welfare of workers, such as the provision of sanitary and medical facilities, educational facilities, workers' housing, canteens and other feeding arrangements, crèches and day nurseries and recreation. This question is dealt with in considerable detail in a special report recently issued by the ILO.[1] Noteworthy progress in this field has been made in recent years by both Governments and employers, and welfare facilities have been actively promoted in many of the larger industrial centres. Measures have also been taken in favour of plantation workers, and the whole question of conditions of life and work of such workers will be studied by the newly created ILO Committee on Work in Plantations.

The conditions of work of seafarers necessarily have a somewhat special character. Ceylon, India, Japan and Pakistan have all been seeking to develop their merchant shipping fleets, and increasing attention has therefore been paid to the conditions under which seafarers work. In India, for example, efforts are being made to deal with the problem of recruitment through the Maritime Boards in Bombay and Calcutta, and the question of training for the merchant marine has also been tackled. In Pakistan, steps have been taken to develop medical and welfare services for seafarers. A joint Maritime Board, consisting of two representatives each of the Government, the shipowners and the seafarers, has been set up to assist in dealing with recruitment problems. In Japan, a new Mariners' Act was promulgated on 1 September 1947. It is a very comprehensive measure, dealing in detail with articles of agreement, hours and other conditions of work on board, holidays with pay, minimum age for employment, accident compensation, food and health requirements and the inspection of seafarers' conditions.

Special measures have been taken in many Asian countries concerning the welfare of women and young persons. Thus, the age of admission to employment in industry has been raised from twelve to thirteen years in Burma and from twelve to fourteen years in India. It is fourteen years in Indonesia and fifteen in Japan. Measures have also been adopted in some countries concerning the age of admission to employment in non-industrial occupations or hazardous work, and in employment involving moral dangers. Other recent legislative measures, relating more particularly to the conditions of work of young persons, are concerned

[1] ILO, Asian Regional Conference, Ceylon, January 1950, "Provision of Facilities for the Promotion of Workers' Welfare".

with medical examination prior to admission to employment, prohibition of night work and limitation of hours of work.

There is increasing scope for women in industry and the professions. The Province of Madras has begun to recruit women for factory inspection. In Japan, manufacturing industries have absorbed about 1,140,000 women workers and increased numbers of women are engaged in the liberal professions and the public services. Progress has also been made in regulating the conditions of women's work, notably by the Labour Standards Law, 1947, in Japan, the Bombay Shop and Establishments Act, 1948, and the Madras Non-Power Factories Act, 1947.

In recent years advances have also been made in the field of industrial safety and health, particularly in Burma, Ceylon, India, Japan and Pakistan. In Burma, the Factories (Amendment) Act, 1948, contains safety and health provisions. In addition, the use of white phosphorous in the manufacture of matches is prohibited. The Ceylon Factories Ordinance, 1942, is one of the most comprehensive and detailed factory codes in Asia. In India, industrial safety and health legislation has been developed steadily over the past years. The New Factories Act of 1948, which contains many provisions relating to the health and safety of the workers, has been supplemented by a series of model rules for application by the Provinces. In Japan, health and safety are dealt with in the Labour Standards Act, 1947, and other measures contain provisions relating to labour standards for women and young persons and employment in mines. In Pakistan, Dock Labourers' Regulations were issued in 1948, embodying the provisions of the International Labour Convention No. 32 (revised) concerning the protection against accidents of workers employed in loading or unloading ships.

Labour legislation is likely to remain a dead letter unless there is machinery to ensure its enforcement, more particularly through labour inspection services. This question has been very thoroughly studied, with special reference to the Asian countries, by the International Labour Organisation, and a Preparatory Conference on Labour Inspection in these countries was held at Kandy, Ceylon, in November 1948. The report of this Conference was considered by the Asian Regional Conference in Ceylon in January 1950, which adopted a series of recommendations for transmission to the Governing Body of the ILO and, if the latter agrees, to the Governments of the Asian countries.

Social Security[1]

Considerable developments have taken place in the field of social security in recent years in China, India and Japan, and plans are in various stages of preparation in Ceylon and the Philippines.

[1] See ILO, Asian Regional Conference, January 1950, "Report of the Director-General", pp. 85-92.

In China, Provisional Labour Insurance Regulations relating to Manchuria came into effect on 1 April 1949 for State-operated railways, coal mines, arsenals, military stores, postal services, electric power and textile enterprises, and on 1 July 1949 these Regulations were extended to cover various other State, provincial and municipal industrial and mining enterprises in Manchuria. The Regulations provide for the payment of benefits for injury while employed which results in partial or total loss of working capacity or death, and for sickness and invalidity. They also cover old-age pensions and maternity benefits.

In India, the Employees' State Insurance Act, which came into force on 19 April 1948, covers about 2,500,000 factory employees earning less than Rs. 400 per month. It provides for medical care, maternity benefit, sickness benefit and employment injury benefit. The Employees' State Insurance Corporation, which administers the scheme, may promote general health and welfare measures for insured persons and, in particular, for the rehabilitation of the disabled.

In Japan, since the war, legislation has been adopted introducing compulsory accident insurance and unemployment insurance (the first scheme of its kind in Asia), and the National Health Insurance Act has been revised. In addition, the Daily Life Security Act of October 1946 provides a comprehensive assistance programme.

CHAPTER V

Currency

General Developments of Currency Systems

There were several important changes in the currency systems or policies of countries of the region during the year. In Ceylon it was decided to transfer the right of note issue to the new Central Bank of Ceylon, which is to come into being in 1950. The Ceylon rupee was defined as having a par value of 2.88 grains of fine gold, but no particular reserves had to be kept against note issue. In China the People's Bank notes were issued also without orthodox reserves and replaced the currency issued by the National Government on the Chinese mainland. There were increases in currency circulation in 1949 as compared with 1948 in Burma, China, Hong Kong, Korea, Pakistan and Thailand, but decreases in India and the Philippines. In Japan, although the 1949 average was higher than the 1948 figure, there was during 1949 a decline in the circulation of currency. Malaya and Ceylon had about the same volume of currency in circulation in 1949 as compared with 1948. Increases in currency circulation were caused by budget deficits and need of money by the Governments for purchases of essential commodities such as rice. In Hong Kong the increase in the early part of the year was mainly due to the demand from South China. Decreases in currency circulation were due to diminishing foreign balances serving as currency reserves, credit restrictions and other deflationary pressures.[1] The changes in circulation in India and Pakistan were partly due to the withdrawal of Reserve Bank of India notes circulating in Pakistan.

North Borneo. The currency in circulation consists of the pre-war notes and coins, issued by the Chartered Company, and Malayan currency. The Chartered Company notes and coins remain legal tender but, when handed into banks or treasuries, are not reissued but redeemed at their face value for Malayan currency. Malayan currency was introduced by the British Military Administration immediately after the liberation of the territory and today little Chartered Company currency remains in circulation. The normal medium of exchange is the Malayan dollar valued at 2s. 4d. sterling. In this connexion it is relevant to add that the Colony has made application to join the Malayan Currency Board. The buying and selling rates of the Malayan dollar fluctuate slightly in accordance with the Singapore market. It is estimated that in 1948 about M$7 million was in circulation in North Borneo.

[1] See also chapter VIII on Inflationary and Deflationary Tendencies.

Burma. There was no significant change in the working of the currency system. During the year it continued to be on an automatic sterling-exchange standard with a fiduciary issue of Rs.100 million, the balance being fully backed by foreign assets consisting mainly of sterling securities. The Burma Currency Board introduced its own notes in various denominations in place of the British Military Administration and old Burma notes, whose liability it had also assumed by the Currency and Coinage Act of 1946. In 1949 the volume of notes in circulation was much higher than that of the previous year, being Rs. 416 million in December 1949 as against Rs. 360 million in December 1948. During 1949 the notes in circulation in April, at the peak of the rice season, reached the figure of Rs. 452 million, the highest for the year. The main reason for these increases was the favourable rice-export position and the resulting issuing of currency notes in exchange for foreign currency so earned. During the year approximately Rs. 52 million came into circulation in an unauthorized manner from looting by the insurgents of the currency reserve held in the district treasuries. As the Government bore the loss out of its own deposits at the bank, the amount of reserves available was not reduced. The ratio of foreign assets (mainly in the form of sterling) to notes in circulation rose from 72 per cent in December 1948 to 76 per cent in December 1949.

Ceylon. Several significant changes took place, the first being the severing of the currency link with India after the devaluation. Prior to the severance, the Board of Commissioners of Currency had the automatic functions of issuing and retiring Ceylon rupee notes and coins against an equivalent value of Indian rupees lodged with the Reserve Bank of India. The reasons for severing the link were that in 1946 India agreed with the International Monetary Fund upon a gold par value of the Indian rupee, thus breaking the automatic link between the Indian rupee and sterling (and making it doubtful as to whether the Indian rupee would in future be stable in relation to sterling). India in 1947 instituted exchange control within the sterling area also, and thus hampered the convertibility of Indian rupees into sterling. In 1948 Ceylon itself introduced exchange control for Indian rupees, thus breaking the relationship between Ceylon rupees and sterling by way of Indian rupees. Ceylon felt that with its independence it should have its currency linked directly to gold and the devaluation crisis merely hastened what would in any case have happened. The break with the Indian rupee was not difficult for Ceylon, as in the past most of its assets had been held in sterling.

The next significant change was the passing of the Monetary Law Act No. 58 of 1949 on 16 December. By this Act provision was made for the establishment of a Central Bank of Ceylon to be given the

sole right to issue notes and currency against which it is to maintain adequate international reserves of gold, foreign currency and investments, though not in any particular ratio or composition. This particular note-issuing function, however, was to come into force only by a special order of the Governor-General to be published in the *Gazette*. In the transition period, the Currency Board was to continue issuing notes. This Act meant that Ceylon is abandoning a rigid sterling-exchange standard for one which would allow greater flexibility. The par value of the Ceylon rupee was defined as being equivalent to 2.88 grains of fine gold. It is not yet possible to say how the relations of Ceylon with the sterling area will develop in consequence of the establishment of a separate reserve of gold and dollars.

There was no significant change in the annual average of currency in gross circulation in Ceylon in 1949, as the total notes issued were Rs. 378 million (average of twelve months, January to December) as against Rs. 376 million in 1948.

China. The problems faced during the year were those of deficit budgets and increases in currency circulation arising from heavy military expenditure.

The early part of the year saw a decline of confidence in the Gold Yuan note of the National Government which by April was practically shunned everywhere, the rate quoted by the Central Bank on 2 April being G.Y. 20,000 = US$1. While the *fapi* circulated for no less than thirteen years and survived the eight years of the Sino-Japanese war, the Gold Yuan notes reached their last stage of inflation in the short period of eight months. During this last stage of inflation which came in the end of April 1949, there was a serious shortage of cash because the Gold Yuan depreciated faster than the printing presses could work, even though notes bearing a denomination of G.Y. 50,000 and G.Y. 100,000 were issued in large volume. Desperate last-minute efforts were made at stabilizing prices by the sale of gold and the device of parity deposits, but they were of no avail. Although the National Government had initially assured that the maximum note circulation was to be G.Y. 2,000 million, a conservative estimate in January 1949 put it as G.Y. 8,000 million and in later months it increased at an accelerated rate. The reason for such increases in note issue was that the National Government resorted almost exclusively to the printing press to finance the military expenditure arising from civil war.

The failure of the Gold Yuan forced the National Government to introduce a new currency, based on the silver standard, on 2 July 1949 in Canton, then the seat of the National Government. The coins had a gross weight of 26.6971 grammes of silver, 88 per cent fine. Silver Yuan certificates freely redeemable on demand were issued with a 100 per cent reserve consisting of 60 per cent in silver coins, gold and foreign

currency, and 40 per cent in goods, negotiable securities and warehouse receipts. At first these silver certificates were quite popular inasmuch as they were freely redeemable into silver coins. Later, however, in spite of these efforts, and although there were 30 million silver coins in reserve against 25 million silver certificates, their popularity declined because of the war situation, and Hong Kong dollars continued to circulate in South China, prices being quoted 10 per cent higher for payment in silver certificates than for payment in Hong Kong dollars.

The mounting military expenditure in Taiwan (Formosa), where the National Government established itself after the fall of Canton, and the resulting increase of Taiwan Yuan in circulation forced the authorities to introduce a new Yuan at the rate of new T.Y. 1 to old T.Y. 40,000 pegged at US$1 = new T.Y. 5. As the market rate of the old Taiwan Yuan was 245,000 = US$1, the new Taiwan Yuan was also overvalued. The limit of issue of the new Taiwan Yuan was placed at 200 million with reserves of 800,000 ounces of gold for these notes and US$10 million for a trade and reserve fund. By 31 October there were new T.Y. 119 million and old T.Y. 3 million in circulation. The Bank of Taiwan's loan restrictions and other measures kept the new Taiwan Yuan fairly stable up to October in spite of rumours that the banknote issue had already exceeded the stipulated maximum of 200 million.

The monetary problems faced in areas under the control of the People's Government were, firstly, a lack of a uniform medium of exchange because the People's Bank notes had not come into general circulation, causing barter transactions to take place between city and country; secondly, a problem arose with the issuance of eight different kinds of currency by the People's Governments in different areas; and lastly, there was the problem of mounting military expenditure and the resulting increase of notes in circulation. The problem of shortage of currency was solved at first by exchanging People's Bank notes with Gold Yuan notes; on 10 February in North China an exchange rate of G.Y. 10 = P.B.N. 1 Yuan was fixed. This rate, however, was not rigidly adhered to, since there were differential rates for certain social groups. The exchange of Gold Yuan for People's Bank notes was discontinued in Peiping on 22 February. In June, the Bank of China in Shanghai redeemed the old Gold Yuan obligations of the Central Bank of China at the rate of G.Y. 100,000 to P.B.N. 1 Yuan.

With the issue of the People's Bank note, the areas under the control of the People's Government in China obtained a unified currency after Shanghai was occupied by the People's Liberation Army towards the end of May. During this period the People's Bank notes did muster

sufficient support among the people. With the introduction of the People's Bank notes, the Military Control Committee of Shanghai on 9 June banned the use of foreign currency.

At first only small denominations of People's Bank note currency were issued, but during the second half of 1949, as greater areas came under its control and there was a heavy demand for funds for the harvesting of crops, for the restoration of railways, highways, navigation and industry, and for assistance to private enterprise, the People's Bank began to issue larger denominations of 500 and 1,000. An additional reason for the larger denominations was the price increases, first of June and July, and then of November.

The areas under the control of the People's Government in China also face the problem of mounting military expenditure and an unbalanced budget. It is expected that the 1950 revenue will account for 81.3 per cent of the total expenditure of the Central Government; the remainder is to be balanced by the sale of Government bonds (7.2 per cent) and by note issue (11.5 per cent).

Hong Kong. The currency continued to be linked to sterling with H.K. $1 = 1s. 3d. The notes in circulation of the three issuing banks—the Chartered Bank of India, Australia and China, the Mercantile Bank of India Ltd., and the Hongkong and Shanghai Banking Corporation—for 1949 (average of twelve months) were H.K. $839 million, as compared with H.K. $764 million of the previous year (average of seven months, June to December). The major reason for the increase was the demand for notes from South China where a substantial amount of these Hong Kong dollar notes were in circulation. The monthly variations in the circulation of the Hong Kong dollar notes reached a peak of 881 million in April from a figure of 822 million in January. From May until the end of the year there was a gradual decline in the note circulation until it reached H.K. $803 million in December.

In addition to the notes in circulation of the three issuing banks, there were in circulation H.K. $47 million in Hong Kong dollar notes and coins issued by the Hong Kong Government as on 31 December 1949.

India. Here two significant events took place, the decline in the currency notes in circulation, and the change in the composition of reserves held against these notes. Whereas on the last Friday of December 1948 the volume of notes in circulation was Rs. 11,880 million, at the end of 1949 (last Friday of December), it had fallen to Rs. 11,060 million, a decrease of Rs. 820 million. Part of the reason for the decline is that Indian notes were being returned from Pakistan to the value of Rs. 410 million, against which the Reserve Bank transferred various types of assets in terms of the Pakistan (Monetary System and Reserve

Bank) Order of 1947, as amended in 1948. The net contraction, therefore, amounted to Rs. 410 million.

The ratio of international reserves to notes in circulation declined from 83 per cent in 1948, to 63 per cent in 1949. The change in the composition of the reserves can be accounted for after an examination of the monthly variations in the note circulation. The first five months of 1949 saw an expansion of currency of about Rs. 550 million and a contraction of Rs. 1,085 million between 17 June and 30 September. Whereas the expansion of currency of Rs. 550 million was against rupee securities, including Rs. 50 million in coins delivered to the Reserve Bank by the Government, the contraction took place as a result of the sale of sterling securities to meet the deficit in the balance of payments. Thus, of a total expansion in 1949 of Rs. 550 million all, except Rs. 100 million, was against rupee securities while in the contraction of Rs. 1,085 million, except Rs. 35 million, all was against foreign securities.

Indochina. Although arrangements had been made for the setting up of a separate Currency Board (*Institut d'Emission*) with a monopoly of note issue, the decree which would supplement the Act of 25 September 1948 and thus bring the Currency Board into existence had not yet been published by the end of 1949, with the result that the Bank of Indochina continued to perform the function of note issue in addition to its own commercial banking functions. The volume of banknotes and coins in circulation at the end of June 1949 was 3,800 million piastres, and on 31 December 1949, 3,843 million, consisting mainly of Bank of Indochina notes plus a small quantity of one-piastre metal coins and smaller denomination coins and notes issued by the Indochinese Treasury. Since the volume of notes and coins in circulation on 31 December 1948 was 3,497 million piastres, there had been an increase in circulation during 1949. The figure for the end of 1939 was 216 million piastres, and at the end of 1947 was 2,936 million.

Indonesia. Three different kinds of notes were in circulation, namely, the Bank of Java notes, the Republican Rupiah, and the Federal currency. In the future there is to be only one currency in circulation, for by article 14 of the Financial and Economic Agreement between the United States of Indonesia and the Netherlands, each country is to have a single bank of issue to be operated on the principles expressed in the Bretton Woods Agreement. The two countries are to achieve and maintain a stable internal and external value of the currency and to promote free convertibility of exchange. The volume of the Bank of Java notes in March 1948 was Fl.519 million; by March 1949 it had increased to Fl.772 million, the average for January to December 1949 being Fl.841 million. During 1949, the Bank of Java notes increased in circulation from Fl.742 million in January to Fl.935 million in December.

In 1949 there was also an increase in circulation of the Federal Government's paper money. Whereas in 1948 the average was F1.814 million, the annual average for 1949 was F1.850 million, increasing from F1.834 million in January to F1.912 million in December. Statistics of Republican currency notes in circulation are not available for 1949.

The notes in circulation increased because of the financial needs of the Government, the Bank of Java making advances by way of deposits and also, therefore, by notes to the Government. About the middle of 1949 Republican currency was restored as legal tender in the Djakarta area, but Federal currencies continued to be acceptable. No rate was fixed but open-market quotations ranged from 50 Rupiah = 1 Federal guilder to 80 to 1 during June and July. Thus in Djakarta a dual-currency situation exists, partly because farmers insist upon payment in Republican money.

The Government of Indonesia, in an attempt to bring the internal price level into line with the external price level at prevailing exchange rates, announced on 19 March 1950 a scheme for compulsory loans to the Government and the demonetization of almost 50 per cent of Indonesian currency and bank deposits as well. The Order instructed people to tear their notes, excepting very small denominations, in half — the left-hand portion to become legal tender at 50 per cent of the former value of the note. In compensation the right-hand portion could be used as an application voucher for a Government 3 per cent bond to the extent of 50 per cent of the note's full value. Notes and coins up to F1.2½ continued to retain their previous value. Bank deposits over and above F1.400 were also cut in half.[1]

Korea. The Bank of Chosen (now called the Bank of Korea) serves as a bank of issue for the Government, and its notes provide the legal currency for the country. The early months of 1949 saw a decline in the amount of notes issued from W.42,332 million in January to W.37,588 million in April. This decline, caused by the failure of the rice-collection programme and the rapid sale of stocks collected by the Government, was in contrast to the increase during the latter months of 1948. The last month of 1949, however, saw a great increase in the notes issued, from W.67,100 million on 30 November to W.74,100 million on 28 December, which was due to failure on the part of the Government to collect normal revenues together with the excessive military and police expenditures and the need of funds for rice purchases.

Malaya. The note-issuing authority is the Board of Commissioners of Currency. Its notes circulate not only in the Federation of Malaya but also in the colonies of Singapore, North Borneo, Brunei and Sarawak.

[1] The regulation applies only to the legal tender of the United States of Indonesia. As for the Republican Rupiah it was decided that this money could be exchanged into legal tender during April, May and June of 1950.

There was no significant change during 1949 in the system of note issue in Malaya, which continued on an automatic sterling-exchange standard with sterling assets to the value of approximately 110 per cent against the notes issued. That the Currency Board followed a judicious and conservative policy in holding assets in the form of over 180 different kinds of bonds and gilt-edged securities, including issues from Australia, the African Colonies, Ceylon, Cyprus, New Zealand and the United Kingdom, can be seen from the fact that on 31 December 1948 the cost price of its investments was £31.1 million whereas the market value was £32.24 million with a nominal value of £30.8 million.

The gross volume of notes in circulation in 1949 averaged M$402 million in 1949 as against M$400 million in 1948; there was little monthly variation during the year. These figures do not include the pre-invasion notes issued, amounting to M$239 million which ceased to be legal tender as of 31 August 1948 and of which amount M$228 million had been withdrawn and destroyed by the Currency Commissioners by 1 December 1949.

Out of a "gross" circulation of M$403 million on 30 September 1949, there were M$400 million in "net" circulation and M$298 million in "active" circulation. "Net" circulation was arrived at by deducting the amount held by the Government Treasuries in Singapore, Federation of Malaya, North Borneo, Brunei and Sarawak, from the gross figure; and "active" circulation was arrived at by deducting the amount held by the banks in the aforesaid territories from the "net" figure.

Pakistan. Here also there was no significant change from the previous year when the State Bank of Pakistan had been given the sole right of note issue. As shown by table 49 on currency there was an increase in the circulation of notes of the State Bank of Pakistan from Rs. 1,140 million in 1948 (average July to December) to Rs. 1,707 million in 1949 (average January to December). This increase is accounted for by the withdrawal of the Reserve Bank of India notes from circulation and their replacement by the State Bank of Pakistan notes. The ratio of the note reserve in gold and approved foreign exchange increased from 91 per cent of the value of notes in circulation in 1948 to 95 per cent in 1949. From 1 April 1948 to 1 July 1949 the State Bank returned to the Reserve Bank Rs. 1,680 million of Indian notes, and it was reported that Rs. 430 million still remained to be returned on the latter date.

Table 49. Percentages of Various Classes of Reserves against Notes Held Outside Central Banks

(In million units of currency)

Country	Year	Unit of currency	Notes held by public financial institutions and Governments	Notes held by central banks	Total notes issued	Reserves against notes held by public financial institutions and Governments (in percentages)			
						Gold and silver	Foreign assets	Total international reserves	Government securities and other national assets
Burma[b]	1948	Rupee	360	7	367	—	72	72	28
	1949	Rupee	416	10	426	—	76	76	24
Ceylon	1948	Rupee	376	...	376	—	117[b]	117[b]	...
	1949	Rupee	378	...	378	—	...	...	...
Hong Kong ...	1948[c]	Dollar	764	...	764	...	...	...	...
	1949	Dollar	839	...	839	...	...	...	...
India[d]	1948	Rupee	12,557	217	12,774	3	80	83	19
	1949	Rupee	11,389	243	11,632	4	59	63	39
Indochina[b] ...	1948	Piastre	3,497	...	3,497	...	...	...	...
	1949	Piastre	3,843	...	3,843	...	...	...	...
Indonesia[e]	1948	Guilder	1,387	...	1,387	...	...	...	...
	1949	Guilder	1,661	...	1,661	...	...	...	...
Japan[f]	1948	Yen	250,557	601	251,158	—	—	—	111
	1949	Yen	312,147	666[g]	312,813	—	—	—	114
Korea	1948	Won	31,812	...	31,812	...	...	...	...
	1949	Won	46,330	...	46,330	...	...	...	...
Malaya	1948	Dollar	400	...	400	5	113	118	...
	1949	Dollar	402	...	402	...	...	...	...
Pakistan	1948[h]	Rupee	1,140	37	1,177	2	89	91	5
	1949[d]	Rupee	1,707	56	1,763	2	93	95	8
Philippines ...	1948	Peso	...	...	...	...	...	...	...
	1949[i]	Peso	603	—	603	—	86	86	28
Thailand	1948	Baht	2,227	51	2,278	35	25	60	43
	1949	Baht	2,491	63	2,553	35	37	72	30

Sources: International Monetary Fund, *International Financial Statistics*, and country sources listed below:
Burma: *Annual Report of the Union Bank of Burma*, 1949.
Ceylon: *Statistical Abstract for Ceylon 1949* and Ceylon *Trade Journal*.
Hong Kong: *Supplement No. 4 to the Hong Kong Government Gazette*.
India: *Reserve Bank of India Bulletin*.
Indochina: *France Indochine*.
Indonesia: *Report of the President of the Java Bank covering 1947-48 and 1948-49; and Monthly Statistical Survey of United States of Indonesia*.
Japan: *Bank of Japan, Financial Statistics Monthly;* and *Oriental Economist*.
Korea: Bank of Korea, *Monthly Statistical Review*.
Malaya: Federation of Malaya, *Federal Government Gazette*.
Pakistan: *Reserve Bank of India Bulletin*.
Philippines: Central Bank of Philippines, *Statistical Bulletin*, Vol. 1, No. 1, December 1949.
Thailand: Bank of Thailand, *Current Statistics*.

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[a] All figures refer to averages for twelve months except where indicated.
[b] End of December.
[c] Average seven months, June-December.
[d] Average weekly statements.
[e] End of March. Consists of both Bank of Java and Federal Government notes.
[f] All assets are used to compute reserve ratios, since banking and currency departments are not separated.
[g] September figure only.
[h] Average of weekly statements, 9 July - December.
[i] Average of 31 January, 30 June, 30 September and 30 November. All assets are used to compute reserve ratios, since banking and currency departments are not separated and as currency is a first charge on all assets.

Philippines. The Central Bank of the Philippines has the sole right of note issue. The volume of the notes in circulation showed a distinct decline during 1949. As of 31 January P.622 million were in circulation, a figure which by 30 June had declined to P.534 million, and by 30 November still further to P.374 million. On 31 October the volume of notes in circulation and the international reserve were P.581 million and P.528 million, respectively.

Thailand. The issue department of the Bank of Thailand has the sole right of note issue. It is not restricted by any law requiring a rigid reserve against note issue; the amount of reserves is determined by the bank itself with the approval of the Finance Minister. At present it has been decided that the total value of the securities, maturity of which is more than one year after the date of purchase, which are held as reserves against note issues, shall not exceed 15 per cent of the total value of notes in circulation. The first few months of 1949 saw an increase in circulation of note from 2,443 million baht in January to 2,521 million baht in March, owing to the large disbursements made for the purchase of rice and the need to relieve the shortage of cash in Bangkok for trading purposes. The shortage occurred because the notes circulated in the districts, especially the rice-growing provinces, had not returned to Bangkok. Not only was the annual average of notes in circulation higher than in 1949, being 2,491 million baht as against 2,227 million in 1948, but there was an increase in international reserves from 60 to 72 per cent of the value of currency in circulation which serves as a backing for the Thai currency, mainly because of the favourable trend of rice exports. In November 1949 the Thai Government announced that it was purchasing US$20 million worth of gold bullion from the United States as an addition to the gold reserve to strengthen the position of the baht. It was also unofficially reported that further acquisition of gold between US$14 million and US$20 million was contemplated.

Japan. Notes are issued by the Bank of Japan in fourteen denominations ranging from Y.05 to Y.1,000, and also by the Government in the denomination of Y.50. The notes of the Bank of Japan however constitute almost all of the Japanese currency. The Y.1,000 note was issued for the first time since 1946 in December 1949. There is, however, no fixed reserve requirement for the Bank of Japan notes, there being a free issue system with an upper limit on the amount of notes that may be issued. At the end of 1948 this limit was Y.330,000 million. Owing to the increase in the circulation at the end of 1948, the upper limit was changed to Y.350,000 million at the end of March 1949. In 1949, however, there was a contraction of notes in circulation from Y.342,000 million in January to Y.296,000 million in August, mainly because of the collection of year-end funds in the first quarter, the progress made in the collection of revenue and the adoption of the disinflationary policy recommended by the Dodge Mission, following the announcement

of the nine-point economic stabilization programme. The budget for 1949/50 was expected to cause a currency contraction of Y.100,000 million. Other measures to check inflation, such as official restrictions on loans of the Reconstruction Finance Bank, were also responsible for this contraction in the currency circulation. In 1949 the average level of the note circulation was much higher than in 1948 – Y.312,147 million as against Y.250,557 million in 1948.

Exchange Rates and Devaluation

The most significant change which took place during 1949 was the devaluation of the pound sterling in relation to the United States dollar, resulting in changes in exchange rates of the countries of the AFE region, except China, Pakistan, the Philippines, Korea and Japan. Chinese currencies depreciated rapidly under conditions of nation-wide civil war. These drastic changes in exchange rates which took place within a short space of time are bound to have important effects on the economy of the region.[1]

In order to prevent a panic and to accustom people to the new level of exchange rates, stock exchanges, bullion markets, banks and so forth were closed in most countries for at least a few days after devaluation, and certain measures have been taken to counteract the possible undesirable effects of devaluation. The devaluation brought the official rates more into line with free-market rates established in Hong Kong and Bangkok.

Sterling-Area Countries

All the sterling-area countries in the AFE region except Pakistan devalued their currencies to the same extent as the pound sterling in relation to the United States dollar or by 30½ per cent. These countries are closely connected with the United Kingdom economically, and most of them have most of their foreign trade with sterling-area countries.

North Borneo. The dollar continued to remain at the pre-devaluation value of 2s.4d. in relation to the pound and, therefore, was automatically devalued to the full extent with reference to the United States dollar. The principal trade connexions of North Borneo are with Singapore and Hong Kong, for even exports to the United States and imports from that country pass through the *entrepôts.*

Burma. As a member of the sterling area Burma also devalued its currency in relation to the dollar to the fullest extent, inasmuch as by the Currency and Coinage Act of 1946 the par value of the Burmese rupee was fixed at 1s.6d. It is true that this Act could be amended, but the Government of the Union of Burma felt that its interests would be

[1] See chapters VIII to XI.

better served by devaluation. Over 90 per cent of the total volume of its trade was with sterling-area countries, and had it not devalued to the fullest extent it might have faced difficulties in selling its products in the sterling-area markets.

Ceylon. As one of the countries in the sterling area Ceylon also devalued its rupee in relation to gold and dollars, keeping the par value of the Ceylon rupee at 1s.6d. sterling. Although Ceylon is a country which earns dollars, it has followed suit because of the decline in prices of rubber during 1949.

Hong Kong. The year under review saw certain changes in the open market rates of the Hong Kong dollar, with a widening of the difference between the official and the market rates. Whereas the monthly average official rate for the first quarter of 1949 was US$0.24875=H.K.$1, the open market rate was US$0.1965. In the second and third quarters, while there was no significant change in the official rate, the open market rate declined to US$0.16976 and US$0.16395 respectively, because of the changing political and military situation in China. In May the rate dropped to as low as US$0.1163 = H.K.$1 mainly because of the panic resulting from victories by the People's Liberation Army. In the third quarter the decline was due to a flight from the Hong Kong currency by the Chinese refugees from the mainland. Hong Kong also followed the United Kingdom in devaluing its currency in relation to the dollar, thus keeping the old parity of 1s.3d. = H.K.$1. The official selling rates of foreign currency on 1 October and 1 November were therefore at H.K.$1 = US$0.1725, whilst the open market rate was US$0.1659 and US$0.1658 on these dates. Besides a rise in commodity price,[1] an immediate effect of the devaluation of the Hong Kong dollar was to create a strong reaction in the gold and financial markets. Gold increased by about 20 per cent in price as a result of many persons rushing to buy gold and jewellery.

India. Here, too, the rupee was devalued in relation to the dollar to the same extent as sterling. India was experiencing a generally unfavourable balance of payments on current account,[2] inasmuch as total receipts for January-June 1949 were Rs. 2,563 million while payments were Rs. 4,339 million, giving an adverse balance of Rs. 1,776 million. The balance of payments with hard-currency areas as well was unfavourable. During January-June 1949 India's receipts from these areas were Rs. 599 million compared to payments of Rs. 1,094 million, giving an adverse balance of Rs. 495 million. The reason for the deterioration was not so much the liberalization of import controls as the decline in export values due to a drop in prices of such commodities as jute manufactures. It was hoped that a devaluation of the rupee would solve the balance-of-

[1] See chapter VIII.
[2] See chapter X.

payments difficulty. Before the devaluation the rupee was worth only one-third of its pre-war value in relation to the cost-of-living criterion and only 40 per cent of its pre-war value in relation to the price-of-gold criterion. A total of 75 per cent of India's export trade was with countries included in the soft-currency areas which had devalued their currencies; had it not devalued, the country might have had difficulties in selling its products.

To counteract the possible ill effects of the devaluation, India took many immediate measures. The Reserve Bank of India convened a meeting of managers of commercial banks asking co-operation with the authorities by discouraging advances for speculative transactions and holding of stocks in the country. As of 1 October, banks were also asked to submit daily returns of advances of Rs. 100,000 and over to the Reserve Bank. The Government, to check the rise in internal prices, took powers to impose export duties on vegetable oils, steel, tobacco and so forth, and various duties were actually imposed. The West Bengal Government was asked to ban forward trading in jute. The open general license for goods of Pakistan origin was suspended, inasmuch as the Reserve Bank refused to quote for Pakistan rupees. Appropriate exchange and trade control measures were taken to meet this sudden crisis. As a long-run policy the Government announced an eight-point programme to cope with the situation: namely, minimum expenditure of foreign exchange, procurement of industrial materials and supplies from non-devaluing countries at fair and reasonable prices, prevention of speculative prices, increase of foreign exchange earnings, savings of the people, encouragement of voluntary settlement of taxes payable in respect of war profits, economy in Government expenditures, and a 10 per cent reduction in the retail prices of essential commodities, manufactured goods and food grains.

Malaya. The currency was devalued to the same extent as sterling in relation to the United States dollar, as a result of difficulties experienced from the fall in rubber and tin prices. Prices have not risen,[1] but a close watch is still kept on them.

Pakistan. This was the only sterling-area country in the region which did not devalue its currency. According to the Government the decision was taken to reduce general costs of living and to maintain favourable conditions for the country's industrialization. The arguments put forward for non-devaluation were that since Pakistan was primarily an agricultural country, the demands for its exports were inelastic. Had it devalued, its dollar earnings from jute, hides and skins and cotton would decrease, thus wiping out its favourable balance. For an agricultural country seeking to develop new industries it was better not to devalue, so that producers' goods might be obtained from dollar countries without

[1] See chapter VIII.

increase of cost, and more cheaply from the United Kingdom. Imports of consumer goods from the sterling area would also be cheaper and the high prices prevailing within the country, especially in East Pakistan, would be reduced. Devaluation would only increase the cost of imports from dollar countries. It was also felt by the Government that devaluation was not needed when the balance of payments was favourable.

To counteract ill effects of the decision not to devalue, the open general licence for sterling and soft-currency areas was temporarily suspended for ten days. Automatic licensing of machinery and mill-work, drugs, medicines and chemicals from hard-currency areas was also suspended, but such licences as were already issued remained valid. The suspension of the open general licence was applied to certain items only for India. As the Reserve Bank of India had refused to quote any exchange rate for Pakistan rupees, exchange transactions with India ceased. The deadlock was eased in November when the State Bank of Pakistan gave permission to scheduled banks to buy and sell Indian rupees within their own resources and the new prescribed exchange limits. As the Reserve Bank later gave similar permission to its scheduled banks, with full freedom to transact exchange business at any rate they chose, some dealings in currency, though of a limited nature as the banks' resources were small,[1] took place.

Non-Sterling-Area Countries

Indochina, Indonesia and Thailand devalued their currencies. They were in neither the sterling area nor the dollar area, but were experiencing some dollar shortage. Other countries of the non-sterling area in the AFE region did not devalue because they were politically and economically connected with the United States of America and most of their trade was with dollar-area countries.

China. In areas under the National Government, with the increases in circulation of the Gold Yuan, there were corresponding declines in its international value. Thus, whereas on 1 February 1949 the exchange rate was G.Y.880=US$1, by 19 March it had worsened to G.Y.10,800, and by 19 April to G.Y.220,000.

In Taiwan also in the early months of the year under review the old Taiwan Yuan also depreciated until it was redeemed by the new Taiwan Yuan. In January 1949 the rate for the old Taiwan Yuan was at T.Y.31,333=US$1, while by May it was at T.Y.203,333=US$1; when the old Yuan was withdrawn the rate had worsened to T.Y.245,000= US$1. The new Taiwan Yuan was fairly stable in value for the first two and a half months but by October it was already depreciating. While the official rate was new T.Y.5=US$1, the curb rate on 1 October was

[1] The measures taken in connexion with the trade in jute and jute prices are described in other chapters.

new T.Y.6.55 and on 31 October, new T.Y.7.50. Taiwan did not change its currency value after the devaluation of sterling.

In the areas under the People's Government, while at first the exchange rates were fairly stable, later on the People's Bank notes also began to depreciate. The exchange rates fixed by the Bank of China in Tientsin and Shanghai were originally based upon the demand and supply situation in the foreign exchange market and had to be approved by the People's Bank. Therefore, realistic account was taken of the money position and foreign trade requirements. During April to June the market rates were close to the official rates though occasionally in Tientsin quotations valued the People's Bank notes even higher than the official rates. If the value of the People's Bank note was at all lower, the market valuations were only about 10 to 15 per cent below the official rate. However, in the latter part of the year, as the People's Bank notes began to depreciate, officials were slow in changing the rates in accordance with the market requirements, with the result that the official rates valued the People's Bank notes higher than the market rates. The first official rate in Shanghai was fixed on 10 June at the rate of PBN.1,800 Yuan=US$1. During June, July and August there was no significant change in the official rate, which was PBN.2,000 Yuan=US$1 from 18 July onwards. From September the rate began to be more unfavourable to the People's Bank note, changing from PBN.2,400 Yuan to PBN.4,200 at the end of the month. It worsened gradually through the months of October, November and December. On 23 December the official rate was quoted in Shanghai as PBN.21,000 Yuan=US$1.

Indochina. The parity of the piastre to the French franc had been maintained all along at the rate of 17 francs to one Indochinese piastre. There had also existed an open-market rate and trade had been conducted at a rate between the official and the free rates. The devaluation of the pound changed the system of exchange rates on which trade was conducted, although the parity between the franc and piastre continued to remain at 17 to 1. After devaluation, the Paris free market rate — 350 francs=US$1 — was made the basis for the effective valuation of the Indochinese piastre inasmuch as in France the Paris free market rate was taken as the effective official rate. (Previous to devaluation the Paris official rate was 330 francs=US$1.) Therefore US$1 was equal to 20.588 piastres, or 1 piastre to US$0.04857.

Indonesia. The guilder or florin remained equal in value to the Netherlands guilder, which was devalued to the same extent as the pound sterling in respect to the United States dollar. Indonesia's price level had increased tremendously during the post-war years, and the maintenance of the former rates of exchange had already caused considerable export difficulties which had to be counteracted by artificial

inducements. It was true that as a result of devaluation its foreign debt increased by Fl.132 million, but against this was the advantage of having the gold and dollar reserves increased by Fl.213 million through revaluation. The immediate effect of the devaluation was a rise in prices which by November, however, had fallen again to levels prevailing a few days before devaluation. Devaluation made it possible to remove some of the measures which had been taken earlier to promote exports — for example, the Government abolished the regulation by which exporters were obliged to export 50 per cent of estate rubber to dollar countries. The proportion of foreign exchange which exporters could retain for the import of foreign goods was reduced provisionally by 10 per cent. As from 7 November even these lowered inducement rates were revised and abolished for certain products, although it was impracticable to abolish all.

The devaluation of the guilder by 30½ per cent did bring about more realistic exchange rates, but a large disparity remained between official and market rates. Previous to devaluation, while the official rate was Fl.2.65=US$1, the market rates for the first three quarters were Fl.13.96, Fl.14.63 and Fl.19.33=US$1. After devaluation the official rate was Fl.3.80=US$1, whereas the market rate average for the last quarter of 1949 was Fl.21.33=US$1. The year under review saw not only a further worsening in the market rate each quarter as noted above, but on an average the rate was much lower than in the previous year, i.e., Fl.17.31=US$1 as against Fl.13.28 for 1948.

Republic of Korea. The unit of currency is the Won. From October 1948 to June 1949, a military conversion rate of W.450=US$1 in United States military payment certificates was used. Although there was no generally applicable exchange rate for the Korean Won, foreign businessmen could obtain Korean currency through the Korean Foreign Exchange Bank Ltd. which cashed dollar travellers' cheques and letters of credit at the rate of W.450=US$1. In June 1949 new foreign exchange regulations providing for an official and a market rate of exchange were established. The market rate was initially set at a buying rate of W.900=US$1 and a selling rate of W.950. The intention was to change the market rate from time to time according to market conditions, and to use the official rate for Government transactions. Towards the end of the year, a system was established by which the Korean Foreign Exchange Bank in Seoul sold foreign exchange at auction. The first sale took place on 12 November 1949 when US$400,000 were sold to seventeen bidders at rates ranging between W.900 to W.1,980 per US$1 in spite of the free market rate of W.2,450=US$1 for greenbacks, and the anticipated establishment by the Korean Foreign Exchange Bank of a transfer market-rate of about W.2,000=US$1.

Philippines. The currency was not devalued inasmuch as about 90 per cent of Philippine foreign trade is with hard-currency areas. It was

also considered that for promoting exports, devaluation of the peso was not essential, since sugar and copra have preferential markets in the United States of America.

Thailand. The currency was devalued in relation to the dollar but not so much as sterling; consequently the currency appreciated in value with reference to sterling. Previously the official rates, used for the import of fuel oil, export of rice, tin and rubber, and also for the limited amount of invisibles approved by the Government, were baht 10=US$1 and baht 40=£1. On 27 September the new official rates were announced as baht 12.5=US$1, which is a depreciation of 20 per cent, and baht 35=£1, which is an appreciation of about 11½ per cent. The open-market exchange rates do not, however, have much direct dependence on the official rates. During the year these rates changed in favour of the United States dollar, with consequent depreciation in the exchange value of the baht. Whereas in January the rate fluctuated around baht 20=US$1, in the closing months of the year it fluctuated around baht 23 and 24=US$1.

Japan. Prior to 25 April 1949 there was no single official exchange rate. The military conversion rate for military payments was advanced from Y.50 to Y.270=US$1 on 5 July 1948. Since private trade was not allowed between the Japanese and the foreign commercial firms, no exchange rates had been fixed. All the importing and exporting for Japan was handled by the Supreme Commander of Allied Powers; Japanese products were bought at fixed domestic prices and sold abroad at whatever prices could be obtained and foreign goods were bought abroad at world market prices and sold within Japan at set prices. The relationship between internal prices and external prices came to be known as the price ratio, which was different for each commodity. The ratio generally placed a high value on the yen for imports, as imported goods were sold cheaply within Japan, and a low value on the yen for exports. For example, in January 1949 imports of wheat from America were transacted at the relatively high ratio of Y.165=US$1, while exports of cotton yarn from Japan were at the relatively low ratio of Y.250=US$1.

On 25 April 1949 a new single rate of exchange, namely Y.360=US$1, was introduced to cover foreign trade as well as exchange transactions which the military conversion rate of Y.270=US$1 had hitherto been applicable. The establishment of this single exchange rate was considered essential to the normalization of Japan's trade relations and to the reconstruction of its industry, which is dependent on foreign trade. The announcement of the nine-point economic stabilization programme in December 1948 explained that this programme was to pave the way for the early establishment of a single exchange rate. Despite the increase in price differentials, the effect of this new single exchange rate has been that certain export industries, which had so far survived

by the help of the price ratio system, have had to rationalize their management or go out of business. When this single exchange rate was introduced, the price ratio rates were 420 for raw silk, 600 each for bicycles and glassware, 550 for toys, 530 to 550 for miscellaneous textile goods, 500 for precision instruments, and 450 for fountain pens. To the extent that these rates gave a lower yen value than the newly established rate, the prices of these commodities had to be reduced to be competitive.

Japan did not devalue its currency in September because of its close post-war economic and trade relationships with the dollar-area countries. Its devaluation at the time when SCAP was trying to rationalize industry and the whole economy would have meant a step backward. By non-devaluation, Japanese financiers and industrialists face an additional degree of rationalization, if other products are to compete in sterling-area markets.

Exchange Control[1]

All countries of the ECAFE region, except the Philippines, had exchange control during the whole year. The Philippines introduced a system of exchange control at the end of the year by which both receipts and expenditures are brought under the control of a central bank or other exchange authorities. Usually the central bank or the exchange control operates through "appointed" or "scheduled" banks authorized to transact foreign exchange business on such conditions as are laid down periodically. It is significant that in spite of the devaluation of many currencies of the region in relation to the dollar, exchange control was still felt necessary to prevent adverse balances of payments from occurring or worsening.

Sterling-Area Countries

The countries of the sterling area had similar patterns of exchange control with hard-currency earnings being contributed to the sterling area dollar pool and allocations being made to individual members according to their own requirements. All foreign exchange receipts from exports are required to be surrendered at official rates of exchange and all imports, including those from the sterling area, are subject to exchange licence in most countries.

Burma. There was no fundamental change in control mechanism during the year though its organization had to be expanded to meet the growing volume of applications as a result of greater restrictions imposed on remittances in 1948. Any person leaving Burma could now take with him to any destination at any one time any currency, other than the Bank of England notes, not exceeding Rs. 100 in value, of which not more than Rs. 10 might be in coins, whereas previously the amount was Rs. 270. The restriction on coins was introduced to retain for internal use within the country a sufficient amount of Indian coins pending their substitution by Burmese coins.

[1] See also chapter XI.

Ceylon. Exchange control was first introduced on 19 September 1939. Exchange control over transactions with countries in the sterling area, established on 1 June 1948, continued. The new central bank to be established in 1950 will take over the administration of exchange control.

Hong Kong. Though part of the sterling area, Hong Kong has been given a certain latitude in exchange control because its prosperity depends so much on *entrepôt* trade. The functions of the foreign exchange control office are limited, most hard-currency area business being negotiated on the open exchange market. The small amounts of United States dollars and hard currencies which the exchange control earns are sold through authorized banks for imports essential to the Colony's industries and consumers. The supply of foreign exchange, including dollars, originates from the exporters' proceeds, Chinese family remittances and income from various assets held in the United States. Imports from China, Macao and Korea and those financed in United States dollars were freely permitted provided the importers found their own exchange. Imports from non-sterling-area countries were financed through authorized banks and currency for imports from hard-currency areas was granted only for essential goods.

India. There was no basic change in the system of exchange control during the year under review except for minor alterations in some of the regulations, such as those governing travel abroad, education and technical training, with a view to conserving foreign exchange, especially dollars. Although there was no exchange control between India and Pakistan at the beginning of the year, an exchange deadlock arose over the non-devaluation of the Pakistan rupee, when the Reserve Bank of India refused to quote for Pakistan rupees.[1]

Until the latter part of 1949 India retained its current earnings of hard currencies. Under the new sterling balances agreement India agreed to become a full member of the dollar pool, contributing its current earnings of dollars and receiving allocations as required.

Malaya. All foreign exchange receipts are surrendered to the Government and all imports from hard-currency sources are subject to exchange licence from the Controller of Exchange. Dollar exchange was given, though not freely, for the payment of transport charges, insurance premia, royalties, maintenance of Malayan property in the United States, interest, rents and dividends, education etc., as well as for the financing of imports.

Pakistan. With effect from July 1948 the State Bank of Pakistan took over the exchange control from the Reserve Bank of India and the foreign-exchange resources on Pakistan's account. Pakistan retained its own current earnings of hard currencies in addition to obtaining allocations from the sterling-area dollar pool till the end of 1949, when, under

[1] See chapter XI.

the revised sterling balances agreement with the United Kingdom, Pakistan became a full member of the dollar pool.

Non-Sterling-Area Countries

On the non-sterling-area countries, the Philippines introduced exchange controls for the first time during the year and in China the People's Government at Peking promulgated new regulations.

China. In areas under the National Government, under the exchange control regulations of 31 December 1948 all foreign exchange realized from exports and re-exports had to be exchanged for foreign exchange clearance certificates at the Central Bank or its appointed banks. These certificates could be used by the owners or traded, or sold to the Central Bank or its appointed banks if not used within sixty days. The Central Bank issued foreign exchange clearance certificates to pay for imports licensed by the Export-Import Control Board and for such charges as freight, insurance and commissions.

The revised import-export regulations of 15 June 1949 made exporters surrender to the Government 20 per cent of the value of goods exported before the issue of export certificates and to surrender the remaining 80 per cent in exchange for deposit certificates. Foreign exchange to pay for imports had to be obtained from the Central Bank or its appointed banks on the showing of a letter of credit, or authority to purchase and exchange deposit certificates. These papers had also to be shown to customs when applying for cargoes.

In the area under the People's Government, new exchange regulations in North China came into force on 7 April in Tientsin. By these the People's Bank of China was appointed the authority for controlling foreign exchange. All forms of foreign exchange had to be deposited with the Bank of China in exchange for a "foreign exchange deposit receipt", or sold to the Bank of China for "People's currency". These foreign exchange deposit receipts could be purchased by persons holding permits for imports and transfer of funds. An exchange market was established by the Bank of China where all appointed banks could buy or sell foreign exchange, the daily open rate being announced by the Bank of China after approval by the People's Bank of China. The foreign exchange department of the Bank of China in Shanghai began its operations on 10 June and carried out the exchange controls introduced by the Military Control Committee on 9 June. Eleven Chinese private commercial banks and nine foreign private banks were appointed as authorized agents for dealing in foreign exchange in Shanghai.

The South China regulations on foreign exchange promulgated on 7 December 1949 in Canton are almost the same as those in East China, six commercial banks being appointed as agents of the Bank of China for handling foreign exchange with the system of foreign currency

deposit certificates. Remittances from Chinese nationals overseas are granted favourable exchange rates quoted by the Bank of China.

Indochina. Exchange control is carried out by the Indochinese Exchange Office which receives from the French Foreign Exchange Office the foreign exchange needed by licensed importers. All exporters have to surrender foreign exchange to the Indochinese Exchange Office. The conditions governing the issue of foreign exchange allocation and licences are determined by instructions received from the French Foreign Exchange Office.

Indonesia. While barter and compensation transactions as a rule are not permitted, special temporary barter regulations exist for the trade with Singapore and Hong Kong whereby the exporters of non-estate products are permitted to retain a certain proportion of the foreign exchange received on their exports, for the import of essential principal commodities from these two ports. Foreign exchange to pay for imports is granted simultaneously with the licences to import.

Republic of Korea. The Korean Foreign Exchange Bank controls foreign exchange. The dual-official and market-rate system of exchange was established in June 1949, and an auction sale was held on 31 October 1949. The practice of effecting foreign exchange transfers for commercial account at mutually agreed prices through the Korean Foreign Exchange Bank was discontinued under instructions from the Ministry of Finance during the latter part of the year.

Philippines. Before introduction of exchange control on 9 December 1949, the Philippines was the only country in the region without exchange control. The Central Bank of the Philippines, as the custodian of the foreign exchange reserves of the country, had been watching the situation, and when the drain on the foreign exchange reserve reached P.160 million, because of uncontrolled imports and the flight of capital, the Bank was compelled to impose exchange control. The exchange control required that all transactions be carried out through licensed banks; it forbade payments to foreign firms without licence or for unauthorized imports; it requested a statement of foreign currency assets of firms and individuals as on 9 December 1949, from residents within sixty days and of non-residents within 180 days, and it blocked these assets, excepting deposit accounts with banks; it required all export proceeds to be turned over or sold to the Philippines Central Bank and it prevented commercial firms and individuals from incurring debts in foreign currency except for licensed imports.

Thailand. Very limited exchange control exists. The market value of the baht is maintained more by the licensing of imports and by the Bank of Thailand's selling foreign exchange in the open market at fairly stable rates of exchange out of the proceeds from exporters of designated commodities at official rates of exchange. At the beginning of the year exporters of rice and cement had to submit all foreign exchange at

official rates: exporters of tin had to submit 50 per cent and exporters of rubber, 20 per cent. Exporters were allowed to buy pounds sterling (but not dollars) at official rates up to 10 per cent of the value of the proceeds from the sale of rice. Exporters of other commodities were allowed to use their foreign exchange as they saw fit, for example, for financing imports or selling in the open market. The Bank of Thailand made a profit by getting exchange at official rates and selling it at near-market rates. It gave exchange at official rates for Government requirements and for imports such as petroleum products, health and educational requirements. For other purposes including general imports, exchange had to be bought at the market rate. Even these limited exchange controls were relaxed during the year. With effect from 11 June exporters of cement were no longer required to surrender to the Bank of Thailand the foreign exchange proceeds at the official rate. It was also announced at the end of the year that the Cabinet had decided to reduce the percentage of foreign exchange submission by exporters of tin from 50 to 40 per cent. After 1 January 1950 exporters of rice were not required to surrender any part of their foreign exchange earned over amounts fixed by the Ministry of Commerce at ruling prices in foreign markets.

Japan. Immediately after the war, external transactions were prohibited but the prohibition was gradually moderated. In the middle of 1949 Japanese exporters were permitted to retain a stipulated percentage of foreign exchange ranging from 3 to 10, depending on commodities exported. The proceeds from the foreign exchange retained were to be used for authorized credit purchases such as the imports of industrial raw materials, machinery etc. From November 1949, the payments and receipts of yen hitherto handled by the Trade Special Account were placed under the Foreign Exchange Fund. As the Government transferred Y. 5,800 million to the Fund, the Fund started out with a total of Y. 6,000 million. A new Foreign Exchange and Trade Control Law, effective from December 1949, was introduced. By this law a simplified procedure was presented for the exchange side of exports. Other features of this new law were the establishment of a Council at Cabinet level to budget foreign exchange. The importation of commodities was to be made by a foreign exchange allocation system and direct Government control was abolished except for special cases.

Relationship with the International Monetary Fund

At the beginning of the year three countries of the ECAFE region, namely, China, India and the Philippines, were members of the International Monetary Fund in their own right. Thailand became a member during the course of the year and Pakistan in early 1950. Some other countries might be considered as members inasmuch as they were dependent on metropolitan Powers who were themselves members of

the Fund, the countries being North Borneo, Brunei and Sarawak, Hong Kong, Indochina, Indonesia, the Federation of Malaya, the Colony of Singapore and Japan. Ceylon has applied for membership, but in 1949 had not yet become a member.

The countries of the region have benefited by the advice and technical knowledge available from the Fund through visits made by Fund missions to countries of this region — for example, China, India, Pakistan, the Philippines and Thailand. Certain events indicate that there has been much co-operation between the countries of this region and the Fund, while others point to the opposite. The establishment of the single rate of exchange in Japan indicates the trend towards principles laid down by the Fund, which does not approve the practice of multiple exchange rates. The consultations which took place between the United Kingdom and the Fund previous to the devaluation of the pound, and the general approval obtained from the Fund for the devaluation, indicate some unity of purpose. The Fund considered that devaluation was necessary to remove the large deficits in international payments and that it would benefit all countries concerned. The Fund further considered that devaluation was in keeping with exchange stability and that, rather than an abandonment of Fund policy, devaluation was merely a revision to a different parity better suited to the new conditions.

Although the temporary ban on gold in Hong Kong was an attempt to fall in line with Fund principles, free and official gold markets existed in the early part of 1949 in China, Macao, Korea, the Philippines. Thailand, Burma, India and Pakistan, while unofficial markets operated freely in Indochina and Indonesia. Even in Malaya and Japan the so-called black markets have not been suppressed. In most of these countries gold has been bought and sold at prices much above the Fund-controlled rate of US$35 per fine ounce. The Philippines at the end of the year placed certain restrictions on the gold market which were more in keeping with Fund policy.

Burma. This country is not a member of the International Monetary Fund since, as stated by the Finance Minister in his 1949/50 budget speech, it cannot afford to pay the Rs. 10 million admission fee. It has, however, indicated that as soon as its financial position improves action will be taken to apply for membership in the Fund. Free gold markets exist in Burma at prices ranging from Rs. 200 to 240 per tical.

China. As a member of the Fund, the National Government has a quota of US$550 million, which is about 6.85 per cent of the total fund. It has 5,750 votes which comprise about 6.24 per cent of the total as of April 1949.

The new currency introduced in Taiwan with effect from 15 June could be exchanged for gold to be deposited under a savings plan in the

Bank of Taiwan or for gold credits to be used in payment of imports. Although gold, silver and foreign currency could be privately held, only the first two were allowed to be privately exchanged. The price of gold in Taiwan also was about US$60 per ounce.

Hong Kong. The British Government in carrying out the principles laid down by the Fund introduced, with effect from 15 April, a gold ban prohibiting transactions in, possession of and publishing of information about gold. Even the use of gold as security was not allowed. In June the Government clarified the regulation and defined gold as of more than 95 per cent purity. Further, possession of gold of over 95 per cent purity was permitted for goldsmiths, for residents (that is, people residing for more than thirty days) up to five troy ounces, and dentists up to ten troy ounces.

India. In December 1945 India became a member of the Fund and was given a quota of US$400 million, which amounts to about 4.98 per cent of the total, and 4,250 votes amounting to 4.62 per cent of the total. Of this quota US$372 million worth was paid in rupees and US$28 million in gold and bank notes. India was the only member of the ECAFE region to make purchases of foreign currency from the Fund. In fact, more than half of the exchange transactions which the Fund carried out for the year ending 31 July 1949 represented sales of dollars to India. In 1947 India did not buy any exchange from the Fund; in 1948 it purchased US$68.3 million in currency, and for the first seven months of 1949 it purchased US$31.7 million. No further purchases were made during the latter part of 1949. When the rupee was devalued, India had to pay an additional amount of Rs. 680 million to the Fund in order to maintain the gold value of its subscription.

In the early part of 1949 a Fund Mission visited India and talks were held with the Government and the Reserve Bank. Discussions were mainly about the balance of payments, monetary policy, money supply and exchange control, as India had exhausted its quota of reserves from the Fund for the fiscal year 1948/49.

Not only has there been a gold market in Bombay at prices ranging around Rs. 110 per tola (180 grains troy), but during the year the Bombay Bullion Association was formed and recognized by the Government of Bombay as the sole association for the purpose of forward trading in Bombay. There is, however, a sales tax on bullion.

Pakistan. Although it applied for membership in the Fund and the Bank in November 1948, Pakistan had not yet become a member at the end of 1949. It was admitted to membership in both organizations in March 1950, with a quota of US$100 million.

Philippines. This country has a quota of US$15 million, approximately 0.19 per cent, and 400 votes, approximately 0.43 per cent, of the total. During the year the Philippines followed the principles laid down

by the Fund. One of the first acts of the Central Bank of the Philippines was to institute a licensing system, by its circular of 3 March 1949, for the export and import of gold and domestic sales of such imported gold were allowed only if they were intended for industrial or artistic purposes. Imported gold was also not allowed to be sold for more than US$35 per ounce plus reasonable handling charges. Provision was also made for penalties up to $10,000 fine and five years' imprisonment. There is, however, no law that prohibits free trading of domestic gold (that is, gold in the Philippines other than that imported) at any price within the country, but the Government refuses to grant licences for gold exports to countries where it could be sold for more than US$35 per ounce.

In May an attempt was made by a group of domestic gold producers to force the Government to withdraw from the Fund in order that gold might be purchased at premium prices for the stimulation and rehabilitation of domestic gold mines. The Government and the Central Bank of the Philippines decided to continue membership, however, pointing out that prices obtaining in the local market were considerably higher than US$35 per ounce. In December the Government further tightened gold restrictions and ordered, with effect from 14 December, that gold in all forms, except jewellery, was to be turned in to the Central Bank, with penalties for failure to do so in the form of a maximum fine of P. 10,000 and imprisonment. With effect from 10 January 1950, however, there was some relaxation in so far as the gold-mining companies were permitted to sell 75 per cent of their monthly production without specific licence on the local market, but at least 25 per cent has to be sold at the rate of US$35 per ounce, 0.99 per cent fine, to the Central Bank.

Thailand. On 3 May 1949 Thailand became a member of the International Monetary Fund and was given a quota of US$12.5 million and 0.41 per cent of total votes. During the year a Fund Mission visited the country to survey general economic conditions and to recommend the parity at which the new single exchange rate might be established and maintained.

CHAPTER VI

Banking

Commercial banking in Asia and the Far East is not much developed. There are modern banking facilities only in the larger cities and towns of the region. Rural banking, aside from credit co-operatives and money-lenders, is almost non-existent even in the relatively advanced countries such as India, where the number of offices of scheduled and non-scheduled banks and co-operative banks with paid-up capital and reserves of over Rs. 100,000 was 16 per million of population. Only two countries, Ceylon and the Philippines, show demand deposits greater than currency in circulation.

Central Banking and the Money Market

The general trend, noticed in the last few years, towards the exercise of greater control over the banking system by central banks continued during 1949. A new central bank with very wide powers was contemplated and an Act passed for its creation in Ceylon. In India larger powers were given to the Reserve Bank of India by the passage of the Banking Companies Act of 1949. In China bank supervision was carried out by the People's Bank of China through regulations calling for the recapitalization of commercial banks and also for the operation of local commercial banks. In the Philippines selective credit control was introduced by the Central Bank of the Philippines to alleviate the deteriorating balance-of-payments position. In Japan a Policy Board was established with supreme authority over financial organs including the Bank of Japan, and was entrusted with the task of enforcing currency and credit policy. In Burma and Thailand not much control was exercised over the commercial banking system and the money market, which is not yet much developed.

There was an improvement in the international reserve position of the central bank in Burma but for most other countries such as India, Pakistan and the Philippines there was a decline in the ratio of international reserves against central banking liabilities exclusive of the note issue, largely owing to adverse balances of payments.

Central banks of the region may be divided into three types: (1) banks which do not issue currency, as in Burma; (2) banks which issue currency but keep the banking and currency transactions separate, as in India, Korea, Pakistan and Thailand; and (3) banks which issue currency also but where banking and currency transactions are

Table 50. Currency in Circulation, Demand Deposits and Monthly Bank Clearings[a]

(In million units of currency)

Country	Year	Unit of currency	Currency in circulation[b]	Demand deposits	Monthly bank clearings	Ratio of demand deposits to currency in circulation	Ratio of monthly bank clearings to demand deposits
Burma	1948	Rupee	356[c]	174[d]	157[e]	49	.90
	1949	Rupee	410[c]	202[f]	128	49	.63
Ceylon	1948	Rupee	220	633	391	288	.62
	1949	Rupee	221	664	426	300	.64
Hong Kong	1948	Dollar	764[h]	...	689	...	...
	1949	Dollar	839	...	917	...	...
India[f]	1948	Rupee	13,697	6,794	5,557	50	.82
	1949	Rupee	12,505	6,649	5,267	53	.79
Japan	1948	Yen	236,220	93,675	235,701	40	2.52
	1949	Yen	291,520	161,524	549,290	55	3.40
Korea	1948	Won	28,512	18,235	20,566	64	1.13
	1949	Won	36,236	29,932	34,182	83	1.14
Pakistan[f]	1948[i]	Rupee	1,102	918	303	83	.33
	1949	Rupee	1,671	884	325	53	.37
Philippines	1948	Peso	542	551	772	102	1.36
	1949[g]	Peso	546	560	726	103	1.30
Thailand	1948	Baht	1,850	709	774	38	1.09
	1949	Baht	2,161	742	1,112	34	1.50

Sources:

Burma: Union Bank of Burma, *Weekly Statement of Position of Banks;* and *Weekly Rangoon Bankers' Clearing House Statistics.*

Ceylon: United Nations, *Monthly Bulletin of Statistics,* and *Ceylon Trade Journal.*

Hong Kong: *Supplement No. 4 to the Hong Kong Government Gazette,* 10 February 1950.

India: *Reserve Bank of India Bulletin.*

Japan: Bank of Japan, *Financial Statistics Monthly;* and *Oriental Economist.*

Korea: Bank of Korea, *Monthly Statistical Review.*

Pakistan: *Reserve Bank of India Bulletin.*

Philippines: Central Bank of Philippines, *Statistical Bulletin,* vol. 1, no. 1, December 1949.

Thailand: Bank of Thailand, *Current Statistics.*

NOTES TO TABLE 50

[a] All figures refer to averages for twelve months except where indicated.
[b] The definition of currency in circulation in this table differs in most cases from that used in table 49 in chapter V; here the term refers to notes and coins issued, less those held by central banks, commercial banks and also government treasuries wherever possible.
[c] End December.
[d] Average weekly statements, eleven months February-December.
[e] Average for ten months, March-December.
[f] Average weekly statements.
[g] Average ten months, January-October.
[h] Average seven months, June-December.
[i] Average six months, July-December.

not separated, as in Japan and the Philippines. In Indochina, Indonesia and Korea banks exist which perform limited central banking functions. But they carry out commercial banking operations as well. No central banks as yet exist in North Borneo, Sarawak, Brunei, the Federation of Malaya, Singapore, Hong Kong or Nepal.

Burma. The Union Bank of Burma, established early in 1948 and completely owned by the Government, is the central bank for the country. The main achievements in 1948, and even more in 1949, were the enforcement of exchange control, the management of the public debt and the collection of statistics from commercial banks. It was largely due to the strict exchange control maintained by the Union Bank that allocations of foreign exchange for import trade increased from Rs. 100 million in early 1949 to Rs. 250 million in the middle of the year, and to Rs. 350 million at the end of 1949. The Union Bank of Burma exercises little control over commercial banks, as there is hardly any money market worth controlling. By law the commercial banks are not compelled to keep any minimum balances with the Union Bank as reserve against their demand and time liabilities. However, the commercial banks have been keeping very high reserves with the Union Bank ranging from 30 to 50 per cent of their deposits in 1949, because the commercial banks have limited scope for investing funds under present troubled conditions and also because they need protection against burglary from lawless elements. A comparison of the Union Bank of Burma's position in 1949 as against 1948 discloses that the ratio of foreign assets to total liabilities had increased from 65 to 87 per cent, indicating a stronger financial position over the previous year.

Ceylon. Provision was made by the Monetary Law Act No. 58 of 1949, passed on 16 December, for the establishment of a Central Bank. The capital of the bank was fixed at Rs. 15 million to be appropriated from the surplus assets of the Board of Commissioners of Currency. The Bank, in addition to being the Government's banker, would also deal in gold and foreign exchange to maintain the external stability of the Ceylon rupee. It would also act as the bankers' bank and give commercial and production credits and advances to commercial banks

and the Co-operative Federal Bank of Ceylon. In cases of emergencies, the Central Bank could also grant loans to mortgage institutions and loans and advances to banks.

The Act gives wide powers to control the credit operations of commercial banks by open market operations, by fixing and changing the reserve ratios of commercial banks and by limiting the interest rates, maturities and margins on bank loans. Such powers are to be exercised by a Monetary Board consisting of the Governor, the permanent Secretary of the Ministry of Finance, and a third member nominated on the recommendation of the Prime Minister.

China. In the areas under the control of the People's Government the functions of the People's Bank of China have been concentrated on note issue, exchange control, acting as the Government's banker and only to some extent as a bankers' bank. Of the total deposits with the People's Bank of China in September of PBN. 69,700 million Yuan (equivalent to approximately US$22.8 million at the average official rate of exchange for the month), 69 per cent were from state-operated enterprises and government organs, and only 27 per cent from commercial banks. With reference to bank supervision, the People's Bank of China had the responsibility of seeing that commercial banks were recapitalized with appropriate amounts of capital by 20 September in Shanghai. New regulations covering the operation of local commercial banks were issued on 27 August 1949. These were regarded as a prelude to the issuance of regulations for the operation of foreign banks. Secret bank accounts also had to be merged into open accounts as of 31 August. The People's Bank of China did have an influence on the money market in Shanghai, for interest rates shot up from .8 to 1.6 per cent per day in October when the Bank called in all its loans to prevent a flooding of the market when recapitalization funds were released.

In order to contract currency and credit the People's Bank introduced the system of commodity unit deposits.[1] By this system people would deposit and draw bank notes in terms of commodity units to prevent loss from depreciation of the money values. Prices of commodity units in terms of People's Bank notes were announced daily.

India. The reserve Bank of India has been acting as the central bank since April 1935. The nationalization of this bank became effective from 1 January 1949. Among the major tasks performed in 1949 were the expansion of currency against rupee securities in the earlier part of the year to relieve stringency in the money market; the continued support of the gilt-edged securities market throughout the year; and counter measures taken after devaluation.[2]

[1] Each commodity unit in Shanghai consists of 1 sheng of medium-grade rice, 1 chih of cotton fabrics, 1 liang of peanut oil and 1 chin of coal ball.

[2] See chapter V, p. 111.

Table 51. Liabilities of Central Banks (excluding Share Capital and Reserves) and Ratios of Some Important Assets to Total Liabilities[a]

			Liabilities (million units of currency)					Assets (per cent of total liabilities)			
Country	*Year*	*Unit of currency*	*Government deposits*	*Bank deposits*	*Other deposits*	*Other liabilities, excluding share capital and reserves*	*Total liabilities*	*Gold and silver*	*Foreign assets*	*Notes, coin, securities*	*Bills discounted and advances*
Burma	1948[b]	Rupee	46	63	—	15	124	—	65	34	7
	1949[c]	Rupee	44	103	—	49	196	—	87	27	2
India[c]	1948	Rupee	2,573	902	489	155	4,119	—	84	23	2
	1949	Rupee	1,740	672	655	155	3,222	—	58	39	5
Japan	1948	Yen	10,372	.	19,120[d]	251,158[e]	280,650	—	—	55	44
	1949	Yen	35,178	. .	16,973[d]	312,811[e]	364,962	—	—	50	47
Pakistan	1948[f]	Rupee	885	205	53	—	1,143	—	88	5	8
	1949[c]	Rupee	806	182	40	—	1,028	—	73	22	11
Philippines	1949[g]	Peso	10	93	20	691[e]	814	—	74	6	5
Thailand	1948	Baht	335	248	132		715	—	43	13	61
	1949	Baht	444	246	476		1,166	—	33	22	52

Sources:
Burma: Union Bank of Burma, *Weekly Statement of Affairs of the Union Bank of Burma.*
India: *Reserve Bank of India Bulletin.*
Japan: Bank of Japan, *Financial Statistics Monthly;* and *Oriental Economist.*
Pakistan: *Reserve Bank of India Bulletin.*
Philippines: Central Bank of Philippines, *Statistical Bulletin,* vol. 1, no. 1, December 1949.
Thailand: Bank of Thailand, *Current Statistics.*

[a] All figures refer to averages for twelve months except where indicated.
[b] Average weekly statements nine months, April-December.
[c] Average weekly statements.
[d] Includes deposits kept by banks.
[e] Includes notes issued.
[f] Average weekly statements, 9 July-December.
[g] Average of 3 January, 30 June, 30 September and 30 November.

By the Banking Companies Act of 1949 the Reserve Bank of India was given the power to control on a statutory basis the scheduled banks, as heretofore, and also the non-scheduled banks and so the entire joint-stock banking system. It could give directions to banking companies on interest rates and the purposes and margins of loans. It was also given powers of inspection and the requesting of any returns desired. Banks, in addition to being licensed, had to ask the Reserve Bank of India for permission to open new branches.

The percentage of foreign assets to total liabilities of the Banking Department fell from 84 in 1948 to 58 in 1949, as some of these foreign assets were utilized for financing the balance-of-payments deficits and expansion of notes in 1949 was mainly against Government securities whereas contraction was against mainly foreign securities.[1]

Pakistan. The State Bank of Pakistan, which was inaugurated on 1 July 1948, is the central bank, with separate issue and banking departments. During the year ending 30 June 1949 its accomplishments included the withdrawal of Indian notes from circulation, the successful flotation of a second series of Central Government loans, the development of the market for securities and the surveillance of activities of banks operating in the country. It has been criticized for following too conservative a policy towards Pakistan's new commercial banks recently launched under adverse conditions. Licenses were issued to commercial banks for the opening of thirty-eight new offices out of applications for sixty-seven, while all applications for change of location were granted. The Banking Companies (Control) Act, 1948, provided for qualitative control through powers for the regulation of bank lending, as well as quantitative control; for example, 20 per cent of time and demand liabilities of the commercial banks had to be in the form of liquid assets and also a certain percentage of the assets had to be held in Pakistan.

Although foreign reserves increased in the Issue Department in 1949, they declined in the Banking Department. Thus, whereas in 1948 (average from 9 July to the end of the year) the ratio of foreign assets to total liabilities of the Banking Department was 88 per cent, in 1949 (average twelve months, January-December) the ratio was reduced to 73 per cent, being 60 per cent in October 1949 and 56 per cent in December 1949. The possible reasons for this decline are the increase in foreign assets in the Issue Department and the use of the Banking Department's foreign assets to meet deficits in the balance of payments. Corresponding to this decline in the foreign assets there was an increase in notes, coins and local securities in the assets of the Banking Department, the averages for 1948 being 5 per cent and for 1949, 22 per cent. The figure as of December 1949 was 35 per cent.

[1] See chapter V, p. 111.

Philippines. The Central Bank of the Philippines started operation on 2 January 1949. Its major accomplishments during the year were in its contribution to economic rehabilitation and development, management of the public debt and regulation of currency and foreign exchange control.

The Central Bank contributed to economic reconstruction and development by financing certain industries directly to the extent of P.30 million and indirectly through the Rehabilitation Finance Corporation to the extent of P. 35 million. In regulating the activities of commercial banks it has issued directives to restrict bank loans against personal securities and reserves against deposit liabilities, and has introduced selective credit control. Commercial banks were required to hold reserves of local currency amounting to 18 per cent against demand deposits and reserves in the form of securities or deposit balances with the Central Bank amounting to 5 per cent against savings and time deposits. Against all deposit liabilities in foreign currency 10 per cent of the total amount of such liabilities had to be held in the form of balances with the Central Bank and freely disposable foreign balances.

The Central Bank also performed the function of the Government's banker when in January 1949 it agreed to advance P. 115 million to the Government for the partial repayment of the United States budgetary loan and for development projects in accordance with the bank's legal authority to make direct advances from the Treasury Certificate Fund. During the year the bank has also extended limited budgetary assistance to other funds.

The ratio of foreign assets to total liabilities of the Central Bank averaged 74 per cent for the four dates 3 January, 30 June, 30 September and 30 November. This figure, however, does not disclose the deteriorating foreign assets position. The ratio of foreign assets to total liabilities on 3 January 1949 was 82 per cent; by June 30 it had declined to 71 per cent and by 30 November it was down to 52 per cent.

In connexion with the policy of drastic restrictions of imports a measure regarding the issuing or opening of letters of credits for imports of specified luxury goods was enforced as of 18 November; it stipulated that a cash deposit of 80 per cent must be made in order to open letters of credit or for the authorization to purchase specified imports, whereas previously only 25 per cent or less had been required.

Thailand. The Bank of Thailand is the central bank for the country. It has powers to expand or contract the volume of credit and investment or channel it into desired fields, but these powers have not been exercised to any great extent. It can grant loans and rediscount bills of exchange or promissory notes arising out of bona fide trade or commercial transactions maturing within a period of six months. Under the Central Bank Law all commercial banks must maintain with the

Bank of Thailand a minimum balance of 5 per cent of their demand and 2 per cent of their time liabilities. However, the Bank may, for any particular commercial bank, reduce the figures to 3 and 2 per cent respectively. All commercial banks must keep cash reserves against sight deposits amounting to 20 per cent, of which half must be kept in the Bank of Thailand, though the latter has powers to reduce this reserve requirement and at present has fixed it at 10 per cent. The bank rate has remained a nominal rate unchanged at 8 per cent since 23 February 1945, largely because the bill of exchange is not much used and there is no developed bill market.

The early months of 1949 saw a continuation of the year-end trend of an increase in the volume of advances and discounts made by the Banking Department of the Bank. In January the figure was 470 million baht, which increased to a 1949 peak of 762 million baht in March and then declined to 552 million baht in September and rose again to 754 million baht in December. The percentage of advances and discounts to deposits rose to 57 in January 1949 but after March declined gradually and was only 36 in September. The end of the year, however, registered a rise to 87. The Banking Department's ratios of foreign assets fluctuated during the year but the annual average ratio for 1949 was much lower, being 33 per cent as compared with 42 per cent in 1948.

Japan. The power of credit controls and priority financing was removed in August 1948 from the Bank of Japan by the Supreme Commander for Allied Powers in the democratization of the country's financial structure and reform of the administrative organizations of the Ministry of Finance and of the Bank itself. It was hoped that the Bank would be restored to its former position of a central bank with functions of note issue, government banking and acting as banker to ordinary financial institutions only. In June 1949 the Bank of Japan Law, which was revised during the Second World War, was again revised to establish a Policy Board consisting of competent representatives from the various circles concerned with the Bank to act as its highest policy making organ.

The Bank of Japan has also had to follow the spirit of the economic policy laid down by the Occupation authorities on 18 December 1948. As strict application of the policy in the early months of 1949 threatened to bring about a depression through deflation, the second half of the year saw a slight modification of policy. With effect from 12 July the Bank of Japan's high interest rate was lowered, and it was allowed to purchase Reconstruction Finance Bank Debentures and National Bonds. Loan regulations regarding commissions, agencies, wholesale trading and security businesses were eased by transferring these from class 'C' to class 'B' in loan priority order. The loans the Bank of Japan was giving

directly and to special credit and financial organs increased from Y. 7,600 million in April to Y. 29,000 million in July. The Policy Board also studied current monetary problems during the latter half of the year to prevent undue deflationary pressures. Its first job was regulation of money rates of interest. It also took other measures, such as increasing the limit on the debenture issues of the Industrial Bank of Japan and allowing the release of funds from the Deposit Bureau for loans to agriculture and forestry.[1]

Commercial Banking

Except for India, China, Thailand and Japan, the countries of the region do not have many locally-incorporated banks, banking facilities being provided by branches of British, Indian and Chinese banks in the sterling-area countries, and also by American and European banks in addition in other countries of the region. During the year there were increases in banking funds in Burma, Indochina, Korea and Thailand, decreases in India and the Philippines, and little change in Pakistan and Ceylon. As indicated by the ratio of advances and bills discounted to deposits, and ratio of monthly bank clearings to demand deposits, there was a greater utilization of funds in 1949 in India, Indochina, Japan, Korea, Pakistan, the Philippines and Thailand. This was caused mainly by the diminishing of cash and balances kept with the central banks and in some cases by the reduction of investments. In Burma there was a smaller utilization of banking funds.

North Borneo. The Chartered Bank of India, Australia & China and the Hongkong & Shanghai Banking Corporation are the only banks which operate in the colony. Both have branches at Jesselton and Sandakan, while the latter also has a branch at Tawau, agency facilities being provided at Labuan. There is neither an official market for discounting bills nor an official bank rate. Bank charges on loans and overdrafts range from 4 to 10 per cent according to the security offered. Trustee business is usually conducted by the Singapore and Hong Kong offices of the local banks. No post office savings bank facilities exist in North Borneo.

Burma. With the exception of a recently formed Burmese bank, all commercial banking is done by foreign banks. There are seven English clearing banks, five Indian, two Chinese, one Burmese and two of other nationalities. Since the war there has been a decline in the banking facilities offered for in 1949 but two banking offices existed outside of Rangoon. Even within Rangoon there has been a decline in the use of banking funds. The ratio of monthly bank clearings to demand deposits which was .90 in 1948 (average of ten months ending December) declined to .63 in 1949 (average twelve months, January to December).

[1] See chapter VIII.

Table 52. Liabilities and Assets of Banking Institutions[a]

(In million units of currency)

Country	Year	Unit of currency	Liabilities: Total deposits	Liabilities: Demand deposits	Liabilities: Time deposits	Assets: Cash and balance with central banks	Assets: Advances and bills discounted	Assets: Investment	As per cent of total deposits — Liabilities: Demand deposits	Liabilities: Time deposits	Assets: Cash and balance with central banks	Assets: Advances and bills discounted	Assets: Investment
Burma[b]	1948[c]	Rupee	198	174	24	72	67	...	88	12	46	34	..
	1949	Rupee	233	202	31	109	60	...	87	13	49	26	..
Ceylon[d]	1948	Rupee	596	529	67	181	129	186	89	11	30	22	31
	1949	Rupee	625	558	67	228	154	206	89	11	36	25	33
India[e]	1948[b]	Rupee	9,147	6,794	2,353	1,258	4,335	4,653[f]	74	26	14	47	51
	1949[b]	Rupee	8,889	6,105	2,784	1,010	4,501	3,719[g]	69	31	11	51	42
Japan	1948	Yen	325,751[h]	93,675	91,477	263,372	245,992	88,394	29	15	19	76	27
	1949	Yen	578,225[i]	161,524	197,389	106,959	450,363	120,335	28	18	19	78	21
Korea[j]	1948	Won	32,890	18,235	14,655	3,300	32,079	3,246[k]	55	45	10	98	10
	1949[l]	Won	54,305	29,932	24,373	5,470	45,141	3,480	55	45	10	83	6
Pakistan[e] ...	1948[m]	Rupee	1,081	918	163	228	310	...	85	15	21	29	..
	1949[b]	Rupee	1,071	884	187	197	427	...	83	17	18	40	..
Philippines .	1948[d]	Peso	866	614	252	312	553	93	71	29	36	64	11
	1949[n]	Peso	809	536	273	196	550	90	66	34	24	69	11
Thailand ...	1948	Baht	785	709	76	369	406	102	90	10	47	52	13
	1949	Baht	829	742	87	330	496	101	90	10	40	60	12

Sources:
Burma: Union Bank of Burma, *Weekly Statement of Position of Banks.*
Ceylon: *Statistical Abstract for Ceylon,* 1949.
India: *Reserve Bank of India Bulletin.*
Japan: Bank of Japan, *Financial Statistics Monthly;* and *Oriental Economist.*
Korea: Bank of Korea, *Monthly Statistical Review.*
Pakistan: *Reserve Bank of India Bulletin.*
Philippines: Central Bank of Philippines, *Statistical Bulletin,* Volume 1, Number 1, December 1949.
Thailand: Bank of Thailand, *Current Statistics.*

NOTES TO TABLE 52

[a] All figures refer to averages for twelve months except where indicated.
[b] Average weekly statements.
[c] Eleven months, February-December.
[d] 31 December.
[e] Scheduled banks only.
[f] Average four months, September-December.
[g] Average eight months, January-August.
[h] Includes ordinary deposits of 140,599 millions.
[i] Includes ordinary deposits of 219,312 millions.
[j] Includes Bank of Korea.
[k] Average two months, November and December.
[l] Average nine months, January-September.
[m] Average weekly statements, 9 July-December.
[n] Average 30 June, 31 August and 30 September.

This decline may also be observed in the use of banking funds in the ratio of advances and bills discounted to total deposits; thus, in 1948 (average eleven months, February to December) it was 34 per cent which declined to 26 per cent in 1949 (average twelve months).

Ceylon. There are twelve foreign banks, mostly of Indian origin, and only one local commercial bank. A comparison of the uses and availability of banking funds in 1949 as against 1948 reveals that there has not been much change. In 1949 (average of twelve months) total deposits amounted to Rs. 625 million, which was only 5 per cent more than the figure of Rs. 596 million for 1948 (average of twelve months). The ratio of monthly bank clearings to total deposits also registered practically no change, being .62 for 1948 and .64 for 1949.

China. Under the hyper-inflationary conditions which had prevailed in the area under the National Government in the early months of the year the open market rates of interest in Shanghai fluctuated between a low of 2½ per cent per day to a high point of 14 per cent per day.

In Taiwan the latter part of the year saw a contraction of commercial credits by local commercial banks and the Bank of Taiwan, with a resulting sharp increase in black market interest rates. Whereas in September the commercial banks lent about new T.Y. 10.5 million, in October the amount totalled only new T.Y. 6.9 million.

In areas controlled by the People's Government commercial banks had to increase their capitalization by order of the Government before 20 September in Shanghai, and 175 banks met the deadline by paying in to the People's Bank of China the equivalent of US$4.5 million in cash and nearly US$1.7 million in assets.

Because of the inability to recapitalize as well as other reasons, the number of private banks in Shanghai has been reduced from a total of 200 at the end of May 1949 to 160 at the end of December. Forty-six per cent of the total deposits and 57 per cent of the total loans in

December were from private banks. These ratios, however, had been reduced to 27 and 45 per cent respectively at the end of February 1950. The decline in the influence of private banks may also be seen from the decline in the proportion of the bills of private banks cleared in the clearing house. Such proportion had been reduced from 86 per cent in July 1949 to 79 per cent in December and again to 63 per cent in the first week of March 1950.

When the political situation became gradually stabilized, from July to October, the volume of bank deposits increased much faster than commodity prices. However, in terms of the pre-war purchasing power of money, the October figure of deposits in Shanghai for both private and government banks taken together is equivalent to only 85 million *yuan*, as compared with 2,000 million *yuan* for 76 banks in 1937. Beginning from November, as commodity prices started rising again, the increase of deposits lagged behind prices once more and the real value of deposit fell again.

The Shanghai curb interest rate during July/December fluctuated violently ranging from 1 to 10 per cent per day depending on market conditions. The rate at the end of the year, however, was around 2 per cent per day. Within North China banking remittance facilities were first initiated in January 1949 by the People's Bank, when there were only sixteen places of business though by the end of May over twenty-six were in operation.

Hong Kong. Banks have to pay HK$5,000 for a licence under the Banking Ordinance of 1948. In August 1949 there were 137 licensed banks of which 14 were European and American banks, including 5 British and 4 American; the rest included 5 Chinese Government banks, 3 Chinese Provincial Government banks, 29 Chinese commercial banks and 86 local banks, banking firms and bullion dealers. During the first half of 1949 there was an expansion in trade and thus, also, in banking funds, and cheap money was available. The latter half of the year, however, saw an end of easy-money conditions partly because of the flight from the local currency. Although full details of the banking statistics of Hong Kong are not available, clearing house figures give an indication of the use made of banking funds. Thus, in 1949 (average of twelve months) the monthly clearing house figure was HK$917.1 million whereas it was HK$689 million in 1948 and only HK$549.6 million in 1947. In December 1949 the figure was HK$946.4 million.

India. Of the two types of commercial banks—scheduled and non-scheduled—the latter hold only one-twentieth of all banking funds within the country. The banking system in 1949 experienced strong pressure of monetary and credit contraction. The total deposit liabilities of scheduled banks recorded a fall of Rs. 1,090 million between the last Friday of December 1948 and the last Friday of December 1949. During the same period total advances and bills discounted fell by Rs. 310

million, while cash and balances with the Reserve Bank of India rose by Rs. 60 million. The exception was in the early months of the year when there was a rapid expansion of advances and bills discounted from Rs. 4,420 million on the last Friday of December 1948 to Rs. 5,140 million on 6 May 1949, making the ratio of advances and bills discounted to total liabilities increase from 46 to 57 per cent.

Interest rates fluctuated during 1949 in keeping with the changes in money market conditions. The rate in Bombay had remained at one-half per cent *per annum* during the slack season of 1948, but it rose at the end of the year and in January 1949, reaching 1¼ per cent for call rates among the exchange banks on 9 April and gradually receding to the previous level of one-half per cent in June.

In spite of a decline in banking funds, the earnings of many banking companies were not much lower than those of the good year of 1948—an indication that the banking system has been employing its funds more fully and on more remunerative terms. During the year ending 30 June 1949, there were 180 applications as against 279 in the year ending 30 June 1948, for opening up of 328 new branches in 1949 as against 158 in 1948.

Indochina. French, British and Chinese banks predominate in the supply of banking facilities within the country; there are only two Vietnamese banks against three French banks (including the Bank of Indochina), two British banks and three Chinese banks. The French banks in addition to financing trade are interested in the financing of industry, which accounts for 20 per cent of their activities. Foreign exchange business is conducted by the three French and the two British banks but by only one each of the Vietnamese and Chinese banks. None of these banks finances agriculture. Laos has no banking system of its own as yet and not even branches of French, Chinese or other foreign banks. In Cambodia, also, no autonomous banking organization exists, as the two offices existing are merely branches of the French Bank of Indochina. Viet Nam has the major share of banking facilities having twenty-two out of a total of twenty-four offices and branches of the banks in Indochina. These are distributed in the highly populated and economically developed area of South Viet Nam and the Tonkin delta (Hanoi, Haiphong).

Both banking deposits from the public and loans by the banks to the public increased in 1949 as compared with 1948. Whereas in 1948 (average twelve months) deposits from the public were 1,126 million piastres, and loans to the public were 338 million piastres, in 1949 (average nine months, January-September) the figures had increased to 1,260 million piastres for deposits and 577 million piastres for loans to the public. The proportion of loans to deposits increased from 30 per cent in 1948 to 46 per cent in 1949. In spite of the expansion in bank

credits, the demand was greater than usual and bank credits remained tight; in July interest rates on commercial loans ranged from 5½ to 7 per cent *per annum* and the discount rate fixed by the Bank of Indochina, which was 4.5 per cent *per annum* in the early months of the year, increased to 5 per cent in May and to 5.5 per cent in June, remaining there for the rest of the year.

Korea. Apart from the Korean Foreign Exchange Bank, there are seven banks and two financial associations in South Korea, all of which have branches. The maximum interest rate of 5½ per cent *per annum,* legally set in 1948 on all Government-guaranteed bank loans, was changed to 6.21 per cent in 1949. On other loans the rates varied from 7 to 15 per cent depending on size.

During 1949 there was an increase of both total deposits and advances and bills discounted. Total deposits increased from W. 32,890 million in 1948 (average twelve months) to W. 54,305 million in 1949 (average nine months, January to September). During the year greater use was made of banking funds, as can be seen from the fact that monthly bank clearings increased from W. 20,600 million in 1948 to W. 34,200 million in 1949. The ratio of monthly bank clearances to demand deposits also increased from 1.13 in 1948 to 1.14 in 1949.

Pakistan. During the year ending June 1949 there were thirty-nine scheduled banks with 218 offices. Of these banks, however, only a few are registered in Pakistan, most of them being Indian banks. During the year there was a slight decline in total deposits from Rs. 1,081 million in 1948 (average seven months, July to December) to Rs. 1,071 million in 1949 (average twelve months), but there was an increase in advances and bills discounted from Rs. 310 million to Rs. 427 million, so that the ratio of advances and bills discounted to total deposits increased from 29 to 40 per cent. In spite of this expansion of advances and bills discounted, the Governor of the State Bank of Pakistan on 29 September 1949 expressed concern at its first annual general meeting at the existence of idle banking funds.

An important development in 1949 was the creation of a new National Bank of Pakistan by an Ordinance promulgated on 8 November 1949 to be run as a joint State and private enterprise. The authorized capital was fixed at Rs. 60 million in shares of Rs. 100 each. The Government was to own at least 25 per cent of all shares issued. Its chief function was to lend against the security of jute in order to mitigate the difficulties of jute growers during the dispute with India over non-devaluation and the consequent cessation of purchases by Indian importers. It was also to act as the agent of the State Bank of Pakistan.

Philippines. There was a decline in total deposits from P. 866 million as of 31 December 1948 to P. 809 million in 1949 (average 30 June, 31 August and 30 September). Advances and bills discounted also declined

from P. 553 million to P. 550 million for the same dates, but as they declined less than bank deposits, the ratio of advances and bills discounted to total deposits increased from 64 to 69 per cent. The decline in deposits and the fact that the cash and balances of banks with the Central Bank declined from P. 312 million to P. 196 million for the same dates indicates that in addition to currency contraction in June there was a drain of currency from banking institutions into the hands of the public.

Thailand. In June 1949 there were thirteen domestic banks with twenty-eight branches and ten foreign banks with ten main offices and one branch in Thailand. The number of bank offices increased from forty-eight in 1948 to fifty-two in June 1949.

In 1949 there was an expansion of banking funds, the annual average of total deposits increasing from 785 million baht in 1948 to 829 million baht in 1949. Advances and bills discounted also increased from 406 to 496 million baht. Thus, the ratio of advances and bills discounted to total deposits increased from 52 to 60 per cent. A greater use of banking funds is also observed from the monthly bank clearance figures, which rose from 774 million baht in 1948 (average of twelve months) to 1,112 million baht in 1949 (average of twelve months) increasing the ratio of monthly bank clearings to demand deposits from 1.09 to 1.50. The pre-war importance of foreign banks, compared with domestic, has decreased since 1946. As of June 1949, total deposits with the domestic banks were 563 million baht as against 275 million baht with foreign banks, and advances and bills discounted were 292 million baht for domestic banks as against 201 million baht for foreign banks.

Japan. In addition to the Bank of Japan there are sixty-seven common banks, six trust banks and one debenture-issuing bank. Excluding the Bank of Japan the number of offices of these banks at the end of October 1949 amounted to 6,012. Banking funds increased in 1949. Total deposits increased from Y. 326,000 million in 1948 (average of twelve months) to Y. 578,000 million in 1949 (average of twelve months). Advances and bills discounted also increased from Y. 246,000 million to Y. 450,000 million. The ratio of advances and bills discounted to total deposits increased from 76 to 78 per cent for the same periods, indicating an increase in banking funds and a greater utilization. This is also shown by the ratio of monthly bank clearings to demand deposits which increased from 2.52 in 1948 (average of twelve months) to 3.40 in 1949 (average of twelve months). These increases in banking funds took place in spite of the cautious attitude taken by banks in granting new loans, and their efforts in collecting old loans as a result of the nine-point economic stabilization programme announced by SCAP. Commercial banks made profits in the year ending 31 March 1949 of at least 10 per cent of their share capital.

AGRICULTURAL FINANCE[1]

Of the different sources of agricultural finance, namely, money-lenders, co-operative societies, Governments, and special agricultural and other institutions, undoubtedly the money-lenders supply the major portion. The co-operative societies have not generally supplied much finance. Very little government finance is provided except through the co-operative banks. In the region as a whole few special institutions for providing agricultural finance exist.

Burma. Agricultural finance is supplied by the Government, co-operative societies and money-lenders. The volume of agricultural credit supplied by the Government under the Agriculturist Loans Act and the Land Improvement Loans Act, which averaged Rs. 900,000 in pre-war years, increased to Rs. 20.5 million in 1948/49 (revised estimates) and to Rs. 31 million in 1949/50 (budget estimates). The Government also provided loans of Rs. 3.5 million to tenants of government estates and agricultural credit societies in 1948/49 and intended to give Rs. 5.9 million in 1949/50. The co-operative societies in post-war years have done little new lending except from government funds. As on 30 June 1949 the main sources of their working capital (that is, loans and deposits received from non-members, societies and central banks; deposits from members; share capital; state aid and agricultural advances, and excess of assets over liabilities), did not differ much from those of 1948 or pre-war years. In 1949 the total working capital was Rs. 15.4 million compared to Rs. 13.8 million in 1939 and Rs. 14.2 million in 1940. Although money-lenders (including Chettiars and other non-Burmese money-lenders) probably supply most agricultural finance, statistics as to the volume are not available. In pre-war years there existed an agricultural bank—Dawson's Bank—but in post-war years it has not done much new business. In 1948 a committee reported on the necessity of forming a State Agricultural Bank with a capital of Rs. 50 million to Rs. 75 million, most of which would be subscribed by the Government, to handle the government advances to agriculturists under the two previously mentioned Acts. So far no action has been taken on this proposal.

Ceylon. The Agricultural and Industrial Credit Corporation was established under Ordinance No. 19 of 1943 to finance agriculture and industry. Such finance could be used for the purchase, lease and the cultivation, development or improvement of any land used for agriculture, the exploitation of mineral resources and other purposes such as liquidation of debt incurred in the financing of agriculture or industry. The rates of interest which the Corporation was allowed to charge varied

[1] There is little material, except for a few countries, on the position of agricultural finance. Where there is material, for example, in the case of co-operative credit societies, the information is generally out of date inasmuch as these returns are submitted late.

from 5 to 6½ per cent *per annum*. During the year ending 30 September 1948, the Corporation gave fifty-one loans amounting to Rs. 2.4 million for the purchase, development and redemption of debt on agricultural property, while in the previous year it gave thirty-seven loans amounting to Rs. 1.3 million.

India. The main supply of agricultural credit comes from local money-lenders but no estimate is available about the magnitude in post-war years. Several provincial Governments have recently enacted legislation for regulating the activities of these money-lenders. A second source is co-operative societies, but the latest available figures relate to the year 1946/47. Members of co-operative societies, however, include only a small fraction of the rural population. During the year the total loans made by agricultural societies to individual members amounted to Rs. 150 million. The provincial co-operative banks have obtained credit from the Reserve Bank of India, which in 1948/49 amounted to Rs. 18 million, at a concession rate of 1½ per cent below the bank rate. They have also obtained help from the Government — for example, the Government of Bombay has recently authorized the Registrar of Co-operative Societies and the Director of Agricultural Marketing and Rural Finance to subsidize up to a period of three years uneconomic branches of co-operative banks to promote the opening of additional branches or pay-offices. The Government of Bombay has also decided to give financial assistance to rural credit societies to meet the secretarial cost up to a maximum of 2.5 per cent of their working capital.

A third source of agricultural finance has been the *takavi* loans given by the provincial Governments under the Agriculturist Loans and Land Improvement Loans Acts. Of late these loans have increased rapidly. In 1949/50 a total of Rs. 70 million was disbursed to cultivators by nine provinces (Madras, Bombay, West Bengal, United Province, Central Province and Berar, East Punjab, Bihar, Orissa and Assam) for which data are available. Of this amount only a small proportion was for long-term purposes. Commercial banks finance only the movement of agricultural crops and advance little credit for production. To increase the volume of agricultural finance, the Agricultural Credit Department of the Reserve Bank of India has recommended an amendment of section 17 of the Reserve Bank of India Act extending the period of the bill of exchange from nine to twelve months, against which the bank is empowered to grant credit drawn for seasonal agricultural finance or for the movement of crops. There have also been recent proposals for the formation of an agricultural finance corporation of India to serve the credit needs of agricultural industry. The corporation would serve as an apex institution for provincial co-operative banks and lend a large amount directly to big agriculturists.

The problem of mobilizing rural savings and of making credit available to rural areas on reasonable terms still remains to be solved, for

organized banking has not spread to these areas. A Rural Banking Enquiry Committee was appointed in November to examine the possibilities of extension of banking facilities to rural areas, to review the work of government treasuries and sub-treasuries including those managed by the Imperial Bank of India, and to see to what extent such work might be entrusted to commercial banks and co-operative banks.

Indochina. The agricultural co-operative banks are one of the sources of agricultural finance. The amount of loans given in 1949 (average of ten months) was 17.8 million piastres, which was much higher than the average of 14.5 million piastres for 1948 (average of twelve months). Deposits also were much larger in 1949, being on an average 8.6 million piastres as against 6.3 million piastres in 1948.

Indonesia. The People's Credit Bank and the licensed pawnshops serve as important sources of agricultural finance. Loans given by the pawnshops are usually for a short period, averaging from forty-five to sixty days. The work of the village banks, which are managed by the People's Credit Bank, has been hampered by the existing insecurity in the districts. However, in 1949 there were 92 offices of the People's Credit Bank, and the average monthly volume of loans given was Fl. 4.7 million (average of ten months, January-October) as against Fl. 4 million in 1948 (average of twelve months). Of the loans given in 1949, Fl. 1.9 million were for agriculture and Fl. 0.34 million for industrial and commercial establishments. The volume of loans outstanding in 1949 (average of six months, January-June) was Fl. 28.4 million as compared with Fl. 16.4 million in 1948 (average of twelve months). There were 253 government pawnshops. The average monthly volume of loans made in 1949 (average of nine months) was Fl. 8.0 million as against Fl. 5. 3 million in 1948 (average of twelve months). These loans rose sharply in the third quarter of 1949 to a monthly average of Fl. 9.1 million as against Fl. 7.9 million and Fl. 6.8 million respectively for the first and second quarters. The volume of loans outstanding in these government pawnshops in 1949 (average of nine months, January-September) was Fl. 19.7 million as against Fl. 12.3 million in 1948 (average of eleven months, January to December except October).

Malaya. Here also, co-operative credit is one of the sources of agricultural finance. During the year the Co-operative Department opened offices in Kelantan and Johore. In spite of disturbed conditions 46 new societies were registered during 1949, of which 37 were rural societies and one was the Malayan Co-operative Wholesale Society, Limited.

Pakistan. Prior to partition, most financing of agriculture was in the hands of non-Moslems, but with their withdrawal upon partition a vacuum was created. The credit societies, which had stopped functioning during the disturbances, began advancing loans and undertaking commercial banking as well. Co-operative central banks continued to finance the purchase of agricultural crops. Provincial co-operative banks

were established in East Pakistan and in the North-West Frontier Provinces. Those in the West Punjab and Sind continued as before. In the early part of 1949 there were 45,400 societies with two million members and a working capital of Rs. 500 million. Most of these societies were located in the West Punjab and East Bengal, the former having 15,000 societies with 838,000 members and a working capital of Rs. 220 million, and the latter having 26,000 societies with one million members and a working capital of Rs. 190 million.

Philippines. The Rehabilitation Finance Corporation, in addition to financing various industries, also finances agriculture; during the first two years of its operation in 1947/48 and 1948/49 it gave 3,529 agricultural loans amounting to P. 22 million.

Thailand. The Government Savings Bank, which has funds suitable for medium- and long-term loans to agriculture and industry, has not given direct loans to agriculturists. It has, however, been channeling a part of its collections to agriculture through the co-operative movement. Some agricultural credit is also given by commercial banks and insurance companies, but the amount is small as these concerns are reluctant to deal with small borrowers. In addition to co-operative credit societies, the agriculturists can borrow from the money-lender who charges exorbitant rates of interest, however, often exceeding the legal limit of 15 per cent. Nevertheless, the grip of the money-lender on the villager seems to have lessened in recent years owing to the general rise in agricultural prices and incomes and the growth of co-operative credit societies. Whereas in 1948 there were 6,196 credit societies, in July 1949, the number had increased to 7,117, rising to 7,300 by the end of the year. The credit society members totalled 131,400 at the end of the year, the majority being rice farmers. The Bank of Co-operatives, a government organization, lent to credit societies in 1949 about 15 million baht, which was used by members for purchasing farming equipment and buffaloes, and for building barns and houses and buying clothes for the farmers' families. Its working capital of 90 million baht is borrowed from the Government Savings Bank at 4 per cent *per annum* and lent at 6 per cent to societies, and by them to members at 10 per cent.

Another source of agricultural finance for Thai cultivators is the Government. In 1949 5.5 million baht was allocated by the Government to be used as a revolving fund to aid farmers, thus bringing the total to 10.5 million baht. The Finance Ministry has also recommended that this total be eventually raised to 20 million baht. Most of the funds would be used for the purchase of buffaloes and pumping machinery to aid irrigation.

Japan. The Central Bank for Agriculture and Forestry, the Federation of Agricultural Co-operative Credit Associations and the Agricultural Co-operative Association, are responsible for the financing of agri-

culture, forestry and aquatic industry. The shortage of agricultural funds was aggravated by the fact that the Hypothec Bank of Japan, which formerly financed agriculture, was converted into a commercial bank. In the fiscal year 1948, the bills discounted by the Central Bank for Agriculture and Forestry reached a peak of Y. 2,500 million and in the fiscal year 1949 increased sharply to Y. 15,000 million.

Industrial Finance

In most countries of the region, facilities of industrial finance are inadequate. In India, although the Industrial Finance Corporation has been doing good work, the problem of increased investments in industries still remains.

The noticeable trend in the region is for the Governments to assume an increasing share in industrial financing since in countries such as Burma and China there is an increasing amount of State-owned enterprises. In the Philippines finance has been provided by the Government for rehabilitation purposes. The Industrial Finance Corporations of Pakistan and India also have government participation.

Burma. No special institution for the financing of industries exists. Some short-term finance is available from commercial banks but it is limited inasmuch as these banks concentrate on the financing of trade. The demand for industrial finance is also small because there are few industries in Burma. The Government does some financing of cottage industries through loans under the State Aid Industries Act, 1939, and the Weavers Loans Act, 1940. Since the war the Government has financed its own industrial projects such as the electric-power supply, Burma Railways, Union of Burma Airways, Spinning and Weaving Factory Board and other public utilities. The volume of such loans given by the Government in 1948/49 (revised estimates) was Rs. 27 million and is expected to increase to Rs. 30 million in 1949/50.

Ceylon. The Agricultural and Industrial Credit Corporation provides finance to industries in addition to agriculture. In the year ending 30 September 1948 it gave nine loans amounting to Rs. 256,500 for the purchase of industrial property, improvement and redemption of debt on industries. This was a much smaller figure than that for the previous year when eight loans amounting to Rs. 515,500 were given.

China. The People's Government in Peking plans to invest directly in State-owned enterprises and services on the mainland sums amounting to 23.9 per cent of the 1950 budget, emphasis to be placed on heavy industries, agricultural irrigation and communications for long-term purposes.

As to the financing of private industries, information from Tientsin, the major North China port, showed that (1) the co-operative depart-

ment of the People's Bank between 1 March and 31 May granted PBN 35.5 million Yuan to farmers, PBN 41.25 million Yuan to handicraftsmen, and PBN 2.37 million Yuan to salt industries; (2) the Bank of Communications between 19 and 31 May granted loans totalling PBN 165 million Yuan to salt and chemical industries, and (3) the Postal Administration between 1 and 15 August extended 24 loans of PBN 200 million Yuan (equivalent to US$75,000 at the current official exchange rate) to chemical plants and weaving factories. The effort of private banks and money shops of Tientsin to divert idle capital into production by forming consortiums for conducting business on commodity index deposits and loans at 15 per cent interest per month did not receive complete approval. Although industries preferred commodity-index loans because they facilitated cost-accounting, the indices were based on commodities such as grain and cloth, and were considered unsuitable. In Shanghai a joint loan office of Shanghai banks was opened on 15 December with a capital of PBN 12,000 Yuan (equivalent to US$740,000 at the current rate of exchange), of which 84 per cent were subscribed by private banks and the remainder by State banks, for the purpose of advancing industrial loans.

India. One source of industrial finance in India is the Industrial Finance Corporation which during its first year ending 30 June 1949 made a net profit of Rs. 85,500. As the Government guaranteed 2¼ per cent dividend, it had to make up the remainder, amounting to Rs. 1.09 million. The Corporation's authorized capital was Rs. 100 million in the first year, of which one-half had been issued. Provision, however, exists for the issue of bonds up to five times the paid-up capital and reserve fund. In its first year the Corporation sanctioned loans totalling Rs. 350 million to twenty-one applicants, but only Rs. 150 million had been drawn. Loans were sanctioned for heavy industries such as iron and steel (foundries), chemicals, electric power, engineering and cotton and woollen textiles. By the end of 1949 the Corporation had sanctioned loans to the extent of Rs. 475 million.

In addition to the Industrial Finance Corporation, some Provinces and States have started or are starting similar corporations to assist large and small industries. The remaining sources of industrial finance in India are private investors, banks and insurance companies.

Indonesia. A Recovery Bank is expected to be established soon to finance companies and support co-operatives in Indonesia, in the capital of which private industry will be placed in a position to invest. This bank would also arrange for loans to be made in Indonesia from funds obtained from the Export-Import Bank in the United States and the Netherlands Government, up to a total of US$15 million.

Pakistan. The Industrial Finance Corporation, established by an Act of Parliament which came into force on 15 July 1949, has been providing finance to industries. The Prime Minister announced during the

latter part of the year that a new industrial promotion corporation would be established to provide finance also for the development of twenty-seven specific industries including jute, paper, steel, rubber, heavy chemicals, engineering and ship-building. He estimated that Pakistan's minimum capital requirements for industrialization over the next ten years would be about Rs. 3,000 million (US$907 million). In addition to Rs. 352 million on capital account for non-industrial projects such as civil works, post and telegraphs etc., the Central Government has earmarked for 1949/50 Rs. 40 million for industrial development schemes. However, the Government has been cautious about direct participation in industrialization. In 1948/49, it advanced only Rs. 120 million. Despite the provisions made by the provincial governments for the financing of industries, such as the State Aid to Industries Act in East Bengal and the Industries Loans Act in Punjab, little finance has been provided under these Acts, as the Departments of Industries are not sufficiently equipped for the task and industrialists dislike the publicity and formality attending government assistance.

Philippines. The Government earmarked P. 200 million for economic reconstruction and development. This fund was to be released by the Central Bank which advanced during the year P. 30 million for rice, fisheries, coconut and livestock projects and P. 11 million for the rehabilitation of the tobacco industry. The Central Bank also advanced P. 35 million to the Rehabilitation Finance Corporation for financing its projects, and made available P. 1.2 million in October for a pulp mill to be built by the National Development Company. The Rehabilitation Finance Corporation, with an authorized capital of P. 300 million during its two and a half years of operation, had also approved up to October 1949, a total of 9,507 loans with a value of P. 173 million, of which 451 loans amounting to P. 8 million were made in 1948/49. The 302 industrial loans amounted to P. 47 million, and the 3,529 agricultural loans amounted to P. 22 million.

Thailand. No special institution exists for the financing of industry, although the Government Savings Bank issues loans to government industries for periods mostly up to one year. In June 1949, the amount of loans outstanding to these industries was 33 million baht at rates of interest varying between 4 and 4½ per cent. The Bank has also given loans for private house building for periods of ten to fifteen years, and in June 1949 the amount outstanding was 2 million baht at 5 per cent interest. As co-operative credit caters mainly to agriculture, industry does not obtain any finance from this source. Very little industrial finance is forthcoming from private investors as well, partly because of low incomes.

Japan. Since the Industrial Bank of Japan could not finance all reconstruction needs from its limited resources, the Reconversion Finance Bank (also known as Reconstruction Finance Bank) was established.

No more loans for operation were to be given after March 1949, as these had been given to industries regardless of profit and capacity, and tended to aggravate inflation; but loans for equipment were still permitted. Owing to the curtailment of the Bank's activities and the consequent shortage of industrial funds in May and June 1949, the Industrial Bank of Japan was strengthened by increasing the permissible debenture issue from ten to twenty times of its capital in May 1949, and its capital was raised from Y. 500 million to Y. 1,000 million in June 1949.

Another type of industrial finance upon which great expectation was placed was the U. S. Aid Counterpart Fund for the supply of long-term equipment loans, but delay in determining the procedure for applications and grant of loans caused direct investment from the Fund to amount to only Y. 5,400 million at the end of 1949.

By the end of September 1949, the amount outstanding of loans granted by financial institutions to industries was Y. 370,900 million, which was approximately 52 per cent of total loans given.

Security Markets

Security markets in the region are very few. Even in the relatively advanced countries such as India and China they exist only in the major cities. In Japan security markets have only recently been reopened and in Pakistan, a number of new security markets have sprung up. In some countries such as Burma and Thailand no stock exchanges exist and facilities for securing industrial finance are very poor indeed.

Burma. There was a small stock exchange at Rangoon in pre-war years, but it has not been revived since the war. Even public bodies such as the Rangoon Port Trust and the Corporation of Rangoon have had difficulties in floating their debentures.

China. The Tientsin stock exchange reopened in June, and plans for the opening of the Peking Stock Exchange in November or December were approved by the Finance Committee of the Executive Council of the Central People's Government. In East China, the Shanghai Stock Exchange, which had been closed by official order since 19 August 1948, was formally reopened on 21 February 1949. Among the forty-five stocks listed were stocks of four Government-owned enterprises.

Hong Kong. During 1949 although there was an increase in the number of private and public companies registered (excluding those struck off the register during the year), the total capital was much less than in the previous year. Whereas in 1948 there were 214 companies with a total capital of HK$804 million, in 1949 there were 263 companies with a total capital of HK$314 million. The volume of business on the Hong Kong stock exchange declined during the third quarter of 1949 because of the flight of Chinese refugee capital from the Hong Kong dollar to

the United States dollar. Whereas in June 1949 the weekly turnover on the Hong Kong Stock Exchange was 50,450 shares valued at HK$1.25 million, by August it had dropped to 21,539 shares valued at HK$500,000.

India. During 1949 the capital market suffered from a scarcity of funds; the rate of interest which private enterprises had to pay on their debentures was not only appreciably higher but even at this rate most of them could not get their full requirements. At the beginning of the year the stock and security markets were still apathetic and prices continued to decline. The indices of industrial securities (Reserve Bank of India index, base 1938=100), which averaged 112 for fixed dividend and 147 for variable dividend securities in 1948 (twelve months average of weekly averages of daily figures), and which in January 1949 were 107 and 128, respectively, declined to the lowest level of 100 in August for fixed dividend industrial securities, and of 110 in July for variable dividend industrial securities. The latter part of 1949, however, ended the three-year-old bearish phase. The bull market which had its beginning in July and August, partly as a result of Government's efforts to raise industrial production and its export drive to revive confidence, was given a further fillip, in connexion with the devaluation of the rupee on 19 September, by the Finance Minister's statement on the cheap money policy. Thus, the average index number of fixed dividend industrial securities for the week ending 31 December stood at 111 and for variable dividend industrial securities at 118.

As for government and semi-government securities, the general index level, which averaged 101.5 during the year (Reserve Bank of India index, base 1938 = 100), was lower than that of 102.3 for 1948. The 1949 level might have been much lower were it not for the support given by the Reserve Bank of India to Government of India securities in the earlier part of the year when commercial banks began unloading such securities on the market to meet the increased demand for banking facilities.

Philippines. A Securities and Exchange Commission has been established since July 1946. It has kept vigilance over the processes of soliciting capital from the public and protected innocent investors by requiring full disclosures of securities and that issuers be of good repute and so on. This Commission registered 102 corporations in the third quarter of 1949 as against ninety-seven corporations in the second. The total volume of corporate investments was lower, however, in the third quarter, being P.3.4 million as against P.4 million in the second quarter.

In the Stock Exchange of Manila in 1949 the prices of stocks and shares reached a peak in the first quarter and declined till the third quarter when prices began to rise again. Mining and base-metal shares, for instance, declined during the months of March to July. The period 22 October to 25 November saw a sharp revival, especially in the shares

of iron producers, though the Central Bank's action of selective credit control did cause buyers to withdraw temporarily.

Japan. After the war and prior to 14 May 1949, Japan had no stock exchange, although the number of registered securities dealers had risen sharply since the end of the war to 677 in January 1949. Of this number only half a dozen could maintain a nation-wide business with sufficient finance to underwrite and do business with foreign concerns. With effect from 14 May 1949 SCAP authorized the opening of new securities exchanges in Tokyo, Osaka and Nagoya, in accordance with the revised Securities and Exchanges Law of 6 April 1948, and the three principles laid down on 1 May 1949 to safeguard clients in supplying capital for the promotion of industries. These principles were a marked change over the previous buying and selling practices. Exchanges were also organized in Kobe, Kyoto, Niigata, Fukuoka and Hiroshima, and applications have been made to the Securities and Exchange Commission for permits to begin operation.

The new Tokyo Securities Exchange had a trading list that included 699 securities issued by 500 different companies, and several government issues, as of 1 June 1949.

The success of these newly-formed stock exchanges in Japan will depend much on the capacity of the public to absorb all the *Zaibatsu* stocks which are to be sold by the Securities Co-ordination and Liquidation Commission. This Commission was formed in July 1947 to dispose of the stocks of the *Zaibatsu* concerns dissolved as an anti-monopoly measure. As of January 1949 the Commission had disposed of only Y.5,100 million worth of stocks, out of a total paid-up capital of Y.25,200 million for *Zaibatsu* stocks. It is estimated that the total capital of stocks in the country is probably Y.80,000 million. The stock exchanges were hindered by the tight money situation, being in fact confronted with a severe slump at the end of 1949. The absorption of debentures by banks, however, was considered to be fairly satisfactory throughout the year.

Banking Legislation

Significant banking legislation was passed during 1949 in Ceylon, India and Japan.

Ceylon. By the Monetary Law Act No. 58 of 1949,[1] elaborate provisions were made for the establishment of a new Central Bank.

India. The year should be considered as a landmark in the history of India's banking legislation. The Reserve Bank of India was nationalized, effective from 1 January 1949, although the Reserve Bank of India (Transfer of Public Ownership) Act, 1948, had been passed in September of the previous year. The Indian Banking Companies Act was passed

[1] See chapter V, pp. 127-128.

in February 1949 and came into effect the following month. This Act consolidated previous legislative and administrative measures for the regulation and control of banking by the Reserve Bank of India. It provided for licensing of all commercial banks and required that all banking companies maintain at the end of each quarter assets of at least 75 per cent of their deposit liabilities within the provinces of India. Twenty per cent of these deposit liabilities must be maintained in cash, gold or unencumbered securities. Other provisions have been mentioned earlier in this chapter.

Japan. Many legislative measures were passed in 1949, of which the most important was the Law for partial amendment to the Bank of Japan Law, creating a new Policy Board for the Bank of Japan in line with the democratization of Japan's economy. By Law No. 114 of 28 May 1949 restrictions regarding financing of industry were placed on the Reconversion Finance Bank, as seen in the industrial finance section above, and by Law No. 79 of 19 May 1949 the issue limit of debentures of the Industrial Bank of Japan was increased from ten to twenty times the paid-up capital. Laws were also passed for regulating and controlling money-lending business and co-operative associations to promote the confidence of the general public.

CHAPTER VII

Public Finance[1]

General Features

A lessening of the extent of deficits which had aggravated inflationary tendencies in most of the countries of the region can be noticed in 1949. This does not necessarily mean fiscal stabilization. The countries are practically all in the early stages of industrialization and of administrative reorganization. Most of them are now engaged in an over-all or partial reform of their public finance systems, but in many countries this has not yet developed beyond the blueprint phase. The role of public finance has expanded as greater demands were made on the public purse. Governments are making large investments for capital equipment and for increasing public services.

Since the new countries in this area assumed the financial charges of their new independent establishments, their burdens have been further increased as a result of recent disturbances. As a consequence of the heavy demands thus made upon the national budgets, coupled with the unsatisfied need for foreign capital, practically all development plans are far from being implemented. In spite of certain recent curtailments in capital expenditure, the relative share of this item in total budget expenditure is greater in present estimates than it ever was in any of the countries in this area in pre-war years.

An over-all view of government revenue, expenditure and surplus deficit for the last five years is given in table 53. The data shown therein will be discussed in the individual country notes to follow.

Table 54 shows the relative size of the military outlay and of capital investment for the seven countries for which estimates were available.

The relative importance of total debt service as part of government expenditure remains lower than before the war because the rise in prices caused by inflationary pressure has not affected the interest service on old loans. While the sterling debt has practically disappeared during the war, attempts are now being made to borrow in the dollar area, but they have met with small success. Missions of the International Bank for Reconstruction and Development, however, have visited Pakistan, India, the Philippines and Thailand both in 1949 and early in 1950 to study the revenue and financial situation of the countries, and

[1] Prepared by the Fiscal Division, Department of Economic Affairs, United Nations.

their development possibilities. International Bank loans have already been granted to India.

The low level of national income in all Far Eastern countries makes it impossible to obtain a yield from taxation large enough to finance development expenditure. The political disturbances have added administrative difficulties, further reducing the effectiveness of modern methods of taxation. Customs duties remain an important source of revenue in public finance. Except in Japan, where they are negligible, and in the Philippines, where they are not of major significance, customs duties have to be considered as the major indirect tax. Their share of total tax receipts is between 40 and 60 per cent in most of the countries studied. In the Federation of Malaya and British Borneo, the percentage is even greater.

Since the end of the war, the customs systems have been subject to selective modifications in most of the countries. Some of the export duties have been reduced to enable domestic producers to maintain their position on the international market. For example, the export duties on coconut were lowered in Ceylon in the financial year 1948/49. In India, the export duties on oil-seeds and vegetable oils, introduced in 1948/49, were repealed the following year. After devaluation, the Government of India promulgated an ordinance which reintroduced these duties, provided for new export duties on coal, iron and steel, shellac and unmanufactured tobacco, and raised those on raw and manufactured jute. Pakistan established new export duties while maintaining and increasing the import duties, even on ordinary consumer goods.

The need for quick yield caused further developments in the field of indirect taxes. The central sales tax of Pakistan was enacted in the course of the financial year 1947/48 and has gained importance in the subsequent years; in Indochina the States of Viet Nam and Cambodia introduced turnover taxes in 1948 and 1949, respectively; Burma also instituted a general sales tax for 1949/50 to remedy the sharp decline of receipts. Such developments sometimes represent a shift of the tax burden from the rural to the urban population. Often an attempt is made, however, to lessen regressiveness while getting more revenue; thus the betting tax was increased in Ceylon for the fiscal year 1949/50. In Burma it is proposed to increase the rates of the betting tax, the excise duties on liquors and the entertainment tax for the year 1949/50. An entertainment tax was introduced in the State of Viet Nam in 1948. Indonesia imposed a heavy tax on the sale of imported non-essential goods. All these taxes are thus designed not only to produce additional revenue but also to strike at the consumption of luxury goods and unproductive activities.

Until recently only two countries, Japan and India, had a direct tax system elaborately devised and yielding considerable amounts of revenue.

The Philippines and the Associated States of Indochina already had a direct tax system not substantially modified in recent years. A progressive scale of rates has been adopted in Burma, where it has been increased in the higher brackets, and in Ceylon, where it has been increased for large incomes and decreased for taxpayers on the lower levels. At the same time in Ceylon, where a new profits tax was enacted in 1947/48, tax reductions for the expansion of new industrial and agricultural enterprises have been proposed for 1949/50. In Hong Kong and Malaya an income tax was introduced in 1947 and 1948 respectively. In the former, however, it is not yet effectively enforced. In China the information available shows that a sweeping tax reform is envisaged. The tax structure, which seems particularly elaborate in North China, is devised with the land tax as a basic tax; in some urban sectors schedular income taxes have been introduced, with a tax on profits and a global income tax, both being progressive. The new Chinese tax system seems still to include a large number of indirect taxes.[1]

Table 53. Government Revenue, Expenditure, and Surplus/Deficit

(In million units of local currencies)

	1946/47	*1947/48*	*1948/49*	*1949/50*	*1950/51*
	Government Revenue				
British Borneo: (M$)					
Brunei	.	4.4	6.6	. .	. . .
North Borneo	1.8	7.2	8.0	. .	. . .
Sarawak	5.5	*12.3*	. . .	. . .	. . .
Burma (rupee)	310.9	*446.1*	*430.3*	*483.6*	. . .
Ceylon (rupee)	461.9	541.5	577.9	*565.1*	. . .
China (fen)	. . .	.		. . .	*2,260*
Hong Kong (HK$)	82.1	164.3	194.9	*248.5*	*192.0*
India (rupee)	. .	*1,856.8*	3,717.0	*3,323.7*	*3,391.9*
Indochina (piastre)	293.1	742.1	*1,793.7*	*1,650.5*	. . .
Indonesia (guilder)	207.5	629.3	2,003.2	2,602.2	*1,871.1*
Japan (yen)	40,939	174,799	480,654	*717,577*	*640,758*
Korea (won)	5,260	15,923	37,047	.	. . .
Malaya (M$)	129.7	260.5	*232.6*	*273.7*	. . .
Pakistan (rupee)	. . .	*206.1*	*587.0*	*754.6*	*772.8*
Philippines (peso)	170.2	252.2	305.9	*229.4*	*338.1*
Singapore (M$)	28.9	76.6	73.8	*109.1*	. . .
Thailand (baht)	596.7	910.1	1,482.1	1,254.8	*1,596.7*
	Government Expenditure				
British Borneo: (M$)					
Brunei	. . .	1.8	3.7	. . .	. . .
North Borneo	2.5	11.9	10.5	. . .	. . .
Sarawak	6.0	*11.3*	. . .	. . .	. . .
Burma (rupee)	594.1	*535.1*	*528.0*	*532.2*	. . .
Ceylon (rupee)	452.0	692.3	635.4	*726.1*	. . .
China (fen)	. . .	. . .	. . .	. . .	*2,781*
Hong Kong (HK$)	85.6	185.0	190.4	*193.4*	*199.1*
India (rupee)	. . .	*2,134.8*	4,292.2	*4,640.7*	*4,231.3*

[1] In India and Pakistan, the land tax has also been important. However, it is levied by the Provinces.

Table 53. ***(Continued)***

	1946/47	*1947/48*	*1948/49*	*1949/50*	*1950/51*
Indochina (piastre)	293.1	933.1	*2,612.2*	*2,966.0*	...
Indonesia (guilder)	1,024.1	1,824.0	*3,548.7*	*3,907.1*	*2,596.1*
Japan (yen)	85,766	235,275	491,006	*741,046*	*661,406*
Korea (won)	10,920	27,378	49,410	...	...
Malaya (M$)	222.8	326.5	*239.8*	*202.1*	...
Pakistan (rupee)	...	*585.1*	*1,070.7*	*1,293.8*	*1,157.0*
Philippines (peso)	359.8	310.8	375.4	*388.6*	*315.1*
Singapore (M$)	43.4	62.6	92.5	*101.3*	...
Thailand (baht)	578.9	909.3	1,362.7	*1,577.7*	*2,052.1*

Government Surplus/Deficit

British Borneo: (M$)					
Brunei	.	+ 2.6	+ 2.9	...	...
North Borneo	— 0.7	— 4.7	— 2.5	...	...
Sarawak	— 0.5	+ *1.0*	...	...	...
Burma (rupee) ..	—283.2	— *89.0*	—*97.7*	— *48.6*	...
Ceylon (rupee)	+ 9.9	—150.8	—57.5	—*161.0*	...
China (fen)	...	...	...	...	*521*
Hong Kong (HK$) ..	— 3.5	— 20.7	+ 4.5	+ *55.1*	— 7.1
India (rupee)	...	— *278.0*	— 575.2	— 1,317.0	— *839.4*
Indochina (piastre)	. .	— 191.0	— *818.5*	— *1,315.5*	. .
Indonesia (guilder) ...	— 816.6	— 1,194.7	— *1,545.5*	— *1,304.9*	— *725.0*
Japan (yen)	—44,827	—60,476	—10,352	—*23,469*	—*20,658*
Korea (won)	— 5,660	—11,455	—12,363	...	...
Malaya (M$)	— 93.1	— 66.0	— 7.2	+ *71.6*	...
Pakistan (rupee)	...	— *379.0*	— *483.7*	— *539.2*	— *384.2*
Philippines (peso)	— 189.6	— 58.6	— 69.5	— *159.2*	+ *23.0*
Singapore (M$)	— 14.5	+ 14.0	— 18.7	+ *7.8*	...
Thailand (baht)	+ 17.8	+ .8	+ 119.4	— *322.9*	— *455.4*

Sources:

British Borneo: *Annual Reports* and information supplied by the Government.

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Thailand: Information supplied by the Government of Thailand.

Notes: Figures refer to central government funds only and include current and capital transactions. Receipts exclude proceeds from loans and expenditure, wherever possible, and debt redemption. Figures referring to estimates or revised estimates are shown in italics. The fiscal years are as follows: *Burma and Ceylon:* Years ending 30 September. *Hong Kong, India and Pakistan:* Years ending 31 March. *Philippines:* Years ending 30 June. *British Borneo, China, Indochina, Indonesia, Korea, Malaya, Singapore and Thailand:* Calendar years; thus 1946/47 refers to 1946 calendar year and so on.

Borneo, North: 1946 refers to five and one-half months from 15 July.

Sarawak: 1947: revised estimates; 1946: last nine months.

Burma: 1947/48 and 1948/49: Revised estimates; 1949/50: budget estimates. Civil supplies (purchase and sales) have been netted. Loans and advances (net) included in expenditure: 1946/47: 177.0; 1947/48: 61.7; 1948/49: 10.8; 1949/50: 23.5.

Ceylon: Including net results of railways and electrical undertakings. 1949/50: estimates; 1948/49 and 1949/50: not including loan expenditure estimated for 1948/49 at 145 million and for 1949/50 at 173 million.

China: 1950: budget estimates presented by the Peking Administration in December 1949. The budget is given in percentages only. But the amount of loans to be raised is given as 200 million *fen*, from which the various allocations were worked back. *Fen* is a commodity unit worth 3 kilos of rice, ¾ kilo of wheat flour, 1 1/3 metres of cloth, and 8 kilos of coal. See also footnote 1 on page 161.

Hong Kong: 1946/47: Eleven months from 1 May 1946; 1949/50: revised estimates. Excluding "capital" expenditure; 1950/51: budget estimates. Excluding "capital" expenditure.

India: Expenditure includes loans and advances (net) amounting to: 1947/48: 203.9; 1948/49: 286.6; 1949/50: 580.3; 1950/51: 282.5; 1947/48 and 1949/50: revised estimates; 1950/51: budget estimates. 1947/48: seven and one-half months following 15 August 1947. Expenditure includes Rs.1,362 million of actual expenditure and Rs.773 million capital expenditure, as given in the revised budget estimates. 1948/49: expenditure excludes payment to the United Kingdom of Rs.2,145.5 million for capitalization of sterling pensions and payment of about Rs.1,300 million chiefly for the purchase of war surplus materials, financed by drawings on accumulated sterling balances. It also excludes purchase of shares of the Reserve Bank of India for Rs.59 million. 1949/50: expenditure excludes Rs.791.2 million on account of additional rupee contribution to the International Monetary Fund and purchase of shares of the International Bank, financed, for the present, by issuing rupee securities.

Indochina: 1949: including capital expenditure of P.1,074 million for the first six months of the year only. 1948 and 1949: second revised estimates. Excluding extraordinary French military expenditures, directly covered by the French Government.

Indonesia: 1948 and 1949: revised estimates; 1950: estimates. Expenditure for 1946 and 1947 excludes defence expenditure.

Japan: 1946/47-1948/49: closed amounts. 1949/50-1950/51: estimates.

Korea: 1949: estimates of expenditure and revenue are not available but the reported overdraft from the Bank of Korea amounted to 86.4 billion W. on 25 December.

Malaya: 1948: revised estimates; 1949: budget estimates.

Pakistan: Expenditure includes loans and advances (net) amounting to: 1947/48: 91.0; 1948/49: 144.8; 1949/50: 190.0; 1950/51: 20.0. 1947/48 and 1950/51: budget estimates; 1948/49 and 1949/50: revised estimates; 1947/48: seven and one-half months from 15 August 1947; 1948/49: expenditure excludes payment of Rs.104 million to the United Kingdom, effected by drawings on the sterling balances in London on account of the capitalization of sterling pensions.

Philippines: General Fund transactions only. Receipts excluding proceeds from certain excise taxes collected by the U. S. Government on Philippine merchandise and transmitted to the Philippine Government. 1949/50: revised estimates; 1950/51: budget estimates.

Thailand: Revenue includes only net receipts from government enterprises. 1949: receipts actual figures, expenditures according to budget estimates; 1950: budget estimates; 1949: estimates of expenditure exclude 150 million baht on account of the contribution to the International Monetary Fund and purchase of shares of the International Bank.

Indirect taxes continue to be the backbone of the taxation systems of the Far Eastern countries with the exception of Japan, the only country where direct taxation has been preponderant for a long time. The reforms now planned in many of these countries tend to increase total tax yield by modernizing the tax structure and improving its administration.

Table 54. Major Components of Government Expenditure

(In percentages of total)

	Defence	*Interest on public debt*	*Other current*	*Investment*	*Loans and advances*
Burma					
1946/47 .....CA	7	1	60	2	30
1947/48 .....RE	13	1	73	2	11
1948/49 .....RE	26	—	62	10	2
1949/50 .....BE	26	—	59	11	4
Ceylon					
1946/47 .....A	2	..	92	6	..
1947/48 .....A	—	.	89	11	..
1948/49 .....A	1	..	80	19	..
1949/50 .....E	1	..	71	28	..
China					
1950 .. ..BE	39	—	37	24	—
India					
1947/48 .....BE	34	5	31	22	8
1948/49 .....CA	40	9	30	15	6
1949/50 .....RE	37	7	26	18	12
1950/51 .....BE	40	7	30	17	6
Indonesia					
1946 .....A	..	..	95	5	..
1947 .....A	..		96	4	..
1948 .....RE	25	10	59	6	..
1949 .....RE	29	17	49	5	..
Pakistan					
1947/48 .....RE	61	2	15	7	15
1948/49 .....RE	57	2	15	12	14
1949/50 .....BE	60	3	15	11	11
Thailand					
1946 .....A	12	..	61	11	16
1947 .....A	14	..	72	9	5
1948 .....A	15	..	63	14	8
1949 .....BE	14	..	59	23	4
1950 .....BE	14	..	59	24	3

Notes to table 54: CA = closed accounts; RE = revised estimates; BE = budget estimates; A = actuals; E = estimates.

Data refer to central government expenditure. Unless otherwise indicated, only net results of public undertakings are included and debt redemption is excluded. The distribution of expenditure among the different categories was necessarily somewhat arbitrary due to the nature of available data. The percentages given should therefore be taken mainly as indicators of the order of magnitude. "Defence" includes capital outlay for military purposes. "Other current expenditure" covers outlay of the various ministries and transfer payments. Investments include all ascertainable expenditure of a capital nature plus grants to local authorities for the same purpose. Loans and advances are given on a net basis and are granted mainly to provinces for capital expenditure.

Burma: Other current expenditure includes the gross expenditure of public undertakings and the net results of government sales and purchases of supplies.

India and Pakistan: 1947/48 covers period from August 15, 1947 to March 31, 1948.

India: Interest on public debt is given on a net basis, e.g., after deduction of interest received from the public undertakings.

Table 55. Direct and Indirect Taxes as Percentages of Total Tax Revenue

	Direct Taxes					*Indirect Taxes*									
						Customs duties					*Other*				
	1946/47	*1947/48*	*1948/49*	*1949/50*	*1950/51*	*1946/47*	*1947/48*	*1948/49*	*1949/50*	*1950/51*	*1946/47*	*1947/48*	*1948/49*	*1949/50*	*1950/51*
British Borneo:															
Sarawak	.	.	.	.	.	90	92	.	.	.	10	8	.	.	.
North Borneo	.	.	.	.	.	.	83	83	.	.	.	17	17	.	.
Burma	9	8	21	14	.	54	60	51	52	.	37	32	28	34	.
Ceylon	24	22	24	23	.	63	65	64	64	.	13	13	12	13	.
India	.	44	44	35	39	.	41	39	40	35	.	15	17	25	26
Japan	—	45	50	56	55	—	—	—	—	—	—	55	50	44	45
Malaya	.	.	.	.	.	80	78	89	76	55	.	.	.	.	.
Pakistan	—	28	14	15	17	—	56	58	58	55	—	16	28	27	28
Philippines	18	18	18	19	18	9	11	10	10	5	73	71	72	71	77
Singapore	—	—	5	.	.	.	83	78	.	.	.	17	17	.	.
Thailand	8	7	6	8	5	20	34	30	.	36	72	59	64	.	59

Notes: Figures refer to actual results unless otherwise stated. Under "Direct taxes" income and property taxes, death duties, etc., are included. "Other indirect taxes" include production and consumption taxes, monopoly receipts and other taxes.

Thailand and Malaya: Calendar years: 1947 shown under 1947/48, etc.

Burma: 1947/48-1948/49: revised estimates; 1949/50: estimates.

Ceylon: 1949/50: estimates.

India: 1949/50: revised estimates; 1950/51: estimates.

Japan: 1947/48-1950/51: estimates; 1947/48-1948/49: "other indirect taxes" include customs duties.

Pakistan: 1947/48 and 1950/51: estimates; 1948/49 and 1949/50: revised estimates.

Philippines: 1949/50 and 1950/51: estimates.

Thailand: 1947/1948: revised estimates.

Country Summaries

Burma. The budget of the Government of Burma has shown an excess of expenditure over receipts in all post-war years. The deficit, occurring immediately after the war, and before the country became independent, was due to the extraordinarily large expenditure on rehabilitation and reconstruction. The deficits (excluding debt repayment)

amounted to Rs. 113 million and Rs. 283 million for the years 1945/46 and 1946/47, respectively. Loans and rehabilitation credits from the United Kingdom helped to bridge the gap. Since independence, the public finances of Burma have been characterized by a considerable rise in the share of military in total expenditure and a striking fall in land tax revenue as a result of spreading disturbances, particularly since 1948.

In order to prevent a large government deficit, the Government has adopted a policy of cutting down civil expenditure as much as possible and of imposing additional taxation on the urban population, particularly in Rangoon.

The deficit in 1948/49 (excluding debt repayments) amounted according to the revised estimates to Rs. 98 million, compared to the revised estimates for 1947/48 which showed a deficit of Rs. 89 million. The principal item, under Extraordinary Receipts, is revenue from the State Agricultural Marketing Board, which represents the monopoly profits of the Government on rice export sales. These rice profits were originally earmarked for capital expenditure under the National Development Fund, but the latter was drastically cut from Rs. 112 million to Rs. 14 million in the revised estimates because additional funds were needed to cover current expenditure.

The 1949/50 budget deficit was estimated to be smaller than that of the previous year, after new and increased taxation and retrenchment of civil administration were put into effect, while provision for development expenditure under the National Development Fund was further decreased to only Rs. 9 million. Nevertheless, the actual deficit for the year may be larger than the estimated Rs. 49 million, in view of the gloomy prospects of the next harvest and the unsettled conditions still prevailing.

The expanding expenditure immediately after the war was due to the rehabilitation and reconstruction work and the increases in salaries and wages for civil employees, which were adjusted to the rising cost of living in 1946 and 1947. Since 1948 national defence expenditure has become an important item of expenditure on the Revenue Account. The proportion of defence to total expenditure including loans and advances reached 26 per cent in 1948/49 and 1949/50 as compared with 7 per cent in 1946/47.

The increasing interest of the Government in the economic development of the country was shown in the Two-Year Plan of Economic Development, initiated in 1948 in which the Government pledged to undertake a major part of the investment needed. Implementation of this plan has been retarded by the internal disturbances. As mentioned above, development expenditure under the National Development Fund had to be cut to about one-eighth of the original estimates in 1948/49.

The proportion of direct and indirect investment made by the Government to total expenditure declined from a post-war peak of 32 per cent in 1946/47 to 12 per cent in 1948/49 and to 15 per cent in 1949/50.

Budget estimates for Burma for 1949/50 indicate an increase in tax receipts over the preceding year. The expected increase is chiefly due to the introduction of a general sales tax, which is in essence a turnover tax; it became effective in Rangoon on 1 November 1949 and may be extended to other towns in 1950. This general sales tax is levied at the rate of one anna on each rupee for all transactions and was estimated to bring in a total revenue of approximately Rs. 20 million for the financial year 1949/50. The rate of the income tax applicable to incomes over Rs. 15,000 has also been increased by 3 pies in the rupee, and the rates of the supertax were raised slightly. The latter changes, however, are expected to produce only Rs. 1 million of additional revenue. These changes are expected to increase the proportion of indirect taxes to total tax revenue from 79 per cent in 1948/49 to 86 per cent in 1949/50, making the present tax system more regressive than it was in the previous year.

The public debt of Burma consists chiefly of external loans from the United Kingdom and India, since there is practically no local capital market. Before independence, rehabilitation credits and other loans were advanced from the United Kingdom to Burma, totalling approximately Rs. 571 million by October 1947. Of this amount Rs. 200 million was cancelled by the Anglo-Burmese treaty of 1948, signed prior to the transfer of sovereignty. During 1947/48 Burma borrowed Rs. 133 million (£10 million) from the United Kingdom to finance rice purchases by the State Agricultural Marketing Board, the sole purchaser of Burma rice for export. This loan was repaid in full during the same financial period.

Total government indebtedness outstanding on 30 September 1950 is estimated at Rs. 936 million including the debt of Rs. 482 million incurred on separation from India and Rs. 371 million of non-interest bearing loans from the United Kingdom.

In March 1950, a loan of £6 million was contracted from the Commonwealth countries, namely India, Pakistan, Ceylon, Australia and the United Kingdom,[1] for a period of two years. It is understood that the loan will be drawn on by the Government of the Union of Burma as and when required for internal expenditure. This loan is chiefly intended for financing the government purchase of rice to be sold to those countries from which the loan was contracted. Burma rupees for such expenditure will be obtained by the deposit of loaned sterling with the Burma Currency Board in accordance with existing provisions of

[1] The respective shares of these countries are: United Kingdom, £3,750,000; India, £1 million; Pakistan and Australia, £500,000 each; and Ceylon, £250,000.

the currency law. The loan will bear interest at a rate equivalent to that earned by the Burma Currency Board through investment of sterling and will be interest-free in effect.

Ceylon. The high level of expenditure necessitated by development plans is an important factor accounting for the budget deficits since the war. Excluding capital expenditure, covered by loans, the balance between current expenditure and receipts of the Revenue Account in the estimates for 1948/49 and 1949/50 shows a small surplus.

In general the inflationary rise of the price level has led to a marked increase of government expenditure and receipts. Additional expenditure was also incurred on a large scale to expand social services, assist farmers and other producers to increase production, grant subsidies for stabilizing prices of essential foodstuffs and carry out economic development programmes. The outstanding trend in the distribution of government expenditures in recent years is the increased share of expenditure on social services and economic development. In the budget for 1949/50, 25 per cent of total expenditure, including capital expenditure covered by loans, was devoted to social services and 28 per cent to capital outlay. Total capital expenditure in 1947/48, 1948/49 and 1949/50 was estimated at Rs. 70, Rs. 122 and Rs. 200 million, respectively. The main items of loan expenditures are irrigation, industrial and electrical power development, building schemes and communications.

Food subsidies, given mainly on rice, wheat, sugar, milk etc., are not included in the budget accounts, but are charged directly to the financial reserve of the government treasury. As the prices of imported foodstuffs increased, the financial losses incurred on food purchases became more substantial and reached a high level of Rs. 55 million in 1948/49 and Rs. 41 million in 1949/50.

On the receipts side, indirect taxes still represent the major source of tax income for the Government. In recent years less than one-fourth of total taxation receipts has been derived from direct taxes and the share of indirect taxes has increased rather than decreased. Proposals have been made to reduce import duties on as many as seventy items for the financial year 1949/50. On the other hand, tax relief is also to be given to income-taxpayers in the low-income brackets and to those who wish to expand their industrial and agricultural enterprises or start new ones.

Up to 1949/50 the government budget, presented annually, included a statement of the revenue and expenditure of the Central Government together with proposals for the imposition or remission of taxes. In the budget speech of 1949/50, in addition to the governmental budget proper, an "employment budget" was presented which considers total national income on the one hand, and total expenditure of the national economy on the other.

China. The year 1949 was one of transition in China for which no comprehensive data in the field of government expenditure and receipts are available. Estimates made during the year were vitiated by ensuing inflation, in such a manner as to cease to become indicative of the approximate size of the deficit. Even before that year political and administrative difficulties had rendered impossible a comprehensive budgetary programme in China. Over-all fiscal measures were largely determined by a number of regional practices. This is to be kept in mind when considering the budget of the Central People's Government established in Peking. Central Government taxes are often supplemented by provincial levies and, in some cases, the rates, forms and methods of taxation, whether in cash or in kind, are governed by local conditions and on grounds of expediency. This situation was acknowledged in the Budget for the year 1950, as prepared by the fourth session of the Central People's Government's Committee, which met in Peking in December 1949. The Budget provides for a total government expenditure of approximately 2,780 million commodity units, known as *fen*,[1] a total

Table 56. Budget of the People's Government of China, 1950

	Amount (million fen)	*Percentage*
Expenditure		
Military	1,080	38.8
Administration	594	21.4
Culture, education and health	114	4.1
Subsidy to local Governments	64	2.3
Interest and amortization of bonds	3	0.1
Contingency fund	261	9.4
Investment in State enterprises	665	23.9
TOTAL	2,781	100.0
Revenue		
Land taxes (collected in kind)	935	41.4
Other tax revenue	880	38.9
State enterprises	386	17.1
Public warehouses	54	2.4
Other	5	0.2
TOTAL	2,260	100.0
Deficit, covered by		
Bond issue	200	38.4
Note issue	321	61.6
TOTAL (18.7 per cent of total expenditure)	521	100.0

[1] Each *fen* is equivalent to the weighted average of aggregate value of 6 *chin* of rice (or millet in Tientsin), 1½ *chin* of wheat flour, 4 *chih* of cotton cloth and 16 *chin* of coal in six principal cities. The weights are 45 for Shanghai, 20 for Tientsin, 10 for Hankow, Canton and Chungking, respectively, and 5 for Sian. (1 *chin* = 500 grams; 1 *chih* = 1/3 meter or 0.4 yard).

revenue of *fen* 2,260 million and a deficit of *fen* 520 million. The amounts and percentages of principal items of expenditure and revenue are shown in table 56.

Out of the *fen* 521 million deficit, 38.4 per cent is to be covered by sale of government bonds to the public. An issue of Victory Bonds of *fen* 200 million has been floated by the Government since early 1950. The loan carries a 5 per cent interest and is to be redeemed serially with accelerating amortization during the next five years. *Fen* 100 million are to be issued during January-March 1950 in principal cities. The regional quotas are *fen* 45 million for East China, *fen* 30 million for Central and South China, *fen* 15 million for North China, *fen* 7 million for South East China and *fen* 3 million for North West China.[1] The remaining 61.6 per cent of the deficit, amounting to *fen* 321 million, will be covered by borrowing from the People's Bank — the central bank of China.

Two-fifths of the estimated expenditure is for defence, the largest single item. One-fifth is for administrative expenditure, largely salaries for civil servants.[2] One-fourth has been assigned to investment in state enterprises, consonant with plans for industrial rehabilitation and development.

About four-fifths of the total expenditure is to be covered by current revenue, of which 41 per cent is from land tax, 39 per cent from other taxes, and 17 per cent from revenue of State enterprises. The innovations, the most notable of which are land taxation in kind and the new income tax system, vary in different areas according to the degree of land reform, seniority of inclusion in territory under the People's Government and other local conditions. As adequate information is not available, only a brief statement is given below.

The land tax, which is expected to produce the major share of the revenue, is collected in kind in all regions. In the northern areas, in view of the completion of land reform and consequent equalization in the size of land holdings, it is considered no longer necessary to apply progressive taxation to land. For example, in North China a single proportional rate is applied. The new land tax is to be assessed according to the normal harvest, with certain exemptions, calculated in terms of standard *mow*. One standard *mow* means an area of land which produces, in normal years, one *shih* of main food crop. The land tax is paid by owners of land, whether permanent or temporary, or by landowners and tenants in the same proportion as land rent if the land is let to tenants for cultivation. The land tax and local food levy are collected in terms of millet, wheat, coarse grains, soldiers' shoes, hand woven

[1] North East China or Manchuria is not assigned any quota but a special regional bond is floated.

[2] Available information for the first quarter of 1950 indicates, however, that the magnitude of military and administrative expenditure was smaller than estimated.

cloth, hay and other commodities, or cash, subject to the decision of the Government. In Central and South China, where land reform has not yet been carried out thoroughly, a progressive land tax is levied according to the average produce of land in normal years after allowing for certain exemptions. In Central China the rate varies from 6 to 30 per cent and in South China, from 6 to 25 per cent of the crop. Land-owners who let out land pay the whole amount of the tax, while those who have reduced the rent according to the government regulation, pay 70 per cent of the tax, the remaining 30 per cent to be paid by tenants.

In urban areas, a schedular income tax has been introduced in North and East China, according to available information. In both areas, the enactment provides for a progressive tax on business profits, varying from 5 to 30 per cent. In Central China, it ranges up to 15 per cent for industrial and 20 per cent for commercial enterprises. In North China, a flat rate of 4 per cent is levied on house rent, 3 per cent on income from arts and professions, and a progressive rate ranging from 1 to 4 per cent on salaries and wages. There is also an aggregate income tax of 5 to 50 per cent and an inheritance tax of 2 to 60 per cent. An excess profits tax from 10 to 60 per cent came into force in early 1950. Public enterprises in North China, such as factories, electric power plants, trading companies, transport companies and business firms, are taxed according to their net profits. The tax is 10 per cent for transport and electrical enterprises, 12 per cent for industrial and mining enterprises and 15 per cent for trading firms.

The indirect taxes include the usual stamp, turnover, transfer and commodity taxes, and customs duties and various excises. In North China, the rates of commodity taxes are: 120 per cent for cigarettes and imported wine, 100 per cent for local wine, 60 per cent for tinfoil, 45 per cent for cosmetics, 30 to 60 per cent for tobacco, 25 per cent for sugar and candies, 20 per cent for matches, 15 per cent for cement, hides and furs. The new customs tariff is designed to encourage the importation of machinery, which pays from 7.5 to 20 per cent of its declared value. At the same time the importation of luxury articles is discouraged.

A resolution passed on 3 February 1950 provides for the centralization of the fiscal administration of land taxes, customs duties and salt taxes.

Hong Kong. British civil administration was restored in the Colony on 1 May 1946. The financial year 1946/47 therefore covers only the eleven months following that date. The financial result including capital outlay for rehabilitation purposes for 1947/48 indicates a deficit of HK$21 million. On the same basis the accounts for 1948/49 show a small surplus of some HK$4.5 million. For the years 1949/50 and 1950/51, estimates only with regard to the Revenue Account are available, indicating a surplus of HK$55 million and a deficit of HK$7 million. However, this does not take into account capital outlay already planned.

The rise of expenditure in the last three years has been due to salary adjustments and increasing cost of living, rehabilitation and other special allowances, occupation period salaries and *ex-gratia* awards.

Direct taxes on earnings and profits were introduced for the first time in 1947. The scheme is based on the normal income tax plan modified to meet local conditions and includes four separate schedules based on income from property, profits (sub-divided into corporation profits and business profits), interest, and salaries and annuities. For the year 1950/51 it was proposed to increase the standard rate of tax on profits from 10 to 15 per cent and to raise the rate on salaries by increasing each bracket by 3 instead of 2½ per cent. These measures were estimated to yield an additional revenue of HK$12 million.

There is no general customs tariff in Hong Kong. Import duties are mainly restricted to liquor, tobacco, hydro-carbon oils, cosmetics and perfumes, pharmaceutical articles and mineral waters. Motor vehicles, if not produced within the British Commonwealth, pay a foreign registration duty of 15 per cent.

The public debt of the Colony at the end of 1949 totalled HK$68 million of which HK$50 million was the first instalment of the authorized rehabilitation loan of HK$150 million raised in January 1948. The amount was utilized before the end of March 1948, and an additional expenditure was incurred subsequently to be covered by further portions of the same loan.

India. The fiscal programme for the year ending 31 March 1949, was aimed at providing incentives for increased production, reducing spending power, and restricting imports of non-essential items and facilitating imports of necessary goods in order to curb inflationary tendencies prevailing at the close of 1948. Customs duties on liquor, tobacco, automobiles, silk and rayon were increased and an excise imposed on superfine cotton cloth. Imports of machinery and certain industrial raw materials, including raw cotton, were freed from duty. Import licences in other respects were liberalized. These measures were accompanied by an order making it compulsory to pay income tax on anticipated current receipts instead of on the receipts in the previous year, thus considerably increasing income tax demands. A statutory limitation was placed on dividends. The refund of "post-war credits" to firms in respect of excess profits tax was postponed for three years. At the same time, there was a considerable decrease of the corporate income taxes and other direct taxes on business, intended to stimulate production. Efforts were also made to bring about a reduction in public expenditure. These measures, aimed at increasing the supply of goods and decreasing the volume of purchasing power available, are typical of the country's disinflation policy. It was difficult, however, to increase the supply of goods enough to cause a fall in prices in face of the tendency for prices to rise as controls were relaxed.

Table 57. India. Central Government Revenues and Expenditures[a]

(In millions of rupees)

Financial year ending 31 March	*15 August 1947-31 March 1948*		*1948-1949*		*1949-1950*		*1950/51*
	Revised estimates	*Closed accounts*	*Revised estimates*	*Closed accounts*	*Estimates*	*Revised estimates*	*Budget estimates*
1. *Revenue Account*							
Expenditure	1,802.9	1,362.0	3,348.6	3,158.6	3,175.3	3,311.0	3,328.8
Receipts	1,787.7	1,856.8	3,383.2	3,717.0	3,230.2	3,323.7	3,391.9
Balance	− 15.2	+494.8	+ 34.6	+558.4	+ 54.9	+ 12.7	+ 63.1
2. *Capital Expenditure*							
Capital outlay proper:	568.9	...	932.1	847.0	1,138.4	919.6	753.7
Of which: Defence	...	...	99.1	288.8	150.0	120.0	81.5
Loans and advances (net)	203.9	...	405.0	286.6	697.0	580.3	282.5
TOTALS	772.8	...	1,337.1	1,133.6	1,835.4	1,499.9	1,036.2
Sale/purchase of war surplus material	...	—	817.6	−295.2 1,333.3[b]	−118.0	− 96.0	− 60.0
Purchase/receipts annuity on sterling pensions	—	—	2,156.8	2,145.5[b]	− 74.2	− 74.2	− 73.7
Purchase of shares of Reserve Bank of India	—	—	—	59.3	—	—	—
Additional contribution to International Monetary Fund and International Bank	—	—	—	—	—	791.2	—
TOTALS	772.8	...	4,311.5	4,376.5	1,643.2	2,120.9	902.5

[a] For detailed composition see table 58.
[b] Effected by drawings on sterling balances in London.

Table 57 shows the revenues and expenditures on current and capital accounts for the seven-and-a-half-month period from 15 August 1947 to the end of March 1948, and the fiscal year 1948/49, revised estimates for 1949/50 and budget estimates for 1950/51. The closed accounts for 1947/48 show a surplus of Rs. 495 million on current account. A large surplus was also obtained on current account in 1948/49. Closed accounts are not available for 1949/50. The revised estimates indicate a small surplus of about Rs. 13 million. These surpluses help to finance to some extent the heavy outlays on capital account. The outlays from capital account have a wider scope than expenditures on real-asset formation only. They include items like defence capital outlay which should be considered part of current expenditure on defence, and non-cash transactions like capitalization of sterling pensions and the transfer of rupee securities to the International Monetary Fund and to the International Bank as additional rupee contribution was necessitated by devaluation. Purchase of shares from private enterprises like the Reserve Bank of India in 1948/49 should be excluded if it is desired to estimate net real-asset formation in the economy.

Allowing for the above considerations, capital formation according to closed accounts totalled Rs. 558 million in 1948/49 and according to revised estimates Rs. 800 million in 1949/50. No statistics are available for capital formation in the closed accounts for 1947/48. This does not take into account indirect investments, represented by loans and advances mainly to provincial Governments. Even if the closed accounts for 1949/50 show that some of the estimated revised capital expenditure is unspent, it is not likely that capital formation in that year was lower than in 1948/49. The inflationary effects of government spending do not appear to have been reduced, unless the final accounts for 1949/50 reveal startling results from the tightening up of expenditures and other controls which were part of the eight-point disinflationary programme announced at the time of the devaluation.[1] This was largely a repetition of the programme of the previous autumn.

For the fiscal year 1950/51 a small surplus on revenue account of Rs. 63 million and a capital expenditure of about Rs. 128 million below the revised estimates for 1949/50 are anticipated. In his budget speech of 28 February 1950, the Finance Minister presented, with the estimates for 1950/51, the revised estimates for 1949/50 and the actual expenditures for 1948/49. In table 58 the composition of expenditure as well as of revenue is shown in detail.

[1] See chapter V, p. 111.

Table 58. India: Composition of Central Government Expenditure and Receipts

(In millions of rupees)

Financial year ending 31 March	*1498/1949 Closed accounts*	*1949/1950 Revised estimates*	*1950/51 Estimates*
A. *Expenditure*			
1. Revenue account			
Expenditure:			
Defence (net)	1,460.5	1,700.6	1,680.1
Debt interest (gross)	630.2	634.3	651.8
Less transfers from public undertakings and States	−254.9	−296.2	−336.8
Debt interest (net)	375.3	338.1	315.0
Social services (education and health)	32.7	33.1	41.8
Pre-partition payments	168.3	66.0	20.0
Provision for debt redemption	50.0	50.0	50.0
Other expenditure	1,121.8	1,173.2	1,271.9
Total expenditure (Revenue account)	3,208.6	3,361.0	3,378.8
2. Capital expenditure			
(*a*) Capital outlay			
(i) Capital outlay proper:			
Industrial development	73.3	131.5	96.3
Public works and irrigation	39.8	68.0	75.9
Grants to States for development	147.6	241.2	95.9
Schemes of State trading	−152.1	63.3	73.7
Other (mainly public undertakings)	449.6	295.6	330.4
	558.2	799.6	672.2
(ii) Capital outlay on sterling pensions	2,145.5	− 74.2	− 73.7
(iii) Defence capital outlay	288.8	120.0	81.5
(iv) Purchase/sale of surplus war materials	1,333.3 −295.2	− 96.0	− 60.0
(v) Currency capital outlay	59.3	791.2	...
Total capital outlay	4,089.9	1,540.6	620.0
(*b*) Loans and advances (net)	286.6	580.3	282.5
Grand total	4,376.5	2,120.9	902.5
B. *Receipts*			
1. Direct taxes			
Taxes on incomes	777.1	626.6	814.5
Corporation taxes	622.6	406.0	381.0
Total direct taxes	1,399.7	1,032.6	1,195.5
2. Indirect taxes			
Customs duties	1,261.6	1,204.3	1,065.4
Other	553.7	751.8	800.7
Total indirect taxes	1,815.3	1,956.1	1,866.1
Total taxation receipts	3,215.0	2,988.7	3,061.6
Railways, post and telegraph (net)	97.0	107.7	108.5
Other receipts	405.0	227.3	221.8
TOTAL RECEIPTS (REVENUE ACCOUNT)	3,717.0	3,323.7	3,391.9

The revised estimates for 1949/50 reflect the continuing and an even increasing burden of defence expenditure and are affected by the unexpected size of the "Expenditure on displaced persons" — refugees from Pakistan. This item and heavy subsidies on food-grains are included in table 58 under "Other expenditure".

The main cause of the expansion in the revised over the first estimates of receipts is the rise in customs revenue due to heavy imports made possible by the relaxation of import restrictions and the increase in railway net revenue due to rehabilitation of the railways with imported rolling stock. Direct taxes during 1948/49 amounted to about Rs. 1,400 million, compared with Rs. 780 million in the preceding seven-and-a-half-month period. For 1949/50 direct taxes are estimated to yield about Rs. 370 million below the 1948/49 level, probably reflecting the effect of a number of tax changes made during 1948/49 and 1949/50 to stimulate production by increasing incentives for investment. In 1948/49 the rate of the business profits tax was substantially reduced and exemptions increased. The income tax rate for small companies with an income of Rs. 25,000 or less was reduced by 50 per cent. Further relief was granted to industry by allowing depreciation charges at double the ordinary rates for new plants and machinery installed during the five-year period beginning 1 April 1948. The rates of the tax on incomes up to Rs. 10,000 were reduced. Further reductions, including the abolition of the business profits tax, are provided in the 1950/51 estimates. Indirect taxes reflect the increase in certain import duties on motor cars, cigarettes, cigars and manufactured tobacco, and the increase in excise duties on tobacco, tea, coffee and matches. After the devaluation new export duties on coal, oil-seeds and vegetable oils were introduced, and those on raw jute and processed jute were raised.

The over-all deficits of the Government reflecting current and capital transactions in the last three years appear to have largely been covered by drawings on the cash balances of the Treasury and less by borrowings. Between 31 March 1948 and 31 March 1949 the cash balance declined from Rs. 2,739 million to Rs. 1,922 million. For the subsequent year a further decline of about Rs. 1,000 million is expected. The cash balance is influenced both by budgetary transactions and by certain non-budgetary cash transactions, resulting from various deposits and advances, remittances and so forth.

The public debt outstanding,[1] as indicated in preliminary figures covering total interest-bearing obligations only, rose from Rs. 21,623 million on 31 March 1948 to Rs. 24,403 million a year later. If, however,

[1] According to the Indian Independence Order, 1947, the total public debt and all other financial obligations of the undivided government before the partition were taken over by the Government of the Dominion of India. Under the terms of the Indo-Pakistan Financial Agreement of December 1947, the share of Pakistan in the outstanding public debt of India takes the form of a debt to India.

obligations in connexion with the capitalization of the sterling pensions and the purchase of British surplus war materials are excluded, the debt outstanding has not changed to an appreciable extent. Practically all of the debt is held internally. The debt statements record liabilities to the United Kingdom of about Rs. 250 million, which are almost completely covered by corresponding deposits with the United Kingdom Government.

While the obligations to the United Kingdom have practically been wiped out, the Government has obtained several dollar credits. The International Bank for Reconstruction and Development granted in August 1949 a loan of US$34 million for financing the purchase of locomotives and component parts. At the end of December 1949 the undrawn balance of this loan amounted to about US$19 million. At the end of September 1949 the Bank granted the Indian Government a loan of US$10 million for the purchase of heavy tractors, including equipment and spare parts necessary for land reclamation. Until 31 December 1949, no drawings had been made on this loan. Other projects are being discussed by the Government with the International Bank for Reconstruction and Development. The Government, in addition, purchased in 1948 and 1949 from the International Monetary Fund US$100 million to cover the deficits on current account in the balance of payments with hard currency countries, mainly due to the purchase of food grains.

Indochina. In 1948 and 1949, some changes took place in Indochinese public finances which were the direct result of the changes in the governmental structure of the area. The agreements concluded with the French Government in 1949 and early 1950 gave the three Associated States—Cambodia, Laos and Viet Nam—sovereign powers over their own finances. This affects the relative importance of the States' budgets and that of the common services of the Indochinese Union; the latter budget, the only one studied in the past, remains an over-all budget financed mainly by customs duties, while income taxes proper appear only in the budgets of the States.

At the beginning of 1949, the receipts and expenditures of monopolies were transferred to the Associated States. At the same time, the ordinary budget of common services of the Union became concerned exclusively with current expenses.

The general trend is towards reduction of current expenditure as far as possible. Many revisions of the estimates have to be made in the course of the fiscal year because of the inflationary pressures. In 1949 to cover the ordinary budget deficit, it was necessary to draw an important amount from reserve funds. The capital expenditures, almost exclusively financed by Treasury advances, are included in an extraordinary budget which provides credits for reconstruction and investments; after an extraordinary budget for the first half of 1949, an

extraordinary budget for the period 1 July 1949—30 June 1950 was approved, which is only a stop-gap budget, carrying programmes already in progress until such time as a long-range economic policy can be devised. French military expenditure is directly covered by the French Government and consequently there is practically no defence expenditure included in the accounts considered above.

The public debt service for the Indochinese Union remains very small, less than 2 per cent of the total expenditure. The State budgets do not as yet show important structural developments, but they seem to be gaining in volume. The States have systems of direct taxes, but in 1947 and 1948 an increase of receipts was attained by developments in the field of indirect taxes, mainly turnover taxes. The Vietnamese budget, recently instituted, in fact co-ordinates and connects the different budgets of the new national territory, namely, the budget of North Viet Nam, Middle Viet Nam and of South Viet Nam.

Indonesia. Indonesian finances are characterized by large deficits as a result of the slow increase of tax collections compared with the heavy expenditures since the war. Collection of taxes started slowly and has been steadily improving. The ratio of revenues collected to expenditures has also grown steadily from one-fifth in 1946 to two-thirds in 1949. Deficits have been financed by credits with the Java Bank and issue of Treasury bills and cash notes. In 1949 advances from the Java Bank rose from Fl. 785 million in January to Fl. 1,300 million at the end of the year. Despite a book profit of Fl. 200 million on the revaluation of the gold reserve on 18 January 1950, the advances had increased by more than Fl. 400 million to Fl. 1,728 million in February. The circulation of government notes had also increased from Fl. 875 million in January 1949 to Fl. 979 million at the end of the year and to Fl. 1,026 million on 22 February 1950.

Direct taxation was an important part of the fiscal system of the country before the war, but after the war diminished in importance. Needed revenues were sought from indirect taxes, particularly taxes on consumption goods. In 1949 provision was made for increased taxes on sugar, beer, tobacco and petroleum, and a new tax on imported luxury goods was introduced. In 1950, excises and consumer sales taxes are expected to result in a further increase in revenues of about Fl. 350 million.

At the end of 1948 the total of permanent and floating debt was about Fl. 4,750 million. However, this figure does not include all liabilities. There was a repayment in 1949 of Fl. 35 million of bonded debt. There was, on the other hand, an increase of Fl. 132 million on account of dollar obligations due to the devaluation of the guilder. In the settlement reached with the Netherlands, the United States of Indonesia was to obtain a compensation of about Fl. 1,650 million and a further Fl. 350 million were to be settled by subsequent negotiations. While a

final settlement has not yet been made, it appears that after the transfer of sovereignty, the new State has inherited a public debt of between 4,150 and 4,500 million guilders. Of this amount, about Fl. 2,500 million is held internally: Fl. 950 million by the Java Bank, Fl. 1,000 million in cash notes issued by the Government, and Fl. 550 million in Treasury notes. The bonded debt of about Fl. 870 million is held mostly externally. Foreign credits represent the remainder.

A drastic measure to curb inflationary pressure and to borrow internally was taken in March 1950 when the nominal value of currency notes and bank deposits was reduced by one-half; the other half of the face value was converted into a compulsory loan to the State bearing 3 per cent interest.

The Indonesian budget is now being reorganized. The present apparatus has proved inadequate and on occasions substantial revisions have to be made. Simplification of the budget has been recommended, but no standard procedure has as yet been evolved.

The Government is now making an effort to balance the budget for the coming year by economizing government expenditure and increasing revenue. However, the tasks of launching industrial development and social-welfare programmes to meet the needs of the people are most urgent, as the economy was found disorganized and destroyed as a result of the Japanese occupation and the military actions of the recent years.

Korea. Between the liberation in September 1945 and the establishment of the South Korean Interim Government in March 1946 the government functions were exercised by the United States Military Government in Korea. During this period a deficit of W. 1,000 million was incurred. There were deficits of W. 9,500 and W. 7,400 million, respectively, in the years 1946/47 and 1947/48. When the Republic of Korea took over at the end of September 1948, there was a cumulative deficit of W. 22,100 million. At the end of March 1949 the cumulative deficit was reported to have risen to W. 33,500 million. The net government overdraft from the Bank of Korea as of 25 December 1949 amounted to W. 86,400 million.

These deficits, financed by advances from the Bank of Korea, resulted in a sharp increase in notes in circulation. Note circulation rose from W. 8,800 million at the end of October 1945 to W. 33,400, W. 43,400 and W. 75,100 million at the end of 1947, 1948 and 1949, respectively.

The deficits were caused chiefly by heavy expenditures on defense and internal security, and by large subsidy payments to state monopolies.

Revenue collection has failed to keep pace with the increasing expenditures. Between April and September 1949, tax collection was only W. 3,100 million while the amount assessed was of the order of W. 8,300

million. These tax collections cover but a minor portion of total government expenditure.

The Government in an effort to cut down expenditures adopted a policy of reducing the number of civilian employees, but this had little success.

In December 1949 the Government obtained legislative sanction for floating "National Defence Bonds" of W. 10,000 million, W. 4,000 million of which were proposed to be sold to the public, W. 3,000 million to be absorbed by the financial associations and commercial banks, and W. 3,000 million to be passed on to the Bank of Korea for eventual sale to the public after the absorption of the first W. 4,000 million.

Malaya and Singapore

The Federation of Malaya. The Malayan Government expected a surplus for 1949, in contrast with the deficits of the past few years, by retrenchment in government expenditure and an estimated increase in income tax revenue.

The Federal Government makes large allocations to the constituent States to balance their budgets. These allocations rose from M$46 million in 1948 to M$88 million in 1949. For 1950 a sum of M$78 million has been provided.

Comparing the expenditure of 1948 and 1949 with that of 1947, there was a marked decline in expenditure on social welfare and price supports. There was a significant increase, on the other hand, in defence expenditure incurred to overcome internal disorder, even though a large part of the military cost was borne by the United Kingdom.

The personal and corporate income tax was introduced in the Federation on 1 January 1948. In July 1948 an amendment designed to give effect to the recommendations of the Income Tax Joint Committee prevented assessment from starting before the last quarter of 1948. The chargeable income remaining after all deductions have been allowed is taxed at rates commencing at 3 per cent and rising to 30 per cent. Companies are subject to a flat rate of 20 per cent on their profits as adjusted for income tax purposes. Customs duties including export duties remain the most important single source of revenue, accounting for about 76 per cent of the total tax revenues in 1949. The revenues from export duties on tin and rubber are large and constitute an important feature of Malayan public finance.

Public debt at the end of 1948 was approximately M$200 million of which M$20 million represented Treasury bills. A major part of the rest, about M$145 million, was due to other Governments.

Singapore. Deficits occurred both in 1946 and 1948 while there was a surplus in 1947. The 50 per cent increase of expenditure in 1948 over

that of 1947 was due to the payment of arrears of salaries, allowances, increases in the cost-of-living allowances and public works.

Income tax became operative as of 1 January 1948 and was expected to yield about M$3 million in 1948. The bulk of the income tax revenue for 1948 was expected, however, to be paid and brought to account in 1949. The rates of the Singapore income tax, and also the deductions and allowances are the same as in the Federation of Malaya.

Except for import duties on liquor, tobacco and petroleum, Singapore, like Hong Kong, remains fundamentally a free port. To facilitate *entrepôt* trade, the import duties are levied on liquor, tobacco and petroleum at the time of release for local consumption. The revenue from these items accounts for about 80 per cent of the total revenue of Singapore. Other taxes include, in order of importance, the entertainment tax, estate duties and stamp duties.

The total debt of Singapore amounted to about M$124 million at the end of 1948.

British Borneo

North Borneo. This dependency was liberated in 1945 and the administration was taken over by the civil government from the military authorities on 15 July 1946. The available information on government finance since the latter date indicates deficits till the end of 1948. A major item in expenditure is public works, which accounted for about 22 per cent of total expenditure in 1947 and 30 per cent in 1948.

Customs duties are an important source of revenue and yielded four-fifths of total tax revenue in 1948; the remaining receipts include income from forests, land and other government property; from posts, railways, telecommunications and provision of light, water, power and other services; and from licences, excises, fees and other miscellaneous receipts. Towards the end of 1948 additional taxation measures were announced, such as the introduction of the income tax and of the trading licences. It is proposed to obtain a tax arrangement with the United Kingdom under which British companies operating in North Borneo will be freed from double taxation by receiving credit against their United Kingdom account of the taxes paid to the colony.

Sarawak. For the last nine months of 1946 a deficit of M$500,000 was incurred. The original estimate for 1947 anticipated a deficit of M$4.6 million but the revised estimate for the year provided for a surplus of M$1 million. The revised estimates of expenditure did not differ appreciably from the original estimates, and the surplus was due entirely to an increase in revenue.

The increase in yield from customs duties, which accounted for the greater part of the increased revenue, was attributable mainly to the

unexpectedly rapid recovery of sago and rubber cultivation and an increase in the yield of duties on liquor and tobacco. Customs duties accounted for 90 per cent of the total tax revenue. The rest of the revenue was obtained from licence fees and duties, court fees, posts and telegraphs, land, and income from government property.

Brunei. There was a surplus both in 1947 and 1948. Both revenue and expenditure showed an increase in 1948 compared with 1947. The increase in expenditure was due to the payment of arrears of salaries accrued during the Japanese occupation, settlement of pre-war accounts, increased expenditure under pay and cost-of-living allowances following the revision of salaries, and increased outlay on public works. The shortage of labour and material prevented the completion of an extensive programme of public works, and a considerable part of it was voted again for 1949.

The main source of revenue was customs duties. Their share, however, fell in 1948 following the removal of iron-ware and machinery from the tariff list. This action was taken in view of the large works undertaken in an oil-mining district. This drop was made up by an increase in the royalties collected on oil extracted in the dependency, which were four times higher than in 1947 as a result of increased production.

At the end of 1948 an agreement was reached with the United Kingdom whereby the latter undertook to make further grants to North Borneo, in all totalling £1 million, for the financial years 1948/49, 1949/50 and 1950/51. The United Kingdom Government in return was to maintain a general control of the Colony's finances. In addition to reconstruction, the Colony envisaged a programme of development. This was to be financed from revenue, the Colony's existing allocation from the Colonial Development and Welfare Fund, and the proceeds of a proposed loan. A loan provided by the United Kingdom Government of about £500,000 to redeem the currency issued by the British North Borneo (Chartered) Company was converted to a free grant. The United Kingdom also agreed to provide the Governments of North Borneo, Sarawak and Brunei with funds totalling M$17 million. Of these, M$7 million were to be free grants, and M$5 million were allocated to North Borneo and M$2 million to Sarawak. Of the remaining M$10 million of interest-free loans, M$6.4 million was allocated to North Borneo, M$2.7 million to Sarawak, and M$0.9 million to Brunei.

Pakistan. This new State is still organizing its fiscal system. The public finance situation is not an easy one. The Finance Minister announced in March 1950 that the fiscal year 1950/51 might close with a small surplus, if additional measures of taxation were introduced. This surplus would be in the revenue account only, and would not include the capital expenditure. If the capital expenditure, loans and advances were

considered, the deficit for each of the last two years would approximate four to five hundred million rupees.

In 1948/49 the government estimates of total expenditure, including loans and advances but excluding capitalization of sterling pensions, were Rs. 1,071 million, and in 1949/50 the estimated expenditure was to amount to Rs. 1,294 million. Defence expenditure, including capital outlay for military purposes, continues to be the largest single item in the Pakistan budget. It was estimated to amount to 61 per cent of the total government outlay in 1947/48, 57 per cent in 1948/49 and 60 per cent in 1949/50. In spite of the heavy military burden and the additional burdens caused by the relief and rehabilitation of refugees, capital investment for civilian purposes is an important item in the total budgetary expenditure, accounting for 12 per cent of the expenditure in 1948/49 and 11 per cent in 1949/50. Total investment, both military and civilian, in 1948/49 and 1949/50 accounted for 32 per cent of total expenditure, but while defence outlays on capital account increased by Rs. 60 million, civilian investment remained at practically the same level.

During the last two years there was a general improvement in the economy, and order has been introduced into the fiscal situation which had been disorganized in the latter part of 1947 and the beginning of 1948. This was reflected not only in tax collections, but also in receipts of such government enterprises as railways and posts and telegraphs, which had suffered during the mass migration, when collections of passenger fares and part of the freight revenue were severely hampered. Railway operations are expected to show a profit and the deficit on posts and telegraphs is likely to be turned into a surplus during the fiscal year 1949/50.

Total receipts of the revenue account increased according to the estimates of the last two years. This is due to the improvement in the yield of customs, excise and sales taxes. In the field of direct taxes some relief was granted in 1948 and 1949. This loss was compensated by imposing high duties on exports and excises on luxury items. In 1949 increased import duties were enacted and new export levies introduced. An excise on raw jute was also imposed. A central sales tax was enacted during 1947 and has gained importance as a source of revenue in subsequent years. The sales tax receipts for 1949/50 were estimated at more than double the amount of the preceding year, mainly on account of an amendment in 1949, which made the base of the tax broader. The strengthening of indirect taxes and some remission in income tax has made the tax system of Pakistan less progressive (see table 55). The share of direct taxes in total receipts was 14 to 15 per cent in 1948/49 and 1949/50 as compared with 28 per cent in 1947/48.

The internal loans which the Central Government of Pakistan floated totalled approximately Rs. 894 million in 1948/49, of which

Rs. 781 million was in long-term bonds and deposits and Rs. 113 million in Treasury bills.

In 1948/49, Pakistan purchased an annuity for payment of sterling pensions at a cost of Rs. 104 million by draft on sterling balances.

Philippines. The public finance of the Philippines, since the reconstitution of the Commonwealth Government in 1945, has been characterized by emergency financing due to the disorder left by the Japanese occupation and the inflationary situation since the war. Repeated efforts have been made to whittle down accumulated deficits at least in the General Fund Budget, which includes the ordinary and extraordinary operations of Government, but not special funds, each of which has its own receipts, and government-owned enterprises. While the 1948/49 budgetary accounts showed a deficit of over P. 70 million, the 1949/50 budget, submitted early in 1949 to the Congress, indicates a deficit of P. 159 million. The 1950/51 budget, however, provides for an over-all surplus of P. 23 million. This was to be achieved by a cut in expenditure affecting all branches of administration, public education and public works.

The increase in government expenditure after the war was partly due to the assumption of increased responsibility by the Government for social services such as education, public health, unemployment relief, retirement pensions and benefits for government personnel, veterans' pensions and benefits. In addition, large capital expenditures in the fiscal year 1948/49, amounted to over P. 276 million. These included contributions to government-owned financial institutions, permanent public works, reconstruction of school buildings, and amortization and sinking fund payments on the pre-1943 external public debt.

The estimated receipts from both direct and indirect taxes are higher than actual receipts in 1948/49. The proportion of direct taxes to total tax receipts in the current year is expected to rise a little. Most of the tax receipts are still to be derived from indirect taxes in spite of the fact that the Philippines has a highly developed income tax adopted from the United States tax legislation.

In comparison with other tax systems of the Far Eastern countries, except that of Japan, customs duties play a minor role in the tax revenue of the Philippines. The ratio of customs duties to total tax receipts has remained at practically the same level, 18-19 per cent, for the last three years.

Budget deficits were largely financed by transfer from the United States of receipts from its excise taxes on sugar processing and coconut oil (up to 1946/47); the Exchange Standard Fund; and loans from the United States including one in 1947 of P. 120 million from the Reconstruction Finance Corporation.

At the end of the financial year 1946/47, the net bonded outstanding indebtedness of the Philippines amounted to P. 40 million not counting the P. 120 million loan mentioned above.

Thailand. If loans and advances by the Government were excluded, Thailand would have balanced budgets in 1946 and 1947, and a surplus of 119 million baht in 1948. In 1949 the available figures of actual receipts and expenditures up to September indicate a surplus. It is probable, however, that many items of expenditure have not yet been included and that the final account will show a deficit. The budget estimates for 1950 indicate a deficit of over 450 million baht. If loans and advances are included, substantial deficits will be shown for all these years except in 1948 for which the deficit was rather small.

Capital expenditure until recently was not a significant factor in Thailand's public expenditure. Available statistics of principal items of capital expenditure indicate an amount of only about 80 million baht in 1946 and 1947. In 1948 it rose to 215 million baht. The projected expenditure, excluding payments to the International Monetary Fund and the International Bank, amounted to 350 million baht. In 1950 capital expenditure is estimated at more than 500 million baht.

Indirect taxes and State monopolies are the main sources of government revenue. Import tariff, the most important of the indirect taxes, covers many articles, mostly consumption goods. Thailand also collects substantial export duties on such products as rice, rubber, fish and teak. Among government enterprises are railways, electricity plants, posts and telegraphs, distilleries, tobacco and opium monopoly, civil aviation, paper factories, weaving factories and state lotteries. Direct taxes play a minor role and include tax levied on incomes exceeding 1,200 baht a year. Companies are subject to income tax by a 20 per cent tax on distributed profits. The business premises tax applies to the rental value of premises and ranges from 40 to 50 per cent. This is the only important property tax collected by the Central Government.

The public debt of Thailand is small. At the end of November 1949 loans held internally totalled only about 900 million baht, of which a little more than half was in Treasury bills. These and the long-term debt are mostly subscribed by the Bank of Thailand. Bonds held by private corporations and individuals totalled only 10 million baht or less than 2¼ per cent.

External debt outstanding at the end of November 1949 was £1.6 million and US$5.9 million. The latter was the amount outstanding of a $10 million loan contracted from the United States Government in 1946 for the purchase of surplus war materials. A reconstruction loan of Rs. 50 million obtained in the same year from the Government of India was repatriated by placing an equivalent rupee loan with the Bank of Thailand in January 1949.

Japan. Public finance during the inflationary period since the war was characterized by heavy expenditures, most important of which were war termination expenditures, subsidies and reconstruction works.

Inflation was largely brought under control in the middle of 1949, when the recommendations of the Dodge Mission were implemented. An effort was made to reduce expenditures of the Government and to increase tax receipts. An even more important factor was the suspension of the lending operations of various government agencies and the checking of further expansion of bank loans.

Throughout this period the problem of arriving at the exact deficit of the Japanese Government is complicated by the budgetary procedure. The Government conducts a general account for most of its operations, and supplements its transactions through various special accounts concerned with the operation of government corporations, which run the gamut from the mint and the printing office to the race track commission; control organs, e.g., allocation boards for staples and foodstuffs; services such as the national railways and similar enterprises.

For 1948/49 the cash expenditure of the Government amounted to Y. 491,006 million. This includes the disbursements of the general and the special accounts but excludes the transactions of foreign trade funds and deposit bureau funds. The negative net balance on the above accounts for that year amounted to Y.10,352 million.

A more realistic picture of the size of the over-all deficit may be derived from the figures of net borrowings of the Government, amounting to Y. 63,860 million in 1947/48, Y. 94,966 million in 1948/49, and Y. 163,631 million in 1949/50. The debt outstanding at the end of each financial year is shown in table 59.

Table 59. Japan: Public Debt

(In millions of yen)

Financial year ending 31 March	*1946/47*	*1947/48*	*1948/49*	*1949/50*	*1950/51 Estimates*
Bonded indebtedness:					
Domestic debt	139,922	172,249	208,581	279,593	304,656
Foreign debt	887	886	880	880	880
TOTAL	140,809	173,135	209,461	280,473	305,536
Government short-term certificates (foodstuff certificates, Treasury bills, etc.)	3,160	30,940	46,340	120,730	130,145
Other government borrowings	58,022	61,776	105,016	123,245	82,238
TOTAL PUBLIC DEBT	201,991	265,851	360,817	524,448	517,919

The attempt to reduce the deficit was accomplished with genuine hardships. Adequate collections of various taxes, especially the income tax, were made possible only by pressure from the surveillance teams sent out by the occupation authorities to spur tax officials. This brought the money in, but in many cases at the cost of considerable inequity. The income tax retained its place in the revenue picture by drastic increases in the rates coupled with frequently rather arbitrary and inequitable methods of assessment and reassessment, caused by inadequate bookkeeping or attempted evasion.

On the expenditure side, allotments by the national Government to local Governments, which had been heavily relied upon, were cut drastically when the local Governments were asked to take over from the national Government large responsibilities for local welfare organs. Local Governments were squeezed in the process. In many cases quasi-legal contributions were levied on citizens in addition to the legally imposed local taxes. The estimated magnitude of these assessments is Y.40,000 million or 10 per cent of the total local revenue.

During the past two years the relative importance of war termination expenditures declined. Estimates for 1949/50 show an increase in the funds earmarked for subsidies as a result of price differential subsidies necessitated by the Government's policy to maintain the external value of the currency at Y.360 to US$1. In 1950/51 the Japanese Government hopes to realize considerable savings in the war termination expenditures and to cut subsidies by half. Although some of the savings will be offset by the contemplated increase in public works and larger allocations to local governments, the total spending is expected to be less than in 1949/50.

The stabilization of Japanese public finances will occur, it is hoped, through an improvement of the operation of the tax system. In this connexion, a United States mission, headed by Professor Carl Shoup, visited Japan in the summer of 1949. The recommendations of the Shoup Mission [1] have already been incorporated into law. The income tax, the largest single component of the revenue of the Japanese Government, was thoroughly overhauled as a result of these recommendations. The top rate of the tax was scaled down from 85 to 55 per cent. The new legislation provides for the taxation in full of realized capital gains. However, special relief is given in the spreading of income over a number of years in those cases when any large item of individual income puts the taxpayer in a higher bracket. A net worth tax was introduced, designed to guard against the accumulation of large fortunes.

An important innovation was introduced with regard to accounting practices. Taxpayers are now encouraged to keep books in accordance

[1] Shoup Mission, *Report on Japanese Taxation,* Supreme Commander for the Allied Powers, Tokyo, Japan, September 1949.

with standards determined by the Ministry of Finance; and when such books are kept, they are permitted to file their returns on special forms. This guarantees them against reassessment by the tax office without an audit of their books and the presentation of a bill of particulars. Another important reform of the tax administration was directed at a more vigorous prosecution of tax evaders.

Corporate taxes, which have played a small role up to now, are expected to increase in importance in the next few years. During the inflationary period books of many of the corporations were inadequately kept. This was done to avoid an excess profits tax, which ranged up to 55 per cent. With inadequate depreciation allowances being authorized under the law, most corporations were in the highest bracket. This was considered unfair, and the enforcement was lax. With the liberalization of depreciation allowances and other reforms it is expected that the enforcement of the tax will be noticeably strengthened, and that incentives to fraud will be diminished with the end of high inflationary profits.

To make legal the establishment of realistic depreciation bases, special declarations for the value of capital goods will have to be prepared. The paper profits thus realized will be taxed at 6 per cent, payable over a period of years.

The Japanese tax system is now in the midst of a thorough reorganization, and consequently most of the new revenue measures have not yet stood the test of time. The sweeping reforms recommended by the Shoup Mission, provided they can be properly implemented, could lead to real stabilization of Japanese public finance.

CHAPTER VIII

Inflationary and Deflationary Tendencies

Price Movements

In the immediate post-war years the economies of the countries in the region were affected by inflation as one of the legacies of the war. By the latter part of 1948, however, there had been felt the effects of the gradual revival of production and trade, the conscious efforts of various administrations to stabilize prices, and the general fall in world prices, and, as a consequence, inflationary forces were greatly diminished.

In 1949 prices fell in Pakistan, the Philippines and Malaya. In the Philippines the gradual decline in the price level, noted since October 1948, continued. The fall, which levelled off temporarily in mid-March, continued till it was arrested as a result of the imposition of exchange controls during December. As the year closed, prospects of rising prices were causing concern to the Government. In Malaya the gradual downward trend of prices was arrested by devaluation.

Ceylon and Thailand showed no definite trend over the year. The cost of living in Ceylon was slowly falling till April but thereafter remained steady until the end of September. Since then it has been increasing at the rate of about one per cent each month. The incidence of the rise in import prices following devaluation has not yet been fully felt and the year closed with an expectation of a further price rise in 1950. In Thailand there had been a tendency for wholesale prices to fall in 1948, but this, although arrested in December as a result of the introduction of the import licensing system, continued during the first half of 1949. Prices, however, fell from June to August, but increased later, partly because of the depreciation of the baht.

In Indochina, India and Japan prices were to a great extent stabilized during 1949. The rise of prices in Indochina slowed down as a result of the balancing of inflationary and deflationary factors. The inflationary factors were budgetary deficits and the expenditure of the French army; the anti-deflationary factors were import surpluses and transfers on other accounts to France. The increase in the cost of living between December 1948 and December 1949 was only 3 per cent compared with an increase of 42 per cent during the previous twelve months. Since most of Indochina's imports were from France, stabilization in the prices of imported products was the result of the stabilization of prices in France. As regards local products there was a rise of about 7 per cent, mainly due to the difficulties of supplies from the rice markets in north and central Viet Nam, which led to much speculation from July onwards.

The stabilization of prices in India and Japan was the product of conscious efforts to achieve disinflation. In 1948 the Government of India had announced its anti-inflationary measures to prevent an upward flight in commodity prices and to bring these down to reasonable lower levels. The continuation of these measures had some effect in stabilizing prices; the wholesale-price index took a downward course from August of that year, which lasted till the first quarter of 1949. Prices then began to rise again. In August there was a further rise. Devaluation was expected to lead to a rise in the price level, but no marked rise has yet been noted. In Japan the upward trend of prices slowed down considerably as a result of the drastic fall in spending power ensuing from the successful carrying out of stringent measures laid down by the Dodge Mission. While the official prices still show an upward movement, uncontrolled or black-market prices have tended to drop for consumer goods since May and for producer goods since March. In September 1949 free-market prices of consumer goods were only 3.6 per cent higher than for the same month a year previously, while producer goods prices had actually fallen by 17.7 per cent.

Inflationary pressures continued in Hong Kong, Indonesia, Burma, Korea and China. In Hong Kong, the cost of living, which had reached a peak in 1946 and remained high till March 1947, then fell and for a period of two years it was held in check. During the first quarter of 1949 the level of prices of staple commodities, one of the main factors affecting the cost of living of the bulk of the population, was not higher than for other post-war years. By the middle of the summer the supply of food from the mainland became more difficult; by the end of the year food prices had risen considerably. This, coupled with the acute housing shortage and the uncertainty as to the position of supplies, led to a rise in the cost of living, which at the end of the year was about 20 per cent higher than in March. The settlement of the political problem in Indonesia and the resumption of Economic Cooperation Administration aid in November, when US$37.5 million were allocated for the purchase of rice, cotton cloth, yarn and other products, were expected, towards the end of the year, to be of considerable aid in combating further price rises. In Burma the interruption caused by civil strife to the normal flow of goods led to a sharp increase of prices. During the first seven months of 1949 cost-of-living index rose by 34 per cent in Rangoon, but has shown a decline since July. In Korea prices which had declined since December 1948 reversed this trend, however, in March 1949, and by the end of the year there developed a strong inflationary pressure. As a result of the military reverses of the National Government of China, the conditions of territories under its control further deteriorated during 1949. The necessity of maintaining a large army, which absorbed the largest portion of its budget, resulted in a constantly increasing note issue. Prices continued to mount rapidly

Table 60. Indexes of Wholesale Prices and Cost of Living

Country	Index	Base	1948 December	1949 as per cent of December 1948 March	June	September	December
Burma	C.O.L. (Rangoon)	1937	364	126	145	138	117
Ceylon	C.O.L. (Colombo)	Nov. 1938-Apr. 1939	264	97	97	97	100
Hong Kong	C.O.L.	Jan.-Mar. 1939	522	98	116	112	125
India	W.P.	Sept. 1938-Aug. 1939	384	96	98	102	99
	C.O.L. (Bombay)	1937	308	95	92	94	94
Indochina	W.P. (Saigon)	Jan.-June 1939	2,000	103	100	110	107[a]
	C.O.L. (Saigon)	Jan.-June 1939	3,970	103	107	106	103
Japan	C.O.L.	1948	121[b]	116	114	116	111
	W.P.	1937	14,450	102	108	112	113
Korea	W.P. (Seoul)	1937	63,800	96	108	140	—
Malaya	C.O.L.[c] (Kuala Lumpur)	Jan. 1947	84	99	96	96	98
Philippines	C.O.L. (Manila)	1937	410	94	95	91	90
Thailand	W.P.	Apr. 1938-Mar. 1939	1,616	97	97	95[d]	—
	C.O.L.	1938	1,175	107	103	99	101

Source: United Nations, *Monthly Bulletin of Statistics.*

[a] November.
[b] November figures taken as base instead of December as the latter were abnormally high.
[c] Chinese labourers in Kuala Lumpur.
[d] September figure from *Current Statistics,* Bank of Thailand, October 1949.

and by the end of February the general index of wholesale prices in Shanghai had risen to 85,000 times over that of the previous August when the monetary system had been reorganized in an effort to curb inflation. For the next two months prices increased roughly 10 per cent each day and at a faster rate in May, owing to the lack of confidence in the currency and the desire to convert salaries and other incomes into something possessing a stable value. In Canton the introduction of the silver Yuan on 2 July led to a levelling off of prices for a while because the Yuan was a currency freely convertible into silver. In Taiwan (Formosa) in the first half of the year there was a heavy rise in retail prices. The index (based on January-June 1937) rose more than tenfold from 15,000 in January to 155,000 in June. Despite the currency reform of 15 June, the price level showed a steady upward trend. Wholesale commodity prices rose by 4 per cent in August and 9 per cent in September.

The predominant factor affecting China's economic situation in 1949 was the rapid expansion of influence of the People's Government, which by the end of 1949 gained control over most of the country's territory, population, resources and industries. In the areas under the People's Government, inflationary pressure was generated by military expenditure financed by currency issue. After the introduction of the People's Bank notes, prices remained stable for a short period, but there was a revival of inflation at three intervals – in April, July and November. Apart from the deficit financing of military expenditure, the recent inflation is caused by poor harvests, depletion of raw materials stocks in the cities due in part to the coastal blockade in South and East China, and the revival of speculative elements under scarcity conditions.

Prices of food, cost of living and wages

Per capita incomes in the countries of the region are low, and the cost of food accounts for a very large proportion of the family expenditures. Food prices and the cost of living, therefore, tend to move in the same direction. Of the non-food items, rents and cost of services are generally less subject to changes than clothing and other miscellaneous items. Observations on the relative changes in food prices and the cost of living may, however, be taken with reserve as the available cost-of-living indexes of various countries are compiled with different coverages of items. In constructing index numbers, food prices are also subject to a lack of uniformity in so far as more countries take into account controlled prices while others use free (or black) market prices.

Available statistics indicate a fall in the cost of living in the Philippines, Ceylon and Malaya, and a rise in Burma, Hong Kong and Korea. In Indochina there was a rise in the first half of the year and a levelling-off in the second half. In Japan the cost of living, having risen sharply

in December 1948, continued to rise in the first quarter of 1949, was steady in the second and third quarters, and fell in the fourth. In Pakistan the cost-of-living index for Lahore in 1949 is not available. The index of retail prices, however, which is available for Karachi for the first two quarters of 1949, shows a fall in the first quarter and a small rise in the second. The index of the prices of food have generally moved in the same direction as that of the cost of living, but in all countries except India, Ceylon and Korea has shown a greater sensitivity than the cost-of-living index. For Indonesia food prices show a continuation in January of the sharp rise noted in December 1948. The prices fell till August and then rose sharply again towards the end of the year.

Changes in the cost of living may be compared with those in wage rates to indicate the changes in real wages. The estimation of real wages, however, is subject to a limitation that the existing wage statistics refer only to a minority of the organized working class in major industries and plantations. Most workers in the economies within the region are unorganized, and statistics of their wages are not available. Increases in average wage rates also do not necessarily mean a larger income for the working class as a whole; they may be apparent, not real, when there is unemployment, which affects more severely the lower-paid unskilled workers.

Japan in 1949 appeared to have shown an increase in real wages over the previous year but the benefit for the working class as a whole was reduced by an increase in unemployment, particularly in the second and third quarters of 1949. In Korea and Malaya, real wages appear to be very sensitive to trade conditions; they have risen sharply in Korea and fallen sharply in Malaya. Statistics for the first half of the year in the Philippines indicate a rise in real wages. No statistics are available for implies, therefore, a rise in real wages. No statistics are available for other countries of the region.

Food, raw materials and manufactured products

Food and raw materials are the chief products of the region, and changes in their prices may indicate the relative changes affecting the price structures of primary industries, particularly agriculture. Comparisons of changes in the prices of food and agricultural raw materials indicate the trend of the relative returns from food and cash crops. As the price of food generally affects the cost of living and hence the wage rates, changes in the prices of food and raw materials indicate the changes in the structure of costs of production which may be compared with changes in the prices of manufactured products.

In India the prices of raw materials showed a small rise while food prices fell. The prices of manufactured goods were steady. In Indochina, on the other hand, food prices have risen much more than raw material

Table 61. Indexes of Retail Prices of Food, Cost of Living and Wages

Country	Index	Base	1948 December	1949 as per cent of December 1948 March	June	September	December
Burma	C.O.L. (Rangoon)	1937	364	126	145	138	117
	Food	"	413	128	149	148	119
Ceylon	C.O.L. (Colombo)	Nov. 1938-Apr. 1939	264	97	97	97	100
	Food	"	302	98	97	98	102
Hong Kong	C.O.L.	Jan.-Mar. 1939	522	98	116	112	125
	Food	"	657	98	123	117	135
India	C.O.L. (Bombay)	1937	308	95	92	94	94
	Food	"	335	96	95	98	98
Indochina	C.O.L. (Saigon)	Jan.-June 1939	3,970	103	107	106	103
	Food	"	4,010	105	106	102	98[a]
Indonesia	Food (Djakarta)[b]	July 1938	1,240	106	92	98	106
Japan	C.O.L.	1948	121[c]	116	114	116	111
	Food	"	115[c]	121	118	118	109
Korea	Wages	"	139	119	124	124	129
	Retail prices (Average of eight cities)	1947	158[d]	110	119	132	141[a]
	Food	"	151[d]	109	123	130	128[a]
	Wages	"	137[d]	145	174	228	277[a]
Malaya	C.O.L.[e] (Kuala Lumpur)	Jan. 1947	84	99	96	96	98
	Food[f]	1939	848	76	74	74	74
	Wages[g]	1948	100[d]	...	...	79[h]	...

Table 61. Indexes of Retail Prices of Food, Cost of Living and Wages (Cont.)

Country	Index	Base	1948	1949 as per cent of December 1948			
			December	March	June	September	December
Pakistan	Retail prices	Aug. 1939	484	93[1]	97[1]	...	...
	Food	"	523	89[1]	95[1]	...	...
Philippines	C.O.L. (Manila)	1937	410	94	95	91	90
	Food	"	442	92	93	88	86
	Wages	1941	378[d]	105	105	...	...
Thailand	C.O.L.	1938	1,175	107	103	99	101

Sources: United Nations, *Monthly Bulletin of Statistics;* Bank of Korea, *Monthly Statistical Review; Muslim Economist,* 12 August 1949; SCAP, *Japanese Economic Statistics;* International Monetary Fund, *International Financial Statistics; Monthly Statistical Bulletin of the Federation of Malaya.*

[a] November.
[b] Free market prices.
[c] November figures are taken as base instead of December as thelatter were abnormally high.
[d] Average of 1948. Separate figures for December not available for retail prices of food and all commodities.
[e] Chinese labourers.
[f] Retail free market prices of rice.
[g] Daily wages paid to male workers in rubber industry.
[h] Average of January-September.
[i] Average for the quarter.

prices over December 1948 level. During the first quarter of 1949 the rise in food prices was also greater than that of raw materials. The latter then fell while food prices continued to rise for the rest of the year. The variation in the prices of manufactured products was of the same order as in the prices of raw materials. In Korea, in the first half of the year, food prices rose more slowly than the prices of textile materials and textile products, partly bridging the disparity between their rises since 1947; in the second half of the year, however, the trend was reversed and the rise in the prices of textile products exceeded that in food prices, and the rise in textile materials exceeded them both. In Japan, since the stabilization programme was put into operation, prices of textile manufactures appear to have increased more than costs. In Pakistan, the fall in the prices of food is reported to be greater than in the prices of cotton, jute, cloth and other imported manufactured consumer goods.

The relative changes in import and export prices and in the terms of trade are discussed in the chapter on international trade.[1]

Factors Affecting Effective Demand

Budgetary Policies

Among the important factors influencing effective demand the budgetary policies of the Governments within the region rank high. It is, however, difficult to measure precisely in quantitative terms the overall surpluses or deficits during the current period, as up-to-date data indicating cash expenditure and cash receipts are usually lacking. Budget estimates in recent years have been significantly different from actual results and since actual figures or revised estimates are not available for more than a few countries, the estimates as given in chapter VII with regard to budgetary policies of the various countries should be taken with reserve.

However, there is an overall tendency in recent years to reduce budgetary deficits as a result of the efforts of the governments to bring inflation under control. Attempts are being made to increase tax revenue and to cut expenditures. These policies on the other hand conflict with the urgent needs of the countries within the region to raise the existing levels of productivity by large capital outlays. Even in the case where governments have been successful in obtaining foreign loans or grants for capital equipment, additional heavy domestic expenditure is required

[1] See chapter IX.

Table 62. Wholesale Price Indexes of Food, Raw Materials and Manufactured Goods

Country	Index	Base	1948 December	1949 as per cent of December 1948 March	June	September	December
India	Food	Sept. 1938-Aug. 1939	398	95	96	101	94
	Raw materials	"	458	101	100	102	104
	Manufactured goods	"	347	99	101	101	99
Indochina	Food	Jan.-June 1939	2,490	105	106	120	116
	Raw materials	"	920	103	82	90	92
	Manufactured products	"	3,090	102	89	90	88
Japan	Foodstuffs[a]	1934-36	21,525	104	110	112	112[b]
	Textile materials	"	20,450	106	124	139	142[b]
	Building materials	"	18,170	103	103	103	104[b]
Korea	Grain	1947	163	101	119	133	137[b]
	Textiles raw materials	"	247	81	99	153	174[b]
	Textiles	"	284	83	90	121	126[b]

Sources: Government of India, *Monthly Abstract of Statistics; Bulletin Economique de l'Indochine;* SCAP, *Japanese Economic Statistics;* Bank of Korea, *Monthly Economic Statistics.*

[a] Average of index numbers of edible farm products and processed foods.
[b] November.

to execute such programmes. As far as available information permits these questions are discussed in some detail in the chapter on public finance.

The reduction of the deficits has additional importance, since most of the countries do not have a developed money market and the covering of the budget deficits entails borrowing from the bank of issue and consequently increase in the currency in circulation.

The reduction of expenditure, however, could be achieved only within certain limits. For instance, defense expenditure was kept on a relatively high level as a result of exceptional circumstances. The external position of India and Pakistan made it difficult to reduce drastically their defence expenditure. In other countries such as China, Burma, Indochina, Indonesia, Malaya, and the Philippines, internal disturbances or actual civil war kept defence expenditure on a high level. Second, if prices of certain essential commodities had to be maintained on a relatively low level, Governments incurred considerable amounts of expenditure in the form of food and other subsidies, as for instance in Japan, India and Ceylon. Finally in the field of capital expenditure for developmental programmes, it was expected that the creation of new productive facilities through increased production of goods would ultimately alleviate the inflationary pressures, though for the time being it would tend to increase them. Lack of available funds, lack of skilled manpower, lack of dollars for imports of machinery for implementing these programmes were serious obstacles in putting into effect the original development plans.

A certain relaxation of restrictions on import controls was noticeable, in order to increase the flow of essential goods. Higher rate of excise taxes and import duties were imposed mainly on luxury articles.

It is obvious that external loans will be necessary to stabilize the public finances of most of the countries, both in order to carry out properly their development plans and to raise the level of production.

Foreign Trade

The great increase in the value of imports in the first half of the year was a major factor exercising an anti-inflationary pressure over the price levels in the region. Compared with the first half of 1948, the value of imports in the first half of 1949 was greater in all countries of the region except China and Burma. In the third quarter the difficulties caused by the depletion of foreign assets led to a curtailment in imports in some countries. The value of imports in the third quarter of 1949 was higher than in the corresponding period of 1948 in Hong Kong, India, Indo-

china, Indonesia, Pakistan, Thailand and Japan; but the rate of increase had slowed down considerably in India, Indochina, Pakistan and Thailand, and there were actual decreases compared with the corresponding period in 1948 in the value of imports, not only in Burma and China but also in Ceylon, Malaya and the Philippines.

The fourth quarter is too short a period to judge the effects of the devaluation of sterling on the value of imports. Figures for Indochina, Pakistan and Thailand are not available. Pakistan, the Philippines and Japan did not devalue their currencies. The Philippine imports in the fourth quarter of 1949 were slightly higher than in the third quarter but lower than in the corresponding quarter of 1948, as a result of imposition of import control at the end of the year. In Japan there was a reversal of trend during the second half of 1949 and imports in the fourth quarter were lower than imports in the corresponding quarter of 1948. Imports were less than in the corresponding period in 1948 in Burma, Ceylon and Indonesia. Malaya, on the other hand, showed an increase in October and November. Thus the effects are not yet uniform with respect to the value of imports but, as noted above, the increase in the prices of imported goods was tending to exert an upward pressure on prices towards the end of the year.

Export trade plays an important part in determining the price levels in Burma, Ceylon, Indochina, Indonesia, Malaya, Pakistan, the Philippines and Thailand. Export prices of rice were fairly steady in Thailand, and the increased exports of rice tended to exert an anti-deflationary pressure on the price level. In Burma the local prices kept steady. In Indochina the prices of rice exports rose but the quantities fell considerably. Pakista nhad some 450,000 tons of wheat available for export, but sold only a few thousand tons. The fall in the prices of wheat and jute had a deflationary effect on the price level in Pakistan. Indonesia was suffering from a fall in the prices of its exports following a fall in the United States demand in the early part of the year. The price fall was arrested by devaluation which led to a very significant rise in home prices of imported goods. The Philippines, Ceylon and Malaya were affected by the fall in the United States demand for rubber, copra and coconut oil. In the Philippines the decline was not sufficiently offset by the greatly increased exports of sugar. Tin prices were maintained until the restoration of the free market in tin towards the end of the year; in Malaya, therefore, the deflationary effect of the fall in the price of rubber was partly mitigated.

Investment Outlay

The distribution of the community's resources between consumer and capital goods is also a significant factor stimulating inflationary or deflationary tendencies. The outlay on investment goods differs from

the outlay on consumer goods in so far as it gives rise to money incomes which are not matched for the time being by a corresponding supply of consumer goods. These money incomes are expended, unless savings increase, on the available supplies and therefore tend to be inflationary.

An adequate examination of the role of investment outlay requires reliable estimates of the constituents of national income. For the year under consideration estimates are available only for Korea and Ceylon. In Korea public investment is not a significant factor. Domestic investment showed an increase from W. 6,077 million to W. 11,439 million. The percentage of investment to national income, however, is very small. In Ceylon the 1949/50 estimate showed an increase in gross national income of Rs. 51 million over 1948, but there was a very significant increase of gross capital formation by Rs. 93 million on Government account and Rs. 25 million on private account. In India, the Government made heavy outlays on capital projects during the year but their inflationary effects were offset by the slump in private investment.

One of the most significant items of private investment in the countries within the region appears to be housing construction, but statistics are lacking except for Japan and the Philippines. In Japan, the number of new houses started, fell from 5.1 million in the first eleven months of 1948 to 3.7 million for the same period in 1949. Employment in construction fell from 1.16 million workers in April 1949 to 0.87 million in June, but has since mounted to 1.19 million. In the Philippines the public construction of roads, streets, bridges, ports and harbours, airstrips and public buildings reached a high level, primarily through the use of United States Government funds granted in payment of war damage claims. Residential construction and the erection of warehouse offices and store buildings from private funds and through loans from the Philippine Rehabilitation Finance Corporation slackened somewhat but were still substantial.

Credit Policies

While there has been a tendency for most Governments to exercise a tight control over their banking systems in order to raise funds and carry out measures to conserve foreign exchange, such control has not been fully used as an instrument in checking inflationary tendencies, except in Korea and Japan. Despite minor stringencies, India and Pakistan continued to pursue a cheap money policy. The rate of interest was higher in other countries, but for reasons not directly connected with anti-inflationary policies.

In Korea the bank rates were raised to the highest possible point. The rate fixed for government-guaranteed loans was 6.21 per cent and for ordinary loans 9.86 per cent. Since April 1949, every credit of over W. 2 million has required approval by the Government. These steps were

intended to force the ordinary banks to make loans in line with Government policies. The measures, however, do not appear to have achieved results, and the loan policy is being revised. Future policy will allow loans up to W. 50 million without Government approval. In the meanwhile, the loans, which had reached a low total of W. 36,000 million in April, rose to W. 86,889 million in December.

Japan is particularly susceptible to credit influences by reason of the relatively small amount of invested capital and the resultant excessive dependence upon borrowed capital. The economic stabilization programme called for extension of credit only to projects which could be considered as contributing to the economic recovery of Japan. With the curtailment of the operations of the Reconstruction Finance Bank and the reduction of subsidies, banks were expected to play a more active role, but none of the banks could quite replace the Reconstruction Finance Bank in extending credit facilities for financing industrial equipment. On top of it, the Bank of Japan started charging very high rates of interest and rationing credit from 1 April. By the end of June the money stringency had become very acute, and the Bank of Japan lowered its rates of interest from 12 July on and began purchasing Reconstruction Finance Bank debentures and national bonds. Loan regulations were also eased. The issue limit of the debentures of the Industrial Bank of Japan was raised to from Y. 500 million to Y. 1,000 million on 23 July. The issue of debentures has since gone up. Nine thousand million yen of the Deposits Bureau has been released for loans to five corporations related to agriculture and fisheries. The Bank of Japan has also given special loans to medium and small-size enterprises directly and through special credits and financial organs. The loans to private enterprise, released from the United States Aid Counterpart Fund from 21 July onwards, marked a reversal of the policy laid down by the Dodge Mission, but this departure was resorted to because disinflation showed signs of deteriorating into deflation. These later releases of the Counterpart Fund, however, have not resulted in any substantial improvement in the difficult situation faced by many industries because of the suspension of financing by the Reconstruction Finance Bank.

Because of the tendency to hoard goods instead of currency, government banks under the People's Government in China are receiving deposits in terms of real units, with values automatically adusted in accordance with the wholesale prices of rice, cotton cloth, peanut oil and coal. To prevent large withdrawals when the value of the parity deposit unit is falling, the deposits received are mainly fixed-period deposits and maxima are placed on the amount of withdrawal within a given period of time. Deposits are also accepted and accounts maintained in foreign currency which are convertible into People's Bank notes at the rates prevailing at the time of withdrawal. Both these measures are intended to reduce the amount of money in circulation.

The Supply of Goods

Rice and wheat are the two principal items in the food bills of the peoples in Asia. The estimated production of rice of the AFE region in the crop year 1948/49 increased by a little less than 2 per cent over the previous crop year.[1] This was accounted for by increased production in most of the deficit countries of the region. In China, however, in the latter half of 1949, difficulties in food procurement and the anticipated fall of production in the 1949/50 season led to an acute situation. Towards the end of the year China was facing a strong possibility of food shortage bordering on famine in many areas. Of the surplus countries, Thailand had a good harvest, but Burma and Indochina showed a comparative fall. Compared with 1948, wheat also showed an increase in production, of 30 per cent in South Korea and 22 per cent in Pakistan, 7 per cent in India and 2 per cent in Japan, over the production in 1948. Taking the region as a whole the production of wheat was 35 million tons in the crop year 1948/49 against 33 million tons in the crop year 1947/48, or an increase of 6 per cent. Other coarse grains showed an increase of about 3 million tons in 1948/49 or roughly 5 per cent. While production of rice, wheat and coarse grains fell in the 1949/50 season, the anticipated shortages at the close of the year did not appear to be resulting in a significant rise in food prices for any country of the region, except China.

A gradual recovery in industrial production was indicated by the indexes on production of coal, electricity, tin, iron ore, pig-iron and steel, cement and chemicals.[2] In Japan, the most industrialized country of the region, the index of industrial activity, which had been 74 in 1948 (base 1932-1936), reached 94 in 1949. There was, however, a fall in the production of textiles in the region as a whole. The increase of production in Japan of rayon and cotton texiles could not counteract the decrease of cotton textiles in China and India. The total cotton yarn production of these three countries fell by 12 per cent below the production in 1948 and was 41 per cent below their pre-war level. The production index in India showed a fall primarily due to the drop in textile production. The index of industrial production (base year 1937) averaged 119 in 1949, which was 3 points below the average of 1948. Thus, while production had caught up with the pre-war level, 1949 was a year of relative setback in India.

Transport difficulties were caused by internal disturbances and affected the supply of goods in Indonesia in the first half of the year, and in Burma and China throughout the year. In China, towards the latter part of the year, the blockade since June considerably increased

[1] It may be noted that consumption in 1949 was based largely on the crops harvested in the year 1948/49.

[2] See chapter II.

the difficulty of obtaining supplies from abroad in areas controlled by the People's Government. The supplies from and to the interior were aided by rapid restoration of railway transport, which obtained a high priority in the reconstruction programme of the People's Government. In Indochina supplies from internal sources were less difficult to obtain, while supplies from outside the country almost reached normal level. The distribution of internal food supplies improved partly as a result of re-equipment of land and air transport. Shortages of river craft, however, were still creating bottlenecks in inland transportation.

A significant factor accounting for the increase in the supplies of goods for the region, and having consequent deflationary effects, was the increase in imports in the first half of 1949. This is shown by quantum indexes of imports available for India, Ceylon, Malaya and Indochina,[1] and the quantity estimates available for Japan. These data are not available for the remaining countries in the region. But in terms of United States dollars, the imports into the AFE countries,[2] (excluding China, Nepal and British Borneo) rose to a total of US$3,556 million in the first half of 1949 compared with US$2,768 million in the first half of 1948. Inasmuch as a United States dollar in the first half of 1949 could buy more goods than in the corresponding period in 1948, this increase in imports is significant. While the imports were mounting, the exports did not rise proportionately (US$2,431 million in the first half of 1949 as against US$2,176 million in the first half of 1948), mainly due to the recession of late 1948 and early 1949 in the United States. India had a heavy import surplus arising from large imports, especially of food and capital goods. There were also substantial import surpluses in the Philippines, Malaya, Hong Kong, Indochina, Pakistan and Ceylon.

Restriction of imports became a cardinal doctrine of economic policy in the latter half of 1949. As a result, imports in the third quarter fell to US$1,700 million, as against US$1,440 million in the third quarter of 1948.

It is not yet possible to assess the effects of devaluation on imports. The Philippines did not devalue but introduced exchange controls. Indochina conducts most of its trade with France. Since the franc-piastre rate was not changed, devaluation would not make any significant difference. The import trade of sterling areas was already affected by the decision taken before the devaluation to limit imports from dollar-area countries to 75 per cent of the preceding year by value, and in view of the present shortages, there is not much likelihood that devaluation will further restrict the quantities of imports. The increased prices in terms of local-currency units of the imported goods, however, are slowly transmitting their influence to the price level.

[1] See chapter IX.
[2] *Ibid.*

To sum up, the increase of available supplies through imports in Malaya, Ceylon, India, Pakistan and the Philippines and the reduction of food and raw material exports in Pakistan account for a part of the fall or stabilization in the price level. In the Philippines the price level showed prospects of a rise, in anticipation of the introduction of exchange controls by the end of 1949. In Thailand, also, prices rose as a result of import licensing re-established in December 1948 on a wide variety of luxury articles. Civil conflicts and other factors, such as flood, were responsible for price rises in Burma, China, Hong Kong, Indochina, Indonesia and Korea.

Price Controls, Subsidies and Rationing

In order to mitigate the full effects of the inflationary forces on the price level, measures of price control, supplemented in some cases by rationing, were generally applied by most of the Governments to food, clothing, fuel and a few essential consumer goods. These measures have been supplemented in various degrees by controls of important producer goods, such as fertilizers, agricultural implements, iron and steel, power and fuel and cement. Where the costs of imported or home-produced goods were considered to be very high, the Governments of the countries in the region, in order to maintain a low cost of living and reduce the cost of production of essential goods, have been subsidizing such commodities. Control of prices, to be effective, has been accompanied by the control of the movement and the distribution of the goods concerned. For rice, sugar and textiles, in which shortages have been the most acute, some system of rationing has been generally combined with price control to ensure equitable distribution. This has often led to compulsory procurement, at controlled prices by the Governments, of all locally-produced or imported supplies. In some countries the Government also has a monopoly in the procurement of essential export goods, or, in order to control supplies more effectively, has become the sole importer and exporter of essential goods. Finally, the Governments in nearly all the countries of the region have been large holders of stocks, which they have often put on the market to curb speculative price rises.

Except for the requirement to obtain import licences for non-essential goods, Thailand and the Philippines had a relatively free economy. Thailand, however, had exercised control over rice exports. The exchange control measures in the Philippines were introduced on 9 December. The Government tried to curb speculative activities by prescribing price ceilings, but unsuccessfully. In countries where the price level fell, controls were generally relaxed. In Pakistan the crop of wheat was good, and besides meeting the needs of home consumption,

provided an exportable surplus. Wheat rationing continued in West Pakistan, partly because the Government wanted to sell stocks. Free-market wheat prices, however, fell below rationed prices and there was, therefore, little incentive to buy the ration. In East Pakistan, rice rationing continued. The fall in jute prices after September, which resulted from the stoppage of exports to India, was arrested by fixing minimum prices, backed by an offer from the Government to purchase jute at the stipulated prices. In Malaya the gradual downward trend of prices led to a considerable narrowing of the spread between controlled and free prices. For instance, while the controlled prices of rice fell by about 7 per cent, the free prices fell about 26 per cent, reducing the disparity between them from 49 to 18 per cent of the controlled prices. Inasmuch as the controlled and free market prices of sugar closely approximated, sugar ceased to be subject to rationing on 11 July and to price control on 1 September.

In Hong Kong rationing, retail price control, procurement of supplies on Government account to supplement supplies coming forward through commercial channels, and a system of rent control contributed to some extent to curb the inflationary pressure. Immediately after the devaluation, commodity prices began to move upward. When the overall increase amounted to 10 to 20 per cent the Hong Kong Government froze all wholesale and retail prices at the pre-devaluation level. This measure was later revoked, however. In Malaya an order was issued on 21 September immediately after devaluation prohibiting the sale of goods, other than rubber for local consumption, at a price in excess of that charged in September. The order achieved its object and was allowed to lapse on 5 October. Reports received from all parts of the Federation of Malaya indicate that in general there has been no marked upward trend. The country is well stocked and a buyers' market continues in most commodities.

In Ceylon, rice is the staple food and is imported solely by the Government. It is rationed and its price is controlled. Imports are sold to authorized wholesale dealers, including co-operative organizations, which in their turn sell the rice to authorized retailers and co-operative stores from which consumers draw rations against coupons. The price control and wage regulation measures are made effective by relatively large subsidies on rice, which amounted to Rs. 85 million in 1949.

Prices in India and Japan were stabilized during the year. In India controls had been reintroduced in the second half of 1948, and by the end of the year a comprehensive scheme was adopted for checking the inflation. In 1949 price controls on essential commodities, such as foodstuffs, cotton and woollen textiles, iron and steel, petroleum, mica, and spare parts for motor vehicles continued. Food controls and rationing were extended. Procurement of supplies also succeeded to some extent. These measures resulted in a reduction of food prices and benefited

the urban population, but the gap between the controlled and free prices continued to be wide and the free prices themselves varied over a wide range in different parts of the country. To combat the inflationary pressure resulting from devaluation, the Government of India announced an eight-point programme, which had as its eighth point the reduction by 10 per cent of the retail price of commodities like food and clothing. In its implementation, a meeting of the States Food Ministers decided to reduce the retail price of rationed food grains by 10 per cent. This was to be done by a parallel cut in the prices of procurement. With effect from 1 November, the controlled price of clothing was also reduced by 10 per cent.

Most of the larger cities of India suffered severe shortages of sugar as a consequence of the efforts of the Government to curb profiteering in this commodity. The freezing of mill stocks was ordered early in September, but parallel measures were not taken to freeze trade stocks. Most of the latter disappeared from normal channels of distribution leaving the Government with the task of attempting to meet the demand at controlled prices out of the inadequate supplies in its hands. Sugar, except at black-market price, virtually disappeared in a number of cities in the last quarter of the year.

In Japan heavy subsidies were given to keep the rate of increase in official prices as low as possible. Thus the unit subsidies on rice, peas and pig-iron, were higher than the sale prices of these commodities, while subsidies on beans were twice, and on mangrove bark three and one-half times, the sale price. Under the de-subsidization programme early in 1949, extensive progress was made in eliminating and reducing domestic price subsidies. The need to compensate exporters in order to maintain the fixed exchange rate, however, required provision to be made for price differential subsidies. Price subsidies were discontinued on copper ingot, aluminum ingot, zinc ingot, lead ingot and coal for use in all designated industries; they were reduced on iron and steel products, calcium cyanamide, soda ash and caustic soda. In 1950 it was proposed to reduce subsidies by more than one half to Y. 90,000 million in 1950 and to abolish them completely in 1951. Partly as a result of the reduction in subsidies, controlled prices rose. The consumer price for rice was raised by 11 per cent, and the price of electricity by 32 per cent. Rates for rail freight, sea cargo and fertilizers were expected to be raised in 1950.

While the controlled prices were thus rising, the decline in spending power and the increase in imports and indigenous production led to a narrowing of the difference between official and black-market prices. Price controls and rationing therefore weakened. Consumers came to rely less and less on rationed goods and to pay more attention to quality rather than quantity. As a result of economic stabilization, the number of items under price controls was reduced from 2,128 in April 1949 to

1,299 in December 1949. These included consumer goods such as vegetables, pickles, firewood, matches, pots and pans, sewing needles, lunch boxes, iron buckets, and Japanese and European umbrellas.

Of the countries where price levels steadily increased, Burma had no rationing of rice but the Government endeavoured to keep down the prices of rice, milk and kerosene by making adequate supplies available in Rangoon. The prices of the rest of the commodities showed a very significant rise. By September prices in Rangoon had risen as follows: vegetable oils, by 50 per cent; jaggery sugar, by 80 per cent; fish, by 100 per cent; and atta flour, by 160 per cent. Meat, potatoes, tea and firewood were frequently unobtainable. In South Korea the Government purchased great quantities of grains, tobacco, raw cotton and cocoons in order to stabilize prices. The large deficits by which these purchases were financed had, however, serious inflationary effects. In Indonesia restrictions continued on the transportation of consumer items and foodstuffs in most areas of Central and West Java in an effort to prevent hoarding and price rigging. The transport of rice was tightly controlled to permit the Food Supplies Board to buy it at reasonable prices for rationed distribution later. The Board announced that it would, if necessary, import supplies on the market to keep prices down. Shortages of rice, textile and other goods continued during the year. Rationed goods included wheat and wheat-meal, dry yeast, tinned milk, cigarettes, matches, petroleum, textiles and sugar. Supplies of maize and oats, tinned meat and fish were too short to permit rationed distribution.

In China there were in the villages levies and compulsory purchase of grain by the Government. In the cities, speculation aggravated the strain on supplies from the interior. In the earlier phase of its coming to power, the People's Government made a serious attempt to instil confidence in the People's Bank notes by an unrelenting curbing of speculative activities. Moderate success was also achieved in holding down prices in the cities by releasing large amounts of rice, flour, sugar, cotton yarn and cloth in the markets. In August and September, Shanghai suffered principally from the effects of the blockade. The recent revival of inflation led to a revival of speculative elements which were ready to take advantage of the acute conditions prevailing at the end of the year.

SUMMARY

Prices within the region generally give an impression of having moved in a disjointed fashion governed largely by local influences. The following observations sum up the salient features.

Prices tended to be stabilized or to fall in the first half of the year in all countries of the region except in Burma, China and Korea. On the

commodity side the reasons were increased production, particularly of food, improvement in transport and substantial imports, financed partly by reductions in foreign assets and partly by foreign aid. The increases in supplies were particularly significant in their deflationary effects in Malaya, Ceylon, Pakistan, the Philippines and Thailand. On the other hand, the difficulties in obtaining supplies were to some extent responsible for price rises in Burma and China, and in the latter part of the year in Hong Kong.

Imports not only increased the supplies of goods available for sale but also transmitted the influence of the United States recession of late 1948 and early 1949 to the price levels of the countries within the region. In the third quarter of the year, the deflationary trends were arrested partly as a result of attempts at curtailment of imports arising from the heavy fall in foreign assets in the first half of the year. In the fourth quarter the effects of the depreciation and devaluation of local currencies led to an upward pressure on prices in Burma, Ceylon, Malaya, Hong Kong, Indonesia and Thailand. The effects have not yet fully worked out, and for this and other reasons, the year closed with prospects of a rise in prices in these countries and in India and the Philippines. In the meantime, the general fall in prices during the year led to a gradual loosening of the measures of price control and rationing.

Deficit spending continued to characterize the economies of Burma, Ceylon, China, India, Indochina, Indonesia, Korea, Pakistan and the Philippines. The inflationary effects of budgetary deficits in India were offset by the deflationary effects of a heavy import surplus and a fall in private investment. In the Philippines and Indochina, import surpluses and flight of capital to the United States and France, respectively, tended to counteract the effects of budgetary deficits and foreign military expenditure. Deficits in Korea were particularly the products of heavy Government expenditure on defence, and purchases of food grains and raw materials. The astronomical price rises in China in the early part of the year were the results of the loss of confidence in the National Government currency. Under the Peking Government, the year ended with a revival of inflation as a result of continued scarcities, blockade and heavy military expenditure. Civil strife also continued to disrupt supplies and shatter Burma's economy.

In Japan the disinflationary programme was rigorously followed. This included surplus budgeting, restriction on credit, wages and prices, and reduction in subsidies. During the four months from April to July the stringent measures to reduce spending worked only too well, and resulted in a growth in unemployment, stockpiling of goods and a consequent fall in free market prices, particularly of producer goods. From August onwards there was a gradual relaxation of the rigorous measures, and the development from disinflation into deflation was arrested. Korea, on the other hand, appeared to be on the brink of a severe inflation.

CHAPTER IX

International Trade

Imports, Exports and the Balance of Trade

The aggregate dollar value of trade of the ECAFE countries excluding China, Nepal and British Borneo in 1949 was 6.3 per cent higher than in 1948 and 125 per cent higher than in 1938. The increase, however, was not evenly divided between imports and exports. The aggregate imports rose sharply in the year with a slight increase in exports. The result was that for the region as a whole the import surplus in 1949 was about 80 per cent above that for 1948, and contrasted with the export surpluses of pre-war years.

In table 63 the trade figures of the ECAFE countries (excluding China, Nepal and British Borneo) and of Japan are shown in millions of United States dollars for 1948 and 1949 as compared with 1938. The figures for China are not included as that country's trade returns are not available.

Though the figures for China are not known, it is clear that because of political and economic unsettlement, that country's external trade appears to have been considerably reduced, especially during the second half of the year.

The other countries of the region fared diversely. All were to some extent affected by the recession of late 1948 and early 1949 in the United States and by the "dollar crisis", especially in the sterling area. The trade of Burma, Indochina and Indonesia continued to be affected by the results of war devastation and civil disturbances in the years after the war. Exports of rice from Thailand were still below the pre-war level in spite of considerable recovery in rice production. India, afflicted with a poor harvest in 1948/49 and at the same time pressing forward with plans of development requiring much capital equipment, increased its imports greatly in spite of the tendency of exports to decline. A similar development was seen in the trade of Pakistan.

The balance of trade of India in 1949 showed a much larger import surplus than in 1948 and contrasted with the export surplus in 1938. In November, however, there was an export surplus for the first time since partition. Pakistan, which had a considerable export surplus in the first half of 1948, experienced a large import surplus in 1949, when imports increased greatly because of large purchases of both investment and consumption goods and exports declined, mainly because of poor harvests in the 1948/1949 season and of the dispute with India over

Table 63. External Trade in Merchandise, 1938, 1948 and 1949

(Annual total value in millions of United States dollars)[a]

	1938			1948			1949		
	Imports	*Exports*	*Balance*	*Imports*	*Exports*	*Balance*	*Imports*	*Exports*	*Balance*
Burma[a]	79	193	+114	170	243	+ 73	101	204	+103
Ceylon	86	104	+ 18	300	306	+ 6	289	293	+ 4
Hong Kong	188	185	— 3	523	399	—124	666	564	—102
India[a,b]	563	609	+ 46	1,419	1,295	—124	1,753	1,227	—526
Indochina	56	81	+ 25	188	92	— 96	232[c]	69[c]	—163[c]
Indonesia	278	380	+102	428	392	— 36	498	525	+ 27
Korea[d]	300	249	— 51	206	19	—187	132	14	—118
Malaya and Singapore	315	326	+ 11	842	813	— 29	796	718	— 78
Philippines[e]	145	104	— 41	623	286	—337	654	238	—416
Pakistan	...	...	...	254	262	+ 8	424[c]	266[c]	—158[c]
Thailand[f]	49	77	+ 28	95	103	+ 8	114[g]	129[g]	+ 15[g]
Total of above ECAFE countries[h]	2,059	2,308	+249	5,048	4,210	—838	5,659	4,247	—1,412
Japan	1,070	1,109	+ 39	683	259	—424	866	511	—355

Source: Statistical Office of the United Nations (except data for Thailand). Figures relate to General Trade except for Indochina and Indonesia for which Special Trade is referred to.

[a] For 1938, twelve months beginning April 1938.

[b] Indo-Pakistan trade included in 1948 and 1949, except for January and February 1948 for which months sea-borne trade between these two countries is not included.

[c] Adjusted figure for the year based on data for January-November 1949 only.

[d] Korea in post-war years refers to South Korea only.

[e] Imports reported f.o.b.; adjusted to f.o.b. + 10 per cent. Exports reported c.i.f.; adjusted to c.i.f. — 9 per cent.

[f] Official rate was used to convert import value for fuel oils and market rate for other items.

[g] Adjusted figure for the year based on data for January-August only.

[h] Rounded totals for ECAFE countries, excluding China, Nepal and British Borneo, during 1949 are arrived at by allowing for incomplete periods the following adjustments: Thailand trade in the last quarter of 1949 assumed to be the same as for the third quarter, the third quarterly figure being based on the monthly average of July and August; Indochina and Pakistan—figure for December 1949 assumed to be average for October and November 1949.

currency devaluation. The low level of production of jute in the Sub-Continent was probably a more material factor in reducing the exports of these two countries than the fall in United States demand because of the recession. The inadequate harvests of food grains and the capital investment programmes of the Governments likewise had more to do with the expansion of imports than the slightly lower level of import prices.

The exports of the Philippines, Ceylon and Malaya were more seriously affected by the fall in the United States demand. A declining demand for copra and coconut oil manifested itself quite early in 1948 in the dollar area and was not sufficiently offset by a greatly increased export of sugar from the Philippines. Towards the end of 1948 and in 1949, the decline of United States demand and the consequent fall of prices of rubber adversely affected the trade balances of Malaya and Ceylon. In Malaya, the import surplus in 1949 greatly increased over that in 1948, and contrasted with the export surplus before the war. In Ceylon, the export surplus in 1949 fell further from the 1948 level, which was much lower than pre-war. The shrinkage of demand for tin in the United States was less marked, and its effect on Malayan exports was not seriously felt because tin prices were maintained until the restoration of a free market in tin toward the end of the year.

Indonesia also had to reckon with the slackening of United States demand, but in that country the effects were masked by the rapid increase in production of petroleum, vegetable oils, rubber and tin. Both the exports and imports of Indonesia showed a continuing tendency to increase in 1949 as in 1948, and the import surplus for the latter year changed into an export surplus in 1949. This reflects the fact that economic recovery has progressed in spite of internal disturbances.

In Burma and Indochina the civil war continued to hinder production and trade. Burma nevertheless had an export surplus as a consequence of drastic control of imports, which were reduced far below the already low levels of 1948. In Indochina a large import surplus was maintained with the help of substantial aid from France, of which a good portion was for capital investment; and in 1949 imports exceeded those of 1948 by a substantial margin both in quantity and value.

The exports of South Korea in 1948 and 1949 were reduced to a tiny fraction of the pre-war volume and the huge import surplus was financed by the U. S. Aid programme under Economic Cooperation Administration appropriations.

Hong Kong and Thailand enjoyed for different reasons a year of somewhat improved trade position. Before the devaluation of sterling and associated currencies, Hong Kong was one of the few places where

trade could be legitimately done at exchange rates approximating those eventually approved by the International Monetary Fund; and it was also a place where United States goods could be obtained by other countries without the expenditure of dollars. In Thailand, exports increased more rapidly than imports in 1949 as compared with 1948. The country improved its favourable balance in 1949 over 1948; such balance, however, still fell short of the pre-war level.

In 1949, for the region as a whole the very large import surpluses of India and the Philippines and the substantial import surpluses of Malaya, Hong Kong, Indochina, South Korea and Pakistan greatly outweighed the modest export surpluses of Burma, Ceylon, Thailand and Indonesia.

It is not possible to give index numbers of quantum of trade for most of the countries of the region. Available figures are shown for Ceylon, India, Indochina and Malaya in table 64, which largely confirm the above analysis of the trade of these countries.

Table 64. Ceylon, India, Indochina and Malaya: Indices of Quantum of Exports and Imports

	Base Year	*1948*	*1949*			*Per cent increase or decrease (—) from corresponding period of 1948*		
		Quarter IV	*I*	*II*	*III*	*I*	*II*	*III*
Ceylon								
Imports	1934-1938	102	132	138	98	24.5	12.2	—10.1
Exports		131	124	129	130	— 6.1	4.0	— 0.8
India	1 April							
Imports	1937-31 March	82	108	124	104	27.1	44.1	33.3
Exports	1938	57	57	50	56	— 8.1	—12.3	1.8
Indochina								
Imports		144	115	154	181	35.2	25.2	49.6
Exports	1937	38	32	29	23	— 3.0	— 6.5	—47.7
Malaya and Singapore								
Imports		117	119	135	119	6.3	2.3	—11.9
Exports	1938	135	147	118	134	15.7	—13.2	—10.7

Source: Statistical Office of the United Nations.

In table 65 the exports and imports of the various countries are shown as percentages of the regional total (excluding China, Nepal and British Borneo).

Table 65. Trade of ECAFE Countries[a] as Percentages of ECAFE Total

	Exports				*Imports*			
	1938	*1949*			*1938*	*1949*		
		I	*II*	*III*		*I*	*II*	*III*
Burma	8.4	6.8	6.0	4.2	3.8	1.5	1.6	2.3
Ceylon	4.5	6.5	7.3	7.6	4.2	5.9	5.3	4.6
Hong Kong	8.0	10.9	12.2	16.8	9.1	9.3	11.0	14.1
India	26.4	27.7	27.2	28.6	27.4	33.5	33.5	30.4
Pakistan		8.7	7.4	4.1		8.1	7.1	7.7
Indochina	3.5	1.8	1.8	1.5	2.7	3.0	3.7	4.9
Indonesia	16.5	10.5	12.7	12.8	13.5	7.2	8.7	11.2
Korea[b]	10.8	0.2	0.5	0.2	14.6	2.5	2.7	1.7
Malaya and Singapore	14.1	18.3	15.8	17.4	15.3	14.3	14.6	13.6
Philippines	4.5	5.3	6.0	5.3	7.0	12.9	9.7	8.3
Thailand	3.3	3.3	3.1	1.5	2.4	1.8	2.1	1.2

Source: Statistical Office of the United Nations.

[a] Excludes China, Nepal and British Borneo.
[b] Korea in post-war years refers to South Korea only.

Partly because of the increased imports of food and capital goods, and partly because of the partition into two countries of the Sub-Continent, the share of India and Pakistan in the trade of the region is much greater than that of undivided India before the war. The three major rice-exporting countries — Burma, Indochina and Thailand — which in 1938 used to contribute about 15 per cent of the exports of the region (excluding China, Nepal and British Borneo), in 1949 contributed only about 10 per cent. But while Thailand had returned to its former relative position in exports and was taking a smaller proportion of the imports of the region, Indochina was on the contrary taking a larger proportion of the imports while having a smaller share of the exports, and Burma had suffered a serious relative decline in both exports and imports. The proportionate shares of Ceylon and the Philippines in both the imports and exports of the region had increased. South Korea, on the other hand, currently has a very much smaller proportion of the region's trade. The main *entrepôt* trade of Hong Kong is now a larger proportion of the regional total. Malaya and Indonesia, which together used to take about 30 per cent of both imports and exports of the region (excluding China, Nepal and British Borneo), are now taking only 23 per cent of the imports and are maintaining the pre-war percentage of the exports. The recovery of the trade of Indonesia is far from complete. Exports of petroleum, rubber and tin have risen but estate agricul-

ture — especially sugar — has not been completely rehabilitated. Malayan imports are a smaller proportion of the regional total than before the war, but Malayan exports make a rather larger proportion.

The Geographical Distribution of Trade

In 1949 the direction of trade of ECAFE[1] countries was modified. Though the pattern of trade remained very different from the pre-war, the figures for ECAFE countries given in table 66 suggest that the post-war preponderance of the United States in the imports of the region is declining and that the trade with Japan, although still inconsiderable as compared with pre-war, is beginning to re-emerge as a major element. The United Kingdom's share of imports rose somewhat over the pre-war level, while that of exports fell. As compared with pre-war, imports from countries within the region were a smaller share of the total, while exports claimed a larger proportion.

As compared with 1948, the dollar value of imports from Japan and the United States increased during the year under review; while that from the United Kingdom and countries within the region declined. Exports to the United States and countries within the region declined while those to Japan and the United Kingdom increased over the 1948 level.

The general tendency for imports to increase more or decline less than exports led to an all round deterioration in the balances of trade. Before the war the ECAFE countries had substantial export surpluses with the United States and the United Kingdom, more than sufficient to offset their import surpluses with Japan and the countries of the region. In 1948 they had import surpluses all round which in 1949 had increased in all cases except from the United Kingdom.

Intra-regional Distribution of Trade

In table 67 are exhibited, as percentages of total imports and exports of the various countries, the available figures of the trade of ECAFE countries with each other.

Malaya's exports to Indonesia and Hong Kong's exports to Malaya include re-exports (which seem to have been recorded by the importing countries by their country of origin). Of the importing countries Ceylon obtained substantial proportions of its total imports from India and Burma; India obtained a large proportion of its imports from Pakistan; Korea obtained about a fifth of its imports from China; Burma

[1] Including Burma, Ceylon, Hong Kong, India, Indochina, Indonesia, South Korea, Malaya and Singapore, Pakistan, the Philippines and Thailand. Data for other ECAFE countries including China are not available.

Table 66. Direction of Trade of ECAFE Countries[a]

Trade with		Value (Monthly average in millions of United States dollars) 1938	1948	1949	Percentage share 1938	1948	1949	Relative changes 1938 = 100 1948	1949
All countries of world	Imports	171.6	417.2	467.6	100	100	100	243	272
	Exports	192.3	351.0	349.5	100	100	100	183	182
	Balance	+ 20.7	— 66.2	—117.8					
ECAFE region[a]	Imports	51.7	128.5	119.2	30.1	30.8	26.0	249	230
	Exports	51.4	108.8	96.0	26.7	31.0	27.6	211	187
	Balance	— 0.3	— 19.7	— 23.2					
Japan	Imports	33.7	10.2	17.0	19.6	2.4	3.6	30	50
	Exports	26.2	5.2	9.4	13.6	1.5	2.6	20	36
	Balance	— 7.5	— 5.0	— 7.6					
United States	Imports	17.5	100.0	102.4	10.2	24.0	24.0	571	585
	Exports	31.3	77.8	69.3	16.3	22.2	19.6	249	221
	Balance	+ 13.8	— 22.2	— 33.1					
United Kingdom	Imports	29.8	77.7	77.5	17.4	19.7	18.6	261	260
	Exports	38.3	50.4	50.7	20.0	14.4	14.4	132	133
	Balance	+ 8.5	— 27.3	— 26.8					

Source: Preliminary data based on national statistics.

[a] For coverage of ECAFE countries, see table 63.

nearly a third of its imports from India, and Malaya and Singapore did a large *entrepôt* trade in the produce of Indonesia and Thailand. Of the exporting countries Indonesia shipped a large proportion of its exports to Malaya and Singapore, whence much is distributed to world markets; Hong Kong sent to Malaya a considerable proportion of its exports, including goods from the dollar area which could not be imported directly into Singapore because of restrictions on dollar expenditure. Export of rice from Indochina went largely to Hong Kong and Malaya; that from Burma and Thailand, for the most part, to other countries of the region, in particular, Ceylon, India, Indonesia and Malaya; and export of tin and rubber from Thailand to Singapore when not consigned directly to the United States. India exported manufactured goods and coal to Pakistan. Korea's exports went largely to Hong Kong. Otherwise the countries of the region were not principal customers or suppliers of each other.

There have been some significant changes from pre-war patterns of trade between countries of the region. In 1938, 55 per cent of Burma's imports were from India and 54 per cent of Burma's exports went to India; and much smaller proportions were imported from and exported to Malaya than in 1949. The fall in the percentage of India's trade with Burma is, among other things, a consequence of the civil war in Burma. For Ceylon too, India has become a less important trading partner. In 1938 India supplied 22 per cent of Ceylon's imports and took over 3 per cent of its exports. India's trade with Pakistan was an internal trade before partition. The unsettled conditions in China have made a great difference to the trade with Hong Kong, which in 1938 obtained 39 per cent of its imports from China and sent 45 per cent of its exports to China. Indochina is at present importing much less from Hong Kong and exporting a much larger proportion of its total exports there than in 1938. A similar change is observed in the trade of Indonesia with Malaya, imports from Malaya having fallen and exports to Malaya having risen. The trade between Thailand and Hong Kong, on the other hand, seems to have changed in the opposite way. Most striking af all is the diversion of Korean trade from Japan to Hong Kong, which took 73 per cent of Korea's total exports in 1948 and 73 per cent in 1949 as against practically nothing in 1938, and supplied 16 per cent of Korea's imports in 1948 and 9 per cent in 1949 as against 1.5 per cent in 1938.

Changes between 1948 and 1949 were not marked. Burma and Ceylon took a slightly larger proportion of their imports from India. Hong Kong sent a larger proportion of its exports to China and smaller proportions to Indonesia, Malaya, the Philippines and Thailand. A smaller proportion of India's exports went to Pakistan, while a larger proportion of Indonesia's exports went to Malaya. The proportion of Malaya's imports from, and that of its exports to, Indonesia fell

Table 67. Trade of ECAFE Countries with Each Other 1949

(Percentages of value)

Exporting countries	*Importing countries*											
	Burma	*Ceylon*	*China*	*Hong Kong*	*India*	*Indochina*	*Indonesia*	*Korea*	*Malaya and Singapore*	*Pakistan*	*Philippines*	*Thailand*
Percentage distribution of imports of each importing country supplied by each exporting country												
Burma		14.9	...	0.7	2.6	...	3.2	...	4.5	...	0.5	0.1
Ceylon	0.1	...	...	0.1	0.4	...	...	...	0.2	...	0.1	0.1
China	8.6	0.2	...	21.6	0.1	3.3	2.2	20.4	4.1	...	2.1	6.7
Hong Kong	5.0	...	..		0.5	0.5	2.7	9.3	2.6	...	0.2	22.0
India	31.6	14.8	...	3.3	.	2.8	1.2	1.2	3.7	...	0.6	8.1
Indochina	—	...	...	0.8	0.1	..	...	—	1.3	...	..	—
Indonesia	—	0.3	...	1.4	—	1.8		—	17.2	...	2.5	3.1
Korea	..	..	...	3.4	...	...	...		—	...	...	—
Malaya and Singapore	5.9	0.4	..	4.0	2.2	0.3	1.9	6.3		...	—	12.6
Pakistan	0.5	1.2	...	...	3.7	.	3.8	..	—		...	—
Philippines	—	..	...	0.6	0.1	0.2	—	0.2	0.1	...		0.4
Thailand	0.9	3.9	...	4.0	1.6	1.1	3.4	...	10.5	...	1.6	—
Percentage distribution of exports of each exporting country consigned to each importing country												
Burma		19.0	4.7	1.7	37.7	0.3	..	...	13.3	4.7	1.4	0.2
Ceylon	—		—	..	2.3	...	—	—	—	2.1	...	—
Hong Kong	0.7	0.2	25.2	.	1.6	0.8	2.4	5.3	10.3	...	4.4	4.9
India	0.9	3.1	0.4	0.5	—	0.4	—	—	0.7	13.9	0.5	0.4
Indochina	...	...	0.7	14.4	0.2		—	—	10.3	...	0.2	4.7
Indonesia	0.2	...	—	0.9	0.4	...	..	...	25.2	—	0.9	0.7
Korea	...	...	0.8	72.9	—	..	—	—	—	...	—	..
Malaya and Singapore	0.8	1.7	0.4	3.9	3.6	0.5	8.3	0.1		0.6	0.6	2.7
Philippines	—	—	0.3	2.3	0.8	.	0.2	..	0.3	...		0.1
Thailand	...	4.9	6.6	7.8	2.2	0.1	6.7	...	18.7	...	2.6	...

Source: Preliminary data based on national statistics.

slightly. The proportion of the exports of Indochina consigned to Hong Kong rose a little. Other changes were small.

A comparison of trade in 1949 with that in 1938 and 1948 is shown in table 68 which gives the percentage of total imports and exports traded between countries in the region and index numbers.[1]

Significant changes in the trade of ECAFE countries which have taken place since 1938 are the decreases in the proportions of their imports obtained from countries of the region by Burma, Ceylon, Hong Kong, Indochina and Malaya; the increases in the proportion of imports obtained from the region by India, Korea, the Philippines and Thailand; and the increases in the proportion of exports sent to countries of the region by all the countries except Hong Kong and Thailand.

In 1949 the dollar value of trade done within the region was generally lower than in 1948 for all the countries except Hong Kong and Indonesia, where the increase was considerable. There was a rise in the imports of India and Ceylon from the region, but their exports to the region fell. As the changes in trade with the region were in the same direction as the changes in the total trade of most of the countries, the changes in the proportion of intra-regional to total trade were in general less significant.

Trade with Japan

With recovery of production and modification of controls, Japan was able in 1949 to play a greater part in the trade of the region and again appeared as an important supplier of cotton and rayon textiles. The comparative figures for 1938, 1948 and 1949 are shown in table 69.

In 1938 Korea as part of the Japanese Empire took nearly all its imports from and sent nearly all its exports to Japan, the total trade amounting to over US$38 million a month. India also did a substantial trade with Japan, amounting in all to US$9.3 million a month. Thailand, Indonesia, the Philippines and Ceylon took a significant share of their imports from Japan, but shipped a smaller share of their exports to that country. Malaya and Indochina showed an opposite trend: the percentages of imports from Japan were less than those of exports to that country. Since the war, South Korea has done a much smaller fraction of its greatly reduced trade with Japan, and in general the proportion of the trade with Japan in the total trade of the ECAFE countries

[1] Owing to lack of data for some countries the coverage differs for the countries shown in the table, and the pre-war figures for India and Korea are not strictly comparable with the post-war figures for the Dominion of India and the Republic of Korea. The figures are adequate, however, to indicate the trends.

Table 68. Trade of ECAFE Countries[a] with the ECAFE Region 1938, 1948 and 1949

	Value (Monthly average in million dollars)			Percentage of total			Index numbers (1938=100)		(1948=100)
	1938	1948	1949	1938	1948	1949	1948	1949	1949
Burma									
Imports	4.0	4.8	4.4	60.1	33.9	52.5	120	110	92
Exports	11.2	16.9	14.1	69.6	83.3	83.0	151	126	83
Ceylon									
Imports	3.2	8.2	8.6	45.0	32.8	35.7	256	269	105
Exports	0.3	1.1	1.0	3.8	4.4	4.1	367	333	91
Hong Kong									
Imports	9.5	17.2	22.0	60.4	39.5	39.6	181	232	128
Exports	10.2	20.5	26.4	66.4	61.8	56.2	201	259	129
India									
Imports	9.7	28.7	33.9	20.6	24.3	23.2	296	349	118
Exports	8.3	28.5	21.3	16.3	26.4	20.8	343	257	75
Indochina									
Imports	1.1	1.8	1.8	24.0	11.3	10.0	164	164	100
Exports	1.6	2.3	1.6	23.1	29.5	30.5	144	100	70
Indonesia									
Imports	3.6	4.6	7.6	15.4	12.8	18.4	128	211	165
Exports	6.6	7.4	12.4	20.8	22.5	28.3	112	188	168
Korea									
Imports	2.4	7.7	4.1	9.5	45.0	37.4	221	171	53
Exports	3.9	1.2	0.9	18.6	78.9	73.7	31	23	75
Malaya and Singapore									
Imports	15.3	31.8	29.3	58.3	45.3	44.2	208	192	92
Exports	4.1	15.9	13.9	15.1	23.5	23.2	388	339	87
Pakistan									
Imports	...	13.4	...	..	63.4	...	...	...	...
Exports	...	8.5	..	..	39.0	...	...	..	...
Philippines									
Imports	0.9	4.7	4.1	7.2	9.0	7.6	522	456	87
Exports	0.2	1.1	0.8	2.2	4.6	4.0	530	400	73
Thailand									
Imports	2.0	5.6	3.4	49.1	70.5	53.1	280	170	61
Exports	5.0	5.4	3.6	78.7	62.9	49.6	108	72	67

Sources: Percentage shares of certain countries for 1948 derived from the International Monetary Fund, *Prewar and Postwar Trade Pattern of ECAFE Countries;* others from national publications. 1949 figures cover a number of months for which data are available. Monthly average values derived from the product of percentage shares and total trade values as given in table 63.

[a] Not including China, British Borneo and Nepal, for which data are not available.

Table 69. Trade of ECAFE Countries[a] with Japan 1938, 1948 and 1949

	Value (Monthly average in million dollars)			Percentage of total			Index numbers (1938=100)		(1948=100)
	1938	1948	1949	1938	1948	1949	1948	1949	1949
Burma									
Imports	0.45	0.11	0.35	0.4	0.7	3.7	24	78	318
Exports	0.30	0.02	0.39	0.3	0.1	2.1	7	130	1950
Ceylon									
Imports	0.49	0.30	0.50	6.6	1.4	1.7	69	94	135
Exports	0.04	0.03	0.10	0.5	0.1	0.4	75	275	367
Hong Kong									
Imports	0.47	1.70	1.50	3.0	3.9	2.9	353	360	102
Exports	0.16	1.00	1.40	1.3	3.1	3.0	644	887	138
India									
Imports	4.80	0.30	6.00	9.9	0.2	4.1	6	126	—
Exports	4.50	—	0.80	8.7	—	0.8	—	18	—
Indochina									
Imports	0.13	0.07	0.09	2.8	0.4	0.4	54	69	134
Exports	0.21	0.22	0.16	3.1	2.9	2.0	105	76	73
Indonesia									
Imports	3.29	5.90	3.70	14.8	16.6	8.3	180	112	62
Exports	0.95	0.80	1.10	3.1	2.5	2.4	84	111	131
Korea[b]									
Imports	21.84	0.30	0.30	87.3	5.2	11.8	1	1	115
Exports	16.85	0.60	0.40	80.8	15.2	19.6	4	2	61
Malaya and Singapore									
Imports	0.50	0.50	1.60	1.9	0.7	2.3	100	278	315
Exports	2.50	0.80	1.20	9.2	1.2	1.8	32	46	153
Pakistan									
Imports	...	0.25	...	...	0.7	...	...	...	...
Exports	...	0.29	...	...	1.3	...	...	...	...
Philippines									
Imports	1.06	0.20	0.70	9.6	0.4	1.4	17	65	383
Exports	0.63	1.30	1.30	5.1	4.8	5.5	205	198	97
Thailand									
Imports	0.69	0.60	2.26	15.1	2.3	6.0	90	328	364
Exports	0.04	0.10	2.55	1.3	0.3	5.4	111	2833	2550

Source: Preliminary data based on national statistics.

[a] Not including China, British Borneo and Nepal, for which data are not available.
[b] South Korea in post-war years.

has been much smaller in the post-war than in the pre-war years. In Indonesia imports from Japan constituted over 16 per cent of the total in 1948 and in the Philippines exports to Japan were nearly 5 per cent of the total. Elsewhere, except for South Korea, the proportion did not reach even 4 per cent.

In terms of value the trade with Japan generally increased in 1949 over 1948, especially in India, Burma and Thailand, but with the exception of South Korea, Indochina and Indonesia. Allowing for changes in prices the trade of most ECAFE countries, except Hong Kong and Thailand, with Japan in 1949 was still much below the pre-war volume. As compared with 1948, the proportion of the trade with Japan to total trade rose considerably in India, Thailand and Burma. It also rose in South Korea, though the value of the trade with Japan fell in that country, and in Malaya and the Philippines. The proportion of imports from Japan to total imports rose in India but fell considerably in Indonesia.

Inter-Regional Trade

For the region as a whole the most important trading partners continue to be the United Kingdom and the United States. Before the war (1938) the United Kingdom was second only to Japan as a supplier of manufactured goods to the region but led the United States and Japan as a customer for raw materials. In 1948 the United States was supplying about a quarter of the region's imports while taking over one-fifth of the region's exports. The United Kingdom was also supplying a larger proportion of the imports but taking a smaller proportion of the exports than in 1938. (See table 66.)

In 1949 while the proportion of the region's imports from the United States remained the same as in 1948, the proportion of the region's exports to the United States declined, owing to the fall of prices in the region's exports. The share of the United Kingdom in the region's imports declined slightly, while that in the region's exports remained unchanged. In tables 70 and 71 the comparative figures for 1938, 1948 and 1949 are given for the trade of the countries of the region with the United Kingdom and the United States.

As compared with pre-war, for Ceylon the notable features in the post-war years were the shift to the United States for imports and the fall in the proportion of exports taken by the United Kingdom. These tendencies were to some extent reversed in 1949 as compared with 1948. Similar shifts can be noticed in the trade of India, though the proportion of exports to the United States in 1949 continued to be much higher than pre-war and that of imports from the United Kingdom in 1949 was smaller than in 1938 and 1948. For Burma there was no great change

Table 70. Trade of ECAFE Countries[a] with the United States 1938, 1948 and 1949

	Value (Monthly average in million dollars)			Percentage of total			Index numbers (1938=100)	(1948=100)
	1938	1948	1949	1938	1948	1949	1948	1949	1949
Burma									
Imports	0.2	0.5	0.3	3.4	3.6	3.6	225	142	63
Exports	—	0.2	0.1	0.2	1.0	0.8	633	467	74
Ceylon									
Imports	0.4	1.9	1.7	2.2	7.7	7.1	475	425	89
Exports	2.8	4.2	2.6	12.6	17.7	11.4	150	93	62
Hong Kong									
Imports	1.4	8.1	11.0	8.8	18.6	20.9	579	786	136
Exports	1.3	2.2	4.5	10.1	9.7	10.1	169	346	205
India									
Imports	3.5	27.2	23.5	7.3	25.3	16.1	777	671	86
Exports	4.3	19.8	16.2	8.4	18.7	16.3	460	377	82
Indochina									
Imports	0.2	2.0	2.2	5.0	12.6	9.0	821	937	114
Exports	0.6	0.2	0.1	8.8	2.3	0.9	30	12	39
Indonesia									
Imports	2.8	8.0	10.5	12.4	22.5	24.0	289	382	132
Exports	4.1	5.8	7.0	13.5	17.5	15.7	141	168	120
Korea[b]									
Imports	0.4	0.8	0.5	1.7	16.2	19.8	190	119	62
Exports	—	0.2	0.1	0.2	5.8	4.5	767	267	35
Malaya and Singapore									
Imports	0.8	8.2	4.4	3.1	11.7	6.1	1025	544	54
Exports	8.1	17.9	16.9	30.0	26.5	25.7	221	208	94
Pakistan									
Imports	...	1.4	...	...	5.7	...	...	...	...
Exports	—	2.4	...	...	9.5	...	...	...	...
Philippines									
Imports	7.6	39.2	42.3	68.5	80.1	81.5	517	559	108
Exports	10.1	17.4	15.8	82.8	64.0	69.7	172	156	91
Thailand									
Imports	0.2	2.7	6.0	4.7	10.3	15.9	1245	2741	220
Exports	—	7.5	6.0	0.3	22.2	12.7	37,600	29,900	80

Source: Preliminary data based on national statistics.

[a] Excluding China, British Borneo and Nepal, for which data are not available.
[b] South Korea in post-war years.

Table 71. Trade of ECAFE Countries[a] with the United Kingdom 1938, 1948 and 1949

	Value (Monthly average in million dollars)			*Percentage of total*			*Index numbers (1938=100)*	*(1948=100)*	
	1938	*1948*	*1949*	*1938*	*1948*	*1949*	*1948*	*1949*	*1949*
Burma									
Imports ...	1.26	7.02	2.64	18.5	46.8	28.1	557	210	38
Exports ...	2.15	1.69	0.98	14.0	8.9	5.3	79	46	58
Ceylon									
Imports ...	4.05	4.31	4.66	20.6	17.2	18.0	106	115	108
Exports ...	11.90	7.60	8.44	53.9	32.2	33.3	63	71	111
Hong Kong									
Imports ...	1.40	6.30	7.90	9.1	14.4	14.1	445	555	125
Exports ...	0.30	1.60	2.80	2.3	4.8	5.9	527	933	177
India									
Imports ...	15.50	33.70	40.50	32.3	31.4	27.7	217	261	120
Exports ...	17.80	24.50	26.20	34.4	23.2	26.3	138	147	107
Indochina									
Imports ...	0.15	0.40	0.40	3.2	2.6	1.7	267	287	107
Exports ...	0.14	—	—	2.1	—	—	—	—	—
Indonesia									
Imports ...	1.70	3.00	2.50	7.9	8.4	5.8	171	145	85
Exports ...	1.60	0.70	1.90	5.2	2.1	4.4	41	117	285
Korea[b]									
Imports ...	0.03	0.50	0.30	0.1	9.7	11.4	1600	933	58
Exports ...	—	—	—	—	—	—	—	—	—
Malaya and Singapore									
Imports ...	4.90	13.50	15.00	18.8	19.2	20.7	276	310	111
Exports ...	4.00	9.40	8.00	14.7	13.9	12.2	235	208	85
Pakistan									
Imports ...	...	6.80	...	...	19.3	...	...	...	...
Exports ...	...	3.70	...	...	16.0	...	...	...	...
Philippines									
Imports ...	0.23	0.40	0.40	1.9	0.8	0.8	191	183	95
Exports ...	0.25	0.30	0.30	2.0	1.1	1.3	112	116	104
Thailand									
Imports ...	0.56	1.80	3.20	12.0	6.8	8.4	323	564	175
Exports ...	0.11	0.90	2.10	1.7	2.7	4.4	818	1891	231

Source: Preliminary data based on national statistics.

[a] Excluding China, British Borneo and Nepal, for which data are not available.
[b] South Korea in post-war years.

in the proportion of total trade which was done with the United States, but the proportion of imports taken from the United Kingdom was more than twice the pre-war percentage in 1948, and fell sharply in 1949; while that of export was much lower in 1949 than in pre-war and 1948.

In Hong Kong there was a shift to both the United States and the United Kingdom for imports, which continued in 1949; and there was a shift to the United Kingdom in the export trade also. An even greater shift in Malaya's trade to imports from the United States was significantly checked in 1949 while the slighter shift to imports from the United Kingdom continued; and the decline in the post-war proportion of exports taken by the United States and the United Kingdom continued. The proportion of Indonesia's exports going to the United States was smaller in 1949 than in 1948, though larger than in 1938. The proportion going to the United Kingdom was noticeably larger, but still less than in 1938. The major feature in Indonesia's import trade was the great increase in the value and proportion taken from the United States, for which ECA aid was an important cause.

Indochina continued in 1949 as in 1948 to draw a substantial proportion of its imports from the United States, but its exports to the United States and the United Kingdom were at a very low level.

United States aid, which greatly increased the value and proportion of imports from the United States to South Korea in 1948, was on a diminished scale in 1949. But as total imports were smaller the proportion from the United States rose further. Imports from the United Kingdom were smaller, though forming a larger proportion of the total.

The Philippines were again the United States' best customer in the region, with imports from the United States constituting over four-fifths of total imports in 1949 as also in 1948, a much larger proportion than before the war. Exports to the United States formed a larger proportion of total exports in 1949 than in 1948 but a smaller one than before the war. The trade of the Philippines with the United Kingdom was about the same in 1949 as in 1948, in terms of value as well as percentages, but all the post-war figures were lower than the pre-war.

Thailand has been shipping tin and rubber directly to the United States since the war and the proportion of its exports taken by the United States as well as that of its imports obtained from that country has risen sharply. In 1949 imports rose further above the level attained in 1948, but exports to the United States fell in value and proportion to the total. Imports from the United Kingdom and also exports to that country rose very considerably in 1949 as compared with the previous year.

In 1949, as compared with 1948, two countries of the region had more trade with continental Europe than with either the United States or the United Kingdom. Indochina in the first six months of 1949 took

$70.9 million, or 69 per cent of its total imports of $103 million, from France and exported to France $18 million worth of exports, over 46 per cent of a total of $38.8 million.[1] Indonesia between January and August 1949 imported from the Netherlands $76.6 million worth, 21.5 per cent of the total imports of the period, and exported to the Netherlands between January and September 1949 goods valued at $124.5 million, 32.2 per cent of the total exports.

The course of the trade of the Philippines, Ceylon and India since they became independent states indicates that the pull of the former metropolitan markets and sources of supply continues. There is a noticeable tendency for the region's pattern of trade to return to its former shape rather than to remain permanently in the form it assumed after the war. The United States can still supply more cheaply many classes of goods, but European recovery has already made itself felt.

The Composition of Trade

The general composition of trade of the ECAFE countries has not changed much in the last decade. The region remained chiefly an importer of manufactures and an exporter of foodstuffs and raw materials. In table 72 the composition of trade of six ECAFE countries, for which data are available, is shown for 1938, 1948 and 1949.

In 1949, as compared with 1938, significant changes may be observed in the case of India, wherein manufactured products accounted for a much higher, and raw materials a lower, percentage of total exports. This reflects the effects of partition of the Indian Sub-Continent as well as the advancement of industrial development in the war and post-war years. Great discrepancies also occurred between pre-war and post-war figures of Hong Kong in relation to raw materials, which are probably due to differences in classification in trade returns, as contrary but corresponding changes appeared in the "other" group, with slight shifts in the position of manufactured goods.

Comparing 1949 with the previous year, the combined imports of the six ECAFE countries indicated a slight decrease in food, drink and tobacco, offset by a corresponding increase in raw materials; whereas the combined exports for these items moved reversely. In both combined imports and exports, the position of manufactured products stood unchanged. This reflects the gradual recovery of food production and industrial output in these countries. The regional average conceals rather greater changes in some items in certain countries. The proportion of food, drink and tobacco increased and that of manufactures decreased significantly among the exports of India. In both Malayan exports and imports the importance of manufactures increased while that of the raw

[1] United Nations, *Summary of World Trade Statistics*, 1 January 1950.

Table 72. Composition of Trade in Six ECAFE Countries

(As percentage of total value, 1938, 1948 and 1949)

	Year	Food, drink and tobacco		Raw materials		Articles mainly manufactured		Other	
		Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Ceylon	1938	45.5	70.6	14.4	28.9	40.0	0.5	0.1	—
	1948	52.7	68.2	10.8	31.4	36.4	0.4	0.1	—
	1949	50.2	70.2	10.4	29.4	39.4	0.4	—	—
Hong Kong	1938	56.7	19.2	6.6	4.2	50.1	50.3	19.6	26.3
	1948	23.3	15.5	24.7	26.4	52.0	58.1	—	—
	1949	23.5	16.9	25.8	26.6	50.7	56.5	—	—
India	1938	13.5	24.4	23.8	44.2	61.0	29.8	1.7	1.6
	1948	18.6	18.9	23.7	23.6	56.9	57.0	0.8	0.5
	1949	17.9	24.1	25.6	24.5	55.5	51.0	1.0	0.4
Korea[a]	1948	2.7	69.3	16.2	3.1	80.0	27.6	1.1	—
	1949	1.5	70.7	8.7	1.6	88.3	27.7	1.5	—
Malaya and Singapore	1938	25.9	8.6	21.8	54.5	35.5	28.3	16.8	8.6
	1948	36.5	9.1	16.9	60.1	46.3	30.5	0.3	0.3
	1949	38.5	9.0	13.5	55.4	48.0	35.5	—	0.1
Philippines	1948	22.7	14.5	—	62.4	39.7	7.0	37.6	16.1
	1949	15.9	34.4	—	45.1	44.6	7.9	39.5	12.6
Six ECAFE countries	1948	25.3	21.0	17.2	37.3	51.1	39.9	6.4	1.8
	1949	23.9	24.4	18.1	34.4	51.7	40.0	6.3	1.2

Source: Prepared from official statistics.

[a] South Korea in post-war years.

materials correspondingly decreased. In the imports of South Korea manufactures increased in percentage, offset by a decline in raw materials. The recovery of the sugar industry enabled the Philippines to increase very markedly the proportion of food among exports, while the declined external demand for copra and abaca reduced that of raw materials. The Philippine imports of food were significantly less in proportion and imports of manufactures correspondingly greater.

Trade in Principal Commodities [1]

Food, Beverages and Tobacco

Rice and cereals

Before the war the average annual (1934-1938) net export of milled rice from this region to outside areas was 1,692,000 tons. In post-war years the region became a net importer to the extent of 300,000 tons in 1947, 400,000 tons in 1948, and 250,000 tons in 1949, in round figures. Table 73 shows the decline in total rice exports below pre-war level, but a gradual recovery during the last three years.

Table 73. Export of Rice to All Destinations

(In thousands of metric tons, milled rice equivalent)

Exporting country	*1934-1938*	*1946*	*1947*	*1948*	*1949*
Burma	3,070	424	805	1,230	1,190
Indochina	1,290	98	43	172	94
Pakistan	260	300	331	145	...
Thailand	1,388	450	390	812	1,215
TOTAL	6,008	1,272	1,569	2,359	2,499
Percentage of 1934-1938		21	26	39	42

In other cereals, i.e., wheat and coarse grains, the region's position also shifted from a surplus in the pre-war to a deficit in the post-war years. Before the war, the region used to have a small net export of some 100,000 tons of these cereals per year; after the war there appeared a regional import of some 4.4 million tons in 1948 and some 6.4 million tons in 1949. In all food grains taken together, the region had a net export of some 2 million tons per year before the war, but a net import of over 5 million tons in 1948 and some 6.7 million tons in 1949. Moreover, in the past two years over half of the total had to be obtained from the United States. Increased purchases from Canada were also

[1] The sections on rice and cereals, fats and oils, fibres and beverages have been prepared by the Food and Agriculture Organization. The 1949 trade statistics on these commodities are provisional and subject to considerable revision during the course of the year.

necessary. Only a relatively small part of the increased requirements has been met from Australia and Argentina, sources which before the war supplied about three-quarters of the imports into the area. The increased requirement was due primarily to the needs of India and Japan. Part of the increase is due to the deficiency in rice supplies, but a significant portion is due to the continuing population increase. In the conditions of world grain scarcity prevailing in the immediate post-war years it was necessary to accept coarse grain for use as food. With the easier world-supply conditions now prevailing it is anticipated that coarse grain imports will be reduced before those of wheat.

Substantial quantities will again be needed from outside the area in 1950, and with the devaluation of currencies linked with sterling the cost of food imports from the dollar area will be higher. But with some increases in local crop production, more settled conditions in some areas facilitating better government procurement, and efforts to husband foreign exchange resources, the purchases of grains from overseas are not likely to reach the 1949 figures. India's import programme for 1950 provides for a reduction of some 2.25 million tons from 1949 imports of about 3.6 million tons. In China, despite the apparently greater need for imports following the crop reduction, imports to date have been smaller than a year ago and seem likely to decline further as a consequence of import restrictions. Regarding individual sources of supply, it is probable that the great dependence on the Western Hemisphere, particularly the United States, will continue, owing to the comparatively limited prospects of availability from other sources.

Fats and oils

Table 74 shows gross exports of principal oil-seeds, fats and oils from the region. Exports from most of the countries in the Far East show about the same improvement in 1949 over 1948 as do the production estimates. Compared with pre-war, however, exports even in 1949 still show a much larger percentage decline than is the case with production. The largest declines are those of exports from China, including Manchuria, Japan and India, total shipments from which were 150,000 tons in 1949 as compared with over 1.3 million tons per year before the war. Against this heavy reduction in exports, there has been an equally heavy decline in the imports of fats and oils into those countries. Retained imports into Japan are now only about 60,000 tons (mainly from the United States) against 170,000 tons pre-war (mainly from Manchuria), and those into India, 25,000 tons against 75,000 tons pre-war. Shipments of copra and coconut oil from the Philippines and Ceylon are now at or above pre-war levels, but those from India, Malaya and other countries of the region are still well below pre-war. Indonesian shipments of palm oil in 1949 were only about one-third of the pre-war peak, though a substantial recovery is anticipated for 1950.

Table 74. Gross Exports of Principal Oil-Seeds, Fats and Oils

(In thousands of metric tons, oil equivalent)

	Pre-war 1936-1938	*1947*	*1948*	*1949*[a]
Philippines				
Copra and coconut oil	356	643[b]	443	421
Indonesia				
Copra and coconut oil				
To Singapore	67	33	52	55
To other destinations	271	98	155	196
Total	338	131	207	251
Palm oil and palm kernels	248	3	41	90
Malaya and Singapore				
Copra and coconut oil				
Gross imports	76	36	58	65
Gross exports	171	49	97	115
Net export	95	13	39	50
Palm oil and palm kernels	65[c]	48	55	60
Ceylon				
Copra and coconut oil	98	62	112	98
Other areas				
Copra and coconut oil	160	85	100	. .
TOTAL ABOVE COUNTRIES	1,360	985	997	1,080
India[d]				
Groundnuts and oil	394	36	71	50
Linseed, castor etc.	107	54	54	40
China (including Manchuria)				
Edible type oil-seeds and oil	528	36	26	60
Tung oil, perilla etc.	131	81	75	
Japan				
Whale and fish oil (and derived products)	150	1	6	
TOTAL ABOVE THREE COUNTRIES	1,310	208	232	150
GRAND TOTAL	2,670	1,193	1,229	1,230

[a] Partly estimated.

[b] Represents probably fourteen to fifteen months' production, due to production having increased late in 1946 faster than shipping facilities.

[c] Relates to year 1939, by which period oil-palm plantations had reached a maturity well above the 1935-1938 average.

[d] Excluding shipments to Pakistan.

The continuance of the low level of exports is due to a number of causes — for instance, political and economic unsettlement in China (including Manchuria), the urgency of producing food grains in preference to alternative crops in India, and heavy damage caused under Japanese occupation to oil-palm plantations in Indonesia. In the case of copra and coconut the position is complicated. In the Philippines, for example, copra production in 1947 showed a phenomenal increase over pre-war, but a decline ever since. Other countries saw increases during the last two to three years but are still well below pre-war despite the apparently attractive prices still obtained. These prices have fallen considerably from the peak reached in 1947/48, but compared with pre-war they are well above general world agricultural commodity price levels, apart from rice. Probably the continuing shortage and high prices for rice and consumer goods imported into the copra-producing regions are the principal deterrents to a full recovery in copra production for export. Local consumption of oil is also steadily increasing even on a *per capita* basis.

Beverages etc.

Tea. Though production of tea now exceeds pre-war levels, exports are still below pre-war. Recovery of the export trade has been very slow in China, Indonesia and Japan. But exports of Ceylon, India and Pakistan have surpassed pre-war levels. Table 75 shows an increase in 1949 over 1948 for all countries except China.

Table 75. Tea Export

(In thousands of metric tons)

	1934-1938	1946	1947	1948		Part of year 1948	1949
Ceylon	99.6	132.3	130.3	134.3	April-Nov.	92.4	97.3
China	40.9	6.9	11.7	12.8	Jan.-Sept.	10.0[a]	6.0[a]
India	151.3	135.8	192.7	158.2	April-Sept.	73.3	75.8
Pakistan				12.6	April-Nov.	7.7	8.2
Indochina	1.5	0.8	0.1	0.3		..	...
Indonesia	67.6	2.8	3.9	9.0	April-Oct.	4.6	11.8
Japan	18.6	3.4	3.0	4.0	Jan.-Sept.	2.8	6.6
Malaya and Singapore	0.2	—	0.1	0.3		...	...
Taiwan	9.8	[b]	4.7	4.8		...	...
TOTAL	389	282	346	336		191	206

[a] Unofficial.
[b] Included in China.

Production and export of tea is regulated under the Interim Producers Agreement entered into by the representatives of the industry in Ceylon, India, Indonesia and Pakistan, to run from 1 April 1948 for two years.

Besides fixing export quotas, the agreement aims to control crop acreage in these countries. In effect, however, since exports up to 125 per cent of the basic quota are permitted, enlarged production is ensured. In none of these countries has the area so far exceeded the permissible acreage under the agreement. In Indonesia it was just over 50 per cent of the 519,012 acres allowed. The substantial increase in Indonesian exports during 1949 — more than twice those of 1948 for the corresponding period — indicates the possibility of rapid revival of the country's tea production.

Tea prices both at Calcutta and the Colombo auctions increased considerably in anticipation of devaluation during the latter half of 1949. This has not affected the purchases of the chief buyer, the British Ministry of Food, which has been buying on bulk contracts. The rise has been just about in proportion to currency devaluation, and some increase in exports to the United States and Canada took place.

Tobacco. Before the war, Indonesia and India accounted for the major share of the region's tobacco export. Though post-war production is recovering slowly in Indonesia, sales of Java tobacco at the Rotterdam auctions in 1949 were below similar sales in 1948 and very much below the pre-war level. This leaves India as the only important exporter of unmanufactured tobacco in the Far East.

In 1948/49 (April to March season) India's exports amounted to 23,100 tons. This was less than the record of 32,700 tons in 1946/47, but more than the 1947/48 exports of 22,700 tons. From April to July, the first part of the 1949/50 export season, the export was 9,200 tons against 6,500 tons in the same period the year before. The United Kingdom is the largest market of increasing importance as the dollar shortage stimulates a shift from the United States to other exporters of light flue-cured tobacco suitable for cigarette manufacture. Against an average import of 8,900 tons during 1934-1938, the United Kingdom imported in 1947 and 1948 about 10,400 tons annually from India. For 1949 imports seem to have increased to 17,400 tons.

India's tobacco is also exported to the Near East countries where Egypt in particular has become an established market since the war. The Scandinavian and the Benelux countries are among secondary markets of increasing importance, compared with the declining purchases of Burma and China within the region. As exports account only for some 10 per cent of India's tobacco production, the increasing European demand for flue-cured tobacco is likely to support further development in the production and export of these types.

Raw Materials

Fibres

Cotton. Because of small crops and increased internal needs, raw cotton exports from India and Pakistan have dwindled to less than one-

third of pre-war. Partition and devaluation have created further problems. India's mill capacity is larger and its crops much lower than pre-war. Consumption in 1949/50 will probably exceed local production by at least 40 per cent. Prior to the devaluation there was a hope of interchange to mutual advantage of some essential commodities. Under new conditions India's demand competes with that of Japan and the major cotton-importing countries in Europe for supplies from Africa. At the same time the United States is faced with the serious problem of mounting cotton stocks which have led to acreage control legislation for 1950.

In Japan, spinning capacity has been increased by repairs to machinery, and the labour situation has eased following improved food supplies in urban areas. United States cotton is being supplied to Japan under a series of official and semi-official credit arrangements. But Japan's main difficulty consists of earning the necessary dollars to keep these credits revolving; it is unable to obtain a good share of its cotton imports from the sterling area as it did before the war and its pre-war dollar earnings from sales of silk and silk fabrics have failed to revive. The outlook for Japan's textile exports, however, has improved somewhat by the conclusion of a new agreement with the sterling area, by the removal of controls on floor prices, and by substantial dollar aid made available for Indonesian textile purchases in 1949/50.

Jute. With no mills, Pakistan exports practically its entire jute crop, mostly to India. In 1948/49 jute accounted for some 60 per cent in value of Pakistan's total exports. India, on the other hand, is the world's leading manufacturer of jute goods, which in 1948/49 accounted for some 35 per cent in value of its total overseas exports.

Following the devaluation of the Indian rupee in September 1949, the jute trade between the two countries came to a virtual standstill. Prices in Pakistan fell sharply, and the Pakistan Government fixed minimum prices about 25 per cent below the mid-September quotations, even though at the official rate of exchange these were still above the official maximum prices previously established in India. The Government of India fixed ceilings for jute fibre and manufactures. These were somewhat higher for the raw material and somewhat lower for manufactures than the previous market prices. At the same time the export duty on hessian (burlap) was increased by 337.5 per cent, thus offsetting most of the effect of devaluation on dollar prices. Spot prices of burlap in the New York market declined moderately in late September and early October, but at the end of the year they were above the mid-September level and about three and one-half times the 1934-1938 average.

Without an early solution of the Indo-Pakistan trade deadlock, repercussions from the disruption of the jute economies of these countries are

likely to be of the utmost gravity. In the meantime the uncertainties of the situation are undermining the competitive position of jute throughout the world, especially in the United States where the use of the multi-wall paper bag is expanding steadily.

Rubber

The countries of South-East Asia produce and export 97 per cent of the world's supply of natural rubber but have no monopolistic control over rubber prices. The principal buyers are the United States and — a long way behind — the United Kingdom. Demand shows little elasticity in response to price but varies markedly with changes in the national income of the United States and business conditions, especially in the market for automobiles, in that country. The recession in the United States in the latter part of 1948 and the first half of 1949 affected exports of rubber from South-East Asia very strongly, especially in the last quarter of 1948 and the second quarter of 1949. As business activity recovered in the United States in the third and fourth quarters of 1949, the demand for rubber rose again and the volume of exports approached the levels prevailing in the third quarter of 1948. Because of large exports in the first and fourth quarters, the total exports in 1949 were very nearly as high as in 1948 and 67 per cent more than in 1938.

The price of wholesale smoked sheets, which had been over 22 cents per pound in New York in the third quarter of 1948, fell to just over 16 cents in June 1949 and remained low in July and August. In September there was a slight rise; but prices then fell again and it was not until December that the rising trend which persisted into 1950 became clear. The average price in New York in December was 17.7 cents for wholesale smoked sheets, which was still below the price of synthetic rubber and well below the price a year earlier.

Though the United States now consumes nearly twice as much rubber as before the war, about one-third of the total is synthetic rubber. The production of synthetic rubber is considered to be necessary for strategic reasons and manufacturers of tyres and other rubber goods are compelled to use a certain proportion of synthetic rubber. In 1949 manufacturers actually used about twice as much as the current regulations required. But consumption of synthetic rubber declined after the United States Government reduced the compulsory proportions, implementing decisions taken during talks with representatives of the British Commonwealth at Washington in August. Even so, the demand for synthetic rubber at prices higher than those of natural rubber is an alarming phenomenon for producers and exporters of the natural product. New uses for natural rubber, especially latex, in the making of foam rubber products, the surfacing of roads and other ways are being developed but are not likely to require, for some years, any large proportion of total products.

Table 76 shows net exports in 1938, 1948 and 1949 on an annual basis.

Table 76. Net Exports of Natural Rubber from the ECAFE Region: Summary Statistics

	Quantities (*Thousand metric tons*)			*Relative changes* (*1938=100*)		(*1948=100*)	*Percentages of world total*		
	1938	*1948*	*1949*	*1948*	*1949*	*1949*	*1938*	*1948*	*1949*
Malaya and Singapore	350	690	690	197	198	100	39.7	46.6	47.3
Indonesia	306	439	429	144	140	98	34.7	29.6	29.4
Ceylon	50	93	92	186	184	99	5.7	6.3	6.3
Indochina	60	42	42	70	69	99	6.8	2.8	2.8
Thailand	42	97	96	230	226	98	4.8	6.6	6.6
British Borneo	29	63	61	217	210	97	3.3	4.3	4.2
Burma	7	9	8	135	112	82	0.8	0.6	0.7
ECAFE region	844	1434	1417	170	167	98	95.7	97.0	97.0
World Total	882	1481	1461	168	166	99	100.0	100.0	100.0

All the producing countries except Indochina are now exporting much more than before the war, when regulation schemes were in effect. The increases in the exports of Thailand and British Borneo have more than doubled the pre-war figures. Malaya's exports have nearly doubled, Ceylon's increased by more than 80 per cent, and even those of Indonesia, where rehabilitation was delayed by internal strife, by over 40 per cent. In 1949 exports declined a little in every country except Malaya but the fall in prices was much more serious than the drop in volume. Indonesia is still contributing a considerably smaller fraction of world exports and Indochina, where production and exports have been impeded by civil disturbances now exports less than 3 per cent of the world total against nearly 7 per cent before the war. The shares of Ceylon, Thailand and British Borneo in the rubber trade have increased, and Malaya is at present exporting about 47 per cent of the world total as against about 40 per cent before the war.

The decline in the volume of rubber exports combined with the fall in prices reduced the dollar earnings of the countries of South-East Asia and contributed to the dollar crisis and currency devaluation in the sterling-area countries of the region. Malaya and Indonesia were particularly hard hit. In 1948 the value of rubber exports was 24 per cent of total exports from Indonesia and 35 per cent of the rubber exports went to the dollar area; in Malaya in the same year rubber exports were over 50 per cent of the total value of exports and nearly 41 per cent of the rubber exports went to the dollar area. But in 1949, while rubber exports rose to nearly 30 per cent of the total value of exports from Indonesia, the proportion going to the dollar area declined to 30 per cent; and in Malaya the proportion of the value of rubber exports to total exports sank to 44 per cent, while the proportion going to the dollar area fell even more markedly to 32 per cent.

Ceylon also suffered from the fall in dollar demand for rubber. Exports of rubber fell from a value of Rs. 143.4 million in 1948 to a value of Rs. 124.5 million in 1949 and from nearly 53 per cent of Ceylon's total exports to 47 per cent. Nearly the whole of this decline was due to reduction in exports to the dollar area.

The recovery which began in the fourth quarter of 1949 continued into the first quarter of 1950, when the price of wholesale smoked sheet in New York rose to over 20 cents per pound. There has been a certain shift from the use of synthetic to the use of natural rubber and United States automobile production has continued at a very high rate. The proceeds of exports in terms of the local currencies have, of course, risen even more than dollar proceeds because of the devaluation of the currencies in the producing countries.

There continued to be a brisk *entrepôt* trade in the Federation of Malaya and Singapore, through which large proportions of the exports of Indonesia, Sarawak, North Borneo and Thailand are shipped to consuming countries. But there was a significant decline in this trade in 1949. In particular, imports from Indonesia fell greatly.

Tin

During 1949 the trade in tin was subject to two major influences; the increasing production in Malaya, Indonesia and Thailand that made for expansion and the recession in the United States that made for contraction. The reduction in exports from China and Indochina resulting from internal disturbances continued, but was well offset by increases in other ECAFE countries.

Exports of tin from the region are partly in the form of concentrates, mainly from Indonesia with fairly substantial additions from Thailand and smaller amounts from Burma and Indochina, and partly in the form of smelted metal, mainly from Malaya and Singapore with small amounts from China and Hong Kong. Before the war considerable quantities of concentrates went to Singapore and Penang to be smelted. But since the war the concentrates from Indonesia have been shipped almost wholly to the Netherlands and the United States and the concentrates from Thailand have also tended to go directly to the United States. In the second and third quarters of 1949, however, larger quantities of Thailand concentrates were shipped to Singapore than to the United States, although in the fourth quarter the trend was again reversed.

The exports of tin concentrates are shown by countries of origin and principal destinations in table 77.

There was a decline in the region's export of tin concentrates in the last quarter of 1948, a rise in the first quarter of 1949 and then a decline in the rest of the year, which was in the main a consequence of the recession in the United States. The exports of Burma to Malaya fell

Table 77. Export of Tin Concentrate[a]

(In metric tons)

Period	From Burma to Malaya	From Burma to United Kingdom	From Burma Total	From Indonesia to United States	From Indonesia to Netherlands	From Indonesia Total	From Thailand to United States	From Thailand to Malaya	From Thailand Total	From Indo-China to Malaya only[b]	Total exports from ECAFE countries	World total
1938												
Quarterly average	...	...	513	...	...	3,480	...	...	3,434	—	7,828[c]	18,162
1948												
1st quarter	296	27	323	3,122	4,400	7,523	1,470	236	1,706	—	9,552	23,369
2nd quarter	335	94	433	2,403	6,537	8,940	610	467	1,077	—	10,450	25,503
3rd quarter	591	34	625	3,465	5,034	8,500	1,357	460	1,817	24	10,966	23,471
4th quarter	377	105	482	3,965	4,071	8,035	450	547	997	—	9,514	26,214
Quarterly average	400	65	466	3,239	5,011	8,249	972	477	1,399	6	10,123	24,639
1949												
1st quarter	278	65	348	4,204	4,913	9,118	970	568	1,538	68	11,072	22,658
2nd quarter	24	118	148	1,658	6,271	7,930	507	1,771	2,278	2	10,358	25,299
3rd quarter	...	...	457[d]	4,821	2,736	7,557	128	1,044	1,173	—	9,187[d]	22,150
4th quarter	...	...	457[d]	1,866	4,470	6,344	1,006[d]	1,357[d]	2,363[d]	96	9,260	24,385
Quarterly average			352	3,137	4,597	7,737	653	1,185	1,838	42	9,969	23,623

Source: International Tin Study Group, *Statistical Bulletin*, February 1950. Figures converted to metric tons.

[a] Tin concentrates refer to raw material containing a varying percentage of metal content.
[b] Represents data published under imports into Malaya.
[c] Includes 401 metric tons of exports from Indochina.
[d] Estimated from October-November figures.

sharply in the second quarter, which much more than offset a rise in the exports to the United Kingdom. The exports of Indonesia to the United States fell in the second quarter and rose again sharply in the third quarter, but not enough to compensate for the reversed changes in exports to the Netherlands. Thailand was the only country which, in 1949, saw an export of concentrates larger than in 1948. The regional export as a whole declined in 1949 from 1948.

In 1938, both Indonesia and Thailand exported about 44 per cent of the tin concentrates shipped from the ECAFE region and the regional exports were 43 per cent of the world total (see table 78). In 1949 the region was exporting a similar proportion of the world total but Thailand contributed a much smaller fraction of this proportion and Indonesian exports were about four-fifths of the regional total.

Table 78. Exports of Tin Concentrates as Percentages of ECAFE and World Totals

(As percentage of ECAFE totals)

	1938	1948				1949			
		I	II	III	IV	I	II	III	IV
Burma	6.6	3.4	4.1	5.7	5.1	3.1	1.4	5.0	4.9
Thailand	43.8	17.8	10.3	16.6	10.5	13.9	22.0	12.8	25.5
Indonesia	44.4	78.8	85.6	77.5	84.4	82.4	76.6	82.2	68.5

(As percentage of world totals)

Burma	2.8	1.4	1.7	2.7	1.8	1.5	0.6	2.0	1.9
Thailand	18.9	7.3	11.2	7.7	3.8	6.8	9.0	5.3	9.7
Indonesia	19.2	32.2	35.1	36.2	30.7	40.2	31.5	34.1	26.0
ECAFE region	43.1	40.9	41.0	46.7	36.3	48.8	40.9	41.5	38.0

Source: As for table 77.

The region contributed an even larger proportion of tin metal entering world trade (62.6 per cent in 1949, as compared with 60.5 per cent in 1948 and 46 per cent in 1938), mainly because of the position of Malaya and Singapore as the largest smelters for export. A small percentage of the tin metal exported from the region came from China through Hong Kong. The exports of tin metal are shown in table 79.

The increase in the proportion of world exports of tin metal contributed by Malaya and Singapore in the post-war as compared with pre-war years was due to a fall in the world total rather than to an increase in the Malayan output. Malayan exports are still well below the 1938 level, but world exports have recovered even less. This is due in part to the establishment by the United States of a large-scale smelter so that concentrates are now imported instead of a part of the tin metal required

Table 79. Export of Tin Metal from Malaya and Hong Kong

(In metric tons)

Period	From Malaya to United States	Canada	ECAFE countries	Europe	Total	From Hong Kong to United States	Canada	ECAFE countries	Europe	Total	Total exports from Malaya and Hong Kong	World total
1938												
Quarterly average..	...	...	...	...	15,540	...	...	...	...	...	15,540	33,529
1948												
1st quarter	6,909	853	1,367	807	10,558	122	—	—	25	208	10,766	17,476
2nd quarter	8,839	625	574	1,702	12,777	204	10	365	159	738	13,515	21,032
3rd quarter	9,754	955	1,112	2,428	14,748	313	10	20	289	632	15,380	25,503
4th quarter	4,468	284	2,535	1,762	9,890	334	—	—	187	523	10,413	18,797
Quarterly average	7,492	679	1,397	1,675	11,993	243	5	96	166	525	12,519	20,702
1949												
1st quarter	14,479	1,554	223	1,332	17,966	148	—	1	512	661	18,627	29,465
2nd quarter	4,939	254	1,159	1,543	8,483	597	430	—	304	1,331	9,814	20,016
3rd quarter	11,324	117	106	864	12,899	296	122	—	—	419	13,318	22,556
4th quarter	14,321	284	19	1,882	16,315	836	—	15	51	902	17,217	25,706
Quarterly average	11,266	552	377	1,405	13,916	469	138	4	217	828	14,744	24,436

Source: International Tin Study Group, *Statistical Bulletin*, February 1950. Figures converted to metric tons.

before the war, and in part to the development of electrolytic tinplate, which economizes the use of tin.[1]

The United States continued to be the main market for tin metal, not only because it is the principal consumer but also because producers are eager to earn dollars.

The effect of the recession in the United States was felt strongly in the fourth quarter of 1948 and the second quarter of 1949. In the first quarter of 1949 consumers seem to have made up for inadequate purchases in the previous quarter, and in the third quarter exports again approached the level of the corresponding quarter of 1948 in spite of a tendency on the part of consumers to defer purchases in the expectation that the pound sterling would be devalued and the Malayan dollar would follow suit. Price normally has little influence on the demand for tin, but substantial savings in dollars could be effected by waiting for the anticipated devaluation.

During the fourth quarter, control of tin was abolished and free markets were allowed to operate in London and New York. The final result was that dollar prices fell considerably and sterling prices, after an initial rise of over 40 per cent immediately following devaluation, settled at a level considerably lower but still substantially above the level (which was fixed by agreement) prevailing in the second half of 1948, and the first three quarters of 1949.

Next to rubber—and not far behind it in 1949—tin was the region's most important earner of dollars. The countries principally interested, Malaya and Indonesia, exported over US$100 million worth of tin to the dollar area in the first nine months of 1949. Table 80 below indicates the great importance of these receipts in the trade of the two countries.

Table 80. Exports of Tin from Indonesia and Malaya to the Dollar Area

(By value and as percentages of total tin and total exports)

	Year	*Exports to dollar area (US$1 million)*	*Percentage of exports to dollar area, to total tin exports*	*Percentage of tin exports to total exports*
Malaya and Singapore	1948	79	78.1	12.4
	1949, Jan.-Sept.	73	83.4	15.6
Indonesia	1948	..	40.6[a]	14.2
	1949, Jan.-Nov.	35	57.8	12.4

Sources: *Malayan Statistics; Economic Review of Indonesia.*

[a] Percentage in terms of quantity to United States only.

[1] See chapter II.

Table 81. Import

	Ceylon		*Hong Kong*		*India*		*Indochina*
	Kerosene (Thousand gallons)	*Motor spirit (Thousand gallons)*	*Kerosene (Thousand gallons)*	*Motor spirit (Thousand gallons)*	*Kerosene (Thousand gallons)*	*Motor spirit (Thousand gallons)*	*Gasoline (Metric tons)*
1948							
1st quarter	3,182	7,151		...	23,961	18,408	15,690
2nd quarter	1,167	3,135	..	..	40,260	34,277	13,014
3rd quarter	3,584	6,833	.	.	21,361	5,393[a]	12,483
4th quarter	1,713	6,351	...	. .	15,424	...	16,515
1949							
1st quarter	3,007	6,464	1,128	8,208	25,080	25,081	16,961
2nd quarter	5,386	5,239	4,866	20,748	55,956	41,133	21,069
3rd quarter	3,070	4,568	3,827	8,824	42,897	41,282	12,873[b]
4th quarter	3,345	8,655	6,522	7,352	. .	.	. .

Sources: *Ceylon Customs Returns; Ceylon Trade Journal; Hong Kong Trade Returns; Monthly Survey of Business Conditions in India; Economic Bulletin of Indochina; The Economic Review of Indonesia; Malayan Statistics;* Customs

[a] September only.
[b] July and August.

of Petroleum

Indonesia	*Malaya and Singapore*		*Thailand*		*Japan*	
Petroleum (Metric tons)	*Kerosene (Metric tons)*	*Motor spirit (Metric tons)*	*Kerosene (Thousand litres)*	*Gasoline (Thousand litres)*	*Gasoline (Thousand litres)*	*Crude petroleum (Thousand litres)*
187,219	26,295	41,976	15,604	17,045	64,541	—
166,262	27,167	84,044	14,789	20,498	76,675	—
300,085	25,268	78,660	14,362	19,058	69,806	—
350,326	15,911	35,134	13,742	25,273	101,306	—
257,718	37,240	70,668	35,012	52,290	84,833	—
261,464	39,971	92,469			67,897	—
617,644	19,944	123,764	..	..	101,227	24,008[c]
...	25,800	143,769	.	...	64,200[d]	—

Department of Thailand; *Japanese Economic Statistics;* Pakistan, *Karachi Commerce;* and *North Borneo Government Gazette.*

[c] July and August.
[d] October and November.

Petroleum

The data on the region's trade in petroleum products are not complete. The general picture is one of expanding exports from Indonesia and British Borneo, no revival of export from Burma and a significant increase in the imports of kerosene and motor spirit in most ECAFE countries (see tables 81 and 82).

Much more kerosene was imported by Ceylon and India in 1949 than in 1948, and also by Malaya, in spite of the drop in the third quarter. The imports of motor spirit increased by a large percentage in India and Malaya. Imports of petroleum products into Indonesia increased very markedly at the same time that exports and production were recovering in that country. This can be largely explained by the fact that consumption of refined petroleum products in the country greatly increased in 1949 over 1948, while an increased volume of crude oil was exported because of the retarded recovery in the capacity of the refineries. The *entrepôt* trade of Malaya in kerosene and motor spirit showed divergent trends: the exports of kerosene fell as those of motor spirit rose. Increases in the numbers of motor vehicles in almost all countries of the region required larger imports of motor spirit. The exports of kerosene from Malaya may have been affected by the declining incomes from exports of rubber, tin and other primary products in the surrounding countries.

Exports of petroleum from Sarawak, which had risen to 2,641,000 metric tons in 1948, i.e., by 190 per cent above the pre-war level, rose further to 3,327,000 metric tons in 1949. In 1948 nearly 56 per cent of the total was refined spirit and probably about the same proportion was maintained in 1949. The great increase was based upon the expansion of oil production in Brunei and the export of crude oil from Brunei to the Lutong Refinery in Sarawak, which rose from 696,000 metric tons in 1938 to 2,684,000 metric tons in 1948 and to 3,343,000 metric tons in 1949, 25 per cent above the 1948 figure and 380 per cent above the 1938 figure. Brunei is now the principal exporter of crude oil and Sarawak the principal exporter of petroleum in the British Commonwealth.

Coal

The imports and exports of coal of certain countries in the region and of Japan are shown in table 83.

Exports of coking coal from North China, of which Japanese industries need a large supply, were not resumed during the year. Japan obtained the necessary fuel from North America. India supplied to Japan the small quantity of 20,000 metric tons. The total exports of India rose considerably in 1949 over 1948, largely because of improved transport facilities for coal movements to neighbouring countries, especially Pakistan and Burma. When India's coal exports to Pakistan were stopped

Table 82. Export of Petroleum

	Hong Kong		*Malaya and Singapore*		*India*	*Indonesia*
	Kerosene (Thousand gallons)	*Motor spirit (Thousand gallons)*	*Kerosene (Metric tons)*	*Motor spirit (Metric tons)*	*Petroleum (Gallons)*	*Petroleum (Metric tons)*
1948						
1st quarter	...	...	30,569	32,575	3,841	773,865
2nd quarter	...	...	29,285	52,430	3,824[a]	865,570
3rd quarter	...	...	27,912	55,879	3,968[b]	1,156,169
4th quarter	...	...	19,819	44,609	...	1,053,893
1949						
1st quarter	1,879	4,762	28,668	51,806	22,126[c]	1,022,019
2nd quarter	2,556	5,208	23,488	57,209	...	1,533,693
3rd quarter	3,327	3,935	17,833	77,786	...	1,514,667
4th quarter	2,664	3,165	...	...	...	...

Sources: *Hong Kong Trade Returns; Malayan Statistics; Accounts Relating to the Sea-borne Trade and Navigation of India; The Economic Review of Indonesia; Brunei: Colonial Annual Reports;* and *The Sarawak Government Gazette.*

[a] May and June.

[b] September only.

[c] January and February.

on the ground that jute bought by India had not been delivered, the transport systems of East Pakistan consequently suffered from a shortage of coal.

The exports of coal from Indochina, which in 1948 were only a very small fraction of pre-war, dwindled to almost nothing in 1949. Imports from the United Kingdom and South Africa were of some importance to Malaya and Hong Kong; but India was the main source of coal for its neighbouring countries and almost the only source for Ceylon and Burma. Availabilities were in general well below the pre-war level and may remain so until exports from China, Korea and Europe increase considerably.

Manufactured Goods

Cotton textiles

Cotton textiles have a particular importance in the trade of the region. Cotton piece goods are, after the food grains, the most essential and largest item of consumer goods imported; they are, moreover, the principal items of manufactured goods in which producing countries of the

AFE region, notably India, China and Japan, have a significant share as suppliers. Cotton yarn is a raw material much needed, not only by handloom weavers, but also by mills in countries whose spinning industry cannot produce the full quantity or the whole range of qualities required by the weaving industry.

Singapore and Hong Kong do a large *entrepôt* trade in both cotton piece-goods and cotton yarn. The figures for these two *entrepôts* are given in tables 84 and 85 along with those of the countries which are mainly either exporters or importers.

Table 83. Trade in Coal in ECAFE Countries and Japan

(In thousands of metric tons)

	1938	*1948*				*1949*			
	Quarterly average	*Quarter*				*Quarter*			
		I	*II*	*III*	*IV*	*I*	*II*	*III*	*IV*
Imports									
Ceylon	97	85	89	103	73	72	74	77	92
Hong Kong	...	..	.	.	.	70	81	140	137
Japan[a]	1,270	73	160	437	503	540	552	560	112[b]
Malaya and Singapore	121	55	22	17	34	26	55	36	20
Exports									
Ceylon	..	31	18	31	10	13	19	34	19
India[a]	253	117	183	281	362	303	295	335	...
Indochina	394	12	18	4	27	1	11	16	5[c]
Hong Kong	...	...	...	..	...	2	1	2	15
Japan[a]	455	235	221	308	337	335	280	30	...

Sources: *Ceylon Customs Returns; Ceylon Trade Journal; Monthly Survey of Business Conditions in India; Economic Bulletin of Indochina; Hong Kong Trade Returns; Malayan Statistics;* and *Japanese Economic Statistics.*

[a] Including coke.

[b] Total for October and November only.

[c] October only.

It is evident that changes in the region's textile trade were not uniform for all the countries. Exports from India and Japan and imports into Ceylon, India, Indochina and Indonesia rose in 1949 as compared with 1948—exports from Japan and imports into India very markedly.

Table 84. Exports of Cotton Piece-Goods

	Unit of quantity	Year	Quantity Quarter I	II	III	IV
India	thousand yards	1948	47,000	58,000	125,000	78,000
		1949	80,000	76,000	109,000	50,000[a]
Malaya and Singapore	thousand yards	1948	24,312	25,417	26,989	22,092
		1949	15,416	11,194	14,898	...
Japan	thousand square metres	1948	46,711	71,105	96,888	123,224
		1949	124,358	201,462	...	...
Hong Kong	thousand yards	1949	21,995	29,563	20,367	25,109

Sources: *Monthly Survey of Business Conditions in India; Japanese Economic Statistics, Malayan Statistics;* and *Hong Kong Trade Returns.*

[a] October only.

Table 85. Imports of Cotton Piece-Goods

	Unit of quantity	Year	Quantity Quarter I	II	III	IV
Ceylon	thousand yards	1948	16,265	19,506	20,032	18,394
		1949	24,164	23,904	22,267	21,171
Hong Kong	thousand yards	1949	69,509	18,910	9,988	26,810
India	thousand yards	1948	8,371	6,371	8,317	11,524
		1949	21,202	44,297	18,705	4,438[a]
Indochina[b]	metric tons	1948	1,341	2,203	829	1,733
		1949	1,860	2,238	3,211[c]	887[a]
Indonesia[b]	metric tons	1948	10,967	4,991	6,913	11,856
		1949	9,823	9,469	8,203	...
Malaya and Singapore	thousand yards	1948	50,968	65,512	68,181	45,020
		1949	36,817	33,467	41,605	75,612
Thailand[d]	metric tons	1948	883	1,123	1,673	2,293
		1949	2,971		...	...

Sources: *Ceylon Trade Journal; Hongkong Trade Returns;* Government of India, *Monthly Abstract of Statistics; Economic Bulletin of Indochina; Economic Review of Indonesia; Malayan Statistics;* Customs Department, Ministry of Finance, Thailand.

[a] October only.
[b] Cotton fabrics.
[c] July and August 1949.
[d] Cotton shirts and blankets.

On the other hand, both imports and exports of Malaya fell decidedly. Except for Malaya and Singapore, which did a smaller trade in each quarter than in the corresponding quarters of 1948, the other countries did in general a much larger trade in cotton piece-goods in 1949. The

effects of the return of cheap Japanese textiles to the market and the relaxation of export controls in India may be observed.

Japanese cotton yarn also returned to the markets, but exports of yarn from Malaya were very low till the third quarter. Hong Kong did a considerable trade in yarn, of which some was imported for the colony's

Table 86. Export of Cotton Yarn

(In metric tons)

	Year	Quantity Quarter I	II	III	IV
Hong Kong	1949	3,950	2,530	5,003	5,166
Malaya and Singapore	1948	115	72	35	42
	1949	22	19	147	1,635
Japan	1948	686	1,748	1,096	1,970
	1949	3,541	1,569	...	...

Sources: *Hong Kong Trade Returns; Malayan Statistics;* and *Japanese Economic Statistics.*

Table 87. Import of Cotton Yarn

(In metric tons)

	Year	Quantity Quarter I	II	III	IV
Ceylon	1948	489	11	10	8
	1949	3	8	6	3
Hong Kong	1949	2,030	3,210	880	5,515
India	1948	2,398	856	958	466
	1949	2,744	4,519	2,005	...
Indonesia	1948	2,365	787	866	2,754
	1949	955	1,722	1,962	...
Malaya and Singapore	1948	232	121	111	138
	1949	85	79	331	...
Korea (South)	1948			58[b]	239[c]
	1949	282	359[a]	220	...
Thailand	1948	692	1,473	1,329	1,199
	1949	2,519		...	...

Sources: *Ceylon Trade Journal; Hong Kong Trade Returns;* Government of India, *Monthly Abstract of Statistics; Economic Review of Indonesia;* Bank of Korea, *Monthly Economic Statistics; Malayan Statistics* and Customs Department, Ministry of Finance, Thailand.

[a] May and June 1949.
[b] August and September 1948.
[c] December 1948 only.

knitting and weaving mills, some re-exported and some produced in the local spinning mills for export (see table 86).

Among yarn-importing countries India took more but others less in 1949 than in 1948, and Indonesian demand heavily increased in the middle of the year (see table 87).

From the incomplete data available, it appears that the region obtained the greater part of its imports of yarn from the United Kingdom and Japan, the greater part of its imports of unprinted cotton cloth from the United Kingdom, India and Japan and most of its imports of printed cotton cloths from the United States, the United Kingdom and India.

Capital goods

For many countries of the region, detailed trade statistics were not available in time for an analysis of the trade in capital goods. There is evidence, however, that there was a further increase in the import of constructional materials and plant equipment in 1949 as plans for development of industries were put into execution. Deliveries from the United Kingdom and Europe became more rapid and the improvement in Japanese production enabled several countries—notably India and Thailand—to obtain substantial quantities of machinery from Japan.

Table 88. Trade in Cement

(In metric tons)

	1938 Quarterly average		*Quarter* I	II	III	IV
Imports						
Ceylon	20,107	1948	36,877	18,836	9,166	29,924
		1949	46,216	35,151	25,223	32,883
India	2,005	1948	511	1,715	14,370	57,304
		1949	72,743	67,450	129,408	
Indonesia	...	1948	4,327	19,467	24,222	30,567
		1949	42,385	45,385	45,655	44,706
Malaya and Singapore	72	1948	37,551	72,483	31,690	30,671
		1949	28,395	51,824	23,518	59,283
Hong Kong	...	1949	41,819	19,433	17,905	6,201
Exports						
Indochina		1948	4,038	11,165	3,593	3,988
		1949	10,294	10,501	6,980	2,380[a]
Japan		1948	6,524	14,316	46,592	74,066
		1949	138,963	134,016	...	...
Malaya and Singapore		1948	1,344	3,470	1,946	3,343
		1949	2,859	2,031	1,494	1,663
Hong Kong		1949	2,258	2,172	6,042	1,300

Sources: *Ceylon Customs Returns; Monthly Survey of Business Conditions in India; Economic Bulletin of Indochina; Economic Review of Indonesia; Japanese Economic Statistics; Malayan Statistics;* and *Hong Kong Trade Returns.*

[a] October only.

Cement, iron and steel have been of particular importance during the post-war period, when large quantities were needed for rehabilitation and construction. Imports of cement into Malaya and Singapore were lower in 1949 than in 1948 but in other AFE countries, they rose significantly (see table 88).

The increase of exports of cement from Japan is of considerable importance to the countries of the region, and that from Indochina is also significant.

The incomplete figures on trade in iron and steel show, in general, considerable increases in 1949 as compared with 1948, especially the imports into Ceylon, India and Indochina. The United Kingdom was the principal supplier of iron and steel to most countries of the region, but Belgium also supplied considerable quantities. The Philippines continued to import mainly from the United States, which also shipped a certain amount to Hong Kong (see table 89).

The United Kingdom and the United States were also the chief suppliers of machinery to the countries of the ECAFE region (see table 90). But in 1949 Japan greatly expanded its exports of machinery to these countries and in particular to India and Thailand. The United States was practically the sole source of machinery imports of the Philippines and Indonesia. It also supplied considerable quantities to India, Pakistan, China (including Manchuria and Taiwan), Hong Kong and Malaya. The United Kingdom was India's principal supplier and also a significant source of supply to Malaya, Pakistan, Hong Kong and Ceylon.

Comparing 1949 with 1948 the most significant change was the increase in exports of machinery from Japan from a total value of $3.6 million to a total of $35.9 million, or by ten times. The greater part of the increase was in supplies to India and Pakistan, which together took $19.4 million worth in 1949 as against $1.7 million in 1948, an increase of over ten times.

The exports of machinery from the United States to ECAFE countries increased from a total value of $195 million in 1948 to a total of $216.6 million in 1949 or by 11.2 per cent. Exports to India increased by 32 per cent and to Indonesia by 67 per cent. The increase in exports to Pakistan was even more striking, being from $4.1 million to $12.7 million, or by 210 per cent. Thailand was another expanding market and took 61.5 per cent more in 1949 than in 1948.

The increase in the value of exports of machinery from the United Kingdom to ECAFE countries was also substantial. If reckoned in sterling values, the total rose from £50.2 million in 1948 to £56.6 million in 1949, or by 12.7 per cent. Because of the devaluation of sterling the increase in dollar values was less marked—from $202.4 million to $211.8 million, or by 4.7 per cent. In 1948, the United Kingdom's exports were

Table 89. Imports of Iron and Steel

(In thousand metric tons)

	1948 Quarters				1949 Quarters			
	I	*II*	*III*	*IV*	*I*	*II*	*III*	*IV*
Ceylon								
Iron and steelware	79.2	46.0	79.5	101.7	122.1	124.6	113.4	90.0
Hong Kong								
Iron and steel scrap	...	...	...	...	1.0	3.0	0.8	1.8
Iron and steel casting	...	...	. .	...	0.01	0.05	0.1	—
Wire	. .	...	..	. .	12.7	11.5	6.3	6.8
Pig iron	...	...	...	...	1.0	0.5	0.1	—
India								
Iron and steel excluding ore	41.7	38.9	34.2	30.6	41.6	50.5	57.3	...
Indochina								
Iron and steel	3.2	3.6	4.4	5.5	6.8	18.2	15.9	6.2[a]
Indonesia								
Iron and steel	0.6	0.8	1.6	3.6	0.2	1.0	2.6	...
Korea								
Bars	..	...	0.05	0.2	—	0.05	0.01	...
Malaya and Singapore								
Railway material	2.3	—	0.5	3.2	2.2	0.8	0.2	1.6
Other iron and steel products	10.9	11.6	15.3	18.2	20.9	22.5	21.1	16.4
Thailand								
Iron and steel products	1.9	2.1	1.4	3.2	...	7.4 ...	.	...
Japan								
Pig iron	—	—	10.9	—	32.8	22.9	66.9	15.3[a]
Finished steel	—	1.7	0.9	1.3	—	—	—	—

Sources: *Ceylon Customs Returns; Ceylon Trade Journal; Hong Kong Trade Returns;* Government of India, *Monthly Abstract of Statistics; Economic Bulletin of Indochina; Economic Review of Indonesia;* Bank of Korea, *Monthly Economic Statistics; Malayan Statistics; Journal of the American Chamber of Commerce,* Manila; *Customs Department, Ministry* of Finance, Thailand; and *Japanese Economic Statistics.*

[a] October only.

a little greater than those of the United States in terms of dollars, but in 1949 they were a little less. Exports to India increased by 15 per cent, and those to Pakistan by 70 per cent in sterling values.

The Philippines imported machinery in 1949 of approximately the same value as in 1948. The decreases in shipments to China and Burma were, on the other hand, very marked. In these two countries disturbed conditions continued to be handicaps to industrial development.

Table 90. Machinery Imports into ECAFE Countries by Source

(In million units of currency)

Country	From Japan[a]		From the United States		From the United Kingdom	
	1948 US $	1949 US $	1948 US $	1949 US $	1948 £	1949 £
British Borneo	—	—	...	...	0.8	1.1
Burma	—	0.2	1.8	1.0	1.8	0.6
Ceylon	—	0.1	2.6	3.2	1.3	2.0
China	0.7	0.2	37.6[c]	13.9[c]	2.4	0.7
Hong Kong	0.8	3.2	9.1	9.8	1.7	2.3
India	1.7[b]	17.6	63.5	83.8	33.7	38.9
Indochina	...	...	3.6	4.1	...	...
Indonesia	0.1	1.1	17.1	28.6	2.6	2.7
Korea (South)	—	3.0	0.8	1.6	...	...
Malaya and Singapore	—	0.1	8.0	9.7	3.3	3.8
Pakistan	—	1.8	4.1	12.7	2.0	3.4
Philippines	—	1.7	44.2	44.0	0.2	0.3
Thailand	0.2	6.9	2.6	4.2	0.4	0.8
ECAFE total	3.6	35.9	195.0	216.6	50.2	56.6

Sources: Data collected by ECAFE Secretariat from Japan; *Accounts relating to Trade and Navigation of the United Kingdom,* December, 1949; and U. S. Department of Commerce data.

[a] Including vehicles.
[b] Including Pakistan.
[c] Including Manchuria and Taiwan.

Table 90 does not cover vehicles except from Japan. Road vehicles, locomotives, ships and aircraft are an exceedingly important class of capital goods to ECAFE countries for transport rehabilitation and improvement. The United States and the United Kingdom have been the principal suppliers of vehicles; their exports to the ECAFE countries in 1949 are shown in table 91.

Imports of vehicles into Burma and China fell sharply in 1949 as compared with 1948, while those to Malaya and Indochina declined and those to Ceylon rose slightly. There were great increases in the value of vehicles exported to Pakistan, Hong Kong, Indonesia and Thailand.

Table 91. Exports of Vehicles from the United States and the United Kingdom to ECAFE Countries, 1949

	Value of exports			
	United States (Thousand dollars)		*United Kingdom (Thousand pounds sterling)*	
	1948	*1949*	*1948*	*1949*
Burma	440	26	2,485	1,101
Ceylon	1,310	1,627	1,864	1,984
China	8,390	3,745	222	62
Taiwan	13,535	13,535		
Hong Kong	1,660	7,143	1,234	2,874
India	32,880	23,745	13,080	15,771
Indochina	2,320	1,856	367	326
Indonesia	14,230	21,768	1,607	3,067
Korea (South)	150	2,041	...	...
Malaya and Singapore	2,620	2,415	6,682	6,081
Pakistan	790	10,717	1,919	4,469
Philippines	28,320	25,238		
Thailand	1,400	3,562	480	864
TOTAL ECAFE	94,550	117,418	29,940	36,599

Source: U. S. Department of Commerce: *Accounts relating to Trade and Navigation of the United Kingdom.*

Terms of Trade

Indexes of unit values or prices of exports and imports from which the terms of trade can be calculated are compiled for Ceylon, India, Indochina, Indonesia and Malaya among the countries of the ECAFE region. The Indonesian figures are wholesale price indexes of imported or exported goods, the other being unit value indexes of imports or exports (see table 92).

From these figures the terms of trade can be computed, subject to the warning that probably no allowance is made for the change in the composition of trade and that a different weighting of the components might give very different results, considering the marked change from the pre-war pattern in these countries. In table 93 the terms of trade are shown as ratios of import price indexes to export price indexes (so that a rise indicates a worsening of the terms of trade) recomputed on the annual figure for 1938 as base and also on the annual figure for 1948 as base.

Probable statistical errors in such a table do not warrant confident statements but certain broad features are apparent. The terms of trade for Ceylon were in 1948 and 1949 markedly worse than before the war, but were improving steadily during the fourth quarter of 1948 and during 1949. The terms of trade for Indonesia, where the prices of petroleum, rubber and tin rose relatively much less than those of im-

Table 92. Unit Value or Price Indexes of Imports and Exports for Five ECAFE Countries, 1948 and 1949

(1938 = 100)

	1948	1948 quarters				1949 quarters			
	Annual	*I*	*II*	*III*	*IV*	*I*	*II*	*III*	*IV*
Ceylon									
Imports	434	436	440	430	435	429	404	408	411
Exports	308	318	305	291	316	320	312	317	360
India[a]									
Imports	340	319	322	375	358	365	338	332	—
Exports	426	402	431	424	422	413	431	410	—
Indochina									
Imports	1,283	974	1,300	1,361	1,499	1,555	1,571	1,667	1,655
Exports	896	710	860	991	1,024	1,088	1,133	1,211	1,194
Indonesia									
Imports[b]	687	710	703	678	656	653	634	611	—
Exports[c]	318	290	328	339	338	317	317	308	—
Malaya									
Imports	276	281	287	262	273	283	278	267	283
Exports	230	221	227	243	227	217	214	211	257

Sources: Statistical Office of the United Nations; *Bulletin Economique de l'Indochine.*

[a] Base 1 April 1938—31 March 1939 = 100.
[b] Unweighted index.
[c] Weighted index.

Table 93. Terms of Trade[a] for Five ECAFE Countries, 1948 and 1949

		1948	1948 quarters				1949 quarters			
	Base	*Annual*	*I*	*II*	*III*	*IV*	*I*	*II*	*III*	*IV*
Ceylon	1938	141	137	144	148	138	134	129	129	114
	1948	100	97	102	105	98	95	92	91	81
India	1938	80	79	75	88	85	88	78	81	—
	1948	100	99	94	111	106	111	98	102	—
Indochina	1938	143	137	151	137	146	143	139	138	139
	1948	100	96	106	96	102	99	97	96	97
Indonesia[b]	1938	216	245	214	200	194	206	200	198	—
	1948	100	113	99	93	90	95	93	92	—
Malaya	1938	120	127	126	108	120	130	140	127	110
	1948	100	106	105	90	100	109	108	105	92

[a] Ratio of import to export price indexes.
[b] Based on dissimilar indexes.

ported capital goods and textiles, were completely changed for the worse in comparison with pre-war; but there was an improvement in the second half of 1948 that was not wholly lost in the first nine months of 1949 in spite of the slump in rubber prices.[1] Indochina might have enjoyed much less unfavourable terms of trade in 1948 and 1949 as compared with 1938 if its exports of rice could have been restored to high levels; but the rise in the prices of other export products compared unfavourably with the rise in the prices of imports of textiles and other manufactured goods and the terms of trade were worse than before the war, though not as unfavourable as those of Indonesia. India, on the other hand, exporting commodities like jute, tea, hides and skins which had risen very strongly in price and importing capital goods, textiles and food-grains, which had risen comparatively little, enjoyed terms of trade in 1948 and 1949 very much improved over those in 1938. Though the terms of trade tended to worsen slowly after the second quarter of 1948, they improved again in the second quarter of 1949. Malaya's terms of trade changed for the worse by comparison with pre-war, though not so much as those of Indonesia, Indochina or Ceylon. In the first half of 1949 they deteriorated because of falling prices for exports (notably rubber) but improved a little in the third quarter and considerably more in the fourth quarter.

Effects of Devaluation on Trade

Full figures for the fourth quarter are not available for all the countries of the region and noticeable effects on the trade of the region, from the devaluation of sterling and other currencies in September 1949, may well be delayed until 1950 because there is a time lag between the placing of orders and the actual passage of the goods through the channels of trade.

The natural expectation in this region is that the devaluation of currencies in the sterling, franc and guilder areas will not have a great effect on the volume of trade or on the value of trade stated in terms of dollars or gold. The value of trade stated in local currencies may change considerably, especially for those commodities—rubber, tin, copra and coconut oil, jute, sisal and tea—of which significant quantities are sold to the United States by countries in non-dollar areas and of which the prices in the United States are determined more by the state of business in that country than by the policies of producing countries. The exports of rubber to the United States tended to increase in the fourth quarter, but this was not due to a decline in the dollar quotations: on the contrary, the price of rubber in New York was rising

[1]Attention is drawn to the fact that the terms of trade for Indonesia, based upon dissimilar price indexes, are subject to great probable errors.

from the mid-year low point. Exports of tin were also at a higher level in volume than in the previous quarter; but it is difficult to say how far this was due to lower prices in New York following the restoration of a free market in tin, how far to devaluation enabling the producers to sell at lower dollar prices and still receive higher prices in local currency, and how far to the general conditions of supply and demand, which seem to have been more favourable at the end of the year. The exports of raw jute from Pakistan to dollar area countries were not affected by devaluation as the Pakistan rupee was not devalued.

Since trade of the Philippines is predominantly with the United States, neither exports from nor imports into the Philippines were much affected by devaluation in non-dollar areas. Similarly Indochina's trade was not much affected because it was predominantly with France and the piastre remains linked to the franc. None of the sterling area countries does quite so large a proportion of its trade with the United Kingdom and other sterling area countries. But their import trade was much more affected by the decision taken some time before the devaluation to limit imports from dollar area countries to 75 per cent of those of the preceding year in value. The elasticity of demand for most of the imports from the dollar area—which on account of import controls were for the most part essential goods—is probably so small that an increase of prices in terms of the local currencies by 44 per cent as a result of devaluation might not have induced as much as a 25 per cent decline in demand.

The trade which might have been most affected by the devaluation is that between Japan, where the yen was not devalued, and the countries of South-East Asia in the sterling and guilder areas. It will, however, be extremely difficult to disentangle the effects of devaluation statistically from the effects of other factors operating at the same time. It is possible that the decline in Japanese export prices resulting from higher production and consequent lower costs, from the removal of "floors" below export prices and the consequent restoration of competition, and from improvements in Japanese technique was sufficient to maintain or even to increase the ability of Japanese exporters to compete with the United Kingdom and Europe. At the end of the year export contracts were in fact rising and in December reached a level well above that of the months before devaluation.

When the next annual survey comes to be written it may be possible to say more precisely what effects devaluation had on trade. At present it can only be suggested that the effects in this region were seen less in the quantum of trade than in the income of producing countries in terms of their own currencies, and that the decision of the sterling area countries to cut dollar imports and the dispute over devaluation between India and Pakistan had more effect upon trade than the devaluation itself.

It is to be remarked that the expectation of devaluation seems to have led importers in the United States and elsewhere to defer orders during the third quarter of 1949. During the fourth quarter these deferred orders may have resulted in a swelling of the volume of trade which from its very nature could only be temporary.

CHAPTER X

Balance of Payments and Dollar Shortage

A study of the over-all balance of payments of the ECAFE region is not possible owing to the lack of relevant data. For many countries of the region, only merchandise figures are available. Even those countries which have compiled the balance-of-payments data have supplied incomplete and provisional data for the year 1949. To a considerable degree the general position for the region as a whole has to be assessed on the basis of merchandise balances, which in the post-war period played a decisive role in the balance of payments. For some individual countries separate studies of the balance of payments have been possible.

Merchandise Balance

The total deficits on trade account of countries of the ECAFE region (excluding China, British Borneo and Nepal) increased considerably from 1948 to 1949 but tended to decline towards the end of 1949. They amounted to $1,412 million in 1949 as against $838 million in 1948. India, Indochina, Malaya and Singapore and the Philippines had larger deficits in 1949 than in 1948, while Hong Kong and Korea reduced theirs; Burma and Thailand showed a larger positive balance, and Ceylon a smaller one, in 1949 than in 1948. The small positive trade balance of Pakistan changed to a large negative one in 1949, while the negative trade balance of Indonesia in 1948 changed into a positive one in 1949.

The trade deficits of the sterling area countries amounted to some $760 million in 1949 as against $190 million in 1948. Of this as large a figure as $526 million was accounted for by India. The deficits of the non-sterling countries, on the other hand, remained unchanged in 1949 as in 1948 (see table 94).

The regional figures, however, conceal the special features of individual countries. Burma, for example, had a positive merchandise balance in the first three quarters of the year and a small negative one in the last quarter. Ceylon, which had a negative balance in the first two quarters, showed a positive one in the last two quarters. India, which had large negative balances in the first three quarters of the year, recorded a small export surplus in the fourth. Pakistan and Indochina (excluding trade with India) had a rising deficit during the first three quarters, but a declining one during the fourth. Indonesia had a negative trade balance in the second and third quarters, and a positive one in the first and fourth. The deficits of Malaya and Singapore increased

Table 94. Balance of Trade of ECAFE Countries, 1948/49[a]

(Quarterly totals in millions of United States dollars)

	1948					1949				
	I	*II*	*III*	*IV*	*Total year*	*I*	*II*	*III*	*IV*	*Total year*[b]
Burma	+ 23.4	+ 34.0	+ 10.8	+ 5.0	+ 73	+ 54.2	+ 37.6	+ 11.9	— 1.2	+103
Ceylon	+ 3.4	— 10.1	+ 1.8	+ 10.0	+ 6	— 13.3	— 8.7	+ 13.8	+ 13.3	+ 4
Hong Kong	— 30.5	— 40.8	— 10.9	— 42.6	—124	— 14.0	— 48.4	— 26.9	— 13.2	—102
India	— 14.3	— 6.3	— 48.1	— 55.9	—124	—178.3	—247.5	—138.4	+ 38.5	—526
Malaya and Singapore	— 12.8	— 32.1	+ 15.0	+ 0.9	— 29	— 2.9	— 66.2	— 13.8	+ 4.5	— 78
Pakistan	+ 62.5	+ 37.5	— 45.0	— 47.6	+ 8	— 21.5	— 35.1	— 68.9	— 32.5[c]	—158
TOTAL STERLING COUNTRIES	+ 31.7	— 17.8	— 76.4	—130.2	—190	—175.8	—368.3	—222.3	+ 9.4	—757
Indochina	— 16.1	— 29.5	— 18.6	— 32.0	— 96	— 23.4	— 40.7	— 55.2	— 43.9[c]	—163
Indonesia	— 39.8	+ 11.3	+ 31.7	— 38.6	— 36	+ 13.1	— 5.5	— 26.7	+ 46.0	+ 27
Korea	— 46.7[f]	— 46.7[f]	— 46.7[f]	— 46.7[f]	—187	— 34.6	— 37.5	— 22.4	— 23.1	—118
Philippines[d]	— 92.3	— 85.1	— 72.0	— 90.6	—337	—128.6	— 91.4	— 63.8	—132.0	—416
Thailand	+ 4.5	+ 7.0	— 2.7	— 0.3	+ 8	+ 11.4	— 1.0	— 0.8[e]	—	+ 15
TOTAL NON-STERLING COUNTRIES	—190.4	—143.0	—108.3	—208.2	—648	—162.1	—175.2	—168.9	—153.	—655
TOTAL ECAFE[d]	—159	—161	—185	—339	—838	—338	—544	—390	—142.2	—1.412
Japan	—159.4	—111.7	— 90.0	— 62.9	—424	—107.6	—135.1	—109.5	— 38.2	—355

Source: Statistical Office of the United Nations (except for Thailand). Figures relate to general trade except for Indochina and Indonesia for which Special Trade is referred to.

[a] Excluding China, British Borneo and Nepal for which data are not available.

[b] Totals adjusted for incomplete periods.

[c] Adjusted figure based on data for October and November.

[d] Imports, f. o. b. plus 10 per cent; exports, c. i. f. minus 9 per cent (adjusted figures).

[e] Adjusted figure based on data for July and August.

[f] Quarterly average.

in the second quarter, decreased in the third quarter and turned into a surplus in the fourth quarter. The Philippine deficits were particularly high in the first and fourth quarters, while for Korea deficits were reduced in the third and fourth quarters. Thailand had a surplus in the first quarter, but a small deficit in the second and third quarters.

Non-Commodity Items

Before the war the positive merchandise balance of the countries of the ECAFE region helped to offset the deficit on non-commodity items caused largely by the net out-payment of interest, profits and dividends. In this respect China was the major exception, because of receipts from remittances of its nationals overseas; Hong Kong also had a relatively large invisible income which helped to finance its trade deficit.

While on trade account the pre-war surplus has been transformed into a post-war deficit, the information on invisible items and capital movements after the war is so fragmentary that only rough general statements are possible. The item "government expenditures and receipts" has grown very considerably in importance. Government receipts have generally taken the form of loans, donations, aids and other types of external finance. These receipts in the post-war years contrast with the net out-payments on government account in the pre-war period. These are on account of extraordinary or abnormal payments, however, and can not be expected to be a continuous feature.

The importance of government expenditures had also increased and had taken the form of commercial imports on government account, larger diplomatic expenditures, contributions to international agencies, and other unspecified items relating to defence etc. To the extent that these expenditures are on commercial imports, they appear in an increased merchandise deficit.

Payments for transportation, insurance and foreign travel have shown an increase in the post-war period, apart from the increased price level. Certain factors have tended to reduce the payments on services items: India, for instance, having repaid a large part of its external debt, now has only a smaller sum to expend on private services and together with Pakistan and Ceylon is also currently earning interest — though the amount is almost negligible—on its blocked sterling balances. The repatriation of foreign administrative personnel from India, Pakistan, Ceylon and Burma and the capitalization of the annual pension liabilities in respect of these services by India and Pakistan reduce the annual out-payments. The steep decline in remittances from its nationals overseas has been an important factor for China. A further feature is that the earning of interest, profit and dividends from foreign enterprises operating in Indonesia, Indochina and Burma has not been fully resumed in the post-war period on account of the political and civil disturbances which have prevented the restoration of production.

The flow of private foreign investment into the countries of the region does not appear to have been an important factor in the post-war balance-of-payments situation.[1]

For lack of data it is not possible to assess the significance of these post-war tendencies in quantitative terms. Most countries of the region have had a negative balance on the invisible items in their current transactions superimposed upon their merchandise deficits, and these deficits are being met by abnormal receipts or drawings on accumulated reserves. The manner in which these deficits have been financed is indicated in the country notes that follow. In summary, the principal sources of external finance are:[2] U.S. Aid Programmes and loans (China, the Philippines and Korea); United States payments and expenditures (the Philippines); ECA Aid (China, Korea and Indonesia); release of sterling balances (India, Pakistan and Ceylon); hard-currency allocations from the sterling area (Burma, Ceylon, India, and Pakistan); loans from the Export-Import Bank (Indonesia); purchase of dollars from the International Monetary Fund (India); and loans from the International Bank for Reconstruction and Development (India). It may thus be noted that deficits on current account have been financed by borrowings on capital account.

The effects of devaluation on the trade of the region have been indicated earlier.[3] For such invisible items as shipping, transportation, insurance, banking and other services from dollar areas, the cost in terms of the devalued currencies has gone up; this would be expected to stimulate a preference for the import of those services from non-dollar over the dollar areas on the part of the countries of the region which have devalued their currencies. In so far as interest, profits and dividends are earned in the devalued currencies, the remittance of those earnings in terms of United States dollars would mean a smaller sum. The devaluation of most of the currencies in the region probably had the effect of stimulating travellers from the dollar areas to the region. In some instances the changes in domestic price levels rapidly offset some of the advantages of currency devaluation. The inflow of dollar capital into the region is affected by a number of factors, the devaluation of currencies of the region being only one among them.

The Position of Individual Countries

Burma. Burma's balance-of-payments position ended fairly satisfactorily in 1949 as it had in 1948.[4] During the first six months of 1948

[1] See chapter XVII.
[2] For details, see chapter XVII.
[3] See chapter IX.
[4] See the *Annual Reports* of the Union Bank of Burma for the years 1948 and 1949.

there were considerable accumulations of sterling on account of a steady flow of rice exports. Towards the end of the year, however, rice exports were seriously interrupted by the unsettled conditions and there was also an outflow of foreign funds due to lack of confidence. With a view to preventing the flight of capital and conserving the foreign exchange reserves, stringent controls over imports and the remittance of funds abroad were imposed. As a first step the maximum limit up to which overseas remittances could be made for sterling-area countries without licence was reduced from Rs. 1,350 to Rs. 500 per remittance. In October 1948, all remittances were subjected to prior approval. As a result of these measures the fall in Burma's foreign exchange reserves was arrested and the year 1948 ended with an increase in Burma's sterling reserves by Rs. 29.3 million. This increase covered the holdings of sterling of the Currency Board, the Government, the Union Bank and the commercial banks.

The year 1949 also ended with a favourable balance-of-payments position. Import and remittance restrictions combined with a steady outflow of rice had the effect of producing a positive balance to the extent of Rs. 139.6 million during the first half of the year. This trend was reversed in the second half with the seasonal decline in rice exports and the relaxation of import control, resulting in an adverse balance of roughly Rs. 24.8 million. The net result for the year was a favourable balance of Rs. 114.8 million, which was reflected in the increase in Burma's sterling balance by Rs. 139.3 milion at the close of the year.

Ceylon. Ceylon's balance of payments for 1948 and 1949 forecast is shown in table 95. Information on capital movements for 1949 is not available. Estimates on the balances of payments for 1948 vary. Based on the budget speech of 1949/50 which gives both the 1948 revised estimate and the 1949 forecast, with the same breakdowns for items other than merchandise trade, the 1948 figure, excluding non-monetary gold movements, shows a net favourable balance on current account of Rs. 24 million. Imports and exports during 1948 are put at Rs. 891 million and Rs. 985 million, respectively. Payments on account of interest, profits and dividends amounted to Rs. 80 million. Receipts under the same amounted to Rs. 31 million. Remittances by foreigners in Ceylon accounted for a debit of Rs. 70 million. On the receipt side United Kingdom military expenditure amounted to Rs. 53 million. The miscellaneous "other" items accounted for a net debit of Rs. 4 million.

The figures for the year 1949 revealed a debit balance of Rs. 47 million under total current transactions, accounted for by interest, profit and dividends Rs. 49 million; remittances Rs. 60 million; and offset by a positive merchandise trade balance of Rs. 36 million and United Kingdom military expenditure of Rs. 30 million. The main changes in

the 1949 figures, as compared with 1948, are a decline in the positive merchandise balance and in receipts from United Kingdom military expenditures. The smaller debit sum under remittances is presumably due to the strict licensing of exchange. These deficits were financed by the releases of sterling balances, under agreement with the United King-

Table 95. Ceylon: Balance of Payments

(In millions of rupees)

	1948[a] (Revised estimate)			1949[b] (Forecast)		
	Credit	*Debit*	*Net*	*Credit*	*Debit*	*Net*
Current transactions						
Merchandise	985	891	+94	1,068	1,032	+36
Interests, profits and dividends	31	80	—49	31	80	—49
Remittances	—	70	—70	—	60	—60
United Kingdom military expenditure (net)	53	—	+53	30	—	+30
Others	29	33	— 4	29	33	— 4
Identified balance on current account	1,098	1,074	+24	1,158	1,205	—47
Capital movements						
Identified investment	...	...	+35	..	.	. .
Errors and omissions			+11			

Source: *A Full-Employment Policy,* Budget Speech 1949/50 by the Minister of Finance, Ceylon.

[a] The revised estimate for 1948 taken from the budget speech is placed here for comparison with the 1949 forecast, based from the same source. Material supplied directly by the Government shows the same amount of net balance on current account, though the amounts under merchandise trade and invisible items are different. In the figures given by the International Monetary Fund, a net debit of Rs. 11 million is placed under the heading "non-monetary gold movement", giving under the total current transactions a net credit of Rs. 13 million. Under the capital account, the other sources give a net debit of Rs. 72 million instead of a net credit of Rs. 35 million.

[b] The merchandise trade figures are recorded and included in the *Monthly Bulletin of Statistics,* United Nations, May 1950. The other figures for the year are forecast by the Minister of Finance in the above-mentioned speech.

dom, of the sum of £1.75 million from January to June 1949 and £7 million from July 1949 to end of June 1950, plus a contingent release of £1 million in the event of an unforeseen rise in the prices of foodgrains imported by Ceylon. Sterling releases, the prices obtainable from Ceylon's exports (coconut products, rubber and tea), and stringent import and exchange controls are the principal factors governing Ceylon's balance of payments.

Table 96. India: Balance of Payments[a]

(In millions of rupees)

	1948						1949[b]		
	January to June			July to December			January to June		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Current transactions									
Merchandise[c]	2,469	2,246	+223	1,868	2,599	—731	1,928	3,631	—1,703
Non-monetary gold movement[d]	—	1	— 1	—	—	—	—	—	—
Transportation and insurance	29	63	— 34	34	61	— 27	53	55	— 2
Investment income	62	150	— 88	60	150	— 90	53	150	— 97
Miscellaneous services									
Foreign travel	...	23	— 23	...	18	— 18	...	24	— 24
Government expenditure[e]	138	184	— 46	108	786	—678	191	293	—102
Other[f]	90	67	+ 23	171	95	+ 76	177	104	+ 73
Donations	80	30	+ 50	80	28	+ 52	80	27	+ 53
Unclassified	155	68	+ 87	77	78	— 1	82	55	+ 27
TOTAL CURRENT TRANSACTIONS	3,023	2,832	+191	2,398	3,815	—1,417	2,564	4,339	—1,775
Errors and omissions		25			36			225	
Movement of capital									
Private: Long-term capital	90	207	—117	90	136	— 46	45	169	—124
Official institutions: Long-term capital									
Official loans[g]	—	—	—	—	—	+ 2	—	—	+ 46
Portfolio securities[h]			— 99			+111			—141
Amortization						—2,240[i]			

Short-term capital:								
International Monetary Fund and International Bank			+147			+ 81		+105
Other non-resident banks and official institutions			+ 17			— 42		— 51
Other[j]			—114			+3,587		+1,717
TOTAL MOVEMENT OF CAPITAL			—166			+1,453		+1,552

Source: *Reserve Bank of India Bulletin*, November 1949.

[a] Excludes transactions with Pakistan.

[b] Preliminary.

[c] Merchandise trade figures represent values f.o.b. for exports and c.i.f. for imports. They exclude transactions under government barter deals. Receipts are likely to include insurance and freight charges which it has not been possible to separate.

[d] The International Monetary Fund gives a net debit of Rs. 7 million for the year 1948.

[e] Credit figure in the first half of 1949 includes Rs. 40 million received from SCAP in Japan, in partial settlement of amount due to India under the barter agreement of 1947. Debit figures represent disbursements of the Government such as those for the upkeep of its organizations abroad and contributions to international organizations. The figures for the second half of 1948 and first half of 1949, however, also include the "extraordinary" payments to the United Kingdom of Rs. 600 million and Rs. 119 million, respectively, for the purchase of defence stores under the Financial Agreement of July 1948. These payments were made through India's blocked sterling balances in the No. 2 Account and not with "current" sterling in the No. 1 Account at the Bank of England.

[f] Other services cover mainly receipts and payments for services such as those for education, film rentals, agency services and maintenance of estates.

[g] Repayment of loan by Thailand.

[h] Includes repatriation of sterling stock and movement in rupee securities held on account of foreigners.

[i] The purchase of pensions annuities according to the terms of Indo-U.K. Financial Agreement of July 1948.

[j] Includes the change in the sterling assets of the Reserve Bank of India, but, of this, the amount transferred to Pakistan is excluded.

India. The main facts relating to India's post-war balance-of-payments position are well known—heavy adverse balances caused largely by merchandise imports, particularly import of food grains and capital goods. The balance of payments of India for 1948 and the first six months of 1949, excluding transactions with Pakistan, is shown in table 96.

For the sake of convenience, the period from January 1948 to June 1949 is divided into three six-month periods in table 96. Broadly speaking, the first period from January to June 1948 was marked by strict import control policy, improvement in the terms of trade and a relatively easy balance-of-payments position. There was a positive balance of Rs. 223 million on merchandise account in the period and a positive balance of Rs. 191 million under total current transactions. In the period from July to December 1948 there was a sharp reversal; relaxation of import control and a worsening in the terms of trade led to an adverse merchandise balance of Rs. 731 million. In the same period government expenditures of an abnormal character accounted for a debit sum of Rs. 678 million, which was caused in large part by payments to the United Kingdom for the purchase of defence stores under the sterling balances agreement of July 1948. In the period January to June 1949 the negative balance of merchandise increased sharply to Rs. 1,703 million because of a liberal import policy and high level of imports on government account, combined with a slight adverse change in the terms of trade. The total of current transactions in the six months from January to June 1949 amounted to a negative figure of Rs. 1,775 million.

These deficits were financed in part by sterling releases of £181 million between July 1948 and June 1949 by the United Kingdom under agreement. This sum included India's overdrawing £81 million on the sterling balances on account of excess imports which was regularized in July 1949. For the year ending June 1950, a sum of £50 million has been released out of the sterling balances.

During the second half of 1949 several factors combined to bring about an improvement in the position. Import restrictions on all commodities from all sources were made more rigorous, particularly following the Conference of the Commonwealth Finance Ministers in July 1949. Dollar licensing was totally suspended between the last week of June and the first week of September. Imports of food grains were also restricted. Following the devaluation of the rupee in September, exports improved. In the second half of the year, July-December 1949, export totalled Rs. 2,410 million as against Rs. 1,970 million in the first half.[1] The over-all balance-of-payments position at the close of the year is not known.

[1] Government of India, *White Paper on Budget, 1950-51,* pp. 12-13.

The changes in the invisible items in India's balance of payments are of interest. In 1938/39 India's payments on interest and dividends and other services amounted to Rs. 586 million, and receipts to Rs. 122 million, leaving a negative balance of Rs. 464 million. In 1946 private services covering foreign travel, transportation, insurance, investment income and other miscellaneous services amounted to a debit figure of Rs. 266 million, but government receipts showed a net credit of Rs. 422 million on account of receipts from the expenditures of the United Kingdom Government. This left a net credit under "services" of Rs. 156 million. In 1947 this position was reversed: the private service items showed a debit of Rs. 333 million and government services a debit of Rs. 207 million, bringing about a net debit of Rs. 540 million. In 1948 the private services showed a debit of Rs. 181 million; the total deficit on services including government services was Rs. 305 million.[1] During January to June 1949 the services item on private account showed a deficit of Rs. 50 million, government expenditures a deficit of Rs. 102 million, with a final deficit on services account of Rs. 152 million. Allowing for the extraordinary payments by Government,[2] it would appear that the pre-war feature of an over-all deficit on account of service items has been restored in India's balance of payments.

The capital movements in India's post-war balance of payments reflect, in large part, the decline in the sterling holdings of official banking institutions, largely caused by the deficit on current transactions, and extraordinary items such as the purchase of sterling pension annuities and of the United Kingdom stores in India.

Republic of Korea. Korea's post-war balance of payments has been characterized by heavy merchandise deficits, which have been financed almost entirely by United States Aid programmes. The underlying weakness of the South Korean economy is the country's inability to earn more than roughly one-sixth of its foreign exchange requirements. The main reasons for this are the division between North and South Korea and a reduction in commercial relations with Japan.

As seen from table 97, Korea's merchandise trade other than that based on United States Aid was extremely small in 1948. The donations from United States Aid programmes accounted for a net credit of $179.4 million under current transactions; they took the form chiefly of commodity imports into Korea. The position on current account in the first nine months of 1949 remains essentially the same, though the donations have been somewhat reduced and investment income appears to have disappeared.

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[1] Excluding Rs. 600 million for the purchase of defence stores under the financial agreement of July 1948.

[2] See footnote to table 96.

According to ECA estimates[1] the deficit on current account (excluding United States Aid) for 1949 is placed at $148 million, of which $108.3 million was on trade account, imports amounting to $125.3 million against exports valued at $17 million. United States Aid is to amount to $150 million of which $37 million will be on invisibles.

Table 97. Republic of Korea: Balance of Payments[a]

(In millions of United States dollars)

	1948			1949[b]		
	Credit	*Debit*	*Net*	*Credit*	*Debit*	*Net*
Current transactions						
Merchandise	19.0	206.0	—187.0	10.0	89.2	— 79.2
Non-monetary gold movement	—	0.1	0.1	0.5	—	+ 0.5
Transportation and insurance	—	—	—	0.1	21.0	— 20.9
Investment income	15.5	—	15.5	0.1	—	+ 0.1
Miscellaneous services						
Foreign travel	—	—	—	0.1	0.1	—
Government expenditure	—	—	—	0.1	0.4	— 0.3
Donations[c]	179.4	—	+179.4	100.0	—	+100.0
	213.9	206.1	+ 7.8	110.9	110.7	+ 0.2

Source: Data supplied by the Government.

[a] Rate of conversion for both years is W.450=US $1.
[b] January to September.
[c] The 1948 import includes a substantial part of United States Aid under donations.

In 1950 the value of exports is expected to increase to $35.4 million from $17 million in 1949. Imports, too, are expected to show an increase in value to $137.4 million, though not in proportion to the increase in exports. Invisible receipts show a fall while invisible payments rise to $49.6 million. The current account deficit is expected to rise to $150 million in 1950. United States Aid to an equivalent amount takes the form of commodities to the value of $107.8 million and invisibles valued at $42.2 million.

The total allocations of funds by the United States for civilian supply purposes in Korea are estimated to have been $6 million in the fiscal year 1946, $93 million in 1947, $113 million in 1948 and $148 million in 1949, apart from $25 million worth of surplus property provided to the Republic of Korea under a Foreign Liquidation Commission loan agreement. This assistance has consisted largely of food and other consumer goods, and very little in the form of capital items. With a view

[1] *Economic Aid to the Republic of Korea—ECA Recovery Programme for Fiscal Year 1950,* Department of State and Economic Cooperation Administration, June 1949, page 21.

to increasing production and enabling Korea to achieve balance, a three-year programme of economic rehabilitation starting in the fiscal year 1950 has been worked out by the Economic Cooperation Administration. It provides for an appropriation of $150 million to be spent on a series of projects of which recovery projects are estimated to call for an expenditure of $31.1 million. These include coal and mining, electrical power, fishing vessels, transportation and irrigation, and are designed to reduce import requirements and increase export possibilities, thereby improving Korea's balance of payments, and enabling it to attain a large degree of self-sufficiency by mid-1952.

Malaya and Singapore. No balance of payments is available for the Federation of Malaya and Singapore. An important feature of Malayan trade is the merchandise deficits in the post-war years in contrast to the pre-war surpluses. The Federation of Malaya and Singapore has a deficit on account of remittances of interest, dividend, profits and other services on foreign capital invested in their territories. Prior to the war, the positive merchandise balance financed these payments. In the post-war period there has apparently been a considerable (though unestimated) inflow of foreign capital in connexion with the rehabilitation of tin, rubber and other sectors of the Malayan economy. On the other hand, Singapore, being an important *entrepôt* for neighbouring countries, also has invisible receipts. The resultant balance-of-payments position appears complicated. The currency of Malaya is on the rigid sterling exchange standard; the volume of notes in circulation in the Federation of Malaya and Singapore has remained practically stationary, indicating that the payments have on the whole been smoothly balanced.

Philippines. Since the end of the Second World War, the Philippines have suffered heavy deficits on merchandise account. From June 1945 to the end of December 1948, these trade deficits amounted to P. 1,666 million.[1] For 1949 the deficit is estimated at more than P. 600 million. All these deficits, it is known, have been financed by exceptional dollar receipts from the United States on account of war damages, veterans' pensions, United States army and navy expenditures, military assistance and military supplies, as well as other payments. These features persisted during 1949.

In 1948 imports amounted to P. 1,172 million as against exports of P. 636 million, resulting in a merchandise deficit of P. 536 million. Among expenditures, freight and insurance accounted for P. 176 million and other outward remittances P. 128 million. The final result was total receipts of P. 1,595 million, and total disbursements of P. 1,518 million, leaving a surplus of P. 77 million, but allowing P. 141 million

[1] *Balance of Payments Prospects of the Philippines,* International Monetary Fund, October 1949.

for "errors and omissions". The international reserves declined to the extent of P. 64 million. The "errors and omissions" were perhaps due to the undervaluation of imports.

According to provisional data, exports of the Philippines in 1949 are estimated at P. 513 million and imports at P. 1,122 million, with a deficit of P. 609 million. It will be noticed that receipts from exports show a decline from 1948. On the receipts side the disbursement of the United States Government during the year amounted to P. 620 million as against P. 834 million in 1948. On the expenditures side, apart from merchandise imports already referred to, freight and insurance accounted for P. 224 million, and other outward remittances for P. 189 million, the latter indicating an outflow of funds. Receipts totalled P. 1,229 million, and expenditures P. 1,555 million, leaving a deficit of P. 326 million which was reduced to P. 313 million by "errors and omissions" amounting to P. 13 million. This deficit was met by a decline in international reserves to an equivalent extent. As will be seen from table 98, the position worsened in several respects in 1949 as compared with

Table 99. Thailand Balance of Payments

(In millions of pesos)

	1948			1949[a]		
	Credit	*Debit*	*Net*	*Credit*	*Debit*	*Net*
Merchandise	635.6	1,171.7	—536.1	513	1,122	—609
Gold production[b]	14.3	—	+ 14.3	[c]	—	[c]
Freight and insurance	10.0	175.8	—165.8	10	224	—214
Tourist expenditures	20.0	26.9	— 6.9	2	10	— 8
Government receipts and expenditures	6.5	16.1	— 9.6		10	— 10
Disbursements of U. S. Government (net)	834.0	—	+834.0	620	—	+620
Foreign diplomatic expenditures	3.5	—	+ 3.5		—	
Other remittances	71.3	127.7	— 56.4	84	189	—105
TOTAL	1,595.2	1,518.2	+ 77.0	1,229	1,555	—326
Errors and omissions	—	141.4[d]	—141.4	13	—	+ 13
Net change in international reserves	—	64.4	— 64.4	—	313	—313

Source: Central Bank of the Philippines.

[a] Estimated.

[b] Central Bank of the Philippines gives the figures under gold production.

[c] No data are available on gold actually exported, as gold reported as exports is shipped back to the Philippines in refined form. It is assumed that receipts due to gold which may have been smuggled out of the country are included among other remittances.

[d] This large figure for "errors and omissions" may be due to imports which are probably undervalued even after adjustments are made by the Bureau of Customs. A large portion of this may represent remittances through the Post Office.

1948. The merchandise deficit in 1949 was higher; so were other debit items: freight and insurance, and tourist expenditures. The receipts from the United States Government declined, and other outward remittances increased, causing a substantial decline in the international reserves.

For 1950 and 1951 the remaining portion of the war damage claims will be available. According to present information, after 1951 the Philippines will receive payments to veterans which will run at the rate of P. 100 million to P. 150 million per year for several years. The increase in receipts from exports is not likely to make up for the precipitate decline in receipts from the United States Government. There are serious financial and technical difficulties involved in the rehabilitation of the export industries. A decline in the prices of the principal export products—coconut products, abaca and so forth, the exports of which have been restored to pre-war levels—would bring about a serious decline in the proceeds from exports. It may be well-nigh impossible for the Philippines to achieve a balance in its trade by increase in exports. As a result, increased attention to import control and increased home production of food grains, textiles, and other commodities currently being imported will be required. Import control, which has been in force since January 1949, is expected to bring about an economy of foreign exchange to the extent of P. 200 million per year. Exchange control, which was introduced in December 1949, is expected to conserve the foreign exchange by bringing to a halt the outward flow of funds. Several development projects, notably projects for increasing food production, are under way, the emphasis being on dollar-producing and dollar-saving projects.

The extent to which the balance-of-payments position of the Philippines will be free from anxiety will depend upon the effectiveness with which measures in the field of production, trade and exchange control are implemented.

Thailand. Owing to the recovery in its rice exports, Thailand has continued to enjoy a satisfactory position in its trade and balance of payments. In contrast to sizeable debits in its balance of current transactions in 1946, due to merchandise deficit, and in 1947, due to imports of non-monetary gold and government expenditures, the year 1948 showed an appreciable improvement. The total of current transactions showed a net credit of 669.4 million baht. Merchandise showed a credit of 727.6 million baht, and foreign travel, 27.4 million baht; the net debit items were investment income at 6.5 million baht, insurance at 5.6 million baht, government expenditures at 46.9 million baht, and donations consisting chiefly of reparations at 26.6 million baht (see table 99).

Under capital movement, the credit items, in the technical sense of items involving inflow of funds, were 3.7 million baht under official

and banking loans and 0.6 million baht under blocked sterling balances. The "debit" items were far more numerous and impressive. The large favourable balances on current account were utilized to raise free sterling balances by 32 million baht, dollar balances to 406.8 million baht, and other foreign exchange assets to 184.2 million baht.

Table 99. Thailand: Balance of Payments

(In millions of baht)

	1948			1949		
	Credit	*Debit*	*Net*	*Credit*	*Debit*	*Net*
Current transactions						
Merchandise	2,484.3	1,756.7	+727.6	2,945.7	2,314.3	+631.4
Non-monetary gold movement	—	—	—	—	0.4	0.4
Insurance other than imports	1.2	6.8	−5.6	1.0	6.0	−5.0
Investment income	1.2	7.7	−6.5	7.4	5.9	+1.5
Miscellaneous services						
Foreign travel	33.3	5.9	+ 27.4	31.5	6.0	+ 25.5
Government expenditure	11.0	57.9	− 46.9	13.2	56.9	− 46.4
Donations[a]	—	26.6	− 26.6	—	31.5	− 31.5
Total current transactions	2,531.0	1,861.6	+669.4	2,998.8	2,423.7	+575.1
Movement of capital						
Official and banking loans	3.7	—	+ 3.7	—	—	—
Amortization	—	31.6	− 31.6	—	143.5	−143.5
Other long-term	—	—	—	—	55.9	− 55.9
Sterling balances						
Blocked	0.6	—	+ 0.6	30.8	—	+ 30.8
Other (net)	—	32.0	− 32.0	—	531.1	−531.1
Dollar balances (net)	—	406.8	−406.8	298.2	—	+298.2
Other foreign assets (net)	—	184.2	−184.2	191.5	—	+191.5
Short-term liabilities	—	—	—	22.3	—	+ 22.3
Monetary gold holdings	—	—	—	—	393.7	−393.7
TOTAL MOVEMENT OF CAPITAL	4.3	654.6	−650.3	542.8	1,124.2	−581.4
Errors and omissions			− 19.1			+6.3

Source: Data supplied by the Bank of Thailand.

[a] All are reparations except 1.5 million baht in 1948.

The balance of payments for 1949 reveals a smaller surplus than in 1948. Merchandise shows a surplus of 631 million baht, foreign travel 25.5 million baht, and government expenditures a negative sum of 46.4 million baht; the total of current transactions is a positive sum of 575 million baht. Under capital movement, the main features are a debit of 394 million baht of monetary gold holdings, 500 million baht under sterling balances and 144 million baht of amortization as against a credit of 298 million baht of dollar balances and 192 million baht

under foreign exchange assets. There were a sharp increase in the sterling balances and monetary gold holdings, and a decline in dollar and other foreign exchange assets.

Dollar Deficits and Relief Measures

In 1948 the sterling-area countries as a group had an export surplus of $17 million with dollar areas (United States and Canada). This is explained by the fact that Malaya and Singapore, Ceylon and Pakistan had a large surplus with the dollar countries that out-balanced the dollar trade deficits incurred by India, Hong Kong and Burma.

In 1949 the merchandise trade with dollar areas in the Far East sterling-area countries changed into an import surplus, amounting to $68 million (see table 100). Ceylon had a surplus of $20 million, and Malaya

Table 100. Total Trade Balance and Trade Balance with Dollar Area of ECAFE Countries[a]

(In millions of United States dollars)

	1948			1949[b]		
	Total	*United States*	*Canada*	*Total*	*United States*	*Canada*
Burma	+ 73	— 4	—	+ 103	— 2	—
Ceylon	+ 6	+ 27	+ 10	+ 4	+ 11	+ 9
Hong Kong	—124	— 60	— 7	— 102	— 79	— 10
India	—124	— 90	+ 5	— 526	— 87	— 11
Malaya and Singapore	— 29	+117	+ 10	— 78	+128	+ 7
Pakistan	+ 8	+ 16	— 7	— 158	— 18	— 16
TOTAL STERLING COUNTRIES	—190	+ 6	+ 11	— 757	— 47	— 21
Indochina	— 96	— 21	...	— 163	— 22	...
Indonesia	— 36	— 26	— 3	+ 27	— 37	— 3
Korea, South	—187	—132	...	— 118	—104	...
Philippines	—337	—326	— 3	— 416	—386	— 16
Thailand	+ 8	+ 14	...	+ 15	— 2	...
TOTAL NON-STERLING COUNTRIES	—648	—491	— 6	— 655	—551	— 19
TOTAL ECAFE COUNTRIES	—838	—485	+ 5	—1,412	—598	— 40

Sources: Total trade balances are based on table 63. Trade balances with the United States and Canada are based on: United Nations, *Summary of World Trade Statistics;* and Bank of Korea, *Monthly Statistical Review,* January 1950, page 5.

[a] China, Nepal and British Borneo are excluded because of lack of statistics.

[b] Adjustments are made for incomplete periods where the data are available for only part of 1949—January-November for Malaya and Singapore and Korea; January-June for Indochina, the Philippines and Thailand; and January-September 1949 for Burma.

and Singapore, $135 million, while other countries all had deficits: India, $98 million; Hong Kong, $89 million; Pakistan, $34 million; and Burma, $2 million.

It is probable that in the last three or four months of the year 1949, these Far East sterling-area countries improved their dollar trade, with a resultant reduction in the merchandise deficit with dollar areas. India, for instance, according to the 1950/51 budget speech of the Finance Minister, had a small export surplus with the dollar countries in the second half of 1949, although this was owing to temporary factors such as the suspension of imports from the dollar area from June to September, and the revival of the United States demand for India's exports after the recession in the United States.

Statistics for China for 1949 are not available. The non-sterling area countries of the region under discussion include Indochina, Indonesia, South Korea, the Philippines and Thailand. The trade deficit with dollar areas of these countries in 1948 was $497 million of which 65 per cent was incurred by the Philippines and 26 per cent by Korea. In 1949 the trade deficits with dollar areas of these countries were: the Philippines, $402 million; South Korea, $104 million; Indonesia, $40 million; Indochina, $22 million; and Thailand $2 million.

Measures Taken to Relieve Dollar Shortage

The measures taken by Governments to relieve dollar shortage were export and import controls, increases in production, monetary measures, private foreign investment, trade and payments agreements, and arrangements for dollar aids and loans.[1]

With the exception of the Philippines and Thailand, which have only limited types of import controls, practically all other countries have comprehensive import controls calculated to restrict dollar imports in accordance with their resources. The Far East sterling-area countries have adopted concerted policies in this respect along with the members of the sterling group.

Export controls in most countries of the region, used to promote exports to the dollar areas, have taken the form of not imposing needless restrictions upon such exports. They also limit the re-export of commodities to dollar areas by non-dollar importers.

Measures to increase production, in particular for export to the dollar areas and to prevent imports from them, while important and yielding results in varying degree from one country to another, have not proved adequate to cope with the situation.

[1] See chapters V, XI and XVII.

Private foreign investment has not played an important part in the alleviation of the region's dollar shortage. Monetary measures have affected the problem largely in an indirect manner. Devaluation was for the purpose of increasing dollar earnings and safeguarding the export trade.

Financial and trade agreements have, to a degree, unblocked the channels of post-war trade restricted by controls. The arrangements entered into by the countries of the region for the import of supplies from soft-currency sources have helped to ease their dollar shortage to some extent by diverting their purchases from dollar sources. The trade and payments arrangements between Japan and the countries of the region, particularly the SCAP-sterling-area arrangements which provide for trade being conducted in sterling,[1] are significant in that they have opened up trade with Japan. But the fact that the outstanding balances in trade have to be settled in United States dollars acts as a handicap to the expansion of trade with Japan.

The most important source of alleviation of dollar shortage has been external aids and loans. In the case of China, Korea, the Philippines, Indochina and Indonesia, such aids and loans have played a direct part. In the case of the sterling-area countries, particularly India, Pakistan, Ceylon and Burma, hard-currency allocations have played an important role. The crucial role which external aids, loans and resources have played in giving relief to the region's dollar shortage underlines the inadequacy of national measures to meet the situation.

Burma. Licences for the export of minerals to the dollar areas are issued freely. Imports from the dollar areas are licensed strictly as in the rest of the sterling-area countries. For the period July to December 1948, Burma received an allocation of £2 million worth of hard currency out of the sterling-area dollar pool. This proved sufficient for Burma's requirements. In 1949 the hard-currency position was satisfactory. As a member of the sterling area Burma had access to the dollar reserves of the sterling area. During 1949, Burma asked for no net allocation of dollars because it expected to have an over-all surplus of hard currency of more than Rs. 30 million at the end of the year. This satisfactory position was due, on the one hand, to the substantial exports of rice to Japan, the Philippines and China (on United States account) and, on the other, to the severe restriction of dollar expenditure. Major payment transactions involving hard currencies were with Japan, 52 per cent; and the United States, 38 per cent. With regard to hard-currency earnings, Japan supplied about 60 per cent; the Philippines, 20 per cent; and China, 15 per cent.

Ceylon. Ceylon's dollar position is favourable. By limiting its imports from dollar areas to essential commodities, it is able to be a net con-

[1] See chapter XI.

tributor to the sterling-area dollar pool. Its principal exports are tea, rubber and coconut products. There has been a tendency for tea exports to the United States to decline because of competition from Indonesia. The quantity of rubber absorbed by the United States is limited, in part, by the mandatory amounts of synthetic rubber prescribed by law. The stocks there are also large, and purchase of Ceylon's rubber is not as large as Ceylon could spare.

At the Washington Conference of the Finance Ministers of Canada, the United Kingdom and the United States in September 1949, it was agreed that the United States would review its stockpile programme with particular reference to rubber and tin, and that in respect of rubber, the United States would open to natural rubber a substantial additional area of competition through, *inter alia,* modification of regulations relating to the consumption of synthetic rubber. If effective, this would have the effect of stimulating Ceylon's rubber exports to the United States. Ceylon's exports of coconut products to the United States are limited by competition from the Philippines coconut products.

Ceylon's policy has been to promote export trade with dollar areas. This is limited by the competition from sources within the American Account area. Ceylon, however, hopes to export copra products, pepper and cinnamon to the United States in increased quantity. It is possible that the work by Ceylon since 1947 on improving tourist facilities will increase this source of revenue.[1]

Import control in Ceylon, as in the rest of the sterling area, aims at reducing imports from hard-currency areas to the essential requirements not available in the soft-currency areas. Exchange control, in line with the arrangements in the sterling area, is also fairly strict with reference to the dollar areas. Under agreement with the United Kingdom, Ceylon is receiving allocations of hard currencies from the sterling-area dollar pool.

Ceylon has not received any dollar loans or grants. It is, as yet, not a member of the International Bank or the International Monetary Fund.

The outlook for Ceylon's dollar position is favourable, having regard to its present position and policies; however, much will depend on the course of prices of Ceylon's exports.

Hong Kong. By virtue of its *entrepôt* trade, Hong Kong's recurring negative balance of trade with the United States is offset by invisibles. The needs of its economic development created relatively few dollar shortage problems. While Hong Kong is a part of the sterling area, the latter's exchange controls are applied in a modified form.

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[1] See the ECAFE *Working Group Report on Travel Facilities,* TRA/WG/1, 23 July 1949.

India. India has had an acute foreign-exchange and dollar shortage. It has been estimated [1] that India's balance-of-payment deficit with the hard-currency areas [2] amounted to $14 million in 1946, $260 million in 1947, and $150 million in 1948. For the year 1 July 1948 to 30 June 1949, the dollar deficit amounted to $213 million. Till July 1949, India retained its own current earnings of hard currencies; in addition the hard-currency allocations received by India out of the sterling-area central reserves amounted to $180 million between January 1948 and June 1949. For the period from July 1949 to June 1950, India, in common with other members of the sterling area, has agreed to transfer its hard-currency earnings to the central reserves and limit its drawings thereon to 75 per cent of its hard-currency expenditure in the year 1948. India's export policy has aimed at promoting exports to the dollar areas. This had mainly been done by freeing certain exports from licensing, by increasing the export quotas of certain commodities to the dollar areas, and by making special efforts to step up specific exports to such areas. Export control has also been found necessary, in respect of certain commodities, to prevent the re-export of such commodities to dollar areas by non-dollar importers from India.

India bought from the International Monetary Fund $68.3 million in 1948 and $31.7 million in 1949, and secured two loans from the International Bank, totalling $44 million.

The Government of India set up, in July 1949, an Export Promotion Committee to make recommendations as to the measures to be adopted for stepping up exports, with particular reference to the hard-currency countries. The recommendations of the Committee, which are being implemented by the Government, were to limit restrictions on such exports to a minimum, simplify the licensing procedure, and give the exporters preferential treatment in such matters as transport and allocation of raw materials.

The policy as regards imports from the dollar areas has been to limit these to a minimum. Through the conclusion of trade and payments agreements with several soft-currency countries of Continental Europe, purchases have been diverted from hard-currency to soft-currency areas. Imports of food grains alone were brought down from Rs.373 million in 1948 to Rs.203 million in 1949. The official policy is to reduce food imports in 1950 by 2.25 million tons, from the 1949 level of about 3.6 million tons.

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[1] "Post-war Balance of Payments of India", *Reserve Bank of India Bulletin*, July 1949.

[2] Hard-currency countries comprised in 1946 the United States, Canada, Sweden, Switzerland and Portugal and its possesions (excluding those in India). The 1947 figures also include the other American Account countries. 1948 includes, in addition to the countries in 1947, Germany and Japan. Argentina is included and Sweden and Switzerland excluded in the second half. In 1946-1948 the payments made in dollars for food imports from Argentina have been included in the figures, though Argentina was not treated as a hard-currency country.

The devaluation of the Indian rupee in September 1949, and the imposition of an export duty on jute goods appeared to have a favourable effect on dollar proceeds from export trade.

Private foreign investment has been very small. In the 21-month period ended December 1949, foreign capital was invested in India to the extent of Rs.68.3 million, of which capital from the United States amounted to Rs.650,000. The Government of India has entered into negotiations with foreign enterprises regarding their participation in twelve important projects including machine tools, heavy electrical manufactures, steel, petroleum, radar and radio equipment, penicillin, fertilizer, locomotives, and telephones and cables. Tourist facilities as a means of increasing foreign exchange are being actively promoted.

Indochina. Indochina has a dollar-shortage problem which is reflected partly in its post-war merchandise deficits. These deficits, including dollar deficits, have been financed by France. Import control is directed towards obtaining essential imports according to six-month plans. The six-month plan of imports shows the headings of the various commodities, the quantities to be imported, and the sources—franc, sterling, dollars and so on. In the issue of import licences, "franc" sources are considered first. When essential goods cannot be secured from within the French Union or when procurement involves undue delay, provision is made for the import of those articles from other sources. Exchange control is strict for expenditure of non-franc currencies. In 1949, imports from the United States were sharply curtailed on account of the scarcity of dollars.

Indonesia. Indonesia has suffered heavy and continual post-war trade deficits, particularly dollar deficits, which have been financed from several sources, mainly from the Netherlands and ECA aid.

To promote dollar exports no qualitative or quantitative export controls have been employed. The main difficulties in promoting exports to the dollar areas consist in rehabilitating production and facing the competition in the United States market from rival suppliers. Import control rigorously restricts imports of non-essential commodities from the dollar areas and encourages imports from soft-currency sources.

Among monetary measures mention may be made of the devaluation of the guilder in September 1949 by 30.5 per cent, and also the monetary reform in March 1950, which are expected to have stimulating effects on exports to the dollar area.[1]

Exchange regulations in Indonesia severely control the issuing of licences for all currencies particularly dollars, but not the Netherlands guilder. The Indonesian guilder is convertible into a number of Euro-

[1] To discourage smuggled exports and maximize foreign-exchange earnings through increased exports, an exchange regulation, toward the end of February 1950, required exporters to surrender half of their exchange proceeds and receive for the other half exchange certificates saleable to authorized banks or importers at free markets.

pean and Latin-American currencies as a result of the monetary arrangements Indonesia has entered into with the Netherlands in connexion with bilateral trade agreements with those countries. Consequently it is able to obtain important supplies from soft-currency sources.

Apart from the non-dollar credits from the Netherlands, Indonesia has, since liberation, obtained hard-currency credits from the United States, Canada and Sweden. ECA aid to Indonesia obtained through the Netherlands has so far totalled $101.6 million, of which 80 per cent was spent on foodstuffs and textile materials. The line of credit of $100 million extended by the Export-Import Bank in February 1950 will be utilized on transport rehabilitation and food production projects.

Malaya and Singapore. Malaya and Singapore have had a large positive balance of trade with the United States, and consequently have had no dollar shortage. Steps were, however, taken by Malaya for the improvement of dollar earnings and the conservation of dollar resources for the sterling area. The speedy rehabilitation of rubber and tin after the end of the war has been the principal factor in Malaya's dollar earnings. Malaya as a member of the sterling area limits imports from hard-currency areas, the principle being that essential commodities are permitted, but attempts are made to obtain imports from soft-currency areas. In July 1949, the restriction on imports from hard-currency areas was tightened. No imports of foodstuffs from hard-currency areas are now permitted because adequate supplies of those commodities are available from soft-currency areas at competitive prices. Malaya and Singapore prepare annual import programmes which are submitted to the United Kingdom authorities. This enables production in the United Kingdom to be so planned as to meet Malaya's import requirements with a view to minimizing its dollar expenditure.

According to an official statement, the Federation of Malaya and Singapore were permitted dollar allocations out of the sterling-area dollar pool to the extent of US$174.7 million in 1947, US$71.5 million in 1948 and US$35.3 million in 1949. These figures are a measure of the economy in dollar expenditure achieved by the Federation of Malaya and Singapore. Following the devaluation of the pound sterling, the Malayan dollar was also devalued in the same proportion.

Pakistan. As a member of the sterling area, Pakistan follows generally the latter's export, import and exchange control policies in relation to the dollar area, restricting imports from the dollar area to the essential minimum, maximizing its exports thereto, and drawing on the central reserves of the sterling area to the extent of its hard-currency requirements, while contributing its hard-currency earnings to the pool. Pakistan's decision not to alter its rate of exchange in September 1949 was based on the consideration that the demand for its exports was relatively inelastic and that non-devaluation would make essential imports

from non-dollar countries less expensive for rehabilitation and development. Pakistan has, since March 1950, become a member of the International Monetary Fund and the International Bank. So far as its trade balances are concerned they reflect no problem of acute dollar shortage, although in 1949 it had a merchandise deficit with the United States larger than in the previous year. This appears likely to change if it undertakes an extensive programme for economic development.

Philippines. The Philippine dollar shortage is synonymous with foreign-exchange shortage. Philippine exports to the United States are facilitated by the duty-free annual quotas for several commodities laid down under the agreement with the United States Government in July 1946. As a result of inadequate production the Philippines have been unable to export to the full extent of the quotas. Import control, which has been in operation since January 1949, applies to luxury and non-essential articles. It has been estimated that there was a restriction up to P.150 million of non-essential imports in 1949. Steps are being taken to increase production of goods which will economize foreign exchange by substituting imports, and will increase exports.

Exchange control was introduced on 9 December 1949 to conserve the foreign-exchange reserves of the Philippines. The Philippine peso was not devalued in September 1949, since it was considered that devaluation would not give any stimulus to exports, which in any case have access to markets in the United States, while the cost of essential and urgently needed imports would only be increased.

Since the conclusion of war the Philippines have been the recipient of large-scale payments from the United States. Between 1945 and December 1948 these receipts aggregated nearly $1,380 million. During the years 1949 to 1951 the probable receipts from the United States are estimated at $650 million, annual receipts thereafter being at $50 to $75 million.

The Philippines is a member of the International Monetary Fund and the International Bank, and has applied for a loan from the latter.

Thailand. In view of its relatively comfortable position no special steps have been taken towards increasing supplies of dollars. Import control is confined only to a few luxury items. Soft-currency sources are not discriminated from hard-currency sources. Export control is not directed to improve dollar earnings. Dollar-earning exports of rubber and tin from Thailand are not controlled quantitatively or qualitatively. In the years after the war the promotion of direct shipments to the United States and the inauguration of direct shipping services thereto were important steps in promoting dollar trade. Exchange control in Thailand is limited in its application and the existence of the free market secures the convertibility of the baht into any currency.

An important development in 1949 was the restitution to Thailand of its gold resources, valued at approximately $40 million, which were blocked immediately after liberation. Thailand has so far not received any inter-governmental loans or grants; it has applied for a loan from the International Bank for Reconstruction and Development and in this connexion a mission from the Bank has investigated the economic position of Thailand.

SUMMARY

The total merchandise import surplus of the countries of the region showed an increase in 1949 over the previous year. The import surpluses, which were fairly high in the first and second quarters of the year 1949, tended to diminish, especially in the last quarter of the year. The import surplus of the sterling-area countries of the region showed a marked increase in 1949 over 1948, while that of the non-sterling countries remained more or less the same. It is too early to say what the effects of devaluation have been on trade in the year.

The data on the invisible items and on the capital movements are not adequate to warrant any but the roughest generalization. A significant feature is the increased importance of the "government receipts and expenditures" in the post-war balance of payments. Government receipts mostly take the form of grants, aids, loans and drawings on reserves; its expenditures comprise partly commercial and other imports, as well as new items such as diplomatic and United Nations missions and so forth. The net out-payments of the region on transportation, insurance and travel have generally increased in the post-war period over the pre-war, due in large part to the increased price level. On the other hand, the out-payments on account of interest, profits and dividends have not been fully resumed in some countries. The flow of private foreign investment into the region has not been an important factor in the post-war situation.

The deficits in the balance of trade and payments of the countries of the region have been financed for China, Korea and the Philippines by direct United States Aid programmes and loans; for Ceylon, India and Pakistan by drawings on their sterling reserves; and for Indonesia and Indochina by credits respectively from the Netherlands and France.

Available figures indicate that the dollar deficits in merchandise trade of the countries of the region were some $480 million in 1948 and $640 million in 1949. The dollar deficits of the sterling-area countries increased in 1949 over 1948, because of increase in the deficits of India, Pakistan and Hong Kong, which could not be offset by the surpluses of Malaya, Ceylon and Burma. The dollar deficits of the non-sterling countries rose over the 1948 level, about two-thirds of them being

accounted for by the Philippines. Burma, Ceylon and Thailand were exceptional in attaining a positive balance in their over-all trade, and Ceylon and Thailand with dollar areas.

The principal measures taken by the countries of the region for relieving their dollar shortage have consisted in export, import and exchange controls, and monetary measures (including devaluation). These have had varying degrees of success from one country to another. Finance from external sources has been the most important factor in the alleviation of dollar shortage; it is likely to continue in the near future for some countries, in view of the limited effectiveness of national measures.

CHAPTER XI

Commercial Policies

In comparison with earlier post-war years, 1949 was a more active year in the expansion of the trade agreements both within the region and with Japan and other countries. Exchange control was generally applied more vigorously and there was no diminution in the export and import controls. Trade promotion efforts were more intensive than in 1948.

Trade and Exchange Controls

Import Controls

Import controls were introduced in many countries of the region during the war, largely to ensure that the best use was made of the limited shipping available, and have been continued after the war mainly to ensure that import surpluses should not put too great a strain on foreign-exchange reserves, particularly of dollars. In Thailand and the Philippines, which had not previously felt the need to control imports, controls were imposed towards the end of 1948. In these two countries non-essential imports were limited by quotas. In the Philippines, while the controls were sufficiently severe, they did not prevent the import surplus from increasing and, on 1 December 1949, new items were added to the list of controlled imports and more severe percentage cuts were imposed. At the end of the year quotas for some items, especially necessary foodstuffs, were increased. In the other countries of the region the import of certain listed non-essential commodities was prohibited.

Control of imports which are not prohibited is effected through licensing. For imports which it is desired to restrict severely, or which come from a currency area with which there is an unsatisfactory balance of payments, individual licences are required. Other imports are covered in many countries by open general licences allowing considerable freedom of trade. In the sterling-area countries — India, Pakistan, Ceylon, Burma, the Malayan Federation, Singapore and Hong Kong — imports from the sterling area are licensed more freely than imports from hard-currency sources. In Indochina imports from the franc area are not restricted while those from all other sources are controlled. But in the Philippines and Thailand no distinction is made between different currency areas. Imports of textiles into Indonesia are permitted only from the Netherlands and the countries having commercial treaties with

the Netherlands — France, Belgium, Spain, Western Germany, Italy, Czechoslovakia and Hungary.

The degree of control in general varies with the state of the balance of payments and the line drawn between essential and non-essential imports shifts from time to time. In countries which do not produce enough consumer goods the imports of these will be classed as essential, while a country with developed consumer-goods industries tends to limit imports of such goods. Imports of capital goods and raw materials are everywhere treated as essential.

Control is exercised through the fixing of quotas in one of four ways or by a combination of two or more. The quantities of specified imports to be permitted over a stated period may be fixed; or the value of permitted imports over a period may be limited. The quotas so fixed may be allotted among importers; or they may be allotted between the countries supplying the imports. Usually the allotment is in accordance with the distribution in some base period or year with some allowance for new entrants. Quotas may also be fixed, as in the Philippines, in accordance with a schedule of percentage reductions for several commodities from the amounts imported in a base period.[1]

Export Controls

All the countries of the region exercise control over exports. The export of certain commodities essential for domestic consumption is either prohibited or restricted. Exports of food grains and food products are prohibited in food-deficit countries. In the Philippines, Pakistan, Burma and Ceylon the export of certain manufactured articles and the re-export of foreign manufactured articles are prohibited. Bullion exports are generally prohibited.

Most other exports are subject to individual licence. The objects of licensing are principally to ensure that the foreign exchange proceeds are surrendered to Governments, to conserve essential supplies for home consumption and to divert exports to hard-currency countries. Some countries also use controls to enforce standards of quality and grading, to fulfil commitments under trade agreements and to fulfil obligations under schemes of international allocation. With the ending of allocations of rice and tin the last object ceased to matter at the end of 1949.

In general the control of exports is according to a quota scheme, except where the object is to secure the surrender of foreign-exchange proceeds. The quotas are by quantity rather than by value. The exports

[1] For a full account of the import controls in force in 1949, see Economic Commission for Asia and the Far East, *Trade and Exchange Controls in the ECAFE Region*, Trade and Finance Paper No. 1, September 1949.

of the Philippines to the United States are limited by absolute maximum quotas for certain exports under the United States-Philippine Trade Agreement of 1945. Indian exports of jute are according to destinational quotas within a quota of total exportable jute goods; the destinational quotas are determined in the light of the need to earn hard currencies as well as of past figures. Similar quotas were enforced during a part of 1949 for oil-seeds, raw cotton and cotton piece goods. In Thailand exports of certain coconut products are limited to a proportion of a mill's output.[1]

Exchange Controls

In the countries of the ECAFE region import and export controls have been imposed mainly for the purposes of enabling Governments to ration scarce foreign exchange by limiting the amounts spent on certain classes of imports, especially from hard-currency countries, and to stimulate the earning of hard currencies by diverting exports to the hard-currency countries as far as possible. Import and export controls are therefore not complete in themselves and are nearly always associated with exchange controls, need for which was still felt in spite of devaluation in relation to the dollar and which were in force throughout 1949 in all countries of the region, except the Philippines where they were introduced in December of that year. In Thailand and Hong Kong there was a free market for exchange as well as controls of limited scope. But the prevailing system was one of central control with all foreign-exchange transactions under the control of a central bank or exchange-control authority.

In most countries of the region all proceeds from exports have to be surrendered to the exchange-control authority. But there are exceptions. In Thailand the proceeds from only four commodities have to be surrendered, up to specified percentages. In Indochina a limited amount of barter trade is permitted, without surrender of foreign exchange; and in Indonesia limited barter transactions with Singapore and the Malayan Federation are permitted. Only partial surrender of foreign exchange proceeds is required in Hong Kong where specified commodities are exported to the United States and associated territories; and proceeds of exports from Hong Kong to sterling-area countries do not have to be surrendered.

Foreign exchange to pay for imports is in most countries granted by the exchange-control authority on the basis of import licences. Imports obtained by barter in Indochina and Indonesia are not subject to exchange licensing. Imports into Hong Kong from the sterling area are

[1] For a full account of the export controls in force in 1949, see Economic Commission for Asia and the Far East, *Trade and Exchange Controls in the ECAFE Region*, Trade and Finance Paper No. 1 ,September 1949.

licence-free and those from China, Korea and Macao, as well as those financed in United States dollars, are free of licence provided they are financed by the importers out of their own exchange. Imports from non-sterling-area countries must be financed through authorized banks and hard-currency exchange will be furnished at official rates only for essential imports. In Thailand foreign exchange at official rates is granted only for essential imports on government account.

Exchange controls apply also to other transactions.[1]

Trade and Payments Arrangements

Import, export and exchange controls are imposed by Governments in order to ease difficulties, avert dangers and facilitate planning; but they undoubtedly constitute a great impediment to trade. They are the offspring of economic dislocation and in their turn tend to produce economic distortion. Faced with an unsatisfactory situation which was partly forced upon them but which they have themselves helped to create, the Governments of the region have turned in the same way as others throughout the world to bilateral agreements and arrangements to prevent the dwindling of trade and ease payments in spite of the general inconvertibility of currencies other than the United States dollars and a few others, such as the Swiss and Belgian francs.

Minor objectives of trade agreements, which could have been achieved in other ways and particularly by a strong development of trade-promotion services, were to establish direct commercial relations with countries which had previously been traded with, through metropolitan centres such as London, to develop new markets or markets for new commodities and to obtain, in a few instances, specific concessions on duties.

Trade and payments arrangements have not always gone together. In the ECAFE region there is still a lack of adequate payments arrangements; and even where these exist, mutual credit margins are narrow. The necessity for bilateral balancing of trade and early settlement of accounts might be less felt if long-term investment funds and private credits were freely available to meet deficits in the balance of payments. But exchange control tends to make investors wary and also to make private international credit more difficult to get because creditors are unwilling to settle accounts in inconvertible currencies. Payments arrangements ease the situation by allowing trade to be conducted in the weaker currency and giving time — that is to say, credit — for the settlement of accounts in the stronger currency. But satisfactory payments arrangements for even a short term more or less presuppose satisfactory central banking institutions, which have only recently been established in some countries of the region — Burma, Pakistan and Thailand — and

[1] See also chapter V and *Trade and Exchange Controls in the ECAFE Region, op.cit.*

did not exist in 1949 in Ceylon. Payments arrangements involving long-term credit require confidence in the economic stability and prospects of the debtor countries beyond what can be expected at present in the potential creditors of the countries of the region.

Since the Governments negotiating trade agreements have in general been unable to hold themselves responsible for the settlement of accounts and are not ready to undertake the actual trade, they could not guarantee the fulfilment of the trade programmes set out in the agreements, and the actual development of trade under the agreements has depended upon the operations of private traders. These have naturally taken account of the usual considerations of price, quality and delivery dates rather than of the proposals made by the Governments.

The trade programmes set out in the agreements have not always been fulfilled. For instance, the exports of raw cotton and raw jute from Pakistan to India and of cotton cloth from India to Pakistan fell far below the trade programme figures even before the dispute between the countries over devaluation; when India devalued its rupee but Pakistan did not, trade between the two countries came to a virtual standstill in spite of the trade agreement.

The value of the trade between Japan and the sterling-area countries came up to expectations but the composition was not strictly according to the programme. Only for rice — the trade in which was regulated by the IEFC under an international, not a bilateral, agreement — was there a general practice of trade on government account; and only Burma, of the countries of the region, conducted a considerable proportion of its trade through government agencies. Governments did not in these bilateral trade arrangements undertake to reduce duties or give special facilities to trade-promotion agencies and foreign commercial firms.

Moreover, the trade agreements do not seem to be enough in themselves to ensure that the countries of the region will get their full share of available supplies of essential goods. The Governments of the supplying countries did no more than permit the export of the specified quantities. To get the goods the buyers must find the foreign exchange and must find it in hard currencies for certain sources of supply. The SCAP-Sterling-Area Agreement is a step towards making possible a trade not requiring reserves of dollars. But the ability of Japan to supply goods is limited in spite of considerable unused industrial capacity and undeveloped trade potential, and for certain requisites the countries of the region must still go to North America or other hard-currency sources. The agreements so far negotiated do not promise any early solution of the problem of dollar shortage.

Even in Japan the authorities do not restrict the permits for export to other regions so as to make a larger proportion of the available supplies

flow towards the ECAFE region. The recent agreements between SCAP and Latin-American countries at least suggest that on the contrary Japanese manufacturers may increase their sales to other parts of the world.

The clear advantages of the trade agreements are, firstly, that under them the restrictions on trade imposed by import and export controls are relaxed as Governments undertake to issue licences freely up to an agreed quantity or value and also to take steps to expedite delivery and provide transport facilities; and secondly, that the agreements when published give information on sources and conditions of supply of a wide range of commodities. The SCAP-sterling-area agreement was particularly useful when travel to and from Japan was restricted.

The agreements and arrangements in force during the whole or part of the year 1949 are described below.[1]

Burma. Burma, which is a participant in the SCAP-Sterling Area Payments Arrangement, negotiated a trade plan providing for a total exchange of commodities to the value of roughly $46 million.

Ceylon. Under an agreement with the United Kingdom, signed in July 1948 and effective for the period July 1948 to December 1950, the United Kingdom agreed to buy coconut products equivalent to 40,000 tons during 1949 at £55 per ton. Pakistan agreed to buy 8,000 tons at the same price. The United Kingdom also agreed to accept all offers in excess of these quantities at £55 per ton, and to make half of these excess quantities available to Pakistan.

China. The agreement with India for the barter of Indian raw cotton against Chinese yarn and piece goods became ineffective late in 1948 because of the inability of India to export raw cotton. Undertakings of the Textile Export Committee of the National Government to supply cotton yarn to Burma and cotton yarn and cloth to Indonesia, which was to pay in part in rubber, lapsed with the loss of control over the Chinese mainland. A trade agreement with France was signed in January 1949 for the exchange of French dyestuffs, cigarette paper and truck tyres against tea, peanuts, silk, bristles, fur and so on, to a value of US$1 million each way. The transactions were to be completed within six months, and at no time should the balance in favour of either party exceed $200,000. A barter arrangement with Italy concluded in June 1948 provided for trade of the value of $2 million, which included, up to February 1949, imports of rayon valued at $1,600,000 in exchange for wood oil, bristles, linseed, cottonseed cakes, linseed oil and other goods.

Trade credits received from the Union of Soviet Socialist Republics in 1938 and 1939 were to be liquidated by the export of Chinese agricultural and mineral products by December 1949 and November 1952, respectively. It is not known how far the agreements were fulfilled.

[1] For a full account see *Trade and Financial Agreements in the ECAFE Region,* Trade and Finance Paper No. 2, Economic Commission for Asia and the Far East.

The North-East China People's Government (Manchuria) made an agreement with the USSR in August 1949 to supply soya beans, vegetable oils, corn and rice in exchange for industrial equipment, motor vehicles, paper, medicines and pharmaceuticals and textiles.

India. India followed an active policy of entering into trade agreements in 1948 and 1949. Agreements were concluded with Pakistan, Egypt, Poland, Czechoslovakia, Yugoslavia, Finland, Belgium, Switzerland, Hungary, the USSR, Australia, Argentina, Iraq, Tibet, Indonesia, Western Germany, Ceylon and Japan. Other agreements were contemplated with Thailand, Burma and Eastern Germany. India was a participant in the SCAP-sterling area trade and payments arrangements and took a large share of the exports of Japanese textiles.

The trade agreement with Czechoslovakia was signed in March 1949. Estimates were made of the probable course of trade in specified commodities and the parties agreed to issue the necessary export or import licences up to the quantity or value mentioned in the schedules. The agreement was reviewed in July 1949 and the schedules were modified; India was to export raw jute, groundnuts, linseed, manganese ore, kyanite, cotton yarn, goatskins, mica, tea and other commodities in exchange for coal-tar dyes, industrial equipment, tractors, machinery and motors, machine tools, news-print and other goods.

The first agreement with Western Germany ran for a year to 1 July 1949 and the second was for a further period of one year. Under the first, India was expected to import from Western Germany $20 million worth of coal-tar dyes, pharmaceuticals, machinery and machine tools, turbines, steel plants and paper-making plants and chemicals, and to export $12 million worth of raw jute, manganese and other products. The actual flow of the trade was found upon review in June 1949 to have been only one-third of the programmed amount. The revised agreement provided for a more balanced trade with exports from Western Germany reaching $12.58 million and imports into Western Germany from India reaching $12.97 million. The amounts of castor seeds, raw bones, hide cuttings and crude drugs which India was willing to export were disappointing to the Western Germany negotiators and the refusal to import any textiles, glass, ceramics, finished metal goods, and other consumer goods indicated that India was bargaining only for essential goods, for which it was willing to offer exports in keen demand such as manganese ore, raw jute and raw cotton.

The agreement with Yugoslavia provides for the issue of export and import licences up to certain limits of quantity or value for specified commodities, including jute manufactures, raw cotton, oil and oil-seeds, coffee, tea and coir from India; and maize, softwood, and calcium carbide from Yugoslavia. During the first six months of its currency the implementation was poor, only two out of seventeen specified items had

been exported from India and only three out of twenty-one specified items had been exported from Yugoslavia. Even for these items the quantities taken fell far short of those in the trade programme.

In the agreement with Switzerland, signed in March 1949, the Swiss Government undertook to issue licences for the export of railway coaches, heavy electrical equipment, other capital goods, textiles, watches, chemicals and pharmaceuticals following the pattern of the imports in the previous year, to issue import licences for silk and artificial silk to the value of 600,000 francs, and to export specified quantities of oil and oil-seeds, jute, coffee and manganese ore.

The agreements with Hungary, Poland, Finland, Australia, Belgium and France followed the lines of those with the other European countries. With Egypt a trade agreement was negotiated to secure rice, raw cotton, gypsum and rock phosphates in exchange for the staple exports of India. The agreements with Argentina, Australia and Iraq were designed to secure supplies of food grains — wheat, maize, barley — in exchange mainly for jute manufactures. Similar exchanges were arranged with the USSR on a barter basis by three agreements, one in 1948 and two in 1949. A contract was negotiated by an Indian Cotton Mission for the bulk purchase of cotton in East Africa.

Indochina. Indochina participates in the numerous trade agreements made by France. In the French trade agreements with Italy, Switzerland, Sweden, Greece, the Netherlands, Portugal, Czechoslovakia, Western Germany, Denmark, Norway, Australia, Hungary, Spain and Japan there is provision for the allocation of specified quantities or values of various commodities to Indochina. The commodities to be imported are mainly manufactured equipment, electrical goods, instruments, paper, textiles and consumer goods. The exports from Indochina are mainly maize, food grains and rubber. The trade of Indochina is covered by the French payments arrangements.

Under the trade and financial arrangements of July 1948, between the French Union and SCAP, a separate open account is kept for Indochina with half-yearly settlement of the balances in United States dollars or other currencies acceptable to both parties. Indochina was to import from Japan US$450,000 worth of raw silk, cotton textiles, coal and other commodities from Japan.

Indonesia. Indonesia participated in the bilateral trade and payments agreements made between the Netherlands on the one hand, and Belgium, Denmark, Germany, Finland, France, Hungary, Italy, Norway, Australia, Portugal, Poland, the USSR, Spain, Czechoslovakia, the United Kingdom, Yugoslavia, Sweden, Switzerland and Argentina on the other. The lists agreed upon show separately the goods to be exported and imported by Indonesia. Under the payments arrangements the Netherlands financed the imports and acquired the proceeds of the exports of Indonesia.

A trade plan was negotiated between the United Kingdom and the Netherlands by which the United Kingdom would export to Indonesia during 1949 machinery, locomotives, wagons, electrical equipment, motor-cars and motor-bicycles, tyres and consumer goods to a value of £13 million and import from Indonesia rubber, hides and skins, gums and resins, copra, palm oil and pepper worth £8 million.

Under the Hague Agreement, recognizing the independence of Indonesia, participation of Indonesia in the trade agreements of the Netherlands will continue till September 1950.

The agreement between the Malayan Federation and Singapore on the one side and Indonesia on the other, which was concluded in March 1948, continued in force. Under this agreement, in order to confine trade to normal legal channels and prevent the evasion of Indonesian control, shipments were to be financed by recognized banks where such banks existed, and the Government of Singapore and, where there were no recognized banking facilities, the Malayan Federation were to introduce control by means of a barter system. The Governments of Singapore and the Malayan Federation also agreed to provide Indonesia with United States dollars to an amount equivalent to Indonesia's net balance of exports through Singapore and the Malayan Federation to United States dollar areas, against sterling or Straits dollars.

Korea. Trade and financial arrangements were made with SCAP in April 1949 with proposals for a total trade of US$78 million in the year ending March 1950. Korea's exports to Japan were estimated at $29 million and the imports from Japan at $49 million. Rice exports were estimated at 100.000 metric tons, valued at $16 million. The principal imports were to be coal ($13.6 million), silk, cotton textiles, machinery and equipment, trucks, fishing boats, chemicals and cement. All trade was to be conducted in United States dollars on a cash basis.

The Democratic People's Republic in North Korea made an agreement with the USSR for the exchange, during 1949 and 1950, of essential supplies including equipment, machinery and petroleum for metal and chemical products.

Malaya and Singapore. The agreement with Indonesia has already been described. The United Kingdom has an agreement with Malayan producers for the bulk purchase of palm oil. The bulk purchase arrangements for tin were ended in September 1949, when allocations by the Combined Tin Committee in Washington ceased.

Pakistan. Like India, Pakistan was active in negotiating trade and payments agreements. The most important one is with India, and there are other agreements with Yugoslavia, Poland, Czechoslovakia and Egypt. Pakistan participates in the SCAP-Sterling Area Overall Payments Arrangement and has a separate trade agreement with SCAP. Negotiations were conducted in 1949 or are being conducted for other agree-

ments with the USSR, Sweden, Switzerland, France, Italy and Western Germany. Pakistan participates in the United Kingdom agreement with Ceylon for the bulk purchase of coconut products.

The agreements with Yugoslavia, Poland and Czechoslovakia, which came into force at different dates in 1949, provide mainly for the exchange of raw jute and cotton, hides and skins, for manufactured goods, both capital and consumer, from all three countries, maize from Yugoslavia and sugar from Poland and Czechoslovakia. The agreement with Egypt, effective for one year from 1 July 1949, is for the supply of rice, cotton yarn, textiles, cigarettes and leather in exchange for jute, hides and certain minor exports.

The most important agreement is that with India, signed in June 1949 and effective for one year from 1 July 1949, which continued in modified form the agreement concluded in 1948. India supplies Pakistan with coal, cloth and yarn, steel and pig iron, jute manfactures, vegetable oils and a number of manufactured articles. In exchange Pakistan provides India with raw jute, raw cotton, food grains, hides and skins, rock salt and gypsum. India agreed to restrict exports of raw jute to 900,000 bales mainly of varieties not suitable for Indian mills. The 1948 agreement included provisions regarding the prices of food grains from Pakistan and coal, steel and paper from India. It was reviewed in October, November and December 1949, and further undertakings were entered into by the two Governments. In the 1949 agreement, the schedules of imports and exports were extensively revised. Exports of food grains and gypsum from Pakistan were omitted, the amounts of raw cotton to be exported were reduced from 650,000 to 450,000 bales and the amounts of raw jute from 5 million to 4 million bales. Exports of coal from India were to be reduced from 2.3 million to 2.04 million tons and those of cloth and yarn from 400,000 to 250,000 bales; paper, leather and woolen goods were omitted, but exports of vegetable oils and tobacco were to be increased and a number of minor items were to be added.

The movement of commodities did not conform to the trade programmes. At the end of the year the flow of jute and cotton from Pakistan to India and of coal from India to Pakistan was interrupted because of the dispute over Pakistan's decision not to devalue its rupee. Even before that the movement of raw jute, cotton and food grains from Pakistan to India fell far short of the stipulated amounts — export of food grains being stopped because of the lack of any surplus in Pakistan in 1948/49 and India's refusal to buy at the prices demanded by Pakistan later — and the movement of coal, cotton cloth, iron and steel, and groundnut oil from India was even further below the programmed amounts, mainly on account of delay in working out financial arrangements for the purchase from the producers.

A further agreement, effective from 1 June 1949, provided for the grant of rebates of excise duties on excisable commodities and for the

withdrawal or reduction of export duties and import duties on certain minor commodities. The Governments agreed to enter into further negotiations for the abolition or reduction of import and export duties on certain items and the simplification of export and import control regulations.

A monetary and payments agreement came into effect on 1 July 1948 for one year. The main features were that the Indian and Pakistan rupees should continue to be at par; that the central banks of the two countries would hold each other's currency up to a limit of Rs.150 million and beyond this amount against sterling to be credited to the holder's accounts with the Bank of England, but each reserved the right to sell to the other at any time its holdings of the other's currency or of sterling in the No. 1 account with the Bank of England; and that if either currency were depreciated in terms of the other, the holdings should be revalued at the new parity and the account of the bank which incurred a loss should be written up by the credit of additional Indian rupees or Pakistan rupees as the case might be.

In the year ending June 1949 Pakistan had a favourable balance with India and received credits of both free and No. 2 account sterling in addition to holding Rs.127.5 million in Indian rupees. The monetary and payments agreement was renewed for a further period of one year, from 1 July 1949, and the amount of holdings in excess of Rs.150 million, which was to be credited to the holder's No. 1 (free sterling) account with the Bank of England, was raised from £7.5 million to £15 million. But this useful agreement had its effect reduced when, in September 1949, India devalued its rupee following the devaluation of sterling while Pakistan decided not to devalue.[1] The Pakistan Government announced a new rate of 100 Pakistan rupees to 144 Indian rupees but the Reserve Bank of India refused to quote any rate for the Pakistan rupee. The Government of India cancelled the Open General Licence for several imports from Pakistan and levied new export duties on a number of articles, increased the export duties on jute manufactures and at the same time fixed minimum prices for purchases of jute by Indian mills. The Government of Pakistan announced minimum prices at which exports of raw jute would be permitted, which were above the maximum prices for purchases fixed by the Government of India. Later, on the ground that jute was not being delivered according to agreement, the Government of India banned the export of coal to East Pakistan. The trade in raw cotton and cotton manufactures also came to a standstill. These developments rendered the trade and payments agreements largely inoperative in the last quarter of 1949.

Philippines. The agreement concluded between the United States and the Philippine Republic, which became effective on 2 January 1947,

[1] See chapter V.

provides for free trade between the countries for a period of eight years from 4 July 1946, and for specified quotas for the import of sugar, cordage, rice, cigars, tobacco, coconut oil and buttons of pearl or shell.

Thailand. Thailand was a party to the international arrangements for the allocation of rice and tin.

In December 1948 financial and trade arrangements were made between Thailand and SCAP. Trade with Japan under these arrangements is conducted on an open account with settlements every half-year. The rate of exchange for trade with Japan was fixed at 20 baht to the United States dollar, which was more favourable to Thailand importers than the free market rates in 1949, though much less favourable than the official rate. The trade plan provided for exports by Thailand to Japan to the value of $31 million, consisting principally of rice ($22.5 million) and oils and seeds ($3 million), and for imports by Thailand to the value of $37 million, consisting principally of railway equipment ($12 million), other machinery and metal products ($8 million) and textiles ($9 million). At first the expected flow of trade was not realized because of delay in issuing licences and the ability of merchants to obtain Japanese goods from Hong Kong but in the later part of the year there were better results. In November 1949, a new agreement, with a plan for a total trade of $90 million, was negotiated with a SCAP mission.

Significant Developments in 1949

During the year, apart from the trade agreements just described, there were several major developments.

In Japan, where a new economic policy (following the recommendations of the Dodge Mission) went into force in the spring, the exchange rate for the yen was stabilized at 360 yen to the United States dollar and multiple exchange rates were abolished. A balanced budget and rationalization of industry were the objectives. The policy of entering into trade arrangements, which had been begun in 1948, was pursued with vigour; and at the end of the year the export trade was returned to private channels.

The most important of the trade arrangements was that with the sterling area.[1] An over-all payments arrangement between SCAP on the one hand, and certain countries of the sterling area on the other, was negotiated, effective from 31 May 1948, and provided for trade between Japan and the sterling area to be conducted on a sterling basis. The sterling acquired by SCAP as a result of such trade was to be fully utilizable for payments within the sterling area or for conversion into United States dollars. SCAP would normally convert

[1] See *Trade and Financial Agreements in the ECAFE Region, op.cit.*, for a fuller account.

sterling balances into dollars only at intervals of six months, retaining a balance sufficient to meet estimated requirements in the near future.

In August 1948 a trade plan was negotiated between SCAP on the one hand and the United Kingdom and its colonies (except Hong Kong), Australia, New Zealand, South Africa and India on the other. Each party undertook to expend on imports from the other the proceeds of exports to it and agreed to take steps to facilitate the restoration of trade through private channels. Trade was to be approximately balanced. The principal goods to be purchased by the sterling area participants included cotton textiles, industrial machinery, rolling-stock, chemicals, wool and silk manufactures, paper and paper products and bunker coal. They were to supply Japan with raw wool, iron ore, salt, raw cotton, cereals, petroleum, jute, oil-seeds, hides and skins, manganese and other commodities. The arrangement was reviewed in March and April 1949, when it was found that trade exceeded the original estimates of the plan on both sides, with an import surplus on the sterling-area side of about £10 million. The inability of SCAP to negotiate medium-term sterling credits impeded Japanese purchases, while the sterling-area countries were anxious not to overbuy and lose hard currency through conversion of balances. India's imports under the Open General Licence had, however, been so considerable that India had to cancel the Open General Licence for imports from Japan, with effect from 31 March 1949. It was agreed after the review that either contracting party might liquidate unexpended balances by further trade in the last six months of 1949, so that the necessity of settling in United States dollars was avoided for the time being.

Negotiations for a second agreement were protracted, but a new agreement was announced in November 1949, providing for a balanced trade between Japan and the sterling area totalling £143 million ($400 million) in merchandise and invisible items. Burma, Pakistan and other participants in the over-all payments arrangement were included. Purchases by Japan were estimated at £55 million and purchases from Japan at £45.5 million, the difference covering the unsettled balance arising from orders placed by the sterling-area countries before 30 June 1949. For the trade of Japan with Burma, Pakistan and other countries not included in the first trade arrangement, the estimate was £27 million. Planned trade covered much the same range of commodities as the first trade plan.

Other major developments of the year were in India and Pakistan and to a lesser degree in other sterling-area countries. Devaluation of course affected guilder- and franc-area countries as well; its effects are discussed, so far as they can at present be ascertained, elsewhere. India and other sterling-area countries were involved in the British crisis which emerged as sales to dollar areas declined in the first two

quarters and dollar and gold reserves fell below the level considered safe. After a conference of Commonwealth Ministers the countries of the sterling area agreed to restrict imports from the dollar area to 75 per cent of the value in 1948 or 1948/49. India, which had a very large import surplus in the first half of the year and was feeling the shortage of foreign exchange acutely, had cancelled in May the Open General Licence XI, which permitted imports from sterling and soft-currency areas without licence, and replaced it by a much restricted Open General Licence XV. Later this restricted O.G.L. was replaced by an even more limited O.G.L.XVI, which permitted without licence imports of only capital goods and essential raw materials. Severe restrictions were placed upon imports of goods from the United States. Importers desiring to obtain goods from hard-currency areas were required to show that similar goods or substitutes could not be got from soft-currency countries. Dollar imports were confined to essential raw materials and machinery, and technical and educational books. Commercial vehicles might be imported from the United States or Canada but the import of cars from those countries was prohibited and from other countries sharply restricted. Such items as Diesel, gasoline and kerosene engines, motors and generators, industrial sewing machines and tobacco, which had previously been imported from the United States, were on the list of imports not allowed from the dollar area.

In the dispute between India and Pakistan over the non-devaluation of the latter's currency, the view taken by Pakistan was that as the country had a favourable trade balance not only with the sterling area but also with the United States, there was no need to devalue the Pakistan rupee, as there would be no advantage to compensate for the higher cost of imports.[1] But as a result Pakistan exports to India must either cost India more or become cheaper in Pakistan. India was not prepared to pay more for jute and cotton and fixed the maximum price of jute delivered in India at Indian Rs.35 per maund for "bottoms". Pakistan countered by fixing a minimum price of Pakistan Rs.23 per maund for "Jat bottoms", which at the new parity and including transport and other costs would mean a price of about Rs.45 at Calcutta. It also decided on a system of purchase of jute through a special commercial bank, controlled freight and baling charges, licensed merchants to handle the trade, and arranged port facilities at Chittagong for export. Since in India purchasers were required to buy at rates fixed by the Indian Jute Mills Association, which was appointed the licensing authority for mills and balers alike, and no unlicensed persons were allowed to import jute, the Open General Licence for the import of jute being cancelled, a deadlock resulted.

[1] See chapter V.

Other trade was also halted because of exchange difficulties. Pakistan fixed the rate of exchange at Indian Rs.144 to Pakistan Rs.100. India, using the argument that according to the Indo-Pakistan Financial Agreement the two rupees were to remain at par with each other, refused to fix a new rate. Legitimate exchange transactions dwindled away; and though it was not possible to prevent smuggling of goods and money across the long land frontier between the two countries the volume of trade moving in the normal channels was most seriously reduced. The Government of India further suspended the Open General Licence (O.G.L.X) for imports from Pakistan, allowing only imports of fish, milk and milk products, poultry and fresh vegetables without licence.

As both countries were levying export duties hopes were held in certain quarters that the Government of Pakistan would help exporters of jute and cotton to India by reducing the duties of Rs.60 per bale of cotton and Rs.20 per bale of jute and so diminishing the effect of devaluation in raising prices to Indian importers, while the Government of India would help exporters of manufactured jute and cotton goods to maintain their competitive position by reducing export duties. But Pakistan found the export duties too important a part of its revenues and India, in order to prevent speculation and also to ensure that the Government should share in the higher rupee-prices of goods sold to dollar-area countries, actually took powers to increase export duties and increased them not only on minor commodities such as mustard oil but also on hessian goods, for which the duties were raised from Rs. 80 to Rs.150 per ton. The Government of India holds that as hessian is only 30 to 40 per cent of the Indian mills' production and goes mainly to hard-currency countries which can still buy more cheaply than before the devaluation of the Indian rupee, the effect of the increase is only to divert to the Government a great part of the advantage of devaluation. Indian millers were gravely embarrassed when the Pakistan authorities held up in transit some 300,000 bales of jute bought before the devaluation. In retaliation and to put pressure upon the Pakistan authorities, the Government of India banned the export of coal to East Bengal, threatening a partial paralysis of the transport system in that country. The jute was eventually released but the ban on exports of coal to East Pakistan continued into 1950.

The new Pakistan Jute Board, which was established for the marketing of jute, stopped transit shipment of Pakistan exports through Calcutta. A greatly increased volume had to be handled by the port of Chittagong, which had not the necessary capacity and equipment. This complicates Pakistan's problem of finding markets for its jute in other countries and it seems problable that more than a million and a quarter bales will have to be stored in 1950.[1]

[1] *The Economist*, 31 December 1949, p. 1473.

The General Agreement on Tariffs and Trade

Customs duties are used by all countries of the region to raise revenue and by some countries for the protection of industries which they desire to develop in the face of competition from more industrialized countries. The level of tariffs, though in general not inordinately high — in the *entrepôts* of Hong Kong and Singapore it has been low — restricts trade. While the Charter of the International Trade Organization was in preparation the members of the Preparatory Committee negotiated for trade reductions among themselves. Among the participating countries were China and India; in addition the United Kingdom negotiated on behalf of Burma and Ceylon and Pakistan accepted the negotiations carried out by India. The result of the negotiations, which were conducted between pairs of countries but made multilateral in effect by the application of the "most favoured nation" principle, was the General Agreement on Tariffs and Trade (generally known as GATT) signed at Geneva on 30 October 1947. The concessions made by the various countries (more in the way of binding than in the way of reducing duties) covered some 45,000 items, which formed two-thirds of the import trade of the participating countries and about half of total world imports.

In April 1949 there was a second round of negotiations at Annecy in France. Eleven additional countries were represented and negotiated tariff concessions with the previously contracting parties and among themselves, thus considerably extending the scope of the agreement.

Indonesia, which was not separately represented at these negotiations, became a party to the agreement in February 1950. There are now twenty-four participating countries and it is to be hoped that, though China has withdrawn from the Agreement, the ECAFE countries in general will benefit from the general binding or reduction of customs duties already negotiated and to be negotiated at a third meeting in September 1950.

Trade Promotion

Before the war trade-promotion services were little developed in the ECAFE region and co-operation between the countries of the region in trade promotion was practically unknown. When the countries of the region found themselves facing a changed pattern of trade after the war and at the same time had to solve the problems of industrial development, unfavourable balances of payments and altered relations with metropolitan countries, the Governments felt the need for new methods and services for the promotion of trade. Countries which had no services began to develop them and countries, which had already a foundation, built upon it. There has been a strong determination on

the part of the Governments in the region to assume a leading role in the conduct of their countries' foreign trade. This is accompanied by an acute awareness of the impediments to be overcome. To seize opportunities for trade merchants require—especially in the difficult conditions of the modern world—information on the available commodities and the market for them, on regulations and agreements affecting trade, on the development of new products and commodities, on fluctuations in the rates of foreign exchange, on marketing methods and business practices of foreign firms, and on a multitude of other matters. Countries of the region which have not yet developed effective commercial services are at a disadvantage in competition with countries represented by commercial counsellors, attachés and secretaries, or by trade agents and commissioners.

Expansion of trade-promotion services is impeded by the lack of trained and experienced personnel, especially for countries formerly dependent on metropolitan countries for these services. Co-operation with advanced trading nations can help to fill the gap. The United States, the United Kingdom, Australia, New Zealand, Canada and other countries maintain commercial-information and trade-promotion services of varying degrees of strength in most countries of Asia and the Far East. A second obvious impediment is the financial one, as many of the countries of the region would find it difficult to meet the cost of setting up comprehensive trade services at home or abroad.

Plans for extended commercial services for the Philippines and Ceylon went forward during the year. India was towards the end of the year completing the formalities for sending abroad fourteen additional representatives to function wholly in the field of foreign-trade promotion. Pakistan sent twenty newly-recruited members of the Pakistan Foreign Service abroad for diplomatic and trade-promotion training. With these developments the position in 1949 can be summarized as follows:

(1) The Philippines, Thailand, Ceylon, Hong Kong, India, Pakistan, Indonesia and, until mid-1949, also China had specific offices whose functions were the active promotion of foreign trade. Burma, the Union of French Indochina, Singapore, the Federation of Malaya and Korea had commercial offices, but these were mainly concerned with the operation of trade controls. In Brunei, North Borneo and Sarawak, where there were no commercial offices, some limited services were performed through the offices of the Chief Secretaries;

(2) In many countries of the region there were national chambers of commerce, trade associations and co-operative commodity groups. These organizations furnished numerous trade-promotion facilities, outstanding among which were the various trade journals published and the maintenance of branch offices in other countries for the specific purpose of trade promotion;

(3) Only India maintained extensive official commercial representation in other countries of the region, but Ceylon, Pakistan, Indonesia, Hong Kong, the Philippines and Thailand had limited representation. These and other countries depended for intra-regional commercial representation upon limited diplomatic and consular offices; and in many instances even consular functions were performed co-operatively by representatives of other Governments;

(4) India during 1949 had fifteen commercial representatives in countries throughout the world. The fairly extensive pre-war trade commissioner services of the Philippines had not yet been resumed, as separate representation was started only in 1948. By 1949, however, there were commercial representatives in Washington, New York and San Francisco. Diplomatic missions in ten other countries supplied commercial intelligence. Thailand had commercial representatives in the United States, India, the Netherlands, Hong Kong and the Philippines. Ceylon made use of some British commercial services and maintained trade commissioners in Canberra, Bombay, London and Washington. Hong Kong used British services and had government agents in Tokyo and London for handling trade. Burma was without separate commercial services but diplomatic missions performed trade-promotion services in Ceylon, China, France, India, Pakistan, Thailand, the United States and the United Kingdom. Separate trade commissioners for Indonesia were located in Melbourne, Shanghai, Hong Kong, Bombay (for both India and Pakistan), Singapore, the United States and the United Kingdom; elsewhere commercial representation was by co-operation with the Netherlands. Pakistan had trade commissioners in Australia and Ceylon and some commercial services through diplomatic missions in seven other countries. Singapore and the Federation of Malaya had an agent in London only. The Union of French Indochina used the services of French commercial attachés throughout the world as well as a Special Economic Mission in the Far East with offices in Hong Kong and Shanghai. Nepal maintained diplomatic representatives in India, Tibet, the United Kingdom and the United States, and also a consular office in Rangoon.

Representation in Japan is of especial importance because of the need to develop the complementary trade between Japan and the ECAFE countries. Eleven ECAFE Governments maintained resident missions and commercial representatives in Japan during 1949. Japanese exports were returned to private channels on 1 December 1949, and similar action on imports was to follow in 1950. SCAP was considering the establishment of Japanese offices of consular type in the United States to enable the Japanese to conduct research on market conditions and trade opportunities and to make available to the United States, information on trade opportunities and regulations in Japan. Other Governments did not proffer invitations to SCAP to arrange for similar offices in their

countries but the precedent was set for them to consider when the proposed agencies were approved and arrangements made to open four in the United States in March 1950.

By establishing lines of communication and a central point for the exchange of trade information ECAFE was able to serve as an impartial clearing house of trade-promotion information and to bring together Governments for their mutual advantage. The Commission recommended at its fifth session "that member countries be urged to establish permanent trade promotion agencies in the countries of the region and to exchange trade delegations"[1], and "that studies of trade with Japan and in the region generally should be intensified, special attention being devoted to identifying the factors impeding trade and the causes of changes in the volume and patterns of trade."[2]

[1] Document E/CN.11/221.
[2] *Ibid.*

PART II

FACTORS AND PROBLEMS UNDERLYING POST-WAR ECONOMIC DEVELOPMENT

CHAPTER XII

Position of the Region in the World Economy[1]

In analysing the position of Asia and the Far East in the world economy, it is necessary to distinguish between the role of the ECAFE countries and that of Japan. The economies of the ECAFE countries are essentially similar in that they are all under-developed agricultural countries, mainly producers of foodstuffs and raw materials. They constitute an important source of primary products for industrialized countries throughout the world, an important market for their manufactures and an important outlet for their capital. The economies of the ECAFE countries are complementary to those of the industrialized countries rather than to each other. The role of Japan, the only highly industrialized country in the region, is different. Before the war, Japan was the "workshop" of the region, exporting manufactured goods to the ECAFE countries in exchange for their raw materials and foodstuffs. In the years immediately following the war, Japanese exports to the ECAFE region were only a small fraction of the pre-war figures, but recently Japan is regaining its position as the region's chief exporter of industrial products. Even in the case of Japan, the greater part of the high-quality machinery and tools was purchased from countries outside the region, and processed materials were important in Japanese exports. As a whole, therefore, the region is a producer and exporter of primary products, and an importer of manufactured goods.

Before the war, the entire ECAFE area, except China and Thailand, was composed of Non-Self-Governing Territories. Their role in international economic relations was largely a "passive" one, influenced or controlled by foreign countries. Enterprises handling and financing imports and exports, as well as ocean shipping, were largely in the hands of foreigners; in most cases foreign capital was dominant in the modern sectors of their economies. Their international balance-sheets consisted of payments for manufactured goods, profits, interest and amortization, shipping and banking and insurance services, against receipts from sales of primary products and proceeds of capital imports. Although the levels of production and trade were comparatively low, the countries of the region formed an integral part of the world economy and of the

[1] Prepared by the Asia and the Far East Unit, Division of Economic Stability and Development, United Nations Department of Economic Affairs. The term "region" is used in this chapter to mean Asia and the Far East, including ECAFE countries and Japan. The purpose of this chapter is mainly to give a summary of some of the salient features of the region's economic position, and review the current situation being described in the chapters in part I. In this chapter, percentages are usually given; absolute figures found in other chapters are normally omitted herein.

global system of trade and payments. As a whole, they had an import surplus in commodities and services with western European countries, approximately balanced by an export surplus in commodities and services with the United States.

At present, all countries in the region, except Hong Kong, Malaya and Singapore, British Borneo and Dutch New Guinea, have attained or are on the way to attaining independence. Outside the region, the most significant changes have been the rise of the United States and the Union of Soviet Socialist Republics as the main political and economic world Powers, and the decline in the relative strength of the European Metropolitan Powers. These changes will sooner or later lead to reorientation and fundamental change in the patterns of international trade and finance, and in the role of the region in the world economy. In fact, significant changes have taken place in the past few years. While the region continues to be an exporter of raw materials and an importer of manufactured goods, many ECAFE countries have made plans to further their industrial development and have introduced measures aimed at strengthening national, as against foreign, control of their production, trade and finance. The flow of private foreign capital into the region has declined, and the volume of direct foreign investment has decreased in some of the countries. In the post-war years the United States, and to a lesser extent also the Soviet Union, has become more important to the region as a supplier of manufactured products (especially capital goods) and long-term capital and international grants. Although the economic link with the former metropolitan Powers has been maintained by such means as the sterling area or the Financial and Economic Agreement between the Netherlands and the United States of Indonesia, there are indications that the economies of the former dependent territories sooner or later will become more independent of those of their former metropolitan Powers than before the war. The pre-war global system of international settlement has broken down: the export surplus with the United States has turned into an import surplus; the out-payment of dividends and profits, as well as debt services, to the European countries has declined; and the region has had to depend on international grants and credits and on foreign-exchange balances accumulated during the war to offset its import surplus.

The technological developments, especially those in the last decade, will eventually have far-reaching effects on the region's position in the world economy. A most significant technological development has been the rise of synthetic substitutes for tropical and some other raw materials exported by the ECAFE countries. The region has enjoyed natural advantages in the production of certain minerals and tropical products, and some superiority in producing goods that require relatively plentiful labour and little capital. The rise of synthetics not only lessens the

importance of the natural advantages but also implies the substitution of capital in the industrialized countries for labour in the under-developed areas. Certain export products of the region have already been threatened by the competition of synthetics.

Basic Factors

Apart from general political and social conditions, the basic factors determining the position of the region in the world economy include the large population; the meagre *per capita* land area, especially of cultivated land; the comparatively small share of proved mineral resources; the deficiency in capital; and the low level of technological development. In this connexion consideration will also be given to the region's low levels of national income and standards of living.

Population and Natural Resources

Asia and the Far East accounted for about one-half of the world's population both before and after the war. Before the war, the estimated population of the region totalled 1,097 million, while that of the world was 2,200 million. In 1949 the figure for the region was about 1,170 million, while that of the world exceeded 2,300 million.

Although the region possesses some very fertile agricultural land, especially in the large tropical area, and certain important mineral resources, the natural resources are small in relation to the population. With about one-half of the world population, the countries in the region have only one-sixth of the world land area, or 19,032,000 square kilometres. The region is therefore very densely populated; in 1948 and 1949 it had an average population density of over 60 persons per square kilometre. Furthermore, about 80 per cent of the population is concentrated in an area of 8 million square kilometres, or 42 per cent of the total land. For this area the density exceeds 110 persons per square kilometre.[1]

Compared with other parts of the world, the *per capita* area of cultivated land in the countries of the region is low. It ranges from about 0.15 hectare to a little over 0.50 hectare, very much smaller than in countries such as Australia, Canada, the Union of Soviet Socialist Republics and the United States. The combined share of China and the Indo-Pakistan Sub-Continent in the world's cultivated land is about equal to that of the USSR and the United States, but the population of the former countries is more than two and a half times that of the

[1] In 1948, it was about 115 persons per square kilometre: 107 in Ceylon, 108 in India, 100 in China proper, and 128 in Korea. In Japan, average density in 1948 was 211.

latter two countries. The region's reserve of arable uncultivated land is relatively small, especially if compared with some other parts of the world. In terms of cultivated and cultivable land, therefore, the region's portion of world agricultural resources falls short of its share of population.[1]

The share of the region in the mineral resources of the world is also low. With the exception of a few metals, such as tin, tungsten and antimony, the share of most industrial mineral reserves fails to equal that of land area and population.

Among energy resources, the coal and lignite reserves amount to only 5.3 per cent of the world total,[2] proved petroleum reserves 2.7 per cent[3] and water power reserves 14 per cent.[4] As in all under-developed areas, animate energy occupies a far more important position than inanimate energy in Asia and the Far East. The region has about half of the human energy resources of the world and a little under half the draught animal energy resources.[5]

The region has only a small percentage of the world's estimated deposits of such metals as zinc (about 6 per cent), manganese (over 4 per cent), copper (about 3.5 per cent) and lead (about 9 per cent). The share in the world deposits of iron and aluminium ores is greater — each is about 14 per cent of the total. The region is rich in tin, antimony and tungsten; 83, 87 and 90 per cent, respectively, of the world's reserves are located in the region.

Capital, Technology and Productivity

The share of the region in the world total of physical capital is very low. Before the war, the real capital per worker of countries in the region, excluding Japan, was estimated at less than one-tenth of that in countries like Australia, Canada, the United Kingdom and the United States. Although real capital per worker in Japan was greater, it was still well below half the average in the United States, and only about

[1] The total arable land area was estimated at 550 million hectares in the ECAFE countries: 195 million in China and 248 million in India, compared with 600 million hectares in the Union of Soviet Socialist Republics, and 400 million in the United States. See International Labour Organization, *The Economic Background of Social Policy, Including Problems of Industrialization*, p. 22.

[2] U. S. Department of State, *Energy Resources of the World*, p. 52. The aggregate probable reserves of coal and lignite in the region were a little under 300,000 million metric tons of coal equivalent, of which only about 10 per cent was proved in 1937. See also chapter XIV on mineral resources.

[3] U. S. Department of State, *op. cit.*, p. 71. The proved reserves in 1937 were under 200 million metric tons.

[4] *Ibid.*, p. 83. Potential production was estimated at 544,000 million kilowatt-hours. See also chapter XV on flood control and water resource development.

[5] U. S. Department of State, *op. cit.*, p. 85.

one-third of that in the United Kingdom.[1] The region's share in the physical capital of the world was further reduced in the post-war period, due to war devastation in the region and expansion of capital investments in some other parts of the world, notably in the United States.

Qualitatively, the physical capital of the region also compares unfavourably with that of industrialized regions. Antiquated and rudimentary tools and instruments are still widely used in the region. Because of wartime wear and tear on machinery and other capital goods, the quality of the region's physical capital has considerably deteriorated.

A parallel and related phenomenon is the low level of technological development in the ECAFE countries, evidenced by the prevalence of traditional methods of production, the deficiency in technical knowledge and the shortage of skilled personnel. In farming, haphazard use of seeds, deficiency of fertilizers resulting from defective preservation, poor methods of cattle-breeding and fragmentation of holdings are clear indications of lack of progress in technology. In industry and mining, the predominance of handicraft production and the under-development and inefficient utilization of resources are further signs of the low level of technological development.

Because of the factors mentioned above and generally because of unfavourable political and social conditions, the productivity of labour in the ECAFE countries is considerably lower than in industrialized countries. In farming, the yield per unit of land for all cereals except rice was about 10 to 30 per cent below the world average;[2] in terms of yield per person the discrepancy in productivity was even more striking. In industry, the labour productivity in the region was also much lower than in western Europe and the United States. For instance, the annual output per worker in the cotton spinning industry in India before the war was only one-fifth to one-fourth the corresponding figures in the United Kingdom and Germany. Since the war, the region's productivity has declined further. The average output per person in agriculture and other branches of production in many countries of the region is less than one-tenth of that achieved in countries with the highest productivity.

[1] According to an estimate of Colin Clark, in *Conditions of Economic Progress*, London, 1940, and *The Economics of 1960*, London, 1943, the real capital of the working population in terms of international units during 1935 to 1938 was 180 in China, 580 in India, 1,350 in Japan and 380 in the rest of Asia, as contrasted with 2,740 in France, 5,000 in the United Kingdom, 4,400 in Australia, 4,240 in Canada and 4,360 in the United States. An international unit is defined as the average amount of goods and services which one dollar could purchase in the United States from 1925 to 1934.

[2] The average yields of the countries in the region were about 10 per cent below the world yields in the production of wheat and barley, about 20 per cent in that of rye, and about 30 per cent in oats and maize.

National Income and Standard of Living

Asia and the Far East is a low-income region. It accounted for only about one-fifth of the aggregate income of the world before the war.[1] In the post-war years, because of the slow recovery in production, the aggregate annual income of the region was smaller than pre-war, and its share in world income declined. In 1948 and 1949, while world output advanced significantly over the pre-war level, that of the region remained below pre-war.[2]

Per capita income in the region compares very unfavourably with that of other parts of the world; most of the countries of the region are in the category with the lowest average.[3] Since the region has one-half of the world population but only about one-fifth of its total income, the region's *per capita* income is about one-fourth of the average in the rest of the world.

The low level of *per capita* income is reflected in a generally low standard of living throughout the region. As in other low-income areas, the diet of the peoples of Asia and the Far East, though a large portion of *per capita* income is spent on foodstuffs, is deficient in nutritional values. In spite of the fact that foodstuffs absorbed half or more of the average family budget before the war, the number of calories and the amount of protein per head were comparatively small. In the years immediately preceding the war, the average calorie intake per person per day ranged from a little over 1,700 calories in Thailand to about 2,200 calories in Ceylon, China proper and Japan; the daily animal protein intake averaged well below 10 grammes per day in the region as a whole.[4] These figures compare very unfavourably with average food

[1] Comparable national income data are not available and are difficult to compute because of differences in purchasing power of currencies, discrepancies in definitions of national income and other technical differences. On the basis of Colin Clark's estimated world annual income of 254,400 million international units from 1925 to 1934 (see *Conditions of Economic Progress*, London, 1940) the region during this period had an estimated annual income of about 54,000 million international units, or about 21 per cent of the world total. Although a very crude measure, the proportion indicates the very low position of the region in relation to the rest of the world.

[2] See United Nations, *World Economic Report, 1948*, part I, chapter 1 and part II, chapter 3. Economic recovery of war-devastated areas in Europe has been much quicker than that in Asia and the Far East.

[3] According to Clark, *op. cit.*, pages 54 to 57, of the world's population of 2,095 million in the period 1925 to 1934, the average *per capita* income of 1,113 million was under 200 international units; 966 million of the 1,113 million were in Asia and the Far East region. With the exception of Japan and the Philippines, all countries in the region had an average income below 200 international units in this period. Both Japan and the Philippines were in the category of 300 to 400 international units per head, compared with over 500 in most of the western European and Latin-American countries. In the United States and Canada, the average was 1,300 to 1,400 units; in New Zealand 1,200 to 1,300; and in the United Kingdom and Switzerland 1,000 to 1,100.

[4] See above, chapter 1. The animal protein intake per person per day ranged from 4.4 grammes in Java and Madura to 32.7 grammes in Burma. It was 5.7 grammes in China proper and 8.3 grammes in the Indian Sub-Continent. In both China proper and Java, the daily supply of calories per person was somewhat over 2,200, while in Japan it was a little under 2,200.

consumption in other parts of the world. During the post-war years, while in many countries of the region it has been necessary to spend a larger proportion of the family budget for food, the standard of nutrition has deteriorated further. In 1948 and 1949, the average daily *per capita* supply of calories in most countries fell below 2,000 calories, and some were even below 1,800 calories,[1] while the supply of animal protein in most of the ECAFE countries was well below the pre-war level.[2]

The peoples of Asia and the Far East have a relatively low level of apparel fibre consumption. Their main apparel fibre is cotton. Before the war, consumption of cotton textiles in the region averaged under 2 kilogrammes per person, compared with the world average of 3 kilogrammes. In the post-war years, the consumption level of the major apparel fibres deteriorated more seriously in the region than consumption in the world as a whole. In 1948, the *per capita* consumption of cotton textiles fell to 1.5 kilogrammes in the region, compared with 2.7 kilogrammes in the entire world.[3]

Role in World Production

As a result of the unfavourable political and social environment, the deficiency of capital and natural resources in relation to population and the low level of technological development and labour productivity, the region's share in world production has been small. On the whole, the region occupies a much more important place in world agriculture than in industry. In the main, the crops most suited to the natural environment, such as rice, rubber and jute, and the products which require comparatively little capital and abundant labour predominate. The region is a net exporter of tea, tobacco, fats and oils, poultry and egg products and other foodstuffs. It also produces important amounts of natural fibres, especially silk, jute and abaca. It accounts for a small share of world mineral production though it is a leading producer and exporter of tin, antimony and tungsten. Except in Japan, industrial production in the ECAFE countries has been limited by the relative scarcity of capital and by the low level of technological development.

[1] Thailand and Indochina are the only two countries in the region which had higher *per capita* calories per day in the post-war than in the pre-war years. In Japan, where only 33.5 per cent of the family expenditure was for foodstuffs in 1934-1936, food expenditures constituted 63 per cent of the average family budget in 1948, and the level of consumption (including food and other items) fell in 1948 to only 59 per cent of the 1934-1936 levels.

[2] In many of the ECAFE countries, it was 20 per cent, or more, below the pre-war level, but in Japan, the level of animal protein intake in 1948 and 1949 remained at the pre-war level.

[3] Food and Agriculture Organization of the United Nations, *World Fibre Review 1949*, pages 104 to 113.

In industry, as in other branches, the countries of the region tend to concentrate on types of production which require plentiful manpower, especially unskilled labour, and little capital such as handicrafts and light industries.

Agriculture

The region is predominantly agricultural: in most of the countries agriculture provides from 50 to 75 per cent or more of the national income and employs about 60 to 75 per cent of the gainfully occupied population. In Japan, which is more industrialized than the ECAFE countries, the importance of agriculture showed a significant increase in the post-war years, compared with pre-war. In 1948 and 1949, more than half the Japanese labour force was employed in agriculture, which provided between one-fourth and one-third of the national income.[1]

Agriculture in Asia and the Far East is marked by the predominance of cereal production. Because of the high labour intensity, the productivity of agricultural labour is extremely low. The necessity of using land to grow cereals, through governmental and other pressures, limits the cultivation of cash crops in several countries of the region.

In spite of the predominance of agriculture, the region's part in world food production did not equal its proportionate share of the world population. In the years 1934-1938, Far Eastern countries produced only 35 per cent of the world production of all foodstuffs.[2] Owing to low consumption levels, however, the region had a net export of cereals. The average net export of milled rice in 1934-1938 amounted to 1.7 million metric tons a year.[3] The region was also a net exporter of sugar, fats and oils, tea, tobacco, eggs and poultry products. Before the war, countries in the region annually exported about 1.6 million metric tons of sugar, 2.3 million metric tons (oil equivalent) of fats and oils, a little under 0.4 million metric tons of tea and considerable quantities of tobacco and other agricultural products. The region produced nearly a third of the world output of sugar, well over a third of the fats and oils, over half the tobacco and practically all the tea.

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[1] The share of agriculture in the Japanese national income was 15 per cent in 1938 and 16 per cent in 1939. See Statistical Office of the United Nations, *National Income Statistics 1938-47*, p. 65.

[2] Food and Agriculture Organization of the United Nations, *State of Food and Agriculture 1948*, p. 10. In the pre-war years, while the region produced about 95 per cent of the total world output of rice, it provided only about one-fifth of wheat and coarse grains (including kaoliang and millet).

[3] Before the war, the region had a net export of coarse grains (0.9 million metric tons a year, or a little over 1.5 per cent of its production), but its imports of wheat, including flour, exceeded exports by 1.3 million metric tons. As a whole, the region was a net exporter of cereals.

After the war, food production continued to occupy a very important position in the economy of the region, but its share in the world of agricultural output has been somewhat smaller in post-war than in pre-war years. The contraction in production has shifted the position of the region from a net exporter to a net importer of cereals. While it is impossible to predict whether Asia and the Far East will regain its pre-war position as a net exporter of cereals, it is not unlikely that the region as a whole will become self-sufficient in food grains if consumption is kept at its present level. The net import of rice into the region declined from 0.4 million tons in 1948 to 0.25 million tons in 1949, and production and consumption are more nearly balanced. With restriction of imports and with expanded rice production, perhaps also with increased production of other food grains, the deficit in the region's balance-sheet of cereal production and consumption should gradually be reduced, though import surpluses of wheat and coarse grains are likely to continue for some time.

In the post-war years, the position of the region with regard to world production of sugar, tobacco, fats and oils and other foodstuffs was also weakened, as compared with pre-war. In 1948, production of sugar was reduced to about 24 per cent, of fats and oils to 27 per cent, and of tobacco to 40 per cent of the world total. In 1949, the region's share in world production of fats and oils increased to 29 per cent, while that of sugar and tobacco decreased respectively to 23 and 39 per cent. As a result, sharp reductions in exports of these items have been registered in the post-war years. Export of sugar in 1948 and 1949 was reduced to a very small part of the world total; in the first few post-war years the region had a net import. The export of fats and oils in 1948 and 1949 declined to about half the pre-war volume. The production and export of tung oil have recovered considerably, but output in other regions, though small, has begun to make inroads on the former exclusive position of the region. The region's share in the world export of tobacco in 1948 was only one-fifteenth, with a recovery to one-thirteenth in 1949, compared with a little under one-fifth before the war. In 1949, the net export of tobacco in the Far East was only a little more than one-third of the pre-war level, although nine times that of 1948. The region retained its exclusive position in the production and export of tea; sharp declines in China, Indonesia and Japan were largely compensated by increases in Ceylon, India and Pakistan. The post-war export of tea from the region, amounting to 0.34 million metric tons in 1948, with an increase by 7 per cent in 1949, was smaller, however, than the pre-war figure of 0.39 million tons.

The contractions in production and in the exportable surplus of food in the region are mainly due to such factors as war devastation, political and economic instability, and shortage of capital goods. With economic

rehabilitation and a gradual improvement in the political situation, the region may increase its capacity to export. It is difficult to foresee the extent to which the shift to cereal production will affect the production of exportable foodstuffs permanently.

Asia and the Far East occupy an important position in the fibre economy of the world, especially in the production of natural fibres. Before the war, natural fibres constituted 95 per cent of the global total for all the fibres produced and consumed, and the region contributed about two-fifths of total world production of natural fibres. In 1934-1938, the Far Eastern countries produced 29, 87, 99 and 49 per cent, respectively, of the world output of cotton, silk, jute and hard fibres. They had a virtual monopoly in the export of silk, jute and abaca, and contributed more than one-third of the world's export of sisal. Production of cotton, however, was not sufficient to meet the requirements of the region. Although the Indo-Pakistan Sub-Continent had a surplus for export, Japan imported a greater quantity than the region itself could supply. The share of the region in world wool production was small — less than 7 per cent — and it was a net importer of wool. On the whole, however, the region was a net exporter of natural fibres.

The war adversely affected the fibre position of the region; production of the region sharply declined while that in some other parts of the world significantly increased. In 1947/48, the share of the region in world production of natural fibres declined to one-third, and in 1948/1949, to less than 30 per cent. The decline in the relative share of the region in the volume of world production of certain natural fibres in the post-war period is shown in table 101.

Table 101. Production of Natural Fibres in Asia and the Far East

(In percentage of total world output)

Fibre	*1934-1938*	*1948*	*1949*
Cotton	29	18	19
Wool	7	5	5
Silk	87	68	..
Hemp	9	8	..
Jute	99	98	99
Abaca	100	80	83
Sisal	35	3	..

Source: Food and Agriculture Organization of the United Nations, *World Fibre Review 1949; Food and Agricultural Statistics,* May 1950.

With the decline in fibre production, in 1948 and 1949 the region became a net importer of natural fibres; there was a marked increase in the net imports of cotton, and a shrinkage in the net exports of silk and hard fibres. The share of the region in the export of hard fibres in 1948 was only about 20 per cent of the world total, compared with about

50 per cent before the war. The sharpest decline occurred in sisal, which in 1948 formed only 2.5 per cent of total world exports, compared with 35 per cent in 1934-1938. The 1948 shares of world exports of silk and abaca were 79 and 82 per cent, respectively, compared with 94 and 100 per cent, in 1934-1938. The region accounted for all jute exports in post-war as well as pre-war years. In spite of striking declines in exports, the region became a net exporter of wool in the post-war years, mainly because of the marked reduction in the amount imported by Japan, the leading wool textile manufacturing country in the area. The incomplete data on the trade position of the region in natural fibres in 1949 indicates a slight improvement over 1948.

The region is expected to continue for some time to have an excess of cotton imports over exports, because expanding industrial demand will more than offset attempts to increase production. When the Japanese wool textile industry recovers, the aggregate import of wool into the region is expected to exceed the aggregate export, as it did before the war. But the region will presumably continue to supply the world with silk, jute, abaca and sisal.

Production and exports of the region in natural rubber have increased significantly in the post-war years as compared with pre-war, although there was a decrease in 1949 over the 1948 figure. In 1937 the region accounted for 96 per cent of the world total output and export in natural rubber; after the war it maintained a similar percentage, declining slightly by about 1 per cent in 1949. Before the war the production of synthetic rubber was negligible. As a result of the rise in the last decade of synthetic products in countries outside the region, notably in the United States, the world production of synthetic rubber in 1949 was about three-tenths of natural rubber production. In terms of the total combined supply of natural and synthetic rubber, the region's share declined sharply, from 96 per cent in 1937 to 73 per cent in 1948, with a recovery to 76 per cent in 1949.

Minerals

In comparison with other parts of the world, the share of Asia and the Far East in world mineral production is low. Before the war, production of coal and lignite was only one-twelfth of the world total; the output of petroleum. about 3.5 per cent; and the production of water power, about 13 per cent of the total.[1] Energy available for productive purposes from mineral and other inanimate sources in 1937 accounted for only about half the energy from all sources; this compares unfavourably with the world ratio of 87.6 per cent of inanimate to total sources of energy in the same year.[2] Output of coal and petroleum in the region

[1] U. S. Department of State, *Energy Resources of the World*, pp. 52, 71 and 83.
[2] *Ibid.*, pp. 102 and 103.

during the pre-war years was sufficient to meet the relatively low requirements. Since the war, production has been greatly reduced by war damage, and the region has had to rely on imports to meet growing consumption requirements. In 1949, while the region's coal production increased over 1948, it was less than one-fifteenth of the world total. However, if political and economic conditions improve, the region would be able to regain or exceed its pre-war share of the world total of coal and petroleum production, and to supply its own needs.

Except for tin, antimony and tungsten, output of metallic ores in the region forms only a small share of the world total. Because of the lack of development of the mineral resources, the share of the region in the total output of most minerals has been much smaller than its share of the reserves. Before the war, production of iron, tin, tungsten, antimony and lead ores was about 11, 73, 74, 35 and 7 per cent, respectively, of the world totals. Pre-war production of copper and zinc in the region, however, formed a larger share of the world total than the share of these metals in world reserves. War-time destruction and post-war difficulties have brought mineral production to low levels in the last few years. As a result, the position of the region in the world production of ores has been adversely affected, as table 102 shows.

Table 102. Production of Metallic Ores in Asia and the Far East

(In percentage of total world output)

Ore	*Pre-war*	*1948*	*1949*
Iron	11.3	3.6	4.0[a]
Copper	4.2	1.6	...
Zinc	6.3	2.0	...
Lead	6.7	0.5	...
Tin	73.1	55.7	61.0
Tungsten	74.3	44.0[a]	...
Antimony	35.0	7.2	...

Source: Statistical Office of the United Nations, *Statistical Yearbook, 1948; Economic Survey of Asia and the Far East, 1948;* United States Bureau of Mines, *Mineral Yearbook.*

[a] Preliminary.

Iron, lead, zinc and copper are produced and used within the region; Japan is the pre-eminent industrial consumer. Production of these minerals in the region has been insufficient for regional requirements, especially in the post-war period. The deficiency has been met by imports; but net imports of these metals and ores have been more than compensated by exports of others.

The leading export minerals of the region include tin, tungsten, antimony and manganese, which have been produced mainly for export markets. The war adversely affected both production and exports. Before the war, the region normally supplied 51 per cent of the tin concentrates,

and 59 per cent of the tin metal, entering international trade, as well as a large proportion of the tungsten, antimony and manganese. Owing partly to the slow recovery of production within the region and partly to the development of ores elsewhere, the share of the region in world exports of these minerals has been greatly reduced. Even in tin mining, where rehabilitation was most rapid, the output of the region in 1949 barely reached the 1938 level. Similarly, exports of bauxite, chromite, mica and sulphur are lower than their pre-war levels, though to a lesser degree.

The realization of the post-war plans of a number of ECAFE countries for developing their mineral resources may materially increase the share of the region in world mineral production.

Industrial Production

The industrial development of Asia and the Far East is very limited. Japan is the only highly industrialized country in the region, though India and China have some developed factory industries.[1] These three countries together account for more than 90 per cent of the factory industry of the region. In the other countries, factory industry for the most part consists of the processing of agricultural and mineral products, mainly for export, and includes rice milling, sugar extracting and refining, oil refining and tin smelting. Manufacturing industries in most of the ECAFE countries provide a relatively small source of national income and employment; they account for only a small part of the national income. In Japan, which is more industrialized than the ECAFE countries, pre-war manufacturing industries accounted for over two-fifths of the national income though they employed only about one-fifth of the labour force. The relative importance of post-war industrial production has been reduced to a little over one-fifth of the Japanese national income in 1947 and about one-fourth in 1949.

Industrial production in Asia and the Far East is notable for the preponderance of handicrafts and the importance of light industries. Heavy industries are found mostly in Japan, but even in that country light, rather than heavy, industries supply the major part of factory output and employment. Thus, handicrafts and light factory industries are predominant in the industrial economy of the region, reflecting the relative abundance of labour and deficiency of capital.

On the whole, the region accounts for only a small part of the world industrial production, as reflected in the supply and consumption of electric power. In 1937, production of electricity in the region was 37,586 million kilowatt-hours, or about 9 per cent of the world total. In the post-war years, production in the region increased, but not as rapidly as the world total. In 1948, although the region's output far exceeded

[1] As distinct from handicraft.

40,000 million kilowatt-hours, it was less than 6 per cent of the world total. In 1949, output was estimated at between 45,000 million and 50,000 million kilowatt-hours for the region as a whole, or more than 6 per cent of the world total.

The comparative insignificance of heavy industry in the economy of the countries in the region is shown in its small share in the world production of iron and steel. In the pre-war period, the region accounted for only 5 or 6 per cent of the world output of iron and steel — produced mainly in Japan and India. After the war, the percentage was reduced by more than half; it was only 2 per cent of the world total in 1948, as a result of the contraction in Japanese production, but recovered to over 2.5 per cent in 1949. The region also lags behind in engineering and other heavy industries, especially those which manufacture the means of transportation. The heavy industries of the region are mostly concentrated in Japan, with some small production in India and China. To fill the region's requirements, products of heavy industry were imported from other regions, particularly from North America and western Europe.

Textile industries, especially cotton textiles, are by far the most important in the region. Inasmuch as labour is relatively abundant and capital relatively scarce, there has been a tendency to specialize in textiles and similar light industries. Even in this field the share of the region in the world total is not large. Before the war, the cotton textile industry had between one-sixth and one-fifth of the total number of spindles, and this figure was considerably reduced after the war. The woollen textile industry has been small. Of the total world supply of raw silk, a little over one-fourth was processed in the region before the war. In the post-war period, the region's capacity for raw silk manufacture was reduced, though its share of the world total increased. The region occupies a unique position in jute manufacturing. India fabricated about 60 per cent of the world's raw jute before the war, but about 80 per cent in 1948 as a result of the fall in the manufacturing capacity in other parts of the world. In 1949, as Pakistan took steps to establish its own jute mills, and as the unsettled devaluation problem sharply reduced the raw jute import into India, India's share in the world jute manufacture was affected. Among the textile manufacturers, the region has to depend on imports from other regions to meet its requirements of cotton and woollen goods, but is able to export silk and jute products.

The war has brought about several important changes in the industrial situation of Asia and the Far East. First, during the war, the industrial production of India has expanded because of the stimulation of war-time demand, and the expansion is likely to continue. Second, the industrial potentialities of China were greatly increased with the restitution of Manchuria and Taiwan, though there has been a serious setback in the

last few years. Third, the position of Japan as the workshop of Asia has declined, though it is regaining its leading position in the industrial production of the region. Lastly, there have been definite plans and attempts to develop domestic industry in most countries of the region, and this tendency is likely to gain momentum when the political and economic climate becomes favourable. Finally, several ECAFE countries have already planned to increase the processing of exportable raw materials. Together, these changes indicate that industrial production will tend to occupy a more important role in the region, although it is too early to predict how much and how fast the region will be able to develop its industries. For a long period, the region will undoubtedly have to depend on other areas for some industrial products, especially capital goods, but step by step, it is expected to increase the production of industrial goods.

Role in World Trade and Finance

In conformity with the low level of production and income, the share of the region in the world import and export trade is also small. With about half the world population, the region accounted for less than one-seventh of global international trade in pre-war years, and dropped to a still lower percentage in the post-war years.[1] With the exception of Japan, countries in the region export commodities for which the region enjoys a natural advantage, such as tropical and mineral products, and those which require relatively abundant labour and little capital, such as farm produce and the products of handicrafts and light industries. In several of these fields, especially in mining and manufacturing industries, as well as in public utilities, foreign capital was especially important. Merchandise imports of the ECAFE countries consist for the most part of manufactured goods, and invisible imports include shipping, banking, insurance and other services.

Import and Export Trade

As indicated, the trade of the ECAFE countries with countries outside the region consists mainly of the export of primary products in exchange for manufactured goods. Among the chief exports are raw materials, such as rubber, fibres, tin and other minerals, hides and skins; and such foodstuffs as tea, fats and oils, eggs and egg products. The imports from countries outside the region are more diversified; the chief items are textiles, processed foods, chemicals, machinery, appliances and vehicles.

[1] Although the share of world trade is small, international trade is important to the domestic economy of many countries of the region. Before the war, the ratio of exports to national income was high in South-East Asia, ranging from 20 per cent in the Philippines to 42 per cent in Ceylon, but it was low in China and India, accounting for only 4 to 6 per cent of the national income. The position of Japan was between the two groups, with a ratio under 10 per cent.

The composition of Japanese trade is different — chiefly export of manufactures and import of primary products. A large part of Japanese manufacture, however, has been for markets within the region, in exchange for primary products required by Japan.[1]

Before the war, about 30 to 50 per cent of exports from most of the ECAFE countries consisted of raw materials, and from 40 to 75 per cent, or more, of their imports were manufactured goods. In the post-war years, some of the ECAFE countries, notably China, depended on imports from outside the region to fill part of their urgent requirements for raw materials, such as cotton, and for cereals, especially wheat.[2] The production of some of the region's leading exports, such as rubber, silk and hard fibres, is being threatened by the expansion of synthetic production in the industrialized countries. This, however, does not alter the position of the region as a net exporter of primary products and an importer of manufactured goods. In fact, the decline in the export capacity of Japan temporarily deprived the region of its most important source of industrial supplies and caused it to rely still further on other regions for manufactures. Although post-war industrial development in some countries, such as India, resulted in a decrease in the share of raw materials in total exports as compared with pre-war, by and large the general composition of the trade of the region remains very much the same, and the region continues to export primary products and import manufactured goods.

A former marked characteristic of the trade of the ECAFE countries was the close relationship between the metropolitan Powers — France, the Netherlands, the United Kingdom and the United States — and their colonies in the region. In the pre-war trade of Burma, Ceylon, Hong Kong, India, Indochina, Indonesia, Malaya and the Philippines, about 30 per cent of their total imports and exports were with their respective metropolitan Powers. The United Kingdom and the United States also played an important part in the trade of other countries in the region. To what extent the change in the political status of the former Non-Self-Governing Territories of the region will affect their trade with the former metropolitan Powers is not yet clear. While many of the countries still maintain close trade relationships, there has been a tendency in Ceylon, India and Pakistan to shift part of their trade from the United Kingdom to the United States.

The region has been one of the chief sources of raw materials for the United States and an important market for United States manufactures.

[1] In 1938, about 35 per cent of the import trade and 44 per cent of the export trade was with the ECAFE countries, together with the rice trade between the surplus countries of the Indochinese peninsula and such densely populated countries as China and India; trade with Japan and the rice trade comprised the most important part of pre-war intra-regional trade in Asia and the Far East.

[2] In 1949, the import of raw materials and cereals into China decreased because of unsettled conditions.

Before the war, the United States share of the imports and exports of the region was about one-sixth to one-fifth, and was concentrated mostly in trade with China, Japan and the Philippines. With the exception of Japan, Hong Kong and Thailand, all countries in the region maintained an export surplus with the United States; in 1937, it amounted to $350 million for the region as a whole. Since the war, the relative importance of the United States in the trade of the region has greatly increased over pre-war, even though the share of Asia and the Far East in the trade of the United States has declined. The traditional export surplus of the region has become a deficit, and foodstuffs and consumer goods have assumed a more important place in imports from the United States. In the latter part of 1949, the region's import surplus with the United States shows some decrease due to restrictions imposed by a number of ECAFE countries on dollar imports.

Another important change in the distribution of the trade of the region is the recent increase in the share of the Union of Soviet Socialist Republics in the trade of the Chinese mainland and North Korea.

Foreign Investment

Since the region is short of capital but abundant in manpower, it has had considerable foreign investment. Before the war, countries in the region received over $10,000 million, or a little under one-fifth of the total long-term foreign investments of the world;[1] about 85 per cent was from countries outside the region, and the remaining 15 per cent consisted mainly of Japanese investment in China and investment of oversea Chinese in South-East Asia. Japan was the only creditor country of the region, with exports of more than $1,200 million and imports of over $500 million of long-term capital. However, Japan was also a net importer of capital from countries outside the region; practically all its capital import was from western Europe and the United States. Over 90 per cent of Japanese capital exports were invested in the ECAFE countries, mainly in China. Investment by the region in other parts of the world was insignificant, amounting to about $280 million in 1938 and consisting mainly of investments by Japan and by oversea Chinese in the United States. The region as a whole had a net import of capital from outside countries amounting to more than $8,200 million.

The preponderance of foreign investment was a characteristic of their economies. In China, foreign capital accounted for almost three-quarters of the total capital of incorporated enterprises in the 1930's. Foreign capital was invested in almost every field of modern economic activity

[1] The figures are based mainly on estimates for 1938 by Cleona Lewis, *The United States and Foreign Investment*, Washington, D. C., 1948, appendix A. The estimates often tend to understate the amounts of foreign investment in the Far Eastern countries.

in India. In South-East Asian countries, most of the plantations and the modern establishments in mining, manufacturing and transportation were foreign-owned. Foreign capital was especially strong in such monopolistic enterprises as public utilities and certain extractive industries.

Foreign investment in the region was characterized by the preponderance of direct investment, in which management accompanied capital. Before the war, direct business investment accounted for two-thirds of the total foreign investment in China, about half in India and about seven-tenths in South-East Asia; Japan had the smallest proportion. Most portfolio investments made with foreign capital were government obligations.

Another characteristic of foreign investment in the region was the controlling interest held by the metropolitan Powers in their respective colonial territories. In 1938, long-term foreign investment in the Non-Self-Governing Territories of the region totalled about $7,000 million, of which less than 9 per cent was invested by nationals of countries in the region, mainly oversea Chinese. The long-term investments in these territories by countries outside the region totalled about $6,400 million. Of this sum, about 75 to 98 per cent came from their respective metropolitan Powers: the United Kingdom accounted for 98 per cent in India, Burma and Ceylon and for over 90 per cent in Malaya; France, for over 98 per cent in Indochina; the Netherlands, for about 88 per cent in Indonesia; and the United States, for 75 per cent in the Philippines.[1] These investments, together with those of the United Kingdom in China, Japan, Thailand and the dependencies of other metropolitan Powers, constituted almost the entire amount of long-term capital invested by countries outside the region.[2]

The war, and developments since the war, have brought about important changes in the position of foreign investment. First, the volume of foreign investment in the region has been considerably reduced, owing to direct damage to foreign enterprises in war-devastated areas, the repatriation of portfolio and other investments, as in India, and the policy of nationalization of industries, as in Burma. Second, though foreign investment still occupies an important position in the economy of a large number of countries in the region, there have been attempts to restrict the entry of foreign capital into industries which are considered vital to the economy of the countries concerned. The Governments of Burma, China, India and Pakistan have limited the scope of

[1] If investments from countries within the region are also considered, the metropolitan Powers accounted for the following percentages of the total investments from all foreign sources: the United Kingdom, for 98 per cent in Burma, Ceylon and India, and 60 per cent in Malaya; France for 83 per cent in Indochina; the Netherlands, for 80 per cent in Indonesia; and the United States, for 44 per cent in the Philippines.

[2] The only other important foreign investments were those by the United States in China, Japan and Malaya.

the entry of private foreign investments and have imposed conditions under which foreign enterprise may be admitted.[1] Although most countries in the region are prepared to offer inducements to foreign investors, they attempt to prevent foreign capital from assuming control or too great an influence over their economic development. Third, the ECAFE countries, like certain other less developed countries, prefer indirect to direct investments, in order to remove the domestic economy from foreign influence or control. Fourth, in contrast to the pre-war situation, government loans have played a dominant role in the post-war movement of foreign capital into the region. Finally, there has been an important shift in the position of the creditor countries. The most significant changes in this respect since the war have been the rise of the United States as the leading creditor country, the liquidation of a large part of British foreign investments in the region (together with the accumulation of sterling balances by countries such as India), and the reduction of the Netherlands investment in Indonesia and that of France in Indochina.

Role in Global System of Financial Settlements

The general pre-war pattern of international payments of the countries in the region was a visible trade surplus, offset by outward payments on invisible items. In 1937, all countries in the region, except China, Hong Kong, and Japan,[2] had an excess of exports over imports; the surplus, almost $400 million, was mostly in trade with the United States. The countries of the region were largely dependent on western Europe for imports of manufactured goods, and for shipping, banking, insurance and other services. In addition, they were debtors, chiefly to western Europe, and had to make payments for dividends, interest and amortization. There existed a triangular settlement of international accounts; the net deficit in visible and invisible accounts wth western Europe[3] was offset by the export surplus with the United States. Thus the region constituted an important part of the pre-war world system of financial settlements. The position of China was rather different; while the nature of its visible and invisible items was generally similar to that of other countries in the region, China had an import surplus in merchandise trade, offset by the receipt of large remittances from oversea Chinese. The case of Japan was also different; a highly industrialized country with important income from shipping and other services from overseas, Japan had an excess of imports over exports in its merchandise trade.

[1] See United Nations document E/1614/Rev.1, *Survey of Policies Affecting Private Foreign Investment*, 8 March 1950, mimeographed, pp. 56 to 71, also ECAFE document on *Foreign Investment Laws and Regulations in ECAFE Countries*, April, 1950.

[2] Also Korea.

[3] The small export surplus on visible account was more than offset by the large outpayments on invisible items.

Among the payments on invisible accounts, the most important were the dividends and interest on foreign investments. Before the war, in countries like India and Indonesia, these dividends and interest were about equal to the export surpluses. In most of the Non-Self-Governing Territories of the region, the amount spent for servicing foreign investment before the war was about one-tenth of the national incomes. Such payments were also important to the creditor countries. In 1938, almost the entire import surplus of the Netherlands and about three-fifths that of the United Kingdom were offset by income from investments abroad, of which the share of the region was two-fifths in the case of the Netherlands and one-fifth in the case of the United Kingdom.

This system of international settlements, which began to deteriorate during the 1930's, broke down completely in the post-war period as a result of the decline in the region's exports and changes in invisible items. The decline in Japanese industrial production and export of manufactured goods, the wear and tear of capital equipment during the war, the increases in population pressure, the increased demand for machinery and capital goods resulting from programmes of economic development, have combined to turn the pre-war export surplus of the region into an import surplus. With a few minor exceptions, all countries in the region had a large import surplus in 1947-1949; that with the United States was especially important.

The import surpluses have been sustained by international capital movements and changes in out-payments in invisible items. In the war-devastated areas, post-war trade deficits have been financed chiefly by international credits and grants, particularly from the United States. In other countries, the most important change has been the reduction of international obligations. As a result of war-time destruction, the liquidation of European investment, the decline of the colonial system and the rise of economic nationalism, the investments of western European countries have sharply decreased. Countries such as Ceylon, India and Pakistan have not only paid a considerable portion of their foreign debts, but have also accumulated large sterling balances. With the decrease in foreign debts, the region's out-payments of interest, dividends and amortization has been correspondingly reduced. There is also a tendency for the out-payment of banking and other services to decline, as a result of the steps which the countries in the region are taking to establish their own mechanisms for trade and finance.

Changes in the international trade and finance of the region have also affected the position of the Far East in the sterling area. The Far Eastern members of the area — British Borneo, Burma, Ceylon, Hong Kong, India, Malaya and Pakistan — were important dollar earners in the pre-war years. In 1937, these countries contributed to the dollar reserve of the sterling block a net sum of $316 million from the United States and Canada, almost equal to the trade deficit of the United

Kingdom with the United States. In the post-war years, the dollar trade balance of the Far Eastern sterling countries changed from the pre-war surplus into a large deficit. The Far Eastern members were responsible for about one-fourth of the total increase in the dollar deficit of the sterling bloc in the first half of 1949, either because of increases in imports or decreases in exports. Thus, a substantial part of the aggregate dollar shortage of the sterling area may be explained by the change in the position of its Far Eastern members.

The nature of the future world system of international settlements cannot yet be predicted, but it is clear that the role of the region in world finance will undergo an appreciable change.

CHAPTER XIII

Population[1]

Population is a major factor in the economic problems of the AFE region. As shown in last year's *Survey*, the total population of the AFE countries exceeds 1,100 millions, and accounts for approximately one-half of the human race. To organize the productive resources of the region so as to provide a rising standard of living for this mass of population is an immense problem—one of the greatest problems facing the world today. It is complicated by the fact that economic development and accompanying changes in social conditions are likely, as was also shown in last year's *Survey*, to bring down the high death-rates which are characteristic of the region and thus to produce a large increase of population. Not only the size of the population at present and the prospect of substantial increases in the future, but also the structure of the population is important from an economic point of view. In AFE countries generally the number of children is very large in proportion to the population of working ages, and this heavy burden of child dependency is an important factor contributing to the poverty that pervades the region.

The available information on long-range population trends in various AFE countries was summarized in the 1948 *Survey*. That summary is supplemented here by some data on the changes which have taken place during the most recent years. The information on recent changes is necessarily very sketchy, because the systems of demographic records in most of the AFE countries are too poorly developed to provide reliable statistics on year-to-year variations of birth-rates, death-rates, migratory movements, and population growth. The discussion of recent changes is followed by an analysis of the structure of the population with reference to age-groups, and of the influence of population structure upon demographic trends and economic development problems.[2]

Recent Population Changes

Size of the population

Table 103 gives 1948 estimates of the total population of each country in the region, together with statistics on area and population density. It must be emphasized that for many of the countries these estimates

[1] Prepared by the Population Division, Department of Social Affairs, United Nations.

[2] Unless otherwise stated the statistics quoted in this chapter are taken from: United Nations, *Demographic Yearbook, 1948*, Lake Success, 1949; and *United Nations Monthly Bulletin of Statistics*, vol. III, no. 12, December 1949.

are only rough indications of the general magnitude of the population, because the materials necessary for accurate calculations are lacking. In the aggregate, the region covers 16 per cent of the total area of the world and contains about 50 per cent of the world's population, with an average density of approximately 61 persons per square kilometre.[1]

Table 103. Population and Area of AFE Countries, 1948

	Population[a] mid-year estimate, 1948 (Thousands)	*Area[b] (Thousands of square kilometres)*		*Population per square kilometre*	
Total, AFE countries	*1,167,798*	*19,032*		*61*	
British Borneo	923	191		5	
North Borneo		332	76		4
Brunei		41	6		7
Sarawak		550	109		5
Burma	17,000	605		28	
Ceylon	7,095	66		107	
China (including Taiwan)	463,493	9,736		48	
Hong Kong	1,800	1		1,800	
India	342,105	3,161		108	
Pakistan	73,321	935		78	
Indochina	27,030	740		37	
Indonesia	76,360[c]	1,904[c]		40	
Japan	80,697	382		211	
Korea	28,200	221		128	
Malaya and Singapore	5,962	136		44	
Malaya		5,000	135.3		37
Singapore		964	0.7		1,377
Nepal	6,910	140		49	
Philippines	19,234[d]	296		65	
Thailand	17,666	518		34	

[a] United Nations *Monthly Bulletin of Statistics*, vol. IV, no. 1, pp. 6-9; *Population and Vital Statistics Reports*, Statistical Papers, series A, no. 12, pp. 6-9.
[b] United Nations, *Economic Survey of Asia and the Far East, 1948*, p. 13.
[c] Including Netherlands New Guinea.
[d] Total population at the census of 1 October 1948.

Fertility

Recent trends in the birth-rate are ascertainable in some detail only for the few AFE countries which have adequate vital statistics or relevant indirect data. These countries are Japan, Ceylon, the Federation of Malaya, Singapore, Korea, and Taiwan (Formosa).

The average annual birth-rate in Japan from January 1947 through the first seven months of 1949 rose to 34.5 per thousand population, after a war-time rate of 28.7 in 1937-1945 and an immediate post-war low of 25.3 in 1946. The 1947-1949 rate is higher even than the pre-war

[1] United Nations. *Population and Vital Statistics Reports.* Statistical Papers, series A, no. 12, December 1949.

average rate of 31.2 in 1932-1936. The rise is believed to have resulted largely from the return of repatriates to Japan, the demobilization of persons in the domestic armed forces and the occurrence of marriages that had been postponed during the war.

In Ceylon, the recorded birth-rate has remained at, or slightly under, 40 per thousand population during the past decade. Similarly, the average birth-rate in the Federation of Malaya was about 40 per thousand both in 1935-1940 and in 1946-1948.[1] In Singapore, the average annual rate for 1933-1941 was 45 and the rate for 1947 was 46.[2]

Birth statistics in Korea have been so seriously affected by under-registration that they fail to show the actual birth-rate.[3] Reproduction rates estimated from census data during the period 1925-1944, however, indicate high and stable fertility.[4]

The birth-rate of the native population of Taiwan remained high and fairly stable from 1921 to 1943. The rate was 44 in 1921-1930; 45 in 1931-1940; and 42 in 1941-1943.[5] Vital statistics have not been available since the end of the war, but it is possible that the recent heavy immigration from the Chinese mainland will result in a considerably different appearance in the birth-rates to be reported, in addition to a real change in the pattern of fertility.

The fragmentary data available for the remainder of the region indicate that fertility is generally high and not falling. It seems unlikely that fertility will change very much in the AFE region until great transformations in social conditions, education, and popular attitudes take place.

Mortality

Death-rates have been considerably reduced in the countries of the AFE region since the end of the war, as a result of efforts to control epidemics, the extension of medical care and public education, and the development of rudimentary sanitation. The improvements, however, have generally been greatest in countries where registration systems function relatively well, so that the usable mortality statistics reflect a situation better than the average in the area. The death-rate in Japan

[1] Federation of Malaya, *Report on the Registration of Births and Deaths for the Years 1941 to 1946*, Kuala Lumpur, Government Press, 1948, p. 3; *Ibid., 1947*, p. 2; *Ibid., 1948*, p. 2.

[2] Colony of Singapore, *Annual Report on the Registration of Births and Deaths for the Years 1940-1947*, Singapore, Government Printing Office, 1948, p. 6.

[3] Office of Population Research, "Korea in Transition; Demographic Aspects", *Population Index*, vol. 10, no. 4, October, 1944, pp. 235-236.

[4] The estimated gross reproduction rates for census years were 3.5 in 1925, 3.4 in 1930 and 1935, and 3.3 in 1944. *Ibid.*, p. 239.

[5] Province of Taiwan, Statistical Bureau, *Statistical Abstract of Taiwan, 1895-1946*, December, 1946, pp. 146-147.

dropped from an average of 17.6 per thousand population in 1932-1936, 18.1 in the war years of 1937-1945, and 17.6 in 1946 to an average of 13.1 in the period from January 1947 through the first seven months of 1949. The recorded death-rate in Ceylon dropped even more, from 21 in 1937-1946 to 14 in the period from January 1947 through the first six months of 1949. The death-rate of the local population of Taiwan declined from 23 in 1921-1930 to 21 in 1931-1940 and to 18 in 1941-1943.[1]

The figures for the Federation of Malaya show a different trend. The recorded death-rate was about 19 in 1935-1940 and about 20 in 1946-1947. These rates are slightly higher than those of the pre-war years. The inauguration of the family ration system in 1943 may have resulted in less complete reporting of deaths, particularly of infants. The actual increase in the death-rate may therefore have been greater than the recorded increase. In 1948 the recorded death-rate was 16.4 per thousand population, the lowest ever recorded in the country.[2] It is, of course, not possible to tell whether this low rate represents a change in the trend or only a temporary deviation.

Death-rates computed from registration data in Korea are of little value because of the gross under-registration of infant deaths. The expectation of life at birth (based on registration data for selected areas) was 32.4 years for males and 34.9 years for females in 1926-1930; and 36.3 years and 38.5 years respectively, in 1931-1935.[3] These figures indicate that health conditions in Korea have been better than in India and Pakistan[4] but less satisfactory than those in Taiwan and Japan.[5]

For the remaining countries in the region, mortality statistics are either entirely lacking or else do not cover any large portion of their populations. With the exception of India and Pakistan, where a steady growth of population in recent decades implies a downward trend in the death-rate, little can be said of the mortality rate in the remaining countries except that it is generally high, and shows abrupt fluctuations in some of the areas. In China, for instance, a study of vital statistics in

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[1] Province of Taiwan, Statistical Bureau, *op. cit.*, pp. 146-147. Later figures are not available because of the disrupting factors mentioned in the discussion of the birth-rate. For the same reasons, future rates will probably not be comparable with earlier rates.

[2] Federation of Malaya, *Report on the Registration of Births and Deaths for the Years 1941-1946*, pp. 3, 5; *Ibid., 1947*, pp. 3, 5; *Ibid., 1948*, pp. 3, 4. The recorded infant mortality rate for 1935-1940 was 147 while that for 1946-1947 was 97. For 1948 the rate was 89.

[3] Office of Population Research, *op. cit.*, p. 237.

[4] Since the data for India and Pakistan with which this chapter deals relate to the period prior to their independence, the two countries are treated as a single unit throughout the chapter.

[5] The expectation of life at birth was 26.9 years for males and 26.6 years for females in India and Pakistan in 1921-1931; 38.8 years for males and 43.1 years for females in Taiwan in 1926-1930; and 44.8 years for males and 46.5 years for females in Japan in 1926-1930. See: Province of Taiwan, Statistical Bureau, *op. cit.*, p. 329.

the locality of Kiang Ying during the 1930's and in Chengkung and Kunyang during the 1940's indicated that mortality fluctuated widely during short periods although its general level was on the whole somewhat below that of fertility.[1]

Though adequate data are lacking, it appears probable that in China, Indochina, and Indonesia the natural increase of population resulting from the normal excess of births over deaths has been reduced, if not actually transformed into a population loss, by the natural disasters and internal strife of the post-war period. In a few other countries, notably Japan and Ceylon, sharp reductions in mortality coupled with high birth-rates have brought about quick spurts of population growth. Under peaceful conditions it seems likely that the latter pattern of population growth will be the prevailing one in the AFE region as economic development proceeds in the near future. It is obviously essential to the welfare of the peoples in this region that economic development proceed at a sufficiently rapid pace to keep up with and outstrip the increase of their numbers.

Age Structure of the Population

Age data on a nation-wide scale are available for ten[2] countries of the AFE region. In 1948, these had a total population of about 600 million, which was approximately 51 per cent of the total population of the region in that year.

Even for this percentage of the population of the region, the statistics are inadequate. Only Japan and its former dependencies of Korea and Taiwan have accurate age data. For the remaining areas, even including Burma, Ceylon, and India and Pakistan, all of which have a long series of decennial or quinquennial population censuses, age data are defective. They are affected by under-enumeration of persons in certain age-groups, particularly children and young adults, and by gross misstatements of age at the census. In spite of such defects, however, the data are on the whole sufficient for rough approximations of the general form of the age structure.

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[1] Chiao, C. M., Thompson, W. S. and Chen, D. T., *An Experiment in the Registration of Vital Statistics in China*, Oxford, Ohio, Scripps Foundation for Research in Population Problems, 1938; Census Research Institute, National Tsing Hua University, Peiping, *Preliminary Report on Population Census and Vital Registration for District Chengkung and District Kunyang, Yunnan Province.* (Mimeographed).

[2] Burma, Ceylon, Hong Kong, India and Pakistan, Japan, Korea, Malaya and Singapore, the Philippines, Taiwan and Thailand. Age data are also available for Sarawak. In addition, they are available for the European and part of the Chinese population of Java, Madura, Netherlands Borneo and Sumatra, but the census data for the large majority of the Asiatic population of these areas of Indonesia give only "Infants not yet able to walk, Other persons not yet full-grown, and Adults."

Table 104 shows the percentage distribution by broad age-groups of the population at the latest census dates for the ten AFE countries having such data. A rough estimate for the remainder of the region is also given.

Table 104. Percentages of Population in Three Major Age-Groups

	Year	Per cent of total population		
		Under 15 years old	*15-59 years old*	*60 years old and over*
Total, AFE region[a]	1948 (est.)	40	55	5
Burma	1931 (census)	37	58	5
Ceylon	1946 "	37	57	6
China: Taiwan[b]	1940 "	44	51	5
Hong Kong	1931 "	25	71	4
India and Pakistan	1931 "	40	56	4
Japan	1947 "	35·4	57·2	7·5
Korea	1944 "	43	51	6
Malaya and Singapore				
Malaya	1947 "	40	55	5
Singapore	1947 "	36	60	4
Philippines	1939 "	43	51	6
Thailand	1937 "	42	53	5
Remaining countries[c]	1948 (est.)	40	55	5

[a] In preparing this estimate for the countries having nation-wide census data by age-groups the percentage distribution shown by the latest census (as given in this table) was applied to the 1948 population. For all other countries see footnote c.

[b] Data for native population.

[c] For China the age distribution was estimated as 40 per cent, 55 per cent, and 5 per cent in the age/groups 0-14, 15-59, and 60 and over, respectively, on the basis of data for these localities and districts: Kiang Ying, Chu Yung, Kiang Ning, nine Hsiens in Szechuan Province, Lan Hsi, Cheng Kung, Kunming Lake region, Ting Hsien, and a survey of 38,256 rural families. (Sources: Ta Chen, *Population in Modern China,* The University of Chicago Press, Chicago, Illinois, 1946, p. 85; China, Directorate of Statistics, *Statistical Abstract of the Republic of China 1947,* p. 6; F. W. Notestein, "A Demographic Study of 38,256 Rural Families in China", *Milbank Memorial Fund Quarterly,* vol. XVI, no. 1, Jan. 1938, pp. 63, 74, 75).

For British Borneo, the age distribution was estimated on the basis of that for the Federation of Malaya in 1947.

For Indochina, it was estimated on the basis of that for Thailand in 1937. For Indonesia, the age distribution of Europeans was estimated on the basis of that for Europeans in Java, Madura, Dutch Borneo, and Sumatra in 1930; and that for non-Europeans on the basis of the age distribution for the Federation of Malaya in 1947. For Nepal, the age distribution was estimated on the basis of that for India in 1931.

Other sources: Federation of Malaya and the Colony of Singapore: *A Report on the 1947 Census of Population,* by M. V. DelTufo, London, Crown Agents for the Colonies (1949), p. 56; Province of Taiwan, Statistical Office, *Statistical Abstract of Taiwan, 1895-1946,* p. 128; United Nations, *Demographic Yearbook, 1948,* pp. 124-130; *World Population Trends, 1920-1947,* Lake Success, 1949, p. 15.

General Characteristics

The outstanding characteristic of the age distribution in the AFE region is the high proportion of children under fifteen years of age, in comparison with the number of adults. It has been estimated that approximately 40 percent of the population of the region was under fifteen

years of age about 1948. The same age-group constituted between 24 and 30 per cent of the total population of the United States, Canada, Oceania, north west central Europe, and southern Europe about 1947. The estimated proportion of persons aged 60 years and over was about 5 per cent in the AFE region, while it was between 10 and 14 per cent of the population of the other regions mentioned.[1]

The youthfulness of the population in the AFE region is the result of the combined influences of a high birth-rate and a high death-rate. The high birth-rate means that children are numerous in proportion to adults of reproductive age, while the high mortality results in the survival of relatively few persons to the older ages. The AFE region is not the only region having such a young population. The populations of the Near East, Latin America, and Africa have a similar structure because of the same factors.

Within the AFE region there is a difference in the age distributions of those countries which have experienced heavy immigration in the recent past (Hong Kong, the Federation of Malaya, Singapore, Ceylon and Burma) as compared with the remainder of the region. The proportion of the population of the above-mentioned countries in the age-group under fifteen years ranges from 25 to 40 per cent, while for the remainder of the region the variation is from 35 to 44 per cent. The age-group 15-59 years, constitutes from 55 to 71 per cent of the population of the specified countries as a result of immigration of persons in the productive ages, while in the remainder of the region it forms from 50 to 57 per cent of the total population.

Populations with a high proportion of young children usually have a low standard of living. The great bulk of the labour supply is drawn from the population between 15 and 59 years of age. Many persons under 15 or over 59 years of age are dependants relying on others for at least a part of their support, though in the AFE countries very many of the people in these "dependent" age-groups, particularly of those between the ages of 10 and 14 years, are engaged to some extent in economic activities. A population with a high proportion of dependents to support suffers a severe economic handicap, in terms of the large number of mouths that the workers must feed or of the tremendous waste of high mortality in that many children die before they reach the productive ages.

Time Trends in Selected Countries

Changes over time in the age structure of the population, except in areas which are greatly affected by immigration, depend on the trends of the birth-rates and death-rates. A high birth-rate implies a large proportion of children in the population; any decline in the birth-rate

[1] United Nations, *World Population Trends, 1920-1947*, Lake Success, 1949, p. 15.

Table 105. Percentage of Enumerated Population in Four Major Age-Groups in Specified Census Years for Selected Countries

	Year	Under 15 years	15-39 years	40-59 years	60 years, and over
Japan[a]	1948	34.3	58.0		7.7
	1947	35.4	39.5	17.7	7.5
	1946	36.0	37.9	18.2	7.9
	1945[b]	37.2	36.5	18.3	8.0
	1940	36.1	38.8	17.2	7.9
	1935	36.9	38.5	17.2	7.5
	1930	36.7	37.7	18.2	7.4
	1925	36.7	37.8	17.9	7.7
Korea	1944	43.0	35.0	15.0	6.0
	1935	41.0	37.0	16.0	6.0
	1930	40.0	38.0	16.0	6.0
Taiwan[a,c]	1940	44.0	37.0	14.0	5.0
	1935	43.0	38.0	14.0	5.0
	1930	41.0	39.0	16.0	4.0
	1925	40.0	39.0	17.0	4.0
	1920	40.0	40.0	16.0	4.0
India, Pakistan and Burma[d]	1931	40.0	41.0	15.0	4.0
	1921	39.0	40.0	16.0	5.0
	1911	38.0	40.0	16.0	5.0
Ceylon	1946	37.0	42.0	15.0	5.0
	1921	39.0	42.0	14.0	4.0
	1911	41.0	41.0	14.0	4.0
	1901	42.0	43.0	12.0	3.0
	1891	44.0	41.0	12.0	3.0
	1881	44.0	41.0	12.0	3.0
Malaya	1947	40.0	55.0		5.0
		under 20	*20-39*	*40 years and over*	
Males:	1947	47.	29.	24.	
	1931[e]	35.	43.	22.	
	1921[e]	31.	45.	24.	
Females:	1947	50.	30.	20.	
	1931[e]	46.	36.	18.	
	1921[e]	45.	36.	19.	

Sources: Federation of Malaya and the Colony of Singapore, *A Report on the 1947 Census of Population*, p. 56; Foreign Affairs Association of Japan, *Japan Yearbook, 1946-48*, Tokyo, pp. 26-27; Institut International de Statistique, *Aperçu de la demographie des divers pays du monde, 1929-1936*, The Hague, 1939. p. 126; Japan, Ministry of Welfare, Population Problem Research Institute, *Materials on Population in Recent Years*. (Mimeographed). pp. 26, 27, 30; League of Nations, *Statistical Yearbook, 1936-37*, Geneva, 1937, pp. 24-34, *Ibid., 1938-39*, 1939. p. 25; Province of Taiwan, Statistical Bureau, *Statistical Abstract of Taiwan, 1895-1946*, pp. 106-128; United Nations, *Demographic Yearbook, 1948*, pp. 124-129. Also, data received by the Population Division.

[a] Ages reported by the Japanese method have been adjusted by the deduction of one year, unless otherwise noted.

[b] Ages reported by the Japanese method have been adjusted to show age at last birthday.

[c] Data for the native population.

[d] Including Aden and Perim; not including certain areas for which returns by age were not made.

[e] Including Labuan.

has a tendency to reduce the proportion of children and to increase the proportion of adults. Even with a constant birth-rate, the proportion of children may be reduced, over a long period of time, by a decline of the death-rate, particularly if the decline is greatest among children. Even large decreases in death-rates will not bring about a very low proportion of children in the population if the birth-rate remains high. In view of the high and stable birth-rates which characterize the AFE region, as a result both of the high percentage of married persons in the child-bearing ages and the large number of children born per marriage, it is not surprising to find that the high ratio of children to adults in the population has shown little tendency to change in the past.

Age data from a series of censuses at sufficiently close intervals, to permit analyses of trends in time, are available for Japan, Korea, Taiwan, Ceylon, India and Pakistan, and the Federation of Malaya. Table 105 shows the percentage distribution in these countries at specified censuses.

The age structure in each of the countries for which census data are available,[1] with the exception of Malaya, has remained fairly stable over the age-groups 14 to 65 years. Indications that some slight changes are taking place are discussed for those countries for which more or less complete data on age structure are available.

Japan

Changes in the age distribution of the Japanese population between 1925 and 1948, although slight, have been a logical consequence of previous trends in vital rates. The proportion of the population under 15 years of age decreased from 36.7 to 34.3 per cent, primarily because of the decrease in fertility since 1935. The proportion of the population in the age group 15-59 years increased from 55.7 to 58.0 per cent, as a result of the high fertility in the period from at least 1904 (which is the earliest year for which fertility data are available) to 1925. The proportion of the population aged 60 years and over has remained constant at a level of about 7.7 per cent.

The reduction in mortality in the past few years, although it has been large, has been too recent to affect the age structure significantly. In view of the size of the past reduction, it is probable that further reductions will be small and gradual. The peak of post-war fertility has already been reached and a reduction in fertility will soon take place. Migration is not expected to be of sufficient size in the near future to influence the age structure appreciably. It is probable that in

[1] A further indication of the stability of the age structure during the periods covered is given by the slight varation between the highest and lowest median age of the census populations of each country listed in table 105. This variation was 1.3 years over a period of 23 years in Japan, 4.3 years over a period of 65 years in Ceylon, 1.9 years over a period of 20 years in Taiwan, 1.6 years over a period of 14 years in Korea, and 1.3 years over a period of 20 years in India and Pakistan.

about fifteen years the proportion of the population under 15 years of age will be reduced to about 30 per cent of the total population, while the age-group 15-59 years will increase to about 60 per cent of the total.

Korea

Over the fourteen-year period up to 1944 for which age data are available for Korea, the proportion of the population under 15 years of age increased slightly from 40 to 43 per cent, while the proportions, in the age-groups 15-39 years, decreased from 38 to 35 and 40-59 years from 16 to 15 per cent. The proportion of persons aged 60 years and over remained at about 6 per cent.

It would take a considerable fall in both fertility and mortality over a period of ten or fifteen years to result in a noticeable increase in the proportion of the population in the productive age-groups. There is no certainty that this is occurring.

Taiwan

The age distribution of the native population of Taiwan has been shown in quinquennial censuses from 1920 to 1940. The changes in the age distribution over these years have been similar to those observed in Korea. As a result of the high fertility during this period, the proportion of the native population under 15 years of age increased from 40 to 44 per cent. The proportion in the age-group 20-39 years decreased from 40 to 37 per cent and that in the age-group 40-59 years decreased from 16 to 14 per cent. The age-group 60 years and over constituted between 4 and 5 per cent of the total population throughout the period.

Accurate estimates of the present age structure cannot be made because of the recent heavy immigration from the Chinese mainland and the failure to distinguish between Taiwanese and Chinese in current statistics.

India and Pakistan

The proportion of the census population under 15 years of age in India and Pakistan increased slightly from 38 in 1911 to 40 per cent in 1931. This increase was partly a result of a decline in mortality which saved the lives of a greater number of children than of adults, but in part was probably only a reflection of the increasing completeness in the enumeration of children in the successive censuses. Changes in the proportion of the population in other age-groups cannot be reliably assessed because of the deficiencies of age data.

Ceylon

During the two-thirds of a century, from 1881 to 1946, for which age data are available at ten-year or longer intervals, there has been a continuous reduction in the proportion of persons in Ceylon under 15 years of age. The percentage of this group was 44 in 1881, 41 in

1911, and 37 in 1948. The proportion of the population in each of the other age-groups increased slightly. The percentage in the age-group 15-39 years was 41 in 1881 and 1911 and 42 in 1946. The percentages in the age-group 40-59 years were 12, 14 and 15, respectively, for the same years; while the percentages in the age-group, 60 years and over, were 3, 4 and 5, respectively. Although the percentage of older persons in its population is not the highest for the AFE region, Ceylon is the only country for which evidence exists of a steady decrease in the young population and a steady increase in the older population. The change in Ceylon between 1921 and 1946 is considerably more marked even than the somewhat similar change in Japan from 1925 to 1946.

The trend in Ceylon has been determined primarily by heavy immigration, which boosted the proportion of persons in the adult age-groups. Immigrants accounted for about 45 per cent of the total increase in population between 1911 and 1921, and about 13 per cent of the total increase between 1921 and 1946.[1]

Immigration as heavy as that which has taken place in the recent past is not likely to continue because of limitations recently imposed. It seems probable that the decline in the proportion of the population under 15 years of age will be retarded in the near future. The proportion of persons in the age-group 15-39 years will tend to remain constant or even to decline, if it is no longer affected by heavy immigration. The proportions in the older age-groups may continue to increase, since persons in these groups will be the survivors of persons in age cohorts which are now large because of previous immigration.

Malaya

From 1921 to 1947, the age structure of the female population of the Federation of Malaya has been more stable than that of the male population. Comparative data on the age distribution in Malaya, as shown in table 105, are available only for somewhat different age-groups than were given for the other countries. The percentages of the female population under 20 years of age were 45 in 1921, 46 in 1931 and 50 in 1947, in contrast with 31, 35, and 47 respectively, for the male population in the same age-group. The percentages of the female population in the age-group 20-39 years were 36 in 1921 and 1931, and 30 in 1947, while those of the male population in the same age-group were 45, 43 and 29 respectively. The proportion in the group 40 years of age and over remained constant for both females and males during the period 1921-1947.

The relatively small proportion of the population in the age-group under 20 years at the beginning of the period under consideration was

[1] For statistics of immigration, see: *Report of the Census of Ceylon, 1931*, vol. 1, Colombo, Government Records Office, 1931, p. 5; International Labour Office, *Yearbook of Labour Statistics*, 1947-48, Geneva, 1949, p. 282.

largely the result of previous heavy immigration which had considerably enlarged the older age-groups. The decline in the proportion of the male population, in the age-group 20-39 years, and the compensatory rise in the age-group under 20 years since 1921 has resulted from decreasing immigration, especially during the latter part of the period. With more rigid controls now being placed on immigration, its volume in the near future will continue to be limited. The age distribution should then become more nearly normal for the area. The result should be a younger population in the near future.

A comparison of the trends in the age structure of the six countries indicates that, if the influence of migration is eliminated, the population of each country will remain preponderantly young in the near future. Only in Japan and Ceylon has there been a noticeable trend towards a decrease in the proportion of the population under 15 years of age. The trend in Ceylon is accounted for by its history of immigration and is likely to be reversed in the future. In general, the proportion of the population in the working ages of 15-59 years appears to have declined slightly, resulting in a slightly heavier immediate dependency burden. If, in the future, declining mortality in the youngest age-group increases the number of young people living to the working ages, the proportionate size of this age-group will increase somewhat within a fairly short time. This change, so far as it goes, will be favourable from an economic point of view, provided that productive employment can be created, through economic development, for the expanding labour force. But no great relief from the heavy dependency burden inherent in the age structure of population in the AFE countries can be obtained until the high birth-rates are reduced. Moreover, the large increases in aggregate size of the population in AFE countries which can be expected as a result of declining death-rates, unless birth-rates also are reduced sharply, may create economic difficulties which far outweigh any economic advantage resulting from a slight improvement in the dependency ratio.

Urban and Rural Age Structures

In Hong Kong and Singapore practically all the population is urban. In 1947, less than one-third of the population of Japan and 27 per cent of the Federation of Mayala were urban.[1] In India and Pakistan (1941) and Ceylon (1946) about 15 per cent of the population was urban, while in Korea (1944) the percentage was about 7.5. The occupational distributions of workers in other countries of the region indicate that with the possible exception of Indonesia, they are probably not more urban than in India, Pakistan and Ceylon.

Table 106 shows the age distribution of the urban and rural populations of Hong Kong, Japan, Ceylon, and India and Pakistan. In all of

[1] The urban population was 80 per cent of the total population of Singapore.

these countries, the urban population has a higher proportion than the rural population of adults aged 20-59 years and especially of young adults aged 20-39 years, and lower proportions in the youngest and oldest age-groups.

The data for Japan for 1947 show that 32.1 per cent of the urban population was in the age-group 20-39 years as compared with 27.3 per cent of the rural population, while 18.4 per cent of the urban population was in the age-group 40-59 years as compared with 17.3 per cent of the rural population. Persons under 20 made up 43.5 per cent of the urban and 47.1 per cent of the rural population, and persons 60 years of age and over constituted 5.9 per cent in the urban and 8.3 per cent in the rural population.

Table 106. Percentages of Urban and Rural Population in Four Major Age-Groups in Specified Census Years for AFE Countries

				Percentage age distribution of urban and rural population.				
Country	*Year*	*Urban or rural*	*Per cent of total population*	*All ages*	*Under 20 years*	*20-39 years*	*40-59 years*	*60 years and over*
Hong Kong	1931	Urban	100	100	37	41	18	4
		Rural	—	—	—	—	—	—
Japan	1947	Urban	32.9	100	43.5	32.1	18.4	5.9
		Rural	67.1	100	47.1	27.3	17.3	8.3
Ceylon	1946	Urban	15	100	41	39	15	5
		Rural	85	100	50	30	15	5
	1921	Urban	14	100	44	36	14	5
		Rural	86	100	49	33	14	4
	1911	Urban	12	100	47	35	14	5
		Rural	88	100	50	32	14	4
	1901	Urban	11	100	52	33	12	3
		Rural	89	100	53	32	12	3
India and Pakistan	1931	35 cities[a]	3	100	42	40	15	3
		Whole country	100	100	49	32	15	4

Sources: India, Census Commissioner, *Census of India, 1931*, vol. I, part II, Delhi, 1933. pp. 149-155; United Nations, *Demographic Yearbook, 1948*, p. 216. Also, data received by the Statistical Office of the United Nations and the Population Division.

[a] Cities of 100,000 persons or more. In 1931 they had a total population of 9.4 million or about 3 per cent of the total population of India and Pakistan as they now exist, excluding Aden and Burma.

The same pattern prevailed in Ceylon in 1946, where 39 per cent of the urban population was in the age-group 20-39 years and 15 per cent in the age-group 40-59 years as compared with 30 and 15 per cent, respectively, in the rural population. The percentage of the urban population under 20 years of age was 41 while in the rural population it was 50.

Age data for India and Pakistan in 1931 are available only for the total population and for the population of 35 large cities. A comparison

of the population of the cities with the total population shows the same general differences noted for India and Pakistan and Ceylon. Persons under 20 years of age accounted for 42 per cent of the population of the large cities and 49 per cent of the total population. The percentage in the age-group 20-30 years was 40 in the large cities and 32 in the total population. Persons in the age groups 40-59 and 60 years and over constituted 15 and 3 per cent, respectively, of the population of the large cities and 15 and 4 per cent, respectively, of the total population.

The primary cause of the urban-rural differential in age structure is migration from rural to urban areas. The urban areas in general offer better wages and higher living standards than can be found in the rural communities, thus attracting many migrants from agricultural areas where so-called disguised unemployment is prevalent.[1] Most of these migrants, presumably, are young adults, and it is possible that in many cases they return to rural areas when they approach old age.

The proportion of persons in the working ages in the urban populations of Hong Kong and Ceylon may have been affected by immigration from abroad. Although data on the urban-rural distribution of immigrants are not available, it is known that the opportunities offered by economic expansion have attracted immigrants, many of whom found employment in the urban centres. Only in Japan can it be assumed that immigration from abroad has played no great role in determining the urban age structure.

The urban-rural age structure of the populations examined insures a lighter dependency burden in urban than in rural areas. The burden on urban workers may of course be heavier than indicated by the urban age structure, since in some countries such as India, the urban population contains a large number of workers who support dependants in rural areas. Nevertheless, the superior economic position of the urban populations makes the cities more amenable to social transformations such as education, improvements in the status of women, and changing attitudes toward reproduction and the family, which will play a dominant role in the future demographic and economic development of the region. Changes in social conditions originating in the cities may gradually spread to rural areas. The degree of urbanization in the AFE countries lags far behind that of the industrialized countries of the West and of those with highly developed trade and agriculture.[2] Additional urbanization in the AFE region depends, however, upon the development of non-agricultural industries and trade.

[1] United Nations: *Maintenance of Full Employment*, Lake Success, 1949; *National and International Measures for Full Employment*, Lake Success, 1949.

[2] The urban population in the United States, Canada, the United Kingdom, Germany, France, Austria, Belgium, Denmark, and the Netherlands ranges from slightly over 50 to 80 per cent of the total population. See: United Nations, *Demographic Yearbook, 1948*, pp. 213-219.

CHAPTER XIV

Mineral Resources and Their Utilization[1]

INTRODUCTION

A great variety of minerals exists in Asia and the Far East and the reserves of some of them are fairly large in the aggregate. But there has not yet been an adequate exploration of the resources of the region as a whole and even in China and India, where geological surveys and prospecting have been more extensive than in the smaller countries, the reserves of important minerals are difficult to estimate with any accuracy.

Minerals like tin, tungsten and antimony have been diligently prospected for and exploited to supply the demands of industrial countries in North America and Europe. Coal and iron ore have been exploited, though not to the full possible extent, to support the industries of Japan, India and China and to meet the transport needs of the region. In the past, the attention paid to the careful conservation and skilful utilization of mineral resources has hardly been adequate. The present emphasis on planning for industrial development is leading to more complete geological surveys, more thorough prospecting, measures for the conservation and domestic use of mineral resources and better techniques in the mining and utilization of minerals which are scarce in relation to the needs of the region, such as coking coal and petroleum.

At present many mineral deposits cannot be profitably exploited because of inaccessibility, impurities and poor quality, and because of failure to adopt new processes for the utilization of lignite, peat, lateritic iron ore and other deposits which are plentiful but not now to be classed as resources for industry.

It is unlikely that the countries of the region producing tin and tungsten will in the near future be able to make much use of these products in their own industries. The question for them is how these wasting assets can best be managed so as to maintain their income from exports at a high and stable level for a long period. The exhaustion of the reserves will bring serious problems to the economies of these countries.

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[1] For a fuller account see Economic Commission for Asia and the Far East, *Report of Coal and Iron Ore Studies,* March 1950 (E/CN.11/I&T/16).

Inadequate Prospecting and Geological Surveys

Available knowledge cannot convey a complete picture of the region's mineral wealth. No reliable estimates are available for the reserves of most minerals; when available, the figures are only approximate.

It is important to realize to what extent the explorations made are inadequate. Only 28 per cent of India, which has a century-old, well-equipped Geological Survey, has been geologically surveyed on one-inch scale (1:63, 360), the smallest scale with practical use. Assuming that, on the average, one geologist can survey 350 square miles in a field season, 830 man-years will be required before the one-inch geological map of India can be completed. In the Federation of Malaya, only 1,765 square miles out of a total area of 51,076 square miles, or 3.5 per cent, have been surveyed on this scale. In Thailand, no detailed survey has ever been attempted. In Ceylon, only the south-west section of the island has been fairly well surveyed on this scale; about one-third of the north-west section has been mapped; little work has been done in the north-east and south-east. In Indonesia, only 8 per cent of Java has been geologically surveyed on a scale of 1:100,000, and 8 per cent of Sumatra on a scale of 1:200,000. In China, it has been estimated that with the present strength of technicians, it would take at least fifteen years to complete a geological survey of the country on a scale of 1:200,000. About two-thirds of Burma and Pakistan have been surveyed on one-inch or one-quarter of an inch scale.

The recent developments in the methods of mapping and prospecting may have the effect of reducing considerably the time and expense associated with such surveys. The new techniques of aerial mapping, the use of the air-borne magnetometer and the application of scientific statistical sampling give promise of reducing drastically the cost of an over-all survey and of narrowing the areas in which more intensive and more expensive ground surveys must be utilized. All these may help to bring about more adequate prospecting and geological surveys of mineral resources in countries of the ECAFE region at a smaller cost within a shorter period of time than was possible earlier in more advanced countries.

The knowledge of mineral reserves in the region is quite inadequate, principally because such knowledge is a function of the extent to which mineral resources have been used. Meantime, since it has been profitable to develop certain minerals for export, the knowledge of the reserves of such minerals is more advanced. For example, in the case of tin the bulk of the world's reserves are known to lie within the region which is the leading producer of this metal in the world. On the other hand, since there has been no comparable demand for minerals which depend for their fullest use on local industrialization, the knowledge of their reserves is correspondingly inadequate, for example, the knowl-

edge of coal deposits. The experience in the industrialized countries of the West suggests that in the initial period of industrial development the rate of growth in the knowledge of reserves is high. While immediate plans for development must, of course, be based on known reserves, it would be a mistake to tailor the long-term programme to the present necessarily limited knowledge of mineral resources.

Insufficient Utilization and Improper Conservation

Those nations that have possessed and used mineral resources, notably coal and iron, have become the great industrial nations. The utilization of mineral resources led to industrial growth and political power; mineral resources are regarded as one of the chief bases of economic strength.

Mineral resources in the region have not been sufficiently utilized. Of the large total known reserves of coal in the region, estimated at 342,867 million tons, maximum annual coal production has been only about one-quarter of that of the United States. Estimated reserves of petroleum are small—less than 3 per cent of the world total—but the region's total output in 1947 represented less than 1 per cent of world production. Iron-ore reserves of the region are considerable, and exist in a number of countries. They are estimated at 11,436 million tons. But iron-ore production in years since the war has been limited to only 4 million tons, or one-half of the average pre-war production.

The mineral resources in the region have been insufficiently developed also because of a lack of improvement in the technique employed. The region's reserves of coal are predominantly lignite deposits, and suffer from shortages of higher-grade coals and the general shortage of coking coal. To improve the quality of the lower grades, for example lignite, and to make better and additional use of higher-grade coal reserves are thus matters of prime importance. This also applies to iron-ore deposits of low iron-ore content, such as laterites of which the region has an unlimited reserve as well as to metals, for which an improved process of smelting will bring about considerable economy in the utilization of by-products. For oil and oil shale, the introduction of deep drilling and of the latest technique for the utilization of oil shale may result in an expansion of production and reduce the expenditure of dollars for petroleum.

Geography also accounts for the insufficient utilization of mineral resources in the region. Location of mineral resources in areas inaccessible by modern means of communication such as railways is responsible for the failure to utilize the rich oil reserves in north-west China, especially Kansu and Sinkiang provinces, and the vast coal reserve in the province of Shansi in North China, and iron-ore deposits in the hilly parts of Pakistan. The importance of transport in the exploitation of mineral resources in the region is demonstrated in China

by coal, which is produced largely in Manchuria and the North China province of Hopei, on account of access to railways and steam navigation, although the reserves in these two areas are known to be relatively small as compared with other parts of the country, especially Shansi. The difficulty of developing oil reserves in Kansu province is attributed to poorly-developed and under-populated dry land in the oil-producing area. During the war when the Government of China was compelled by the Japanese blockade and consequent stoppage of oil imports to develop the oil resources in that area, equipment, technicians, labour and even food and daily necessities had to be brought there by motor traffic. The lack of power development hinders the development of an iron and steel industry in iron-ore deposit centres in Ceylon and Malaya; while insufficient supply of water handicaps the tin-mining industry in the Kochiu district of Yunnan province in south-west China. Wide separation of mineral resources, e.g., iron ore, coal and flux, is another factor hindering utilization. The Hanyehping Iron and Steel Works of China suffered considerable losses because of distance from iron ore and coal deposits and the high cost of freight. Loss of by-products, as in the processing of tin, tungsten, copper, lead and zinc, requires consideration for the future development of the region's mineral resources.

Improper conservation of the mineral resources is another feature in Asian mining. In view of the region's shortage of coking coal reserves, their application to non-metallurgical purposes, as in India and Indochina, is especially to be deplored. It might be noted, however, that industrialization is a prerequisite to the most effective utilization of such resources as coking coal and the economically feasible recovery of by-products.

The region's limited reserves of metallic minerals have hitherto been exploited for export, not conserved for domestic use. This is especially true of antimony, tin and tungsten of which the region is the world's principal producer. The emergence of Japan as an important industrialized country has enabled it to be one of the important consumers of some of Asia's minerals. Japanese capacity in refining and processing these minerals, however, has never reached a stage at which it can absorb the bulk production of these minerals. The development of metal mining in the region has responded essentially to the demand from the highly industrialized countries outside the region, and the main emphasis has been more on the side of mining of minerals for export rather than on their domestic utilization.

Recently, apart from Japan, a few countries have begun development of mineral-processing industries which will absorb a certain portion of the region's own minerals. This is particularly true of aluminium and iron and steel, and to a lesser extent, of antimony, tin and other minerals.

In this connexion the careless exploitation of the region's mineral resources in Japanese-occupied countries of the region during the Second World War, especially in China, may be mentioned. Although the duration was short, the damage done to many coal mines and oil installations was serious and rehabilitation has been difficult, costly and incomplete.

A substantial amount of the mineral production of the region has come from small private mines using primitive methods of operation. It is beyond doubt that mechanization of the mines can improve output and bring down costs of production. Many mines are run by separate concerns which operate on a hand-to-mouth basis and are not financially able or disposed to undertake any long-term development that would lead to increased output. A new outlook, new mining technique, and new standards are necessary if the mining industry of the region is to become healthy and progressive.

Coal and Petroleum

Coal

Taking coal of all kinds into consideration and on the basis of existing knowledge, the region's reserve seems to be substantial, with China occupying the foremost position, followed by India and Indochina. A conservative estimate made by the Geological Survey of China, including only seams three feet and over in thickness and taking into consideration a depth of 3,000 feet, shows the Chinese reserves as being about 244,000 million metric tons (including 4,610 million metric tons for Manchuria). China's coal reserves therefore rank next to the United States, the Union of Soviet Socialist Republics and Canada as the fourth in the world. The region, however, is very densely populated, and in *per capita* reserves, Indochina, not China, is the most important coal-bearing area of the region (740 tons per head for Indochina as against 522 tons for China and 187 tons for India). Indochina's *per capita* reserve is only 2.2 per cent of that of the United States.

In most of the countries low-grade coal — lignite and sub-bituminous coal — predominates. All known coal deposits of major importance in Burma, Indonesia, the Federation of Malaya, Pakistan and Thailand are Tertiary coals of this quality. Ceylon has only peat deposits. With the possible exception of Thailand, where the geology is least known, there is little likelihood that these countries will ever become important producers of either bituminous or anthracite coal.

Only China, India, Indochina, Japan, Korea and the Philippines have higher-grade coals. The Philippine coals are again predominantly those of the Tertiary age. The coal deposits of the Republic of Korea consist

essentially of anthracite, lignite and peat, and coking coal is lacking. The reserves of Japanese coal are limited. In the quality as well as the quantity of coal, China, India and Indochina are the three most important nations in the region.

With the possible exception of China, whose reserves are believed to be substantial, no estimate of coking coal has been made and most of the coal has not been tested adequately for coking properties. In India, experts agree that at the present rate of production, the reserves of Indian coking coal will be exhausted within 65 to 100 years. Only one field of Indochina is known to contain coking coal, the known reserves of which are small.

The predominance of lignite deposits in many countries, the limitation of higher-grade coal in a few, and the shortage of coking coal in all except China, are the chief characteristics of the coal resources of the region. To prolong the life of known coking-coal fields and to improve the quality of low-grade coal are matters of prime importance to all countries concerned.

In India, between 5 and 5.5 million tons of high quality coking coal are now being used for purposes other than the making of metallurgical coke. In Indochina, although the production of coking coal is small, it is also used as power coal and not for metallurgical purposes. In view of the limited known resources of coking coal, the Government of India has appointed a Metallurgical Coke Committee to make a thorough investigation of the problem. Indochina is planning to make a further investigation of the coking-coal field.

Japan has paid serious attention to proper and additional use of lignite, either alone or mixed with bituminous coals. The National Lignite Federation, the Lignite Section of the Coal Board, the Japan Coal Company and other agencies are working to this end.

There is an inherent difficulty in estimating reserves. Geologists recognize all fossil fuel as coal and, as such, over-estimate compilation of reserves in comparison with mining engineers who consider minimum thickness of workable seams and limitation of depth. Meantime, other economic factors, such as quality, accessibility to markets, and possibility of profitable exploitation, cannot be ignored.

The reserve estimates of different countries cannot be expected to be made with the same degree of accuracy. Even in the same country, the figure for a well-developed coal-field is not of the same value as that for a partly or totally-undeveloped district.

An attempt is made in table 107 to assess the known reserves of the different countries, based chiefly on the ECAFE survey of coal and iron-ore resources in the region.[1] Proven reserves are actual or

[1] Document E/CN.11/I&T/16.

blocked reserves, the existence of which is beyond doubt. Probable reserves include coal which by direct mining experience and by drilling contiguity to existing workings and areas drilled can be reasonably expected to exist. Possible reserves are additional to probable reserves and include coal, the reasonable existence of which is based on limited geological data and prospecting, and coal, the recovery of which is problematical due to its inferior quality and relative inaccessibility.

It is evident that any reserve figure cannot be of a permanent nature. On the one hand it is decreasing every year on account of production; on the other, it may be increased as a result of the discovery of new deposits, improvement of technique in mining processing, increase of the market price, improvement of transportation facilities and other factors.

Table 107 provides an estimate of coal which can be expected to be made available to meet the industrial growth of the region.

Brunei. Coal is known to occur widely throughout the colony. Whether exploitation will be economic is not known.

Burma. Coals ranging from Mesozoic up to Tertiary age have been found in Burma. Rhaetic or Jurassic coals occur in the Southern Shan States. Cretaceous coals are reported in the Honzada district. Tertiary coals are found in Chindwin, Katha, Shwebo, Mergui, Minbu, Myitkyina, Kukwang Valley, Pakokku, Kyaukpyu and Thayetmyo districts and both Northern and Southern Shan States. As regards quantity the Tertiary coals are the most important in Burma. The Kalewa coal-field of upper Chindwin and Theindaw-Kawmapyin field of Mergui, are estimated to contain reserves of over 260 million tons. The Government of Burma has taken steps to develop these two fields.

The crux of the matter in developing an indigenous coal industry in Burma, is that in most coal-bearing areas where the quantity appears sufficient to warrant development, the quality is deficient; and, in certain fields, if quality is good, the seams are not sufficiently thick or constant to justify mining. In some cases, the coal measures are badly faulted and contorted and the coal crushed to powder. For these reasons attempts to exploit the Tertiary coals have not been successful in the past.

Ceylon. Only peat deposits have been found. They are located in Mathurajawala Swamp in the Colombo district. In view of the fact that nine-tenths of Ceylon is covered by Archean rocks, the chance of discovering any new coal-field is remote. The peat deposits are substantial. Detailed boring showed the reserves to be around 50 million tons. The Government plans to use it as a source of industrial power.

China. Most of the important Chinese deposits are found in the beds of Carboniferous, Permian, and, to a lesser extent, Jurassic periods. All provinces have some coal but Shansi province, with almost half of the total Chinese coal reserves, is the most important.

Table 107. Estimated Coal Reserves

(In millions of metric tons)

	Peat		*Lignite and sub-bituminous*			*Bituminous and semi-bituminous*			*Semi-anthracite and anthracite*			*Unclassified*	*Total*
	Probable	*Possible*	*Proven*	*Probable*	*Possible*	*Proven*	*Probable*	*Possible*	*Proven*	*Probable*	*Possible*	*Possible*	
Brunei[b]					x								x
Burma[a]					265								265
Ceylon[a]	51												51
China[c]					4,700			182,000			46,000	8,100	240,800
Malaya[a]			41	20									61
India[d]			508		x	4,531[e]	62,636[f]		27				67,702[g]
Indochina[a]					18				200			19,782	20,000
Indonesia[a]			1,300	1,200	1,000								3,500
Japan[h]					1,096			8,091					9,187
Korea[i]		163			5						920		1,088
Nepal					x							x	x
North Borneo[j]					x							x	x
Pakistan[a]					168								168
Philippines[k]												45	45
Sarawak[l]					x								x
Thailand[a]					x								x
TOTAL	51	163	1,849	1,220	7,252	4,531	62,636	190,091	227		46,920	27,927	342,867

x = Known to exist, but not estimated.

[a] ECAFE, *Report on Coal and Iron Ore Studies* (E/CN.11/-I&T/16), March 1950.

[b] *Annual Report on Brunei for the Year 1946.*

[c] Estimates made by the Geological Survey of China.

[d] Submitted to the Fourth Empire Mining and Metallurgical Congress, Great Britain, July 1949, by the Honorary Secretary of the Mining, Geological and Metallurgical Institute of India.

[e] Seams not less than 4 feet, and 1 foot or more in thickness.

[f] All coals to a depth of 1,000 feet, and 1 foot or more in thickness.

[g] Rather less than this figure, as a part of category (*a*) is included in (*b*).

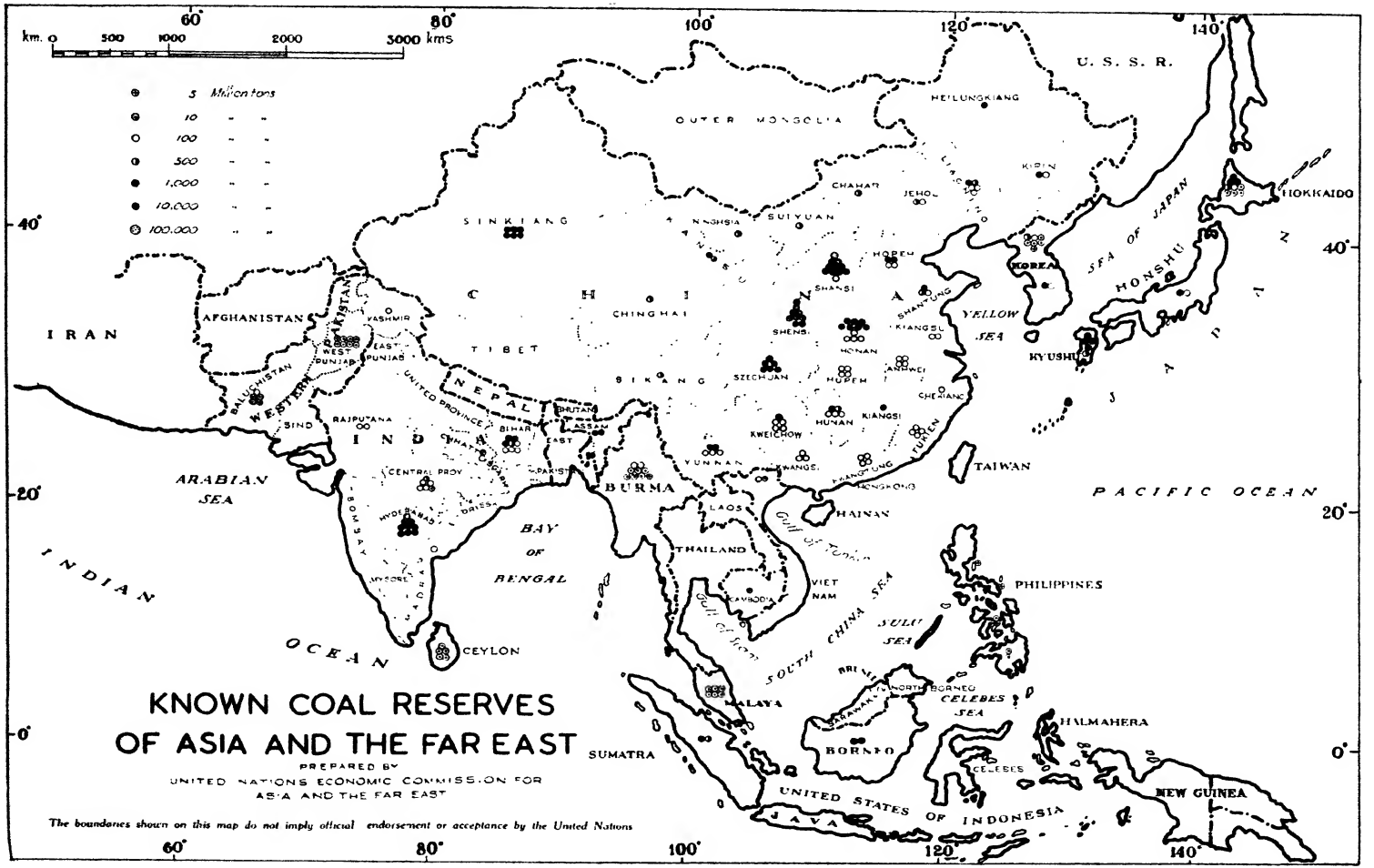
[h] *Coals and Metals in Japan's War Economy,* April 1947.

[i] Day and Zimmerman: *Report No. 5002 to His Excellency, Syngman Rhee, President, on the Condition, Rehabilitation and Further Development of Certain Elements in the Industry of the Republic of Korea,* August 1949.

[j] Development Plans of North Borneo.

[k] H. E. Beyster Corporation, *Proposed Programme for Industrial Rehabilitation and Development of the Republic of the Philippines,* 1947.

[l] Reply to the ECAFE questionnaire on mining.



KNOWN COAL RESERVES OF ASIA AND THE FAR EAST

PREPARED BY
UNITED NATIONS ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST

The boundaries shown on this map do not imply official endorsement or acceptance by the United Nations

Chinese coal is predominantly high-grade anthracite and bituminous. According to the Geological Survey of China, the percentage distribution of all ranks of coal is as follows: anthracite 19, bituminous 76, lignite 2, and unclassified 3.

The largest coal enterprises of China are those of the Kailan Mining Administration at Tangshan in Hopei province and the Fushan Collieries, formerly of the South Manchurian Railways near Mukden, Manchuria. The principal coal-mines of China, which have developed in response to market demands, bear little relation to the location of the largest deposits, but are located along the railways or near water transportation.

India. The main coal-fields of India are found in the Damodar Valley and the country adjoining, and lie roughly east and west along the 24 degrees north parallel and to a distance of some 30 miles on the south side of it. Eighty-six per cent of coal production comes from the Damodar Valley where the Raniganj, Jharia, and Bokaro are the main fields. Geologically, about 97 per cent of the output is from the so-called Gondwana seams (Permian) found almost entirely in the peninsular area, south of the Ganges. The lignites and ligno-bituminous coals of Assam and the Punjab are found north of this area, and are of Tertiary age. Eocene lignite is found at Palana (Bikaner), and the lignite found in the Cuddalore area (Madras) is of Miocene age.

Indochina. In Indochina past attention has been concentrated on the anthracite deposits which have produced most of the Indochina coals. Coking coal is found only at Phan Me. Lignite deposits have not been adequately investigated.

Indonesia. Coals are found in all the major islands of the Archipelago including Sumatra, Java, Borneo and Celebes. The Ombilin field in central Sumatra and the Pulu Laut area in south-east Borneo are the two outstanding Eocene coal basins. The government-owned Ombilin and Bukit Asam mines, both in Sumatra, produce the greater part of coal mined in Indonesia. They are all Tertiary lignites.

Japan. The coal deposits in Japan are at relatively great depth and seams of even a few inches are included in the total estimates. The depth of the formation, the wetness of the mines and other factors make coal-mining in Japan costly and difficult.

Practically all the reserves are located in four areas: north-western Kyushu with a large field of medium-grade bituminous, Hokkaido with extensive deposits of higher-grade gas-producing bituminous, Yamaguchi prefecture in western Honshu with lower-grade bituminous lignite and semi-anthracite, and the Johan fields of eastern Honshu with some sub-bituminous and lignite.

The bituminous coals mined in Japan are unsuitable for the manufacture of coke. Japan has relied upon imports of low volatile coal to blend with indigenous high volatile bituminous coal in making coke.

Korea. The coal deposits of the Republic of Korea consist of anthracite, with some deposits of lignite and peat. No coking coal has been found in the country. The principal areas now being mined for anthracite are located in the provinces of Kangwon-Do, Kyongsang-Pukto, Cholla-Nam-Do, and Chungchong-Pukto.

The known lignite results are negligible, and the production of lignite is low. The principal lignite areas now being mined are in the southeast corner of the Korean peninsula.

The peat reserves in Korea are extensive. The four principal areas now being mined are located on the west side of South Korea in the low coastal lands. Korean peat has a low bulk density and a relatively high ash content, and emits considerable smoke unless combustion is carefully controlled. Its use in Korea, except for villages located adjacent to the peat fields, is of recent origin. Attempts to develop a market for peat in Seoul during the last few years have failed because of the greater convenience of using wood.

Malaya. Coal approaching lignite in its properties (which has been described as sub-bituminous), has been found in Selangor (Batu Arang field), Perak (near Engyer), in the border of Perlis and Lower Thailand and Johore; it is all of Tertiary age. Batu Arang is the only field found to be economically workable and is the only mine operating at present. At the average rate of past production the mine will probably be exhausted within fifty years. The discovery of a new deposit is, therefore, urgent.

Nepal. Occurrence of coal is reported, but no details are available.

North Borneo. Numerous outcrops of coal have been located, indicating that the extent of the deposits may be large but exploitation may not be economic. Only the deposits of Tertiary coal at Labuan in the Marudu area, and at Cowil Harbour, have been worked.

Pakistan. Of the known coal deposits in Pakistan, those in Baluchistan and in the province of West Punjab are by far the most extensive and important in both present production and future potentials. Minor occurrences are found elsewhere in both Western and Eastern Pakistan.

The main coal-bearing measures of Western Pakistan are of Tertiary age and were laid down in Eocene time. Jurassic strata in the hills west and north-west of Kalabagh in Western Punjab contain this coal and coaly shale bands but these occurrences have proved to be of little economic importance.

Philippines. Most of the Philippine coals, formed during the Miocene period in the Tertiary epoch, are largely lignites. Owing to local meta-

morphism, some lignite deposits have been changed to sub-bituminous, bituminous or even semi-anthracite coal. The coals are generally non-coking.

Sarawak. Coal is known to occur widely throughout the State, and is believed to be of Tertiary age. Brooketon Colliery at Maura was worked for over 25 years before it closed down in 1925. At the present time there is no coal-mining in operation in Sarawak. Investigations were carried out in 1947 by a commercial firm to examine all the known coal deposits and determine whether any of them was, in extent and accessibility, suitable for exploitation. The firm considered that further surveys, including drilling, would be necessary to arrive at conclusions.

Thailand. Tertiary coal has been found in Thailand. Five major known deposits of lignite coal are located at Kien Sa, Pramuang, Lampara, Klong Kanan and Me Moh. Nothing is known about their reserves.

Petroleum

The principal oil-fields in the region are all found in the Tertiary formation. Broadly speaking, five areas may be recognized.

The Indonesia areas (including North Borneo, Brunei, Sarawak)

Indonesia is the largest producer and exporter of crude oil and petroleum products of the region. The principal oil-fields are located in Sumatra, Borneo and Java. Before the outbreak of the war, the combined capacity of the refineries located there totalled 160,000 barrels of crude oil daily.

Despite the heavy damage sustained during the war, petroleum is now being produced in much greater quantities than before the war in Brunei, and the oil-fields there have become the most important in the British Commonwealth.[1] Besides the rehabilitation of wells, a large number of well drillings have been completed. Proposals for the erection of a large modern refinery are under consideration.

The production of crude oil in Sarawak has declined since the war. The oil company plans to undertake deep boring tests with the aim of finding new wells as well as increasing the production.

Burma area (including Assam and Thailand)

The oil-fields of Burma are found along a line running from north to south near the centre of the Central Burma synclinal trough. During the war the petroleum industry suffered most. This, and insurgent activities, preclude the restoration to full pre-war production for many years to come. Apart from the small production from native wells and mines, the oil industry of Burma is at a standstill.

[1] Colonial Office, *British Dependencies in the Far East, 1945-1949.*

Oil seepage has been noted in the northern part of Thailand in Amphur Fang, Changwad Chiengmai. The Thai Government is considering having the area intensively prospected.

Oil deposits have also been located and worked in Assam. The production, however, is small. There are some further possibilities of discovery in Assam.

Western Pakistan area (including East Punjab of India)

The oil-bearing fields are located in Sind, Baluchistan and Punjab in this area. During 1948, the production from four areas in West Pakistan, namely, Khaur, Dhulian, Joya Mair and Balkassar, amounted to about 15 million imperial gallons of crude oil, as against a peak production of 85 million in 1941.

On 1 July 1949, a big oil find was made by the Burma Oil Company (Pakistan concessions) Ltd. at their well No. 2 at Chakwal (in West Punjab) at a depth of 8,214 feet. The same day, it was announced that at the Company's test well No. 1 at Lakhra (Sind) a gas sand had been struck at 8,250 feet. The Lakhra test is expected to go to a depth of 12,000 feet or more.

China area

The present production of crude oil from China is small, but the north-western part of the country, including Kansu, Chinghai and Sinkiang provinces, may well form one of the most important oil-bearing zones in the world. The Government has carried out extensive studies of potential oil-bearing areas, which besides the north-western part of the country, include Szechuan Basin, North Shensi Province, and the Lower Yangtze delta.

Far East area (Japan, the Philippines and Taiwan of China)

The oil-yielding basins of Japan are along the north-western coast of Honshu and in the west central part of Hokkaido in a belt more than 600 miles long. A small producing area is at Saga on the Pacific coast of Japan. Several small gas-fields throughout Japan produce both petroleum and methane. The oil industry of Japan is relatively small and has supplied only a small fraction of Japan's oil requirements. It has been operating with the aid of government support and its future is dependent on locating new oil.

So far no mineral oil in any commercial quantity has been produced in the Philippines, but geological investigations point to the possibility of certain areas being oil-bearing.

There has been a small production of oil in Chu-Huang Kang and Chindusi of Taiwan, China.

Oil Shale

Oil shales contain bituminous matter which when subject to destructive distillation yields oil and tars.

China was the first country in the region to inaugurate the production of oil from oil shale. Construction work was started at Fushan, Manchuria, as early as 1929. The oil-shale plant was equipped to produce an annual output of 70,000 tons of fuel oil (440,000 barrels), and by-products including 18,000 tons of ammonium sulphate, 15,000 tons of crude paraffin, and 5,000 tons of coke.

According to the Geological Survey of China, the nation has 521 million tons of oil in oil shale.

Table 108. China: Reserves of Oil Shale

(In millions of metric tons)

Province	*Estimated reserves of oil shale*	*Average percentage of oil content*	*Amount of oil*
Shensi	4,907	3–7	119
Kansu	83	5.10	4
Kwangtung	825	8.04	65
Liaoning[a]	5,477	5.50	301
Kirin[a]	500	5.00	30
Heilingkiang[a] and others	100	—	2
TOTAL	11,892	—	521

[a] In Manchuria.

In Burma several beds of oil shale are found in the Upper Tertiary deposits of the Amherst and Mergui districts. The richest seam carries 20 per cent of crude oil and is six feet in thickness. The oil shales of Burma and Thailand are interrelated. No attempt has yet been made by either of these two countries to utilize their fuel resources.

Oil shale has also been found in India. According to the Geological Survey of India, the percentage analysis of the oil shale from Htichara basin is as follows:

Water at 50 to 170 degrees C.	42.00
Oil at 50 to 170 degrees C.	5.00
Oil at 170 to 230 degrees C.	0.17
Oil at 230 to 270 degrees C.	1.50
Oil above 270 degrees C.	41.00
Residue non-volatile at 400 degrees C.	10.33

IRON ORE

Of the total known iron-ore reserves of the region, estimated to be over 10,000 million tons (see table 109), China and India possess about two-thirds. Indonesia and the Philippines come next. The largest known iron-ore deposits of both countries have high nickel and chromium

content, and a special process of smelting is required. Their figures cannot be taken as of the same value as reserves for other countries. The future programme in Indochina whose reserves come fifth, is aimed at an annual production of 400,000 tons of iron ore, Malaya, a very important exporter of iron ore, comes sixth in order of reserves. Exports commenced in 1921 and increased to a maximum of nearly two million tons a year before the war. There are substantial amounts of still untouched known reserves and the possibility of finding new fields is still large. Much of the iron ore is also of high quality. Malaya, therefore, can be looked upon as a source for iron ore in years to come.[1] The known reserves of South Korea are small, and past production has been chiefly from North Korea. Japan is very deficient in iron-ore resources. Between 1925 and 1945 when its iron and steel industry made rapid progress, domestic mines supplied only about 26 per cent of the total requirement, the remainder being imported from other countries, chiefly China and Malaya. The known reserves of other countries are small; their extent is not ascertainable pending a more thorough investigation.

The region has a vast amount of laterites, but estimates do not exist for most of the deposits. If the countries are interested in having steel industries of their own, some solution of the problem of treating laterites may have to be found. Ferrous laterites (dry) containing up to 45 per cent of iron have not yet been treated industrially, partly owing to the high percentage of water in their composition (up to 40 per cent) which makes the drying process very costly, and partly because of the presence of chrome and even more of nickel (as in the iron ores from the Philippines and Indonesia) which it is not always possible to remove.

By the addition of the laterites, the iron-ore reserves would be increased perhaps by tens of thousands of million tons.

The estimates in table 109 give a very conservative figure for each country. The actual reserves should be higher than those listed for the following reasons. Firstly, there are many deposits whose existence is well known, yet no reserve figures are available. The reserve figures for Pakistan and Thailand are for one deposit each; for Burma, three deposits and for Indochina, four deposits; while actually many more iron-ore fields are known to exist. Secondly, the reserve figures for India, supplied by the Government of India and representing high-grade ore, give a lower figure than most of the other sources. There are vast deposits for which no reserve estimate exists of ferruginous laterites in India, which together with similar deposits in other countries of the region, may run into many thousand million tons in the aggregate. They are likely to come into prominence when the richer iron ores are used up.

No iron-ore deposits have been reported in Brunei, Sarawak and Singapore.

[1] Economic Commission for Asia and the Far East, *Report on Coal and Iron Ore Studies*, March 1950 (E/CN./11/I&T/16).

Burma. Iron-ore deposits have been found in the Shan States, Tavoy, Myitkyina, Myingyan, Thaton, Amherst, Mergui, Kyuakpu and Yamethin districts. The deposits in the Northern Shan States (Twinnge, Wetwin, Nanmaklang, Kungkha and Naungthakaw) have been worked by the Burma Corporation, Ltd., to provide a flux for their lead-smelting operations at Namtu. The Government has decided to explore the deposit near the town of Tavoy in the Tavoy district.

Table 109. Estimated Known Iron-Ore Reserves

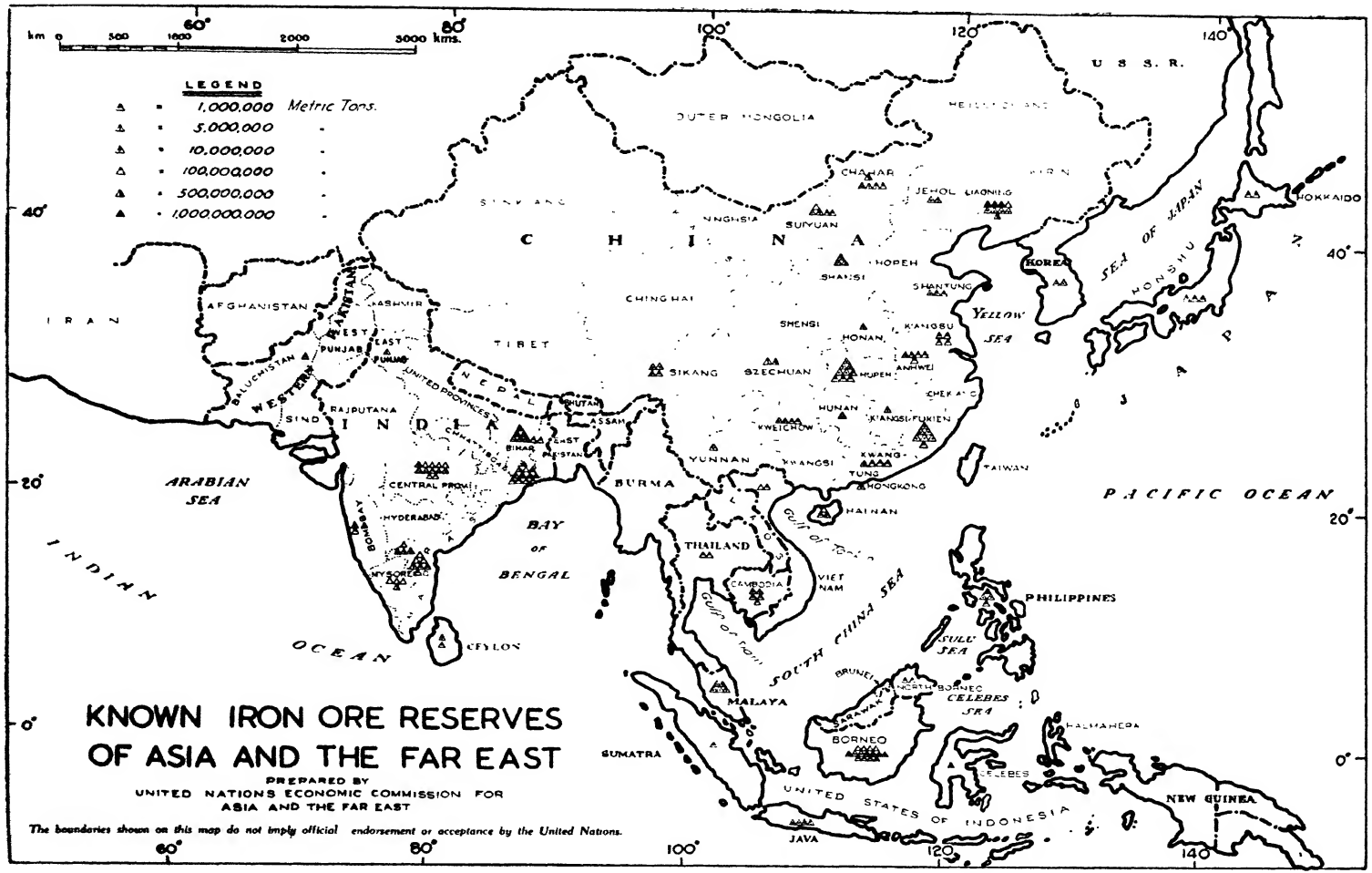
(In millions of metric tons)

	Proven	*Probable*	*Possible*	*Total*
Burma[a]			0.523	0.523
Ceylon[a]		2.357	4.064	6.421
China[b]			4,178.620	4,178.620
Malaya[a]	25.293	4.168	15.623	45.084
Hong Kong[c]			10.000	10.000
India[a]			4,477.810	4,477.810
Indochina[a]	10.000	27.500	114.000	151.500
Indonesia[a]	500.000	478.000	535.000	1,513.000
Japan[d]			8.800	8.800
Korea, South[e]			19.700	19.700
North Borneo[f]			1.500	1.500
Pakistan[a]			1.016	1.016
Philippines[g]			1,021.000	1,021.000
Thailand[a]	0.719	0.811		1.530
TOTAL	536.012	512.836	10,387.656	11,436.504

[a] Economic Commission for Asia and the Far East, *Report on Coal and Iron Ores Studies,* 1950 (E/CN.11/I&T/16).
[b] Information supplied by the Chinese Government.
[c] Colonial Office, *Metals and Minerals Panels Report,* 1949.
[d] SCAP, *Iron Ore Resources of Japan* (Report No. 69).
[e] Day and Zimmerman: *Report No. 5002 to Syngman Rhee on the Condition, Rehabilitation and Further Development of Certain Elements in the Industry of the Republic of Korea,* 1949.
[f] W. V. Worth: *Notes on Mineral Research in North Borneo,* 1940.
[g] Economic Commission for Asia and the Far East, *The Manufacture of Iron and Steel in the Philippines* (E/CN.11/I&S/11, Annex F), 1950.

The deposits of the Northern Shan States are ores of residual type consisting of limonite and hematite overlying limestones. Magnetite is the principal ore mineral in the Tavoy deposit. Other deposits are mostly lateritic and are of low grade.

Ceylon. The principal iron-ore fields are all situated in the south-western part of the island in the areas composed of pre-Cambrian rocks. Some of the ore is clearly lateritic, closely associated with caps of laterite and formed by the superficial decay of the country rocks. Besides these lateritic ores, high-grade ores are present and the exact origin of these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LEGEND
1,000,000 Metric Tons.
5,000,000 "
10,000,000 "
100,000,000 "
500,000,000 "
1,000,000,000 "
KNOWN IRON ORE RESERVES OF ASIA AND THE FAR EAST
PREPARED BY
UNITED NATIONS ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST
The boundaries shown on this map do not imply official endorsement or acceptance by the United Nations.
U S S R
OUTER MONGOLIA
C H I N A
SINKIANG
TIBET
CHINGHAI
AFGHANISTAN
IRAN
PAKISTAN
KASHMIR
WEST PUNJAB
EAST PUNJAB
PUNJAB
BALUCHISTAN
WESTERN
RAJPUTANA
SIND
UNITED PROVINCES
NEPAL
BHUTAN
ASSAM
I N D I A
BIHAR
EAST BENGAL
WEST BENGAL
CENTRAL PROVINCES
HYDERABAD
BOMBAY
MYSORE
MADRAS
CEYLON
ARABIAN SEA
INDIAN OCEAN
BAY of BENGAL
BURMA
THAILAND
CAMBODIA
VIET NAM
MALAYA
SUMATRA
BORNEO
SARAWAK
BRUNEI
NORTH BORNEO
CELEBES
CELEBES SEA
HALMAHERA
JAVA
UNITED STATES OF INDONESIA
NEW GUINEA
PHILIPPINES
SULU SEA
GULF OF TONKIN
SOUTH CHINA SEA
HAINAN
TAIWAN
HONGKONG
YUNNAN
KWEICHOW
KWANGSI
KWANG-TUNG
HUNAN
HUPEH
HONAN
SZECHUAN
SIKANG
SHENSI
SHANSI
HOPEH
SHANTUNG
ANHWEI
KIANGSU
CHEKIANG
KIANGSI
FUKIEN
CHAHAR
JEHOL
LIAONING
SUIYUAN
NINGHSIA
KIRIN
HEILUNGKIANG
KOREA
YELLOW SEA
SEA of JAPAN
HONSHU
HOKKAIDO
JAPAN
PACIFIC OCEAN
60°
80°
100°
120°
140°
40°
20°
0°

is not very certain at present. The Government of Ceylon is planning to use these ores for its steel plant.

Opencast mining seems to be all that is necessary to exploit the ore. Most of the ore fields are on or near the existing communication lines. The known reserves cannot be considered large, but the prospect for future discovery is good.[1]

China. Chinese iron ores are of three major kinds, according to the type of formation: the so-called contact-metamorphic, sedimentary, and siliceous Archean ores. The first type furnishes most of the iron in China. The second type is found north-west of Peking in the vicinity of Hsuan-hua in Chahar province. The third type is mined in Manchuria and north-western Hupeh province. Most of this ore is low in iron content.

The Chinese iron-ore reserves were first estimated by Tegengren to be about 960 million tons. Later revisions made by the staff of the Geological Survey of China put the total reserves at 1,133 million tons. Recent estimates furnished by the Chinese Government put the total iron-ore reserves at about 4,179 million tons including 103 million tons of high grade Hainan deposits. The contact metamorphic hematite deposits of Taiwan totalling 10 million tons in reserves are not included.

Hong Kong. The iron-ore resources of the colony are of the order of 10 million tons.[2] High-grade magnetite, containing about 65 per cent iron, is located at Ma On Shan where about 2 million tons[3] of reserves have been estimated.

India. Numerous high-grade hematite ore-bodies occur to the south-west of Calcutta in Orissa and Central Provinces. In addition, there are hematite and magnetite deposits in Bombay, Mysore and Madras, and the sidernic and limonitic ores of the Raniganj coal-field which were formerly smelted. There are also vast deposits of ferruginous laterites in many parts of the country, containing 30 to 35 per cent iron, much alumina and some manganese.

Only high-grade ores are being utilized at present for smelting at the works in Bengal, Bihar and Mysore and it is likely that iron and steel production will be expanded in the course of a few years.

Indochina. The principal deposits being exploited are located in Tonkin. The deposit north of Kimpong Thom, Cambodia, is worked on a small scale. Other deposits have not been exploited.

The iron-ore deposits in Tonkin consist chiefly of hematite and magnetite. Other deposits are lateritic.

[1] Economic Commission for Asia and the Far East, *Report on Coal and Iron Ore Studies*, March 1950 (E/CN./11/I&T/16).

[2] Colonial Office, *Metals & Minerals Panels Report*, 1949.

[3] Reply to ECAFE questionnaire on basic materials by the Hong Kong Government, 1948.

At the deposit near Thai Ngugen, Tonkin, among all the deposits, the established reserves are not only substantial in quantity but the quality of ore is also very high.

Indonesia. Iron-ore deposits have been found in many parts of the Archipelago. In only two regions, Celebes and South-East Borneo, have large quantities of ore been discovered.

Deposits of laterites of unknown size, overlying basic igneous rocks in several localities of the Eastern Archipelago, and on the Tin Islands, have been observed. Iron beach sands are found along the coast of Southern Java and Bali. The bulk of iron ore here has a high nickel and chromium content. A special process of smelting is required.

Japan. Japan is deficient in iron ore. The estimated known reserves are less than 9 million tons. The deposits of contact metamorphic hematite and magnetite ores in Honshu are most important. These ores have supplied almost 50 per cent of the past domestic production.

Korea. A large part of production has been derived from the principal iron-ore deposits located in North Korea. The low-grade iron ore reserves at the Mogan iron mines in North Korea alone have been estimated by the Japanese at 400 million tons,[1] having about 36 per cent iron content. South Korea has but small deposits of iron ore. The total known reserves are estimated to be 18 million tons of magnetite with an average iron content of 40 per cent, and 1.7 million tons of titaniferous iron ore with an average iron content of 50 per cent.

Malaya. Iron-ore deposits have been found in the States of Kelantan, Trengganu, Johore, Perak and Pahang. Although some of the worked deposits, namely Sri Medan Mine, Johore and Machang Stahun, and Trengganu were approaching exhaustion prior to the war, other occurrences of ore are known and in Ulu Rompin, Pahang, a deposit has been estimated to contain about 30 million tons.

Iron-mining on a large scale was undertaken in Johore in 1921, in Trengganu in 1930, and in Kelantan in 1937. During the Japanese occupation, the Sri Medan and the Machang Stahun mine were closed down, partly owing to lack of ore resources and also because the machinery was required for mining bauxite. The Dungun deposit in Trengganu, however, was worked on a large scale until shipping difficulties forced the mine to shut down in 1943. Since the liberation a new company to work the Dungun deposit has been formed.

North Borneo. North Borneo possesses a few iron-ore deposits. The Purog River iron-ore deposit contains 1.5 million tons of ore having 63.5 per cent of iron content. The other deposits are the limonite deposit at Tagaho, south of Marudu Bay, and the Karang River deposit.

[1] Information supplied by Japan Iron & Steel Company.

Pakistan. No large deposits are known. Magnetite is believed to occur in Gilgit, and is found in association with chromite at Hindubagh. Near Abbottabad, occur about one million tons of good hematite, which is also found at Delbanlin, West Baluchistan.

Philippines. The main iron ores of the Philippines are hematite, magnetite and laterite. The reserves of hematite and magnetite ores are estimated to be only about 21 million tons. The laterite deposits of Suragao contain a reserve of about 1,000 million tons.

The Suragao ores, which constitute the largest known reserves in the Philippines, are made up of limonite containing some hematite, magnetite, and intermediate hydrates of iron. Nickel is present up to over 1 per cent, and averages about 0.79 per cent. Chromium averages 4.9 per cent. The presence of nickel and chromium in the steel will make it hard to work for any common purpose. Further investigations are needed.

Thailand. Iron-ore deposits have been found in a number of places, most of which appear to be of little economic value. The Kao Tab Kwai deposit has been investigated in some detail, and reported to contain reserves of about 1.5 million tons.

Ferrous Metals

Chromium

Chromium is used as an alloy for stainless steel and as metallic coating in the electroplating industry. Low-grade ore, usually termed refractory grade, is used in the manufacture of refractory for lining purposes.

The existing knowledge indicates that the region is rather poor in chromium resources. The Philippines have the largest deposit of all, but the total extent has not been determined. At least 9.5 million tons of the refractory grade is probable.[1] The principal production comes from the Zamales province.

In Indochina, chrome ore occurs in the chromiferous alluvial deposits and is of rather high quality. The mining of the ore began in 1930 but had later stopped due to a fall in price.

In India, deposits of chromite are being worked in Bihar, Orissa, Madras, and Mysore, the annual output being around 30,000 tons. The deposits are expected to last for some years.[2]

Chromite deposits of an unknown extent are also reported in Pakistan.

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[1] H. E. Beyster Corporation, *Proposed Programme of Industrial Rehabilitation and Development of the Republic of the Philippines*, 1947.

[2] M. S. Krishnan, *Mineral Resources of India*, 21 April 1949, (E/CONF.7/Sec/W/162).

Japan has limited resources of chrome. Most production has been from lode mines. War-time effort managed to increase production to 71,000 tons in 1944, but requirements of chrome have to be met partly by imports.

Manganese

Most of the manganese ore mined in the world is used in the iron and steel industry in the form of ferromanganese for the manufacture of manganese steel and special alloy steels. Japan and India, having substantial capacities for iron and steel production, are the principal consumers of manganese in the region. Japan has only small deposits of low-grade manganese ores and has to import mainly from China and the Federation of Malaya.

Since the early years of the present century, India has been a very important producer of manganese ore. The chief deposits are located in Central Provinces, Central India, Bombay, Orissa, Madras and Mysore. The annual production is about half a million tons, most of which is exported. The reserves are not known but estimates put the high-grade ore at 15 to 20 million tons and the lower-grade ore at two to four times that amount.[1]

Manganese ore occurs in commercial quantities in a number of provinces of China, with total estimated reserves of about 29 million tons.[2] The principal reserves, estimated at 5.2 million tons containing 2.08 million tons of manganese content, are located in Loping, Kiangsi Province. Production figures for recent years are not available but large quantities have been exported to Japan.

The manganese ores of the Philippines are mainly pyrolusite and psilomelane. Part of the ores has been exported to the United States.

Manganese ore deposits are also known to exist in Indochina, Thailand, North Borneo, Burma and the Federation of Malaya; and some high-grade ores are found in Indonesia.

Molybdenum

China has the largest known reserves of molybdenum in the region (estimated reserves of 8 million tons of molybdenite containing 184,000 tons of molybdenum metal).[3] With the increasing demand for the world's limited output, there is prospect of a great development of this resource in China.

Molybdenite exists in South Korea, Thailand and Indochina, but the extent of the deposits is not known. Molybdenite, associated with some tungsten and tin ores, is also found in Japan.

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[1] Krishnan, *op. cit.*
[2] Estimates by the Geological Survey of China.
[3] Reply to ECAFE questionnaire, 1948.

Nickel

Nickel is used extensively as an alloy for special property alloys. Nickel ores are found in a number of places in Indonesia. In the lake district of Celebes, the segregated basic rocks contain 1½ per cent nickel amounting to thousands of million tons.[1] Mining activities started in 1937, and in 1941 the production of more than 55,000 tons was exported to Japan and Germany.

Nickel is also obtained as a by-product in the smelting of lead-zinc ore in Namtu, Burma and as a by-product in copper-mining in India and Japan, but the quantities are small.

China is known to have at least one deposit of nickel ore, but there is no production.

Millions of tons of lateritic iron ore of Indonesia and the Philippines have about 0.7 per cent nickel content, but a process has not yet been developed whereby this amount of nickel can be successfully and economically utilized. In the meantime the deficiency of nickel in the region has to be made good by imports from other countries outside the region.

Titanium

Ilmenite is the chief ore of titanium, which is used in the manufacture of alloy steel and as a source of titanium oxide for high-grade paints.

Easily accessible beach sands containing ilmenite are found in India, Ceylon and Japan. India is, in fact, one of the largest producers of this mineral. The mineral has been concentrated and exported for over twenty years, and the maximum export of over 250,000 tons was reached at the beginning of the war. The reserves of ilmenite in those beach sands are perhaps of the order of 250 to 300 million tons.[2]

Local requirements for paint, especially in the tropical countries, are great. The manufacture of paint from titanium ore is relatively simple and there is a big difference in the price of the raw material and the finished product. There are good prospects for the expansion of the paint industry in this region.

Tungsten

The region is a prominent world producer and exporter of tungsten, the main producers being China, Burma, the Federation of Malaya, Indochina, Thailand and Korea. Among these countries, China is by far the most important producer not only in the region but also in the world. All of her production has been exported, during recent years, to the United States and the USSR. Chinese production comes largely from Southern Kiangsi province, with Hunan, Kwangtung, Kwangsi, Yunnan and Sinkiang provinces supplying the rest.

[1] **Alex L. Ter Braake,** ***Mining in the Netherlands East Indies,*** **1944.**
[2] **Krishnan,** ***op. cit.***

Vanadium

The region has a sufficiency of vanadium. The titaniferous magnetites of Singhbhum and Mayurbhanj in India contain some vanadium in places, this constitutent (V_2O_5) varying from a fraction of 1 to 6 or 7 per cent of ore. It is estimated that the total vanadium content of the deposits may run into a few million tons.[1]

The only sources of vanadium ores in Japan are magnetite beach sands. The richer sands contain from 0.2 to 0.6 per cent vanadium. These sands were treated to recover vanadium at very high cost during the war.

Non-Ferrous Metals

Antimony

Since 1920, except during a short period in the last war, China has been the world's largest producer of antimony. The largest antimony-bearing field not only in China but also in the world is located at Hsi Kuan Shan, Hsinhua, Hunan Province, where more than 300,000 tons of antimony have been produced during the past forty years. The Government is planning to produce 12,000 tons a year from this field alone.

The workable reserves of antimony ore in Japan are rapidly approaching exhaustion. The grade of ore has decreased steadily, making mining operations unprofitable.

In Thailand, the mining of antimony ore was started during the war. Because of primitive methods of mining, poor transport facilities and fluctuations in the market price, the enterprise has not been successful.

Antimony deposits are also reported in Indochina and Sarawak.

Copper

Japan with copper as its chief metallic resource is also the leading copper-producing country of the region. Moreover, by-products from copper production provide nearly all of Japan's precious metals, and considerable sulphuric acid. The total national reserves have been estimated as shown in Table 110 below.

In comparison with the big open-pit or blocked-caving mines in other major copper producing countries of the world, the average size of the known Japanese copper deposits is small. Copper is found in all of the four major islands.

Copper has also been produced in the Philippines, India, Korea, Burma and China.

[1] Krishnan, *op. cit.*

In the Philippines, copper production comes chiefly from mountain province and Camarine Norte. An extensive low-grade copper-ore deposit was recently found in the island of Neproes.[1]

In India, the only deposits now being worked are those of Musaboni in Bihar, producing around 350,000 tons of ore, which yield some 6,000 tons of the metal.[2] There are, however, several prospects and abandoned ancient mines in Madras, Rajputana, Bihar, and Nikkin which need detailed prospecting by geophysical methods and by drilling. The prospects of finding additional sources are, therefore, quite fair. The Musaboni deposits may not last for more than a decade or so, unless further development proves the existence of unsuspected ore-bodies.

Table 110. Japan: Estimated Copper Reserves

Class	*Crude copper (metric tons)*	*Copper (per cent)*	*Copper content (metric tons)*
Proved	36,000,000	1.3	480,000
Probable	25,000,000	1.4	350,000
Possible	31,000,000	1.4	420,000
Exploration prospects	68,000,000	2.2	1,500.000
TOTAL	160,000,000	1.7	2,750,000

Source: SCAP report No. 106.

The principal copper deposits of South Korea are in the province of Kyungsang-namdo. During 1940-1945 copper-ore concentrates containing 6,710 metric tons of copper, representing three-quarters of the entire Korean production during the same period, were produced from the deposits in this province alone.

At Bawdwin lead-zinc mines in Burma, chalcopyrite is found disseminated in the country rock. Approximately 300,000 tons of copper ore are included in the Bawdwin reserves. The ore contains about 13 per cent lead, 8 per cent zinc, 7 per cent copper and 18 ounces of silver to a ton.

China is known to have exploited copper for at least 4,000 years, but the present production is small, and comes chiefly from a gold-copper mine near Keelung, Taiwan.

Lead and Zinc

In the AFE region, Burma is the leading producer of lead, and Japan is the largest producer and consumer of zinc.

Burma's lead and zinc come chiefly from the Bawdwin mines. Another important deposit is at Mawsors in Southern Shan States.

[1] H. E. Beyster Corporation, *op. cit.*, 1947.
[2] Krishnan, *op. cit.*

The lead-zinc deposits of Japan have been classified in order of importance into three types, the so-called pyrometasomatic, hydrothermal replacement, and veins. Most producing mines are scattered along the length of Honshu with a few in south-western Hokkaido, in northern Kyushu and in Tsuchima. Lead and zinc concentrates are recovered in almost all cases by floatation.

Lead and zinc production in China has been small. The principal deposits are found in Hunan, Yunnan, and Sikang provinces. Lead deposits were worked before the war in the Kowloon leased territory near the Chinese border in Hong Kong.

Indochina contains large deposits of zinc. In Thailand, lead deposits are found in many places, but commercial exploitation was not started until during the war, when the shortage of batteries made local producers look for lead oxides, litharge, and red lead. In 1949, Thailand produced 351 metric tons of lead ore, mined almost entirely in Kanchanaburi.

In India, though numerous occurrences of lead ore have been recorded, practically all of them are insignificant. In recent years lead-zinc deposits in Mewar State, Rajputana, have been reopened with promising results. The re-examination of other known occurrences may also bring to light workable deposits.

Tin

The tin reserves of the world are very limited and it is believed that new discoveries of importance are unlikely to supplement the existing resources which are diminishing rapidly. Most of the world reserves are within the region. Producing countries of importance are the Federation of Malaya, Indonesia, Thailand, China, Burma and Indochina.

Malaya has been the world's largest producer of tin. The richest deposits are located in the Kinta Valley in the State of Perak. Modern methods of mining such as dredging and gravel pumping and the age-old panning method are employed in mining the ore. Pre-war (1938) production of tin concentrates in Malaya was 44,070 metric tons. There was a sharp fall in production in 1942 after the Japanese invasion which continued until 1945 when the output was only 3,202 metric tons of tin-in-ore. Production rose to 8,567 metric tons in 1946, 27,460 metric tons in 1947, 45,530 metric tons in 1948 and 55,790 metric tons in 1949.

Indonesia's production is next in importance. Production in 1938 was 27,740 metric tons. In 1948, the output rose to 31,050 metric tons, but in 1949 fell to 29,300 metric tons. This rapid recovery was made possible by acquiring new dredges.

Economically tin is the most important mineral in Thailand. The ore is cassiterite recovered from the alluvial and eluvial deposits. The concentrate usually contains approximately 70 per cent and above of

metallic tin. A large part of the production is obtained from dredging operation. The 1938 production in Thailand was 14,940 metric tons. In 1948, it increased from the war-time low to 4,310 metric tons; in 1949 it rose to 8,280 metric tons. Production is increasing and the pre-war average could be reached when all the dredges are rehabilitated to work at full capacity. All Thai tin ore is sent to either the United States or Singapore for smelting.

The chief tin-producing centres in China are the Kochiu district in Yunnan, and Papu district in Kwangsi Province. The ores are smelted locally. Yunnan tin has a purity of 99.85 per cent and Kwangsi tin ore of 99.8 per cent. The production of tin-in-ore in China in pre-war years averaged 10,000 metric tons. It has been only about half of this amount during the last few years.

Burma and Indochina are also important producers of tin-in-ore. Japan is the largest consumer of tin in the region, normally consuming about 9,000 tons a year. But Japan's production has never been adequate for domestic need. The deficiency has to be met by imports.

Non-Metallic Minerals Other Than Fuel

Bauxite

Bauxite is the principal commercial source of metallic aluminium. Although it is technically possible to obtain aluminium from several of the aluminium-bearing materials, including alunite, leucite, anorthosite, and high alumina shale and clay, none has been a commercially successful ore.

This region is very rich in bauxite deposits of high grade. Deposits have been located in China, India, Indonesia, Malaya, and, of lesser importance, in other countries.

Bauxite was first recognized in China at Paoshan, Shantung Province. Although the reserve is reported to be large (estimated at 271 million tons), the high content of insoluble residue (SiO_2) and mineral composition (diaspore) are discouraging. During the war years, extensive deposits of bauxite were discovered in south-western China. Again because of their mineral content (diaspore, which is not soluble in the caustic soda solution in the standard Bayer Process), they have not been used. Since 1948, bauxite deposits have been found along the south-eastern coast of China and were mined to supply the Taiwan Aluminium Corporation's plant at Kaohsiung, Taiwan — the only aluminum production plant in China.

Rich and extensive deposits of bauxite have been located in the western and central parts of India and also in Kashmir. No estimates of reserves have been made, but they are believed to be of a large magnitude. The two aluminium reduction works now functioning in Bengal

and Travancore annually produce approximately 5,000 tons of aluminium.

In Indonesia, bauxite has been mined in the islands of Bintan, Kojan, and Angkoet. It forms lumps of various sizes imbedded in the lateritic clay with a varying thickness of between 9 and 33 feet. The ore contains about 53 per cent alumina. The total ore reserves at Bintan alone are estimated at 23 million tons. Before the war, the production from Bintan together with the output of Surinam represented 20 per cent of the world's bauxite production. The industry will be still more important if the projected aluminium plants can be put into operation.

In Malaya bauxite deposits are known to occur in wide-spread areas in many States. So far, only deposits in Johore and Malacca have been worked.

Prospecting for sources of aluminium is being carried out in Sarawak and the adjoining territories to determine the extent of the deposits. If the ore is made available in the territories the production will be absorbed by the proposed aluminium factory to be built in Borneo using local hydro-electric power.

Magnesite

Magnesite has been used for refractory bricks, and in recent years in the manufacture of magnesium metal, one of the most important light metal industries in the world.

Korea, China and India have substantial deposits of magnesite. At Tansen, Korea, surface deposits of magnesite occur; and the reserves are estimated at 650 million metric tons.[1] Another deposit is estimated at 3,000 million metric tons. The reserves at Kish, Kankyo Hokudo, south of Seishin, are estimated at tens of millions of tons. The mineral was first exploited in 1934. Most production has come from north of latitude 38 degrees N.

Considerable quantities of magnesite are found on the mainland of China and in Manchuria. The Geological Survey of China has ascertained that the magnesite of south Manchuria is equivalent to the marble commonly found in the same geological series all over northern China. Many of these marbles are rich in magnesium and will probably be mined in the future as magnesite. In south Manchuria, the former Dairen Geological Institute reported a magnesite deposit having a maximum thickness of 900 metres. It was mined chiefly for export to Japan during pre-war years.

[1] Andrew J. Grajdanzev, *Modern Korea*, 1944.

Extensive deposits of high-grade magnesite are found in Salem (Madras) and in Mysore in India. To the depth of 100 feet, the reserves of good-grade material are of the order of 100 million tons. The annual output is about 30,000 tons at present, partly used at home and partly exported.

Phosphate

The principal types of phosphate deposits are phosphate rocks, apatite, phosphatic marls, guano, and phosphatic limestones. The world's known reserves are about 26,500 million metric tons, of which half are in the United States. This region is not particularly richly endowed with these deposits. They have been found so far in China, Indochina, Indonesia, Japan, Christmas Island and several Pacific and Far Eastern islands. The deposits of these islands are the result of phosphoric acid leached from guano, penetrating into the underlying limestone rock, the solution combining with the calcium carbonate and forming tricalcium phosphate.

The uses of phosphate are: as fertilizer; as chemicals for military, industrial and technical purposes; and as mineral feed for livestock. The quantity of phosphate used as fertilizer, principally in the form of superphosphate, has always exceeded that used for other purposes.

Japan is the largest market for phosphate in Asia. Before the war, Japan used to import about 900,000 metric tons of phosphate rocks from the United States, Egypt, French North Africa and the Pacific islands. Home deposits were worked during the war, but they are small and of low grade.

In China fair-size deposits of phosphate rock exist near the port of Haichow in the province of Kiangsu. During the period of Japanese occupation, the production from this deposit went chiefly to Japan. Since the war, it has supplied the Taiwan fertilizer plant. Extensive deposits of phosphate rock with reserves estimated to exceed 20 million tons exist in the province of Yunnan. For lack of transportation facilities, it has not been extensively developed. Phosphate deposits exist in the Paracels Islands.

In Indochina, besides the smaller deposits of phosphates in Tonkin, there is a large deposit of high-grade apatite near Laokay estimated at over 100 million tons containing 40 per cent of P_2O_5 on the average. The *Société nouvelle des Phosphates* formerly processed (merely grinding) phosphate rock in two factories, one in Haiphong and one in Mythe. The total annual production capacity of these plants is about 100,000 tons, but they have never been operated to their full annual capacity. On account of political disturbances in Tonkin these two factories are now shut down.

After the war, the Government of France, through the *Commissariat général du Plan de Modernization et d'Equipement,* recommended the manufacture of 20,000 metric tons of triple superphosphate a year in a plant to be located at Danhim Basin.

In Indonesia phosphatic limestone has so far been discovered only in Java. On the average the limestone contains 28 per cent P_2O_5 with 55 per cent $CaCO_3$ besides small percentages of iron and aluminium oxides. When first explored the reserves of ore were considered insignificant, but the latest production figures indicate the presence of considerable quantities of phosphate, especially in the region of Cheribon. It is remarkable that in Indonesia, with its more than 10,000 islands, few and rather small guano deposits have been located.

Before the war the exploitation of the phosphate in Indonesia was by four European companies, which crushed it into powder locally and sold it as fertilizer.

In Christmas Island, a dependency of Singapore, with a reported reserve of 50 million tons of phosphate rock, phosphate mining has been restarted since the war; its current production compares favourably with that produced during 1937-1940.

Sulphur (and Pyrites)

Both sulphur and pyrites are used in the manufacture of sulphuric acid, one of the basic chemical industries.

This region is deficient in sulphur resources. Fair-size deposits have been discovered in only two countries, Japan and Indonesia.

Japan is both the leading producer and consumer of sulphur. Its sulphur deposits are related to volcanic activity. They are found throughout the country, but the most important deposits are in northern and central Honshu and in south-western and north-western Hokkaido. Pyrite deposits are found in Honshu and Shikoku. Sixty per cent of the country's total production of pyrite comes from the pyrite and pyrite-sulphur mines, the rest being obtained in the form of pyrite concentrates from other metal-mining industries (especially copper mines).

In Indonesia, sulphur deposits are found on most active volcanoes. The sulphur reserves of many volcanoes were calculated in tons of ore as follows: Kawah Putih (West Java), 150,000 with 70 per cent sulphur; Tangkuban Prahu (north of Bandung), 500,000 with 55 per cent sulphur; Merapi (central Java), 240,000 with 55 per cent; different lake terraces, 320,000 with 26 per cent sulphur; Mahawu near Menado (Celebes), 130,000 with 74 per cent. The total calculated ore reserves of Indonesia has been estimated to be over two million tons with over one million tons of pure sulphur.[1] The locations of the mines at the top of high

[1] H. Stauffer, *The Geology of the Netherlands Indies,* 1945.

volcanoes, the danger of gases and sudden eruptions and the difficult transportation have so far prevented exploitation on a large scale. The bulk of production has been obtained from Kawah Putih (Western Java) with small quantities from Malang (Eastern Java) and Langoan (Menado, Celebes).

Gypsum (and Anhydrite)

Gypsum deposits have been found in nearly all the countries of the region, but deposits of commercial importance are found chiefly in China, India and Pakistan.

The principal reserves in China are found in Hupeh, Hunan, Kiangsi, Szechwan, Yunnan, Sinkiang, Ninghsia, Chinghai, Kansu and Shensi provinces. The average production of gypsum in China has been about 80,000 tons. Of this, Hupeh produced an annual average of approximately 60,000 tons.

In India, good deposits of gypsum occur in Jodhpur, Bikaner and Jaisalmer in Rajputana, in Cutch, in parts of the Himalayan foot-hill region and in Madras. The Rajputana deposits are more important and contain some 40 million tons. Drilling may bring to light more deposits.

Pakistan is rich in good quality gypsum and probably in anhydrite also, all in the Salt Range in the West Punjab. The total gypsum reserve in the Salt Range is estimated to be about 70 million tons. When a survey was made in 1944 by the then Government of India to find an indigenous supply of gypsum for the production of ammonium sulphate, this deposit was counted upon for use in the manufacture of 350,000 tons of sulphate of ammonia. Partition placed it outside India and other sources have been substituted.

Graphite

Graphite is used in the manufacture of crucibles, pencil or crayon, lubricant, paint, and in the foundry works.

Ceylon has been an important graphite-producing country. The high grades of Ceylon crystalline and flake graphite have commanded good prices. The most serious rival is the easily-worked graphite mass in the lateritized surface rocks of Madagascar. For the lower commercial grades there are, however, many rivals: Korea, Mexico, Bavaria and Australia. The chief mines are located in the mountainous area of the south-western and central parts of the Island. The ore reserves are believed to be considerable and with more mechanized mining at depth the country will be able to maintain a much larger annual output at comparatively lower cost of production.

Graphite has been an important item in the mineral industry of Korea. Deposits of both crystalline and amorphous graphite occur in rocks ranging from pre-Cambrian to Triassic in age. Production slowly increased after the Japanese gained control of the country, and reached 100,000 metric tons annually for all Korea from 1942 to 1944. Production ceased in August 1945. Only one graphite mine, the Oryu mine in South Korea, is known to have been restarted.

All other countries of the region have some graphite deposits of much lesser importance. In Japan, graphite was produced from beds and veins in metamorphosed rocks. Reserves are known to be large but the high cost of production and the low grade of the ore hindered progress in mining. Since 1925 almost all graphite consumed in Japan has been imported, low-grade from Korea and high-grade from Ceylon and Madagascar.

Mica

Mica is used as an electrical insulator in all types of electrical apparatus. It is also used as heat-resisting material in stove doors, lamp chimneys and other openings which require heat resistance as well as transparency.

India has been for many years the world's largest producer of block mica and possesses excellent reserves in the deposits of Bihar, Madras and Rajputana. The annual production, generally gauged by exports, is 3,000 to 5,000 tons of dressed mica. There is a small factory for the manufacture of micanite in Calcutta and another is soon expected to function near Madras A mica-grinding industry has not yet been established though the waste mica from the mines and that in many of the dumps would keep a few factories active. The domestic market may expand with the establishment of an electrical machinery manufacturing industry.

CHAPTER XV

Flood Control and Water Resources Development

Extent and Frequency of Flood Damage in Major Rivers of the Region

Apart from the rivers originating from the snow-covered mountain ranges of the Himalayas and the Tibet plateau, which supply a part of the river flow, practically all the rivers in the region are fed by precipitation, particularly by the south-west monsoon. High water or floods occur generally during the south-west monsoon period when the precipitation is further augmented by cyclones or typhoons.

The topography of river basins in the region is usually hilly in the upper basin, but the flat alluvial plains or deltas near the coast, built up by the deposits of flood flow, are subject to flooding. The problem of flood damage is a relative one. It depends upon the magnitude of flood flow as well as the extent and nature of vulnerable objects lying within the reach of flood waters. For example, the big rivers of Borneo, Sumatra and Indonesian New Guinea annually inundate large areas of river alluvium without causing any damage, as cultivation is carried out only in flood-free areas. In China, India, Java and north Viet Nam, on the other hand, flooding of alluvial plains or river deltas causes considerable damage as these areas are under cultivation.

The river alluvium and deltas provide the most suitable areas for agriculture as the soil is particularly fertile, and the flat topography lends itself admirably to farming. Since the monsoon season, when floods occur, is the most suitable period for the principal crops, agriculture on the river alluvium and deltas has to face the flood problem. In solving this problem, two distinct methods are employed in the region. (The first is to adapt a crop to fit the normal flood conditions and the second is to control the floods, the most commonly employed method being longitudinal dykes along the river banks.)

(An example of the first measure — adapting a crop to fit the flood conditions — is the practice employed on the lower plain of the Mekong River and the central plain of the Chao Phya River. Here flood water overflows the river banks and spreads in vast sheets over the areas behind. The depth of inundation averages from half a metre to four or five metres. Ordinary garden rice is planted in those areas where flood water is shallow. In the depressions where flooding reaches four or five metres, a special kind of rice — floating rice — is planted which can keep pace in growth with the floods if the level of the latter does not rise more than five or six centimetres a day. In fact, normal floods are

considered beneficial and essential to plant growth, and these two areas in south Viet Nam and Thailand have become the principal rice-producing and exporting areas of the region. However, the irregularity of flood occurrence, an extraordinary magnitude of flood flow, a too early rise of the flood, etc., result in damage to crops which can thrive only under normal flood conditions.

The construction of dykes to contain the flood flow is the most common method of control employed in the region. It is extensively practised in Burma, China, India, Java, Korea, Pakistan, the Philippines and north Viet Nam.

Table 111 shows the length of dykes, area and population protected by the dykes of major rivers of the region from data available. The lengths of dykes refer only to the main ones maintained by the Governments.

Dykes are extensively constructed along both banks of the major rivers such as the Hai, Yellow, Huai, Yangtze, Gandak and Indus, and also on the river deltas of the Pearl, Red, Mahanadi, Damodar, Cauvery, Kistna and Godavari. The importance of dykes can be gauged from the size of the population protected by them, which is estimated roughly at 250 million, or approximately 22 per cent of the total population of the AFE region. Dykes are of particular importance to China. Over 200 million people, or nearly 40 per cent of the total Chinese population, live under the protection of dykes.

Two rivers of the region are notorious for their repeated changing of course, which has caused serious damage. These rivers are the Yellow River of China and the Kosi River of India. The Yellow River has altered its course seven times in 2,550 years with its two extreme outlets to the sea over 900 kilometres apart, while the Kosi has shifted its course, over a period of 197 years, in a westerly direction over a distance of 98 kilometres.

The average annual flood damage of major rivers in the region is given in table 111, together with available data on average annual flooded area, population affected by flood, and crop loss. The total annual damage from floods cannot be assessed for lack of data. The Yangtze, the largest river in the region, has caused the highest annual flood damage. The value of average annual flood damage of the Ganges, the second largest river, is not available. No continuous dykes have been constructed along the Ganges except for some distance in the Province of Bihar. Flooding along the main river, which lasts only for a few days, is limited to a belt alongside and is not considered very serious. The tributaries of the Ganges like the Kosi, Gandak and others, which have their sources in the Himalayas, flood extensive areas.

The average annual flood damage of smaller rivers, such as the Pampanga and Agno of the Philippines, and the Damodar and Mahanadi of India, ranges from US$360,000 to US$1,500,000.

China is the most severely affected by flood damage of the countries of the region. Dykes have been constructed continuously along the main rivers to protect vast areas of intensively cultivated and densely populated land. But in adequate maintenance, particularly during and after the war, has resulted in wide-spread damage.

The frequent damage to areas protected by dykes does not show that the construction of dykes as a flood-control measure is ineffective. Before 1925, dyke breaches on the Red River delta occurred once every two years. The average annual flood damage amounted to US$1,580,000. After a thorough strengthening of the dyke system from 1924 to 1944, and proper maintenance, dykes have functioned effectively. Breaches occurred in 1945 owing to local disturbances and consequent negligence in maintenance.

Table 111. Average Annual

Country	*River*	*Length of main dykes*	*Area protected by dykes*	*Population protected by dykes*
		(Kilometres)	*(Thousand sq. km.)*	*(Thousands)*
Burma	Irrawaddy	650	4.0	3,350
Ceylon	Kelani	14	...	...
China	Grand-Huai	2,400	51.8	24,200
	Hai	2,067	13.9	6,000
	Pearl	1,300	2.4	2,540
	Yangtze	3,347	248.1	136,000
	Yellow	1,270	95.3	37,600
India	Cauvery	615	...	1,370
	Damodar	120	...	...
	Godavari	435	6.5	800
	Kistna	275	...	833
	Kosi	17	—	—
	Mahanadi and Orissa delta	1,300	5.3	1,050
	Ganges	740	...	...
Indochina	Mekong	—	—	—
	Red	1,400	7.0	3,500
Korea	South Korean rivers	646	...	...
Pakistan	Indus	1,280	...	...
Philippines	Agno	...	2.5	...
	Pampanga	...	1.8	...
Thailand	Chao Phya	—	—	—

Sources: Bureau of Flood Control, ECAFE, *Replies to questionnaires* and *maps, reports and projects,* submitted by technical organizations in charge of flood control. For more detailed data see ECAFE, *Flood Damage and Flood Control Activities in Asia and the Far East* (mimeographed), 1950.

Flood Damage of Major Rivers

Average annual inundated area (Sq. km.)	*Population affected by flood* (Thousands)	*Crop lost* — (Thousand tons)	*Total damage*[a] *(Thousand United States dollars)*		*Period covered* (Years)
...	...	...	...		
2	...	...	720[b]		
3,710	1,740	134[c]	16,400	84	(1852-1935)
2,330	1,000	250[c]	30,400	22	(1918-1939)
656	692	99[d]	9,000	35	(1915-1949)
19,300	10,600	540[d]	60,000	..	
2,318	915	249[c]	30,300	84	(1855-1938)[b]
233	62	...	...	..	
...	...	10[d]	920	..	
...	80	...	...	..	
259	...	...	...	..	
9,100[e]	2,000[e]	...	36,000[e]	..	
...	...	4[d]	360	29	(1910-1938)
...	...	...	...	..	
36,450	—[f]	55[d]	1,840	55	(1894-1948)
500	250	42[d]	1,580	25	(1902-1926)
1,204	...	105[g]	10,000	39	
...	...	...	...	..	
...	...	...	1,500	3	(1935-1937)
...	...	...	1,000	3	(1935-1937)
13,840	—[f]	46[d]	1,550	12	(1937-1948)

[a] The total damage as originally given in local currency at pre-war or present value is converted into United States dollars at present value.

[b] Average annual value obtained from probability analysis.

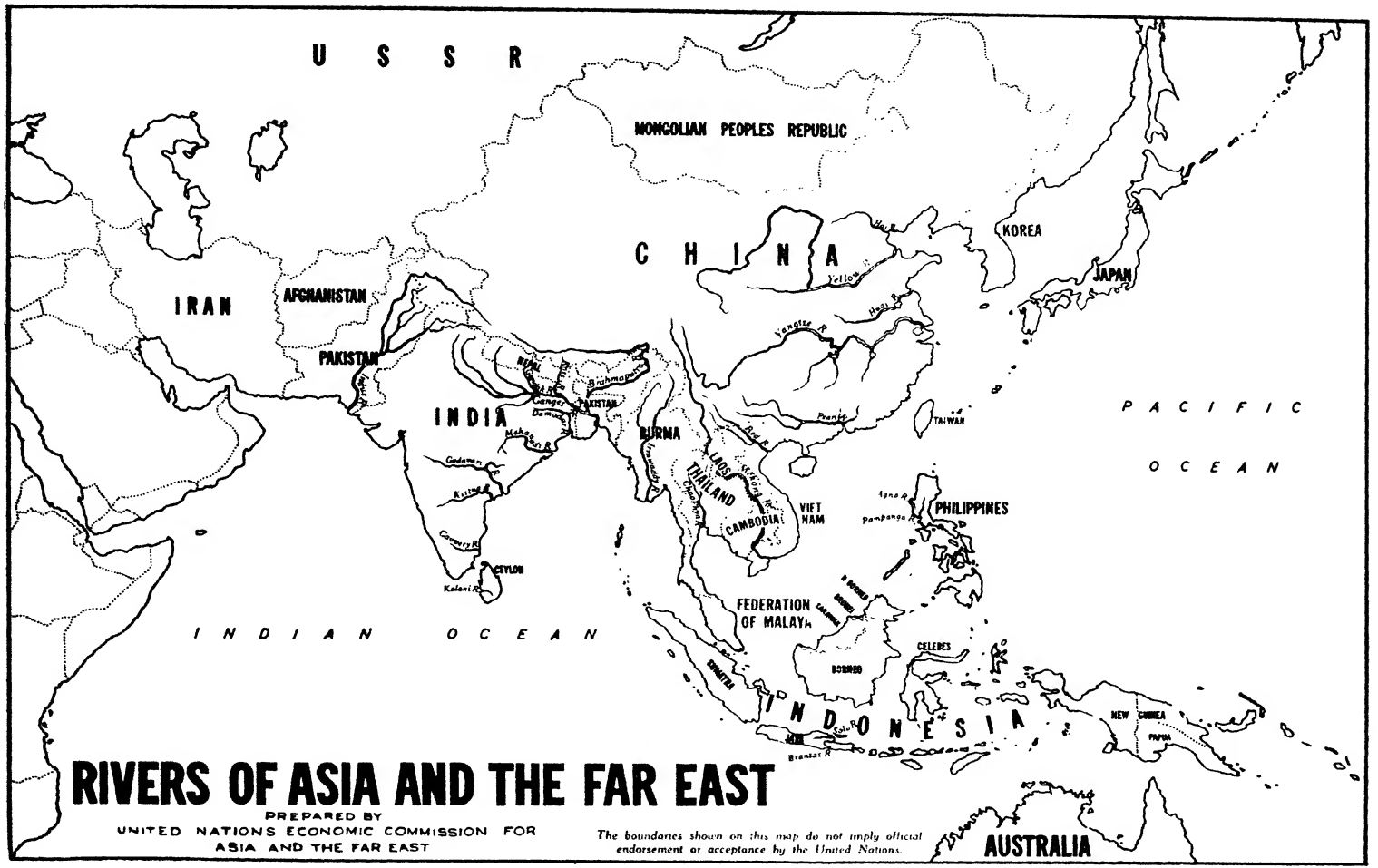
[c] Wheat.

[d] Padi.

[e] "Construction of Kosi Dam", *Statesman*, India, 1 March 1950.

[f] People of the region have adapted themselves to the flood condition.

[g] Food grains not specified.



RIVERS OF ASIA AND THE FAR EAST

PREPARED BY
UNITED NATIONS ECONOMIC COMMISSION FOR
ASIA AND THE FAR EAST

The boundaries shown on this map do not imply official endorsement or acceptance by the United Nations.

Flood Control Organizations and Activities

Organizations

Comparatively few organizations exist in countries of the ECAFE region solely for the purpose of dealing with flood control and water-resource development. Those that exist are chiefly to be found in countries where large rivers constitute an ever-present threat of flood to the densely populated areas. In other cases flood control is generally taken care of by irrigation or public works authorities.

Burma. The Irrigation Department of the Government of the Union of Burma is the main administrative and technical organization dealing with flood control and water-resource development in the country.

Ceylon. The Irrigation Department is the central executive authority which deals with all inland water problems in Ceylon. It is responsible for all details from the preliminary investigation and technical studies to the final design and construction.

China. There is a central authority for water conservancy and utilization in the Central Government of the country. Under the central authority are a number of bureaux charged with flood control and water-resource development of such river basins as the Yellow River, the Huai River, the Yangtze River, the Pearl River, and the main rivers in the North-East and North China.

India. The Central Water Power, Irrigation and Navigation Commission (CWINC) was established in 1945 to act as a central planning and co-ordinating organization on all phases of water-resource development, with authority to undertake construction work. It advises the Provincial Governments on water problems.

Flood control and other phases of development affecting only a single province are tackled by the respective departments of the Provincial Governments. Various departments at the centre and in the provinces co-operate with CWINC in preparing schemes which affect two or more provinces.

In March 1948, the Government of India approved the establishment of the Damodar Valley Corporation. This corporation is directly responsible to the Central Government for the unified development of the Damodar Valley including irrigation, water supply, drainage, hydro-electric power, flood control, navigation, afforestation, soil conservation and public health.

Indochina. Under the present organizational structure, likely to be changed in the near future on account of the transfer of sovereignty to the newly established States of Cambodia, Laos and Viet Nam, flood control and all other major public works are supervised by the "Technical Counsellor" in Saigon. For South Viet Nam, the Department of Water Resources and Navigation (Circonscription d'Hydraulique agri-

cole et de Navigation de sud Indochine, or HANSI) is the central authority, whereas in North Viet Nam the Chief Engineer of Public Works is responsible for the study of flood control and irrigation and for the construction of works.

The Department of Water Resources and Navigation comprises four divisions: Division of Navigation; Division of Water Resources of Cambodia; Division of Water Resources of South Viet Nam; and the Division of Public Works of South Viet Nam.

Indonesia. The central organization in charge of flood control is the Irrigation Department under the Ministry of Communications and Public Works.

Republic of Korea. The central organization in charge of flood-control and water-resource development is the Bureau of Public Works of the Department of Home Affairs. Under the Bureau of Public Works, with two sub-sections on Water Resource Construction and Administration, the Water Resource Section is responsible for the design and construction of all flood-control projects.

Malaya. Work on flood control and allied river problems for the whole of the Federation of Malaya is carried out by the Drainage and Irrigation Department at Kuala Lumpur.

Pakistan. The chief authority for flood control is the Central Engineering Authority in Karachi. It handles the development of irrigation, hydro-electric power, flood control, inland navigation etc., with a view to evolving schemes of regional development which consider each river as a unit.

Provincial authorities have been tackling individual problems as they have arisen and according to the means at their disposal.

Philippines. The central authority responsible for flood-control works is the Bureau of Public Works under the Public Works and Communication Department. The investigation, planning and design of flood-control and allied projects are undertaken by the River Control Section of the Bureau of Public Works and are subject to review by a Flood Control Commission of six members appointed by the President of the Republic.

Thailand. The chief authority responsible for flood control is the Royal Irrigation Department under the Ministry of Agriculture. Small flood protection works are generally left to the local authorities who organize parties to construct small embankments along particular lengths of the rivers.

Activities

Dykes

Since flood protection of the region is, at present, based mainly on dykes, the annual maintenance of approximately 20,000 kilometres of

main dykes has become the major flood-control activity. Dykes are also being constructed for some of the recently planned flood-control projects such as those of the Pampanga and Agno Rivers of the Philippines.

Storage or detention

Small tanks and reservoirs have been constructed in the upper reaches of many rivers in the region for irrigation purposes. They also detain part of the flood flow. Since 1920 planning of detention or storage reservoirs solely for the purpose of flood control has been increasingly considered by many organizations in the region. Two detention projects on flood control, now under construction, are:

River	*Location of reservoir*	*Capacity*	*Flood discharge maximum*	*Regulated*
Yungting	Kwanting Taitzemou	8,250 million cub.m.	30,000 cub.m.s.[1]	8,000 cub.m.s.
Huai	Hungtze Lake	7,415 million cub.m.	15,500 cub.m.s.	12,000 cub.m.s.

Multiple-purpose reservoirs

Since 1940 the idea of multiple-purpose unified river-basin development has gained support in many countries of the region. Many projects have been prepared, particularly in China, India and Ceylon, which cover flood control, irrigation, water power, navigation, soil conservation etc. The only projects now under construction are the Damodar and Mahanadi Valley projects of India, which affect a total drainage area of 154,000 square kilometres (see table 112).

Soil and water conservation

Certain measures for storing water in the upper valleys of rivers have long been employed in many parts of the region. Such measures include the ancient tanks constructed in Ceylon and India, the extensive terrace farming in China, Java and the Philippines; and the small intercepting canals in some river basins such as the Yellow River in China. All these measures, however, aim primarily at retaining the run-off for irrigation and not at reducing damage through flooding hundreds of kilometres away downstream.

The deterioration or silting of river beds as a consequence of excessive deforestation, particularly during the Second World War, is a common phenomenon in many countries, particularly Java and Korea. Such deterioration is also observed in Ceylon and Malaya owing to the clean weeding of surface cover in rubber and tea plantations. The importance of soil and water conservation as a means of reducing the silting of rivers is clearly recognized, and measures to prevent soil erosion have been included in many river-basin development projects. Experimental sta-

[1] Cubic metres per second.

tions, set up on a small scale in many countries such as China and India, are carrying out investigation work in this field.

Water Resources Development

Irrigation

The area under irrigation in the region, as given in table 112, denotes those parts under cultivation where, besides natural rainfall, additional water is supplied by artificial means. The artificial water supply is conveyed by gravity flow or pumping. Conservation of water other than direct rainfall, such as the overflow from a river, is also included. Pumping denotes the lifting of water by mechanical power, work animals and manual labour. In fact, lift irrigation by manual labour with foot paddle pumps, hand pumps, pivoting lifts (called in South India *picottahs*[1]) and even simple baskets serve a considerable portion of the total irrigated area in the region, particularly in China and north Viet Nam.

Irrigation has been practised in the region for thousands of years. Among the noteworthy systems are the ancient tanks for the impounding of water, which are of great value in Ceylon and India, the wells of China and India, and the simple means of irrigation employed on the rice-fields. One of the oldest existing projects, gravity irrigation through construction of a weir across a river and leading of the flow through artificial canals, is the Ming River irrigation project of Szechuan, China, completed several thousands of years ago. The project commands an area of 150,000 hectares. Beginning with the construction of the Upper Anicut on the Coleroon branch of the Cauvery River in India in 1836-1845, modern irrigation by means of weirs and canals has been extensively developed in India and Pakistan.

More than one-third of the principal crops of the AFE region are under irrigation, with a total irrigated area of 80 million hectares. Of the countries in the region, China has the largest irrigated area of approximately 43 million hectares, while Japan leads in percentage of irrigated land with over half of its total area under principal crops served by irrigation. Irrigation in China is characterized by (1) small-scale stream diversion and (2) the network of canals on river deltas where wooden paddle pumps are extensively used for irrigating the small rice-fields. Modern projects for areas of over a thousand hectares serve only a small fraction of the total irrigated land.

India has the largest area irrigated by canals, with most of the perennial or low water flow of rivers diverted for irrigation. The total surface

[1] Referring to poles, pivoting horizontally on a support, and with a water basket on the one end and a counterweight on the other, to lift water from wells or other sources.

flow utilized amounts to 3,760 cubic metres per second, which is less than 6 per cent of the total surface flow and run-off of rivers of 65,000 cubic metres per second for all rivers in India. There exist tremendous possibilities for future extension of irrigation, but as little water is left unused from the perennial flow, future schemes in India will have to rely mainly on storage.

The next largest area under irrigation is found in Pakistan. In India and Pakistan, modern means of irrigation by canals have been most extensively developed; but irrigation by small tanks, wells and other means such as work animals or human labour, still supplies 47 per cent of the total irrigated area.

On account of the pressing food problem, irrigation projects are being pushed in every country of the region and irrigation receives high priority in the consideration of projects for multiple-purpose river-basin development.

Table 112. Area under Irrigation

(In thousands of hectares)

Country	Area under principal crops[a]	Total irrigated area[b]	Percentage of irrigated area to area under principal crops	Classification of irrigated area[c]				Projected schemes[d]
				By canals	By tanks	By wells	Others	
Burma	5,669	537	9·5	352	74	8	103	...
Ceylon	1,292	223	17.2	142	81	—	—	87
China	94,049	43,260	46.0	—	—	—	—	—
India	81,979	18,532	22.6	7,393	3,664	4,457	3,016	5,949
Indochina	6,340	699,100	11.0		199	...	500	540
Indonesia	9,660	2,915	30.2	1,629	...	...	1,286	739
Korea, South	2,649	600	22.7	...	...	...	...	135
Malaya	325	96	29.6	...	...	...	...	148
Pakistan	19,290	9,335	48.4	7,341	87	1,216	691	1,400
Philippines	3,726	86	2.2	...	...	...	...	170
Thailand	5,007	601	12.0	301	—	—	300	1,315
TOTAL ECAFE	230,036	76,883	33.4					
Japan	5,271	2,910	55.2	—	—	—	—	—
TOTAL AFE	235,207	79,793	33.9					

Sources:

Burma: [a b c] Commissioner of Settlements and Land Records, Burma, *Season and Crop Report of Burma 1947-48*, (Rangoon, Superintendent Government Printing & Stationery, 1949), pages 20, 33. Principal crops include: food-grains, oil-seeds, fibre, drugs and narcotics, fodder crops, fruits and vegetables.

Ceylon: [a] *The Ceylon Year Book, 1949,* (Colombo, Department of Statistics), page 50; [b c] *The Ceylon Year Book 1948,* pages 104, 106; [d] *The Ceylon Year Book, 1949,* page 76. Principal crops include: food-grains, oil-seeds, tea, tobacco, rubber, fruits and vegetables.

China: [a] Directorate of Statistics, *Statistical Year Book of the Republic of China 1948,* (Nanking, 1948), page 70; [b] J. L. Buck, *Land Utilization in China,* 1937, page 186. The total irrigated area is computed from the percentage of irrigated area given by Buck and the total area under principal crops given by the *Statistical Year Book.* Principal crops include: food-grains, oil-seeds, fibre and tobacco.

India, Pakistan: [a] Ministry of Agriculture, *Agricultural Situation in India,* Delhi, (Manager of Publications, 1949), vol. IV, no. 9, page 841, and no. 1, page 126. Principal crops include: food-grains, oil-seeds, fibre and beverages; [b c] Central Board of Irrigation, India, *Irrigation Map of India, Burma and Ceylon,* 1946. The total irrigated area and classification are taken from the figures given in the map and the distribution of irrigated area between India and Pakistan for Assam, Bengal and Punjab is calculated according to the ratio given by the *Eastern Economist, Basic Facts Relating to Hindustan and Pakistan,* 1947, page 10; [d] Central Board of Irrigation, *New Projects for Irrigation and Power, 1947,* (Simla, 1947).

Indochina: [a b c d] J. Gauthier, *l'Indochine au Travail dans la Paix française,* Paris, Eyrolles, 1949. Irrigation under the heading "others" consists mainly of irrigation by manual labour.

Indonesia: [a b c] Data include only Java and Sumatra; Java, Ministry of Public Works, Irrigation Department, E. E. Hens, *Irrigation in Java,* figure opposite pages 19, 28, (typewritten copy); Sumatra [a] Bureau of Statistics, *Statistical Pocket Book of Indonesia 1941,* (Batavia, 1947, page 39); [d] Department of Public Works and Reconstruction, W. J. van Blommestein, *Development Project for Sumatra* (mimeographed copy).

Korea, South: [a b d] Department of Agriculture and National Economic Board, *Present Agricultural Position of South Korea,* 1947, pages 8, 19. Principal crops include: food-grains, oil-seeds, fibre, tobacco, fruits and vegetables.

Malaya: [a b d] Director, Drainage and Irrigation, *Annual Report of the Drainage and Irrigation Department 1948,* (Kuala Lumpur, Government Press, 1949, page 6). Principal crops include rice only.

Philippines: [a] Bureau of Census and Statistics, *Journal of Philippine Statistics,* vol. IV, no. 1-6, 1949, page 13a. Principal crops include food-grains, sugar, oil-seeds, rubber, tobacco, fruit and vegetables; [b] Bureau of Census and Statistics, *Year Book of Philippine Statistics 1946,* page 301; [d] Chief, Irrigation Section, J. A. Buendia, "Irrigation in the Philippines", *Philippine Engineering News Record,* vol. X, no. 3, 1949, page 19.

Thailand: [a] Ministry of Agriculture, *Annual Report to FAO, 1949,* page 9. Principal crops include food-grains, oil-seeds, fibre, tobacco and rubber; [b c d] Royal Irrigation Department, M. L. X. Khambu, *Report on Irrigation, Drainage and Water Communication Project of Chao Phya River Plan,* 1949, page 25 (mimeographed copy).

Japan: [a b] Statistical Bureau of Prime Minister's Office and Executive Office of the Statistics Commission, *Japan Statistical Year Book 1949,* pages 180, 186. Principal crops include food-grains, fibre, oil-seeds, tea, mulberry, pyrethrum, peppermint.

Water Power

Potential water-power resources

The degree of accuracy and the standards adopted for estimating the potential water-power resources vary greatly with the different technical organizations in the region. Only a few estimates are based on surveys of the available head and on stream gauging. In estimating the power potential of the region over-all efficiency of 100 per cent is used, but no detailed data for defining the flow adopted are available in countries of the region except for China. In China the flow available for 90 to 95 per cent of the year for prospective sites which have no appreciable storage, and the average regulated flow for sites having the benefit of local or upstream storage, have been used in the computation.

It has been pointed out by technical organizations in charge of water power that many of the prospective sites have not yet been investigated. The estimates of potential power already completed are, therefore, believed to be on the conservative side.

The present rough compilation gives a total water-power potential in the AFE region of 183 million kw. This estimated potential is higher than that for any other continent. (See table 113).

China, excluding Tibet, Sinkiang and Manchuria, has a total potential water power of 109 million kw., the largest among the countries in the region. Most of the power sites are located in south-west China, on the upper Yangtze River and its tributaries. The largest prospective power site at Lusa (Soblance) on the Brahmaputra in Tibet, which is on the eastern slope of the Himalayas and has a head of 2,500 metres, is capable of generating 15 million kw. firm power.

Existing development

Based on available statistics, the total installed capacity of water power in the region amounts to 7.4 million kw., which constitutes only 4 per cent of the present estimate of power potential. Vast power resources remain untapped. Among the countries of the AFE region, Japan possesses the largest installed capacity of 6 million kw. Most of the existing power plants in China, totalling 526,000 kw., are located in Manchuria and Taiwan (Formosa). India, with 499,000 kw. installed capacity, stands third among countries of the region in water-power development.

Table 113. Potential Water-Power Resources and Existing Capacity

Country	Potential[a] capacity (1,000 kw.)	Existing installed capacity[b] (1,000 kw.)	Existing installed capacity[b] (Percent of potential)	Projects under construction or proposed to be constructed[c]: Installed capacity (1,000 kw.)	Projects under construction or proposed to be constructed[c]: Estimated cost (Million United States dollars)
Burma	—	—	—	20.0	80
Ceylon	500	25.0	5.0	25.0 - 50.0	60
China	109,400	525.7	0.5	...	...
22 Provinces	(102,794)	(11.8)	—	.	
Northeast Provinces (Manchuria)	(4,363)	(340.0)	7.8	.	...
Taiwan	(2,243)	(173.9)	7.7	.	...
India	40,000	499.2	1.2	1,639.3	770
Indochina	1,000	0.9	0.1	27.0	35
Indonesia	4,900	108.4	2.2	40.0	87
Korea, South		15.4		28.8	2.5
Malaya	5,700[d]	29.2		40.0	42
Thailand		—	—	10.0	3.2
Nepal	.	—	—	.	...
Pakistan	6,000	10.7	0.2	77.0	152
Philippines	1,500	97.9	6.5	297.0	75
TOTAL ECAFE	169,000	1,312.4	0.8	2,204.1 - 2,229.1	1,256.7
Japan	13,776	6,045.1	43.9	. .	...
TOTAL AFE	182,776	7,357.5	4.0	—	—

Sources:

[a, b] Ceylon: Department of Commerce and Industries, *It Can Be Done*, 1948; Department of Statistics, *Ceylon Yearbook*, 1948, p. 158.

China: National Hydro-electric Engineering Bureau, *The Waterpower Resource of China*, 1947 (typewritten copy).

India: Central Board of Irrigation, *Hydro-electric Development in India*, Simla, 1948, pp. 15, 19.

Indochina: J. Gauthier, *L'Indochine au travail dans da paix française*, 1949, p. 219.

Indonesia: Department of Economic Affairs, *Statistical Handbook of Indonesia, 1941*, Batavia, 1947, p. 56; Department of Agriculture, Industry and Commerce, *Handbook of the Netherlands East Indies*, 1930, p. 259.

Korea, South: Information from Ministry of Commerce and Industry.

Malaya: Federation of Malaya, *Annual Report of the Electricity Department*, 1948, pp. 2, 65, 66.

Pakistan: Ministry of Industries, *A Budget of Power Resources*, 1949, p. 2, 4.

Philippines: National Power Federation, *Annual Report, July 1948-January 1949*, pp. 4, 5, 6, 14.

Japan: The Foreign Affairs Association, *The Japan Year Book*, 1946-48, p. 395. Statistics Bureau of Prime Minister's Office and Executive Office of the Statistics Commission, *Japan Statistical Yearbook*, 1949, p. 349.

[c] Data compiled by the Industrial Development Division, ECAFE secretariat.

[d] U. S. Geological Survey: *Waterpower Resource Estimates*, 1947.

Multiple-Purpose Unified River Basin Development

Hydraulic structures having multiple purposes, such as the diversion of river flow for irrigation and the ultilization of the available head for water power development, have been adopted in many countries of the region, particularly in India (see table 114.) The idea of multi-purpose unified river-basin development, which covers an entire river basin including flood control, irrigation, navigation, water power, soil and water conservation and drainages is a recent one and has been actively considered in the region only since 1940. Since then many such unified river-basin development projects have been or are being prepared. The water resources of practically all the major river basins in the region, comparatively speaking, remain to be developed.

The main technical difficulty encountered in river-basin development is the inadequacy of long-range hydrological and other data necessary for planning.

Table 114. India: Unified River Basin Development Projects Under Construction

River	Damodar	Mahanadi
Drainage area	22,000 sq. km.	132,000 sq. km.
Reservoirs	8 multiple-purpose reservoirs at Aiyar, Konar, Bokaro, Bormo, Panchot Hill, Tilaiya	8 multiple-purpose reservoirs at Hirakud, Tikarapara, Naraj
Total capacity	5,435 m.cu.m.[a]	31,950 to 148,950 m.cu.m.
Live storage (flood control)	3,386 m.cu.m.	19,780 to 128,880 m.cu.m.
Dead storage	957 m.cu.m.	12,390 to 22,190 m.cu.m.
Flood control		
Maximum flood peak	28,000 c.m.s.[b]	Hirakud 34,100 c.m.s.
Regulated flood discharge	7,100 c.m.s.	Hirakud 23,500 c.m.s.
Irrigation	300,000 hectares	1,332,000 hectares
Power, total installed capacity	198,950 kw.	839,000 to 3,710,000 kw.
Navigation	130 km. navigation canal connecting Damodar and Hooghly River	550 km. on Mahanadi River from Bholpur to the sea for 800 ton river craft
Total estimated cost	Rs. 550 million	Hirakud Rs. 478 million
When started	1949	Hirakud 1948

Sources: Central Technical Power Board (CTPB), *Preliminary Memorandum on the Unified Development of the Damodar River, 1945*, Calcutta, Government of India Press, 1947; CTPB, *Outline of Project Features, Damodar Valley Dams*, Simla, Government of India Press, 1948; Central Waterways Irrigation and Navigation Commission, *Mahanadi Valley Development, Hirakud Dam Project*, Simla, Government of India Press, 1947.

[a] Million cubic metres.
[b] Cubic metres per second.

General and Technical Problems

General Problems

Central organization for dealing with water resource development

Water resource development is handled in the countries of the region either by departments each dealing with a specific technical aspect, e.g., the Department of Power for hydro-electric power, the Department of Irrigation for irrigation, the Department of Public Works for flood control, the Department of Communications for navigation etc.; or by an over-all organization which handles all these on a province-wide or State-wide basis.

It cannot be too strongly emphasized that the flow of a river from the headwater to the outlet is continuous, and together with that of its tributaries, forms a closely integrated river system. Any development at a selected spot within this system must influence the whole. For example, the diversion of a river upstream for irrigation purposes will decrease the water available for power development and navigation downstream. Or the dyking of a particular section of a river will back up and aggravate flood conditions upstream as well as increase the flood-peak downstream.

It appears desirable therefore, to plan for the development of water resources for the river basin as a whole, so that all water is utilized to the best advantage. Individual projects may be so planned as to fit smoothly into an over-all plan of development. Such over-all plans can best be undertaken by a central authority dealing with the entire basin.

The under-development of various river basins in the region is to be deplored, yet in a way it is fortunate because it is now possible for an over-all basin development project to achieve the best combined results without handicaps of existing structures.

Many countries in the region are increasingly aware of the need for central organizations to handle water resource development. River engineering bureaux in China are authorized to deal with flood-control and water-resource development of particular rivers. The establishment of a Ganges River Commission to deal with the full course of the Ganges River has been repeatedly urged by engineers in India. A central organization has now been set up, the Damodar Valley Corporation, to handle the unified development of the Damodar Valley in India. For the Kelani River basin of Ceylon a unified plan has also been worked out.

Priority in the development of water resources

In planning development of water resources the region is faced with the question of the relative importance to be assigned to various phases of development, including flood control, irrigation, navigation, water power and soil and water conservation. Varying conditions in different

countries preclude the laying down of a set pattern. A general trend can be ascertained from a consideration of the various development projects in the region.

Although the region is mainly agricultural, many countries in it today face the problem of securing enough food for their people, to say nothing of feeding future increased populations, and cannot afford to spend huge amounts on food imports on account of the shortage of foreign exchange. Annually extensive areas of river deltas and alluvium are flooded. In most cases large areas of intensively cultivated land are inundated, resulting in partial or total destruction of urgently-needed food crops and serious loss of life. The need for efficient measures of flood control is imperative. Moreover, flood-control structures are an essential step toward control of the river until the long-term measures for soil conservation in the uplands can be accomplished.

While already cultivated lands must be protected from floods, the desperate need for increased food production in the region demands intensive irrigation and adequate drainage. The urgency of the need for a greater food output can be readily gauged from the fact that most of the large hydraulic schemes being planned in the region have the important objectives of providing more water for irrigation and of simultaneously preventing flood damage to cultivated lands. Consequently, flood control and irrigation have received top priority in many development schemes in Ceylon, China, India and the Philippines.

Development of hydro-electric power comes next in any scheme for the development of water resource in the region. Industrialization, which has made relatively rapid progress in post-war years, is still in its infancy. Multiple-purpose, basin-wide development schemes embrace the provision of hydro-electric power; it is with a view to future industrialization that development of hydro-electric power ranks next to food production.

The improvement of navigation is another objective in the projects for water-resource development. Greater attention, however, has been given to railways and roads, except for the Yangtze River where natural conditions favour water traffic for 1,000-ton vessels over a length of 1,100 kilometres all the year around.

Soil erosion in the headwaters of river basins not only decreases the productivity of land, but also poses many difficult problems for every aspect of water-resource development. The silting of reservoirs or the silting of river beds and canals, seriously affects the efficiency of projects for power development, irrigation, flood control and river training and the common experience is that no engineering means can fully succeed without successfully disposing of the soil-erosion problem. Soil erosion and the consequent silt problem are of grave importance to the region. A typical example is that of the Yellow River with a maximum recorded

silt content reaching 46 per cent by weight during floods. The mean river bed, due to excessive deposition of silt, lies four metres higher than the adjacent ground. Soil conservation measures are considered the most important solution to the problem. Since time is a vital element in the complete control of soil erosion of vast watersheds in countries of the region such as China, India (Himalayan rivers), Java and Korea, soil conservation shares top priority in any phase of water resource development of the region.

International rivers

The utilization of the water of international rivers presents delicate problems with regard to either the low-water regimen which particularly concerns irrigation and navigation, or the high-water regimen which affects flood control. For instance, it is obvious that the construction of dykes in one section of a river lying in one country may have serious repercussions on other sections upstream in another country. Or a diversion barrage dries the lower course of a river, seriously affecting the population around it.

Taking into consideration the numerous benefits accruing from the treatment of the river basin as a whole, co-operation in dealing with international rivers flowing through two or more countries becomes highly desirable or even essential.

One of the best examples of such co-operation is that of India and Nepal in dealing with the Kosi River. Both countries have agreed on the construction of a high dam on the Kosi River in Nepal. When completed, it is expected to solve the flood problem on the Kosi plain of India and to provide irrigation and power to large areas in both countries.

Finance

Most of these schemes call for heavy capital expenditure. For instance, the estimated cost of the Damodar Valley Corporation's development projects of India, covering a drainage area of only 22,000 square kilometres or less than 0.7 per cent of the total area of India, reached Rs. 550 million, an amount which, if spent in one year, would be equivalent to 15.6 per cent of the total of the Government's 1950 budget.

Technical Problems

Dykes and dyking

Perhaps the earliest and the most extensively used method of flood control in the region is the construction of dykes. Rivers are prevented from overflowing their banks by longitudinal dykes, generally strong enough and high enough to resist the worst floods. In view of the fact that dykes in the region protect roughly 250 million people against floods, adequate cross-sectioning of the dykes, proper maintenance and

efficient flood forecasts must be provided. The necessity of such measures and of ensuring the availability of material and labour to meet the flood flow cannot be stressed too strongly. Unfortunately, because of civil disturbances, the Administrations of some countries are not able to give the necessary attention to adequate sectioning and maintenance of dykes.

Although it is of great value to reinforce and raise dykes in lower valleys and deltas, which usually constitute the most densely populated areas in the region, due attention must be given to the possible effect of too early dyking of new land. In deltaic areas, which are still being built up by the silt deposits of rivers or by the sea, it would be a grave error to build dykes before the land has been sufficiently raised, comparatively high dykes would be necessary to cope with the rise in the river stage which occurs as a result of confining the flood flow in the early stages of delta-building by rivers, and when breaches occurred, damage to the adjacent low-lying land would be very heavy. Because of the difficulties of drainage of flat land which has not yet attained a sufficient height, the salinity of the soil may increase and reduce the productivity of land. Inefficient drainage would also encourage the spread of malaria and other diseases.

Multiple-purpose reservoirs

While the strengthening and maintenance of dykes constitutes an important aspect of flood control work in the region, a growing tendency to develop multiple-purpose river-basin schemes has been encouraged by the technical and financial success achieved by the Tennessee Valley Authority (TVA) in the United States of America, which has caught the imagination of engineers. A number of basin-wide multiple-purpose schemes are still in the planning stage; a few are actually under construction.

Despite the substantial benefits that may accrue from irrigation alone in many multiple-purpose projects, the large expense involved in constructing big dams must be taken into consideration, since the usefulness of such dams and reservoirs is limited from 100 to 300 years, owing to the considerable soil erosion in the upper valleys of the region. Schemes which are designed to provide only flood control are not economical unless average losses from flood damage are higher than the cost of the works on an annual basis, including depreciation, interest and maintenance.

Flood control by multiple-purpose reservoirs, part of which must be reserved entirely for the storage of flood water, is not often economical. There are two projects of multiple-purpose development of this type in the region for which the annual cost for flood control is respectively twice and ten times the average annual flood damage. A combination of multiple-purpose reservoirs which reduces part of the flood peak

and a system of dykes on the plans appears to offer a more economical solution.

Maximum design flood of reservoirs

There appears to be a tendency to conceive plans which sometimes prove to be too ambitious. In flood-control matters engineers often want to control not only the highest known floods, but still higher floods which might possibly occur only once in 200 to 300 years or even longer. Naturally the cost of the works to be built for meeting contemplated contingencies is greatly increased, although such works may be entirely useless. For example, if the maximum design flood does not occur in the near future but after 200 to 300 years, the reservoir might have by that time already been silted up.

It would appear that, in the planning of flood-control and water-resources development, the magnitude of the design flood should be so chosen that the appropriate engineering construction would give the most economic results. To cope with floods greater in magnitude than that selected, other measures to minimize the anticipated damage should be included in the over-all flood-control scheme.

Flowage damage[1]

The building of dams to create reservoirs often necessitates the submersion of large areas of land, part of which are cultivated and inhabited. For example, the reservoirs on the Mahanadi River at Hirakud (under construction) and at Tikarapara (projected) will flood, respectively, 54,000 hectares (one-half of which are cultivated). The proposed Glencorse dam on the Kelani River in Ceylon, will submerge 14,900 hectares, affecting 17,000 people. Large areas are taken out of production and large numbers of inhabitants have to be resettled. The idea of a complete change in the mode of life of the people affected is generally disliked and strongly opposed. These factors, as also cost problems, have to be taken into consideration in deciding on a scheme. With regard to the Hirakud dam, the Indian Government is providing the dispossessed cultivators with new land and better living conditions, for which necessary arrangements are being made well in advance. It is hoped that the land required can be found in the forest areas or in the uncultivated lands purchased by the Government, and on the marginal lands which will reappear each year with the depletion of the reservoir and which will be available for raising one good crop from March to September. If this is not enough, the Government is thinking of buying part of the private land which will benefit from irrigation as has been done in Mysore.

[1] Damage due to submergence of area through the construction of dams.

CHAPTER XVI

Economic Planning

Total economic planning, under which the resources of a country are allocated and utilized by the State in accordance with a predetermined plan for a fixed period of time, has not been applied to any of the countries in Asia and the Far East, although in parts of China under the control of the People's Government, and to a lesser extent in Burma, a trend in that direction has been recently visible. Other countries in the region have adopted partial economic planning, whereby the State undertakes to plan and develop these resources considered essential to the development and strengthening of the national economy, with the cooperation of private enterprise. Private enterprise is supervised, controlled and assisted by the Government. Under this arrangement, initiated during war-time and extended in post-war years, national development plans have been prepared which in some cases extend to most branches of national economy and others cover only a few limited fields where planned development appears desirable or imperative. The plans differ in the scope covered, degree of definiteness, assignment of priorities and possibility of implementation, but the objectives to be achieved are more or less similar.

Objectives of Economic Planning

Four principal objectives in the economic plans of countries in the region may be distinguished, namely, industrialization, economic independence, rehabilitation and recovery, and improvement of the balance-of-payments position. The first two objectives are long-term, while the last two are short-term. They are not exclusive, in that industrialization is one of the ways of lessening economic dependence. Rehabilitation is a necessary condition of improving the balance of payments in many countries; and the industrial as well as agricultural production has to recover to pre-war standards before further industrialization can be attempted.

In a predominantly agricultural region like Asia and the Far East, many countries recognize the need of industrialization, not only to raise the income per head by shifting workers from less-gainful occupations like agriculture to the more productive ones, but also to enhance industrial capacity for national defence in the event of external aggression. Not all countries in the region are endowed with natural resources and manpower to embark upon a comprehensive programme of industrialization. China and India come nearest to meeting the requirements, although industrialization is still in an early stage. Other countries with limited resources but favoured by certain conditions, have made plans

for the establishment of key industries. These industries, which may not be self-supporting or competitive in the short-run and in the initial stage, and are subsidized by the State, are expected to provide basic materials, fuel and power for other industries. Iron and steel works are proposed in Burma, Ceylon, Indochina, Pakistan and the Philippines, and hydro-electric power plans in almost all ECAFE countries; hydro-electric developments are especially significant in countries having an inadequate supply of coal such as Ceylon, South Korea, Pakistan and Thailand.

The desire for economic independence is evident in many plans in countries of the region which have only recently gained their political independence. Economic independence for these countries has taken the form of reducing dependence on a few primary export products, on imported manufactured goods, and on foreign capital which may control the course of future economic development. Burma, Ceylon, Indochina, Indonesia, Malaya, Pakistan, the Philippines and Thailand, are dependent upon a few major export staples for the maintenance of their prosperity. The recurrence of economic fluctuations and its immediate effect upon the fortunes of these exports in the world market have been painful experiences common to all. Now they desire to achieve a balanced and diversified economy. In many economic plans of the newly-independent countries in the region, stress is laid on the development of consumer goods industries, especially food and textiles. The "Grow more food" campaign in India and Ceylon, and the plan to establish cotton textile factories in Burma, Ceylon, Indochina, Indonesia, Pakistan and the Philippines, are examples of an increasing desire to achieve economic independence. The Governments also seek to increase the relative importance of domestic capital in economic development because in the past foreign capital was more inclined to invest in the production of staple agricultural and mineral products for export than for the production of essential necessities satisfying domestic needs and because the development of national capital is considered indispensable to an independent country. Burma has ambitious plans for the nationalization of land, forestry, mineral and other important resources of the country.

A more immediate objective is to make good the devastation wrought by war, in countries like Burma, China, Indochina, Indonesia, Malaya and the Philippines. In their economic programmes, emphasis is first laid on the restoration of agriculture, mining, industry and transport to pre-war levels. The more important among the projects proposed are the restoration of transport, especially railways and roads, rehabilitation of plantations and mines and processing plants to restore their export capacity, and the cultivation of land devastated by war. Economic planning, finally, is intended to improve the balance-of-payments position which has been reversed in most countries of the region compared with pre-war. As a means of rectification, economic plans in many coun-

tries emphasize an expansion in export industries on the one hand, and import-reducing industries on the other. High priorities are being given to the improvement or expansion of food production, in food-deficit countries like India, Ceylon and Malaya to save foreign exchange, as well as in food-surplus countries like Burma, Indochina and Thailand to earn it. Encouragement is being given for similar reasons to other consumer goods industries, especially textiles. Production is being stepped up in respect of principal export commodities such as tin, petroleum, timber, tea, sugar, coconut and rubber. One of the primary aims of economic planning in the Philippines is to provide necessary adjustment of the local economy to the likely changes in the balance of payments arising from the decline in the U.S. Aid programme by 1951 and the progressive application of the United States tariff to Philippine imports after 1954. This consists of replacing United States imports by local products and increasing Philippine exports to dollar markets. In Korea the five-year Economic Recovery Programme is being implemented to balance foreign payments and receipts upon the withdrawal of the U.S. Aid.

Development of Planning[1]

Post-war economic plans are in most cases prepared by newly established bodies in Burma, China, India, Korea, Pakistan, the Philippines and Thailand. In dependent countries, such as Hong Kong, Malaya and British Borneo, planning requires approval of the Colonial Office of the metropolitan country. In Indochina and Indonesia, existing plans as prepared by the former metropolitan Governments are being revised. In Ceylon and Nepal no separate planning body has as yet been set up, but plans have been prepared by the Government departments concerned.

Planning bodies differ in the types of functions performed as well as in other respects. Some exercise planning functions *per se,* while others are given power to co-ordinate, to approve, and in some cases, to implement plans. Where planning bodies only prepare plans, other organs have been set up in some countries to undertake functions concerning their implementation. Usually the Government ministries undertake to implement those which fall within their respective fields. In a few countries operating agencies have also been set up by the Governments to be in charge of designated fields of industries.

Plans prepared by the countries in the region vary from two to fifteen years, though most are for a five-year period. Some countries have both a short-term and a long-term plan, e.g., India and the Philippines. Other countries, like Pakistan and Thailand, do not specify the number of years in their plans. The Indonesian plan provides for four phases of development.

[1] For a full account see document E/CN.11/I&T.15 and annexes A to L, March and April 1950.

The scope of the different plans varies with the desired objective to be achieved, the character of the country's economy, its capacity for rehabilitation or development, the economic policy of the Government and the duration of the plan.

Most countries have revised their original plans or targets in the light of a more realistic assessment of the national economic situation. In these revisions it has been possible for the Governments concerned to achieve better co-ordination and to assign priorities to the more important schemes of development.

The degree of implementation of the various plans varies according to political stability; availability of capital equipment, raw materials, technical personnel, foreign exchange and domestic finance; foreign aid and other matters. Some countries like India and Pakistan have financed their development plans mainly from domestic sources. Foreign assistance in the form of United States aid has been drawn up by the National Government in China, the Republic of Korea and the Philippines; British assistance has been given from the Colonial Development and Welfare Fund to British Borneo, Hong Kong and Malaya; and assistance from France to Indochina and from the Netherlands to Indonesia.

British North Borneo. This dependency has an Eight-Year Reconstruction Plan (1948-1955), which aims at restoring the economy of the country to the standard which existed prior to the Japanese occupation, and further developing it.

Burma. The National Planning Department, created in 1946, has failed to make much headway, because of the Government's preoccupation with the new responsibilities of political independence.

In June 1947, a Rehabilitation Conference called in Rangoon and including statesmen, officials, experts and specialists in various fields of public economy, was entrusted with co-ordination of and concentration on speedy rehabilitation and recovery of the country's economy to the pre-war level. A good deal of statistical and other valuable material was collected during the sessions of the conference but political disturbance made it difficult to complete the task. It was quickly taken up by the Economic Planning Board, which prepared a restricted Two-Year Plan of Economic Development in accordance with the Constitution which has laid down that "the economic life of the Union of Burma shall be planned with the aim of increasing the public wealth, of improving the material condition of the people and raising their cultural level". The Two-Year Plan was drawn up with a view to hasten economic recovery from war-time devastation and to lay the foundations of a balanced economy which would enable the country to start on the road to socialism through land reform and nationalization of industries and resources.

The Economic Planning Board, after the publication of the Plan in April 1948, was replaced by the National Planning Board, under the

chairmanship of the Prime Minister and responsible directly to the Cabinet through the Minister of National Planning. The Board was charged with surveying the economic and other resources of the country, evolving for the consideration and decision of the Government proposals of economic development covering a certain period, and co-ordinating, supervising and superintending the activities of Ministries in the execution of the plans.

Various State Boards, such as the State Oil Industry Board, the Mineral Produce Marketing Board and the Hydro-Electricity Survey Board, have been brought into operation in line with the Government's policy of State socialism.

The implementation of the plan has been delayed owing to the unsettled conditions in the country. Some progress was made during 1947 and 1948 in sugar production and setting up of a cotton mill. Budgetary grants for a survey of mineral deposits and the potential development of hydro-electric power were also made in the 1947/48 budget.

Ceylon. The world depression in the early thirties affected adversely the economy of the country, which rested upon the production of exports like rubber, tea and coconut. In 1935 the Government began to take steps for the preparation of a plan to encourage home production of food and other essential imports, especially textiles. The outbreak of war soon afterwards, when the country was confronted with a cessation of food imports from South-East Asia and a reduction of imports of other consumer goods, also gave impetus to development along that line. From 1939 to 1945, fifteen factories were established by the Government for the production of simple manufactured goods and the experience so acquired provided the country with useful background and knowledge for post-war planning.

After the war, in 1946, various Ministries of the Government outlined proposals for the country's economic and industrial development which were co-ordinated into a development plan in 1947. On 20 July 1948 in his budget speech the Finance Minister, on the basis of this plan, announced a six-year plan (1947/48 to 1952/53) consisting of sixteen projects to irrigate and bring into cultivation a land area of 131,137 acres for the production of food, and others for the development of hydro-electric power and industries. The implementation of irrigation and hydro-electric projects has made good progress. Of the industrial projects, only one cement plant has been completed, while those concerned with iron and steel, fertilizer, cotton textile and sugar, although considered to be of top priority, are still on paper on account of the shortage of technical personnel. As Ceylon is in a relatively favourable position in regard to external and internal finance, a lack of funds does not retard its development programme.

China. When Japanese aggression was imminent after the occupation of Manchuria, the Government in 1935 set up a partial system of eco-

nomic planning and control, under which the National Resources Commission—the then largest State-owned enterprise in China as well as in Asia—played a major role in the development of basic industries including power, mining and machine making. In 1943, during the war, a Central Planning Board was set up within the party in power—the Kuomintang—with a staff recruited mainly from the various Ministries of the Government. A five-year plan for the first stage of China's post-war economic development, covering the six principal fields of transportation and communications, power, mining and metallurgy, manufacturing industries, agriculture and water conservancy, was completed and published in January 1945. The plan, while providing estimates of requirements for capital, technical personnel, skilled and unskilled labour, raw materials etc., was nevertheless tentative, on account of inadequate data and difficulties encountered in postulating political and economic conditions likely to prevail during post-war years, such as the extent of material damages wrought by war and the nature and size of reparations payments by Japan in the event of victory. Shortly afterwards, a two-year plan, issued under the title, *A Guide to Industrialization in China,* was prepared by the Foreign Economic Administration (formerly Board of Economic Warfare) of the United States Government, in close collaboration with the National Resources Commission of the Chinese Government. This plan assembled data for the establishment of pilot plants in each of the industries proposed for development, with concrete estimates of requirements for machinery, technical personnel, raw materials and funds.

After the restoration of peace the Chinese Government engaged a number of foreign experts and consultants in various fields to make a thorough study and recommend proper measures for the rehabilitation and reconstruction of the country's economy. A part of the UNRRA aid to China was also set aside for the purpose of industrial rehabilitation and development. Several plans were drawn up separately. In agriculture, a preliminary programme was prepared by the Ministry of Agriculture and Forestry, and approved by the Executive Yuan in November 1947. This programme, based upon a comprehensive report of the China-United States Agricultural Mission, covered, *inter alia,* schemes for the development of staple agricultural commodities such as tea, silk, wool and tung oil which for many years had been important items of export from China to the United States. In regard to mining and manufacturing, plans were prepared, with the help of several private United States firms, for the rehabilitation and development of coal-mining, electric power, iron and steel, chemical fertilizers, sugar and cotton textiles. The Engineering Planning Commission was set up in the Executive Yuan, and completed, in April 1946, an initial construction programme for railways, highways, harbours and flood control, also with the assistance of a consulting group from the United States.

These plans, while more realistic than the over-all plan of 1945, were not closely co-ordinated, and had little likelihood of being implemented in view of the spread of civil war.

Under the new People's Government in Peking, work has again commenced on rehabilitation and reconstruction under the Financial and Economic Committee of the Cabinet. A series of conferences has been convened on railways, coal mining, iron and steel, cotton textiles, chemicals, power and electric equipment, and targets of production for 1950 have been fixed. A Central Planning Board has been set up in Peking.

Hong Kong. While development of manufacturing industries has been left mostly to private enterprise, the Government of the Colony of Hong Kong has drawn up various development schemes for which £1 million have been allocated under the Colonial Development Act of 1945. An administrative committee was organized to prepare a detailed plan for the period 1946-1956. It was decided to use one-half of the funds for the development of fishing and agricultural areas in the New Territories.

Approved projects include the construction of fish-landing piers, reclamation of land, establishment of village depots for collection of vegetables and for sale of seeds and fertilizers, purchase of diesel engines for fishing fleet, and conversion of night soil into safe fertilizer.

Shipping and related industries and services, such as docks and ship repair, have made considerable progress toward complete rehabilitation. New industries to be established include cotton spinning and weaving, steel rolling, and manufacture of building bricks. In an effort to improve Hong Kong's status as a port for international aircraft, the Government has allocated HK $8 million for the construction of a new airport and HK $1.6 million for improving Kai Tak airport.

India. While non-official bodies were proposing plans during war-time for the country's post-war development,[1] the Government of India was deliberating post-war problems and their relation to long-term national development. A high-level committee, under the chairmanship of the Member for Commerce of the Viceroy's Council, was set up in June 1941, and was subsequently replaced by a higher-level body known as the Reconstruction Committee of the Council, composed of the Members of the Government of India with the Viceroy as chairman. On 1 June 1944, a separate department, the Planning and Development Department, was set up in the Government of India, with twofold functions: to persuade the provincial and State Governments to set up their own independent planning bodies and to prepare plans which could at a later stage be co-ordinated and amalgamated into an over-all national plan, and to avoid as far as possible piecemeal action by the various

[1] These included a ten-year plan prepared by the National Planning Committee of the Indian National Congress in 1938 and a fifteen-year plan, known as the Bombay Plan, put forward by a group of prominent industrialists in 1944.

planning bodies and to establish some common principles of development and policy for the nation as a whole. The provincial Governments and the departments at the centre were asked to draw up five-year plans within their respective spheres of responsibility.

In the autumn of 1946 the Planning and Development Department was abolished, and its functions were transferred partly to the Department of Industry and Supplies and partly to the Co-ordinating Committee of the Cabinet under which a Development Board was set up to co-ordinate various post-war plans. In October an Advisory Planning Board of the Government of India was appointed to make a comprehensive survey of the field of planning—which had expanded rapidly during and after the war—at the centre, in the provinces, and for major industries. It was also to make recommendations with regard to the machinery of planning, objectives, priorities, co-ordination etc.

Meantime, all provinces had prepared plans more or less on the lines suggested by the centre; as did also the various departments in the Government of India. Taking all these plans together, an over-all five-year plan (1947-1951) was prepared covering productive schemes such as railways, electric power, irrigation and flood control and telecommunication; and non-commercial schemes such as industrial training, roads, education, public health and medicine. The Five-Year Plan, which called for a capital expenditure of Rs.12,950 million, did not include the development of major industries which, it had been assumed, would be left mainly to private capital and enterprise. Industrial development plans covering thirty-two major industries were prepared by the industrial panels of which twenty-nine were established by the Planning and Development Department. Targets of production were recommended, which were in many cases approved by the Government, and in a few cases their implementation commenced.

The partition of the Indian Sub-Continent, and subsequent developments, radically altered the situation and made it necessary to draw up a new plan. The Government of India also felt that as a first step towards implementing the new plan it would be necessary to attain full capacity of production from the existing industrial plants. For this purpose an "Immediate Plan" and a "Short-Term Plan" for increased production in selected industries were prepared by the Ministry of Industry and Supplies in November 1947. The "Immediate Plan", to be completed in 1949 or early 1950, called for increasing transport facilities, specially for the movement of coal; for import of raw materials to meet inadequate domestic supply; and for provision of new productive capacity to replace worn-out equipment. The "Short-Term Plan", on the other hand, covered a three-year period, under which efforts were to be concentrated on increasing production with a view to removing shortages of consumer goods and of those useful in the production of other desirable commodities, especially textiles, paper, sugar, cement, coal and steel. The imple-

mentation of these plans was estimated to require in the initial stage 315 experts, 1,168 technicians, 4,053 mechanics and lower-grade technicians, and a further number of 5,372 engineers over the longer period of four years. No difficulty was anticipated in regard to local finance for both plans, and the capital within the industries was considered to be adequate.

Pursuant to a suggestion made by the Advisory Planning Board, the Government of India in February 1950 set up a Planning Commission in the Cabinet Council, and the Advisory Planning Board was terminated. Aiding the Government in its decisions is the Central Advisory Council of Industries, established in 1948 and composed of representatives of Government, industry, and labour. Its functions are to review the industrial targets and recommend their modification or the establishment of attainable short-term targets. It is also empowered to review current production problems with a view to the fuller use of existing productive capacities in all industries for which targets have been set.

Indochina. Since the war, various plans for the rehabilitation and modernization of Indochina's industrial equipment have been prepared. They have been subsequently revised and modified in the light of political events and changing economic conditions. In September 1949, the Plan of Reconstruction, Equipment and Modernization of Indochina, prepared by the Planning Commission *(La Commission du Plan),* was approved. Also, a Committee has been established through which Vietnamese, Cambodian, Laotian and French experts will settle the details for the implementation of the plan.

The plan covers ten years, in two five-year periods, during which the major works to be completed are: (1) the restoration of the productive equipment to the level of 1940, and (2) the modernization of the equipment in respect of transportation and communications, mining, power and agriculture, and the setting up of new industries etc. The plan envisages the establishment of hydro-electric power stations and thermal power plants, the manufacture of nitrogenous and phosphatic fertilizers, sulphuric acid, caustic soda, electric furnace steel and ferro-alloys etc. Preliminary survey of resources for the development of these industries could not in some cases be proceeded with on account of unsettled conditions. On the basis of existing knowledge of the resources, provisional targets of production and probable time required to implement these projects were laid down. Estimates of financial costs and requirements were made on an over-all basis, but only in a few cases were requirements for these projects assessed with precision.

Indonesia. The Industrial Rehabilitation and Development Plan of Indonesia is a four-phase programme. The first-phase plan to restart industrial activities paralysed by war was more or less completed to schedule. The second-phase plan, covering the period 1949/50, aims at raising the industrial potential of the country to at least 80 per cent of

the pre-war level. As this period synchronizes with unsettled conditions and political uncertainty, precise information on the extent of progress made is not available.

Planning for industrial development is now mainly the responsibility of the Industry Division of the Ministry of Economic Affairs of the United States of Indonesia. Other Ministries are working on independent industrial projects. Co-ordination among the several Ministries and between Government and private enterprise remains effective.

Implementation of those projects which have been assigned priority depends directly upon the availability of foreign exchange. The current foreign-exchange position caused concern, but the recent loan of $100 million by the United States Export-Import Bank should greatly improve the situation. Projects of high priority include spinning and weaving mills, paper mills, a cement factory and an agricultural implements factory. Planning for many other projects has not reached the blue-print stage, and funds which may become available could not be committed until this phase is completed.

Korea. Recognizing that the Republic of Korea, in order to make good the economic dislocation arising from the division of the country by the 38 degrees parallel, would have to rehabilitate its existing installations and replace industries in the North which supplied products to the South by new industries, the United States Government through the agency of the Economic Cooperation Administration embarked upon a programme of capital expansion and reconstruction. Meantime, in response to this aid and upon the terms of the ECA-ROK Agreement, the Government of Korea also prepared a comprehensive plan for the rehabilitation and expansion of its industry. The three-year (1950-1952) ECA Aid Program, and the five-year (1949-1953) Economic Recovery Programme, prepared respectively by the ECA and the Government of Korea, are essentially one, based upon the same report prepared by a technical mission in March 1939 following the recommendation of a consulting engineering firm from the United States.

The Korean five-year Economic Recovery Programme deals with recovery projects and places emphasis on new developments. A comparison between the ECA Aid Program and the Korean five-year Economic Recovery Programme shows that the significant advances in capacity are generally restricted in those industries which will receive ECA aid, e.g., coal, cement, power, tungsten and railways. Early in 1950, about $40 million had been paid or commitments made for projects actually being considered.

The ECA Program envisages a reduction in Korea's estimated balance-of-payments deficit of $150 million in 1950 to $115 million in 1951, $85 million in 1952, and $20 million in 1953.

The Office of Planning in the Government is a high-level policy-making body operating under the general direction of the Prime

Minister and is charged with carrying out long-range plans on all phases of the national economy. The Office prepares co-ordinated studies and makes plans and recommendations. An Economic Board is attached to this Office, but is not organizationally a part of it. This Board, headed by the Director of the Office of Planning and with its members consisting of seven representatives from seven Ministries, four persons from industrial and financial circles and two from learned societies, co-ordinates the plans and requests presented by the various Ministries, establishes high-level policy for the guidance of the Office of Planning, and advises the State Council on matters concerning economic planning.

Malaya. In the Federation of Malaya, a tentative development plan for the next ten years has been made by the Government. The plan, in addition to agriculture and industry, covers health, education, housing and water supply. It is estimated that the Government will have to provide for an expenditure of £40 million to carry out the plan. It is hoped also that private capital will make a contribution substantially greater than the Government.

The plan calls for the expansion of the power supply and the rail and road system. Increased power from a steam generating plant and a hydro-electric project are a first priority.

In order to increase agricultural productivity, a large irrigation, drainage, and flood prevention scheme costing £8 million has been prepared. High-yielding rubber trees, research in fish conservation and development, and the preservation of fruit and scientific husbandry methods are other features of the path to increase productivity. Efforts to diversify the economy include schemes for the introduction of pineapple and cocoa, for an increased rice crop, for intensive exploitation of timber and for production of manila hemp.

Industrial development is in the hands of private enterprise, and the Government is assisting new enterprises by generous income tax deductions for depreciation and by a tariff giving industry a measure of protection, though designed primarily for revenue. There is no special planning authority. The various departments work out their plans individually, which are usually examined by a Development Committee including leaders in industry, commerce and agriculture as well as officials. The plans thus examined are debated in the legislature before they are submitted to the Secretary of State for approval. When individual projects included in the plan are fully worked out, legislative sanction is sought from the Secretary of State for Colonial Development and Welfare Grants or Loans.

Nepal. The Government of Nepal has drawn up a series of five-year plans to improve the country's agriculture, industrial production and transport. According to the first five-year plan, the Government would co-operate with India in the undertaking of a multi-purpose irrigation

and hydro-electric power project on the Kosi River. Twenty-five industrial schemes are proposed which would cost a total of Rs.31 million. No details of these schemes, priorities or targets have as yet been prepared. The plans represent merely an outline of the possibilities in the fields of agriculture, industry and transport.

Pakistan. The idea of planned development of the country's economy was initiated at the Industrial Conference held in December 1947. This Conference, at which all the Provinces and States were represented, appointed committees and panels to make recommendations regarding lines of industrial development. In April 1948, the Government announced its industrial policy, asserting that it would be necessary to carry out the industrial development according to a well-defined and integrated plan. A development board was set up to review the specific schemes prepared by the Central and Provincial Governments and recommend priorities and allocation of funds out of the loans floated by the Central Government. The schemes related to the economic, agricultural and industrial activities, and also to the welfare proposals of the Government. In the same year, the Government also set up the Advisory Planning Board, which did not meet till February 1949. The functions of the Board are to advise the Government generally on matters relating to planning and development, to review the progress made in implementing the plans, and to educate and seek the co-operation of the public in regard to the various development schemes.

Since the inception of the Development Board, some 143 schemes pertaining to development have been received and examined. Fifty-two of these were sanctioned, involving an expenditure of Rs.130 million in 1948/49 and Rs.180 million in 1949/50. According to the Statement of Industrial Policy issued by the Government, planning by the Central Government was confined mainly to twenty-seven industries, for which targets have been fixed in the light of recommendations made initially at the Industrial Conference and revised subsequently by the Advisory Planning Board and the Council of Industries. These among others include cement, vegetable oils and fats, electric power, coal, glass and ceramics, chemicals, steel and textiles. The production possibilities and methods have in many cases been thoroughly investigated by foreign consultants.

No clear definition of priorities is available. Those industries for which the Government has allocated funds are: jute mills, paper mills, hydro- and thermal-power plants, chemical fertilizers, rubber tyres and tubes, cotton textiles, iron and steel, ports, and shipbuilding and repair facilities.

Philippines. The National Development Company was founded in 1937 to serve as an operating agency of the Government rather than a planning body. After the war, the technical staff of the Company, under the supervision of the Beyster Corporation, a private firm in the

United States, prepared a proposed programme for industrial rehabilitation and development of the Republic of the Philippines, published in October 1947 as the *Beyster Report*. It covered a period of fifteen years and advocated the extensive development of the rich, or potentially rich, mineral and agricultural resources.

A parallel but independent survey was also made by the Joint Philippine-American Finance Commission which published in June 1947 the memorandum prepared by a member of the United States Department of Commerce. This memorandum examined the possibilities for new investment and economic development during the next five years on the assumption that increases in the labour supply and excess of foreign reserves would be absorbed and national products expanded so as to prepare the economy of the country for the adjustments called for by the 1946 Trade Agreement with the United States. Also, estimates were made of the increases in output and new investment which might reasonably be expected over a five-year period. The suggestions made in the memorandum were about the same as in the *Beyster Report*. It was expected that the Philippines would continue to remain essentially an agricultural country, with mining taking a second place; little change was therefore anticipated in the pattern of trade as a result of the fulfilment of the limited industrial projects envisaged in the plan.

Before the Government could cope with the problems concerning the development and implementation of specific plans, it established requisite organizations, detailed certain functions to existing agencies, and laid down procedures to be followed. The National Economic Council was created and made responsible for over-all planning and approval of plans for rehabilitation and expansion submitted to it for consideration. The Government Enterprise Council, together with its Control Committee, was organized early in 1948, in place of the former National Enterprise Control Board. It is composed of the President of the Philippines as chairman, the Secretary of Commerce and Industry as vice-chairman, and the chairmen of the governing bodies and managing heads of government-owned or controlled enterprises as members. The Council is to advise the President in the exercise of his power of supervision and control over corporations owned or controlled by the Government. Agencies responsible for the implementation of approved plans include the National Development Company for industries, the National Power Corporation for power, the National Abaca and Other Fibres Corporation for abaca and ramie, the National Airport Corporation for aviation, the Department of Public Works and Communications for public works, telecommunications and radio, and the Rehabilitation Finance Corporation for finance.

As to the development plans, the Philippine Government, after having considered the limited financial resources, equipment and personnel, adopted a priority system on the basis of the need to adjust the country's

economy to the decline in the payments by the United States Government for war claims and war damage compensation, to realize income-producing and foreign exchange-saving projects, and to complete speedily the reconstruction and initial extension of transport and communications services. In addition, some short-term projects were selected to yield quick returns on investment, increase production within a short period and lay the foundation of future expansion. These priority schemes constituted the "Short-Term Programme of Rehabilitation and Development" approved by the Government in March 1949. It covers a five-year period, 1949-1953. The budget figures given in the programmes are not "fixed" but merely represent estimates of what it will cost the country to carry through such a development programme.

Thailand. The need for planning was emphasized when the country in 1949 hoped to obtain loans from the International Bank for Reconstruction and Development for three major projects: the construction of a hydro-electric plant to supply power and light to nineteen provinces including Bangkok, the rehabilitation of railways and the installation of local irrigation schemes. To meet the Bank's requirements, plans for each of the projects had to be worked out, for which purpose the National Economic Board under the chairmanship of the Prime Minister was set up, composed of eighteen members who were experts in various fields in government service. The Board, which is to examine, approve and allocate funds for the implementation of various plans and projects submitted by the Ministries for industrial development and rehabilitation, has, thus far, approved a ten-year plan for railway rehabilitation and improvement, a five-year plan for highway improvement, a harbour improvement project, and the establishment of a gunny-sack plant, to be jointly owned and operated by the Government and the Thai Rice Company, and of a private Chinese cotton mill in the capital and management of which Thai nationals participate.

In 1949, the Government of Thailand asked all Ministries to prepare detailed plans and present them to the National Planning Board not later than September 1949. In February 1950, a National Economic Council was formed, whose function is to scrutinize all schemes presented by various ministries, co-ordinate them and assign appropriate priorities.

Analysis of Economic Plans

Over-all Picture

The over-all picture of the economic reconstruction and development plans of the ECAFE countries can be seen from their financial requirements, by countries as well as by industries. An attempt to bring together the financial requirements for reconstruction and development of the countries of the ECAFE region was made some time ago by the

ECAFE Industrial Development Working Party.[1] In most cases the estimates were rough and depended on a number of assumptions indicated at some length in the report. The estimates did not include countries such as Burma, Hong Kong, Nepal, Pakistan and Thailand, for which little or no information had been received. As far as China was concerned, the figure referred to the comprehensive five-year plan, which was suspended as a result of the civil war and which may have to be considerably revised because of the political changes in the country.

Subject to the above-mentioned qualifications, the various plans for reconstruction and development in the countries of the ECAFE region are estimated to involve an expenditure equivalent to US$13,600 million, over a period of years varying from country to country but averaging five years. Table 115 gives a country breakdown for this sum, and table 116, a breakdown by branches of industry. From table 116, it may be seen that, of the total amount, approximately US$6,400 million was to be spent locally; whereas the balance of US$7,200 million was required for imported goods and services, chiefly capital goods and technical personnel.

Table 115. Estimated Cost of Reconstruction and Development Plans in ECAFE Countries

(In millions of United States dollar equivalents)

Country	*Total estimated cost*	*Remarks*
Burma	—	Financial information not available for two-year economic development plan.
Ceylon	39	Six-year plan. Does not include proposals of departments not yet accepted by the Government.
China	6,580	Five-year plan.
Hong Kong	—	No information received.
India	3,650	Long-term development plan.
Indochina	750	Two-year plan (first five years, $391.5 million; second five years $358.5 million).
Indonesia	1,045	Total of development plans and projects.
Federation of Malaya, Singapore, British North Borneo, Brunei and Sarawak	150	Total of industrial plans and known projects.
Pakistan	—	No information received.
Philippines	1,413	Five-year plan.
Thailand	—	No information received.
TOTAL	13,627	

Sources: *Report and Recommendations of the ECAFE Industrial Development Working Party*, 8 November 1949 (E/CN.11/131, annex G).

[1] Document E/CN.11/131 and annexes, October/November 1948.

Table 116. Estimated Cost of Reconstruction and Development Plans for ECAFE Industries

(Amounts in millions of United States dollar equivalents)

	Total requirements		*Import requirements*	
	Amount	*Per cent of total*	*Amount*	*Per cent of total*
Transportation	5,230	38.4	3,038	41.8
Electric power	1,820	13.4	1,214	16.7
Textiles	1,085	8.0	482	6.7
Fertilizers	934	6.8	570	7.9
Iron and steel	665	4.9	525	7.2
Coal	118	0.9	75	1.0
Other minerals	157	1.1	93	1.3
All others	3,618	26.5	1,260	17.4
TOTALS	13,627	100.0	7,257	100.0

Source: *Report and Recommendations of the ECAFE Industrial Development Working Party,* 8 November 1949 (E/CN.11/131, annex G).

It may be of some interest to see how an investment programme totalling US$13,600 million over a period of five years compares with the corresponding over-all income during that period. According to the 1947 *Survey* the yearly *per capita* income for selected countries in terms of United States dollars was: Ceylon $91, Philippines $88, India $43, Indonesia $35, and China $23. Recent estimates for Burma and Thailand[1] range from US$35 to US$45. In view of the fact that China and India represent more than two-thirds of the total population of the region and consequently outweigh the other countries, the average yearly *per capita* income in the countries under review by the Working Party presumably ranges between US$30 and US$40. On the basis of an estimated total population of 945 million in these countries, the total corresponding income will range between US$28,000 million and US$38,000 million, i.e., for a period of five years, between US$140,000 million and US$190,000 million. The total investment programme in the region would therefore represent 7-10 per cent of the total income of the region over a five-year period.

Since the above estimates were made, almost all countries have found it necessary to concentrate their limited financial resources on relatively more important and concrete projects, and to revise their original plans accordingly. In the following sections the salient features of these projects are briefly stated.

[1] See ECAFE Trade and Finance Paper No. 3, *Financial Institutions and the Mobilization of Domestic Capital in Thailand,* March 1950.

Agricultural Plans[1]

The rapid increase of population and the slow recovery of agricultural production in most of the countries in Asia and the Far East after the war led the Governments of both importing and exporting countries to consider a policy of expanding food and agricultural production. Despite ambitious plans and programmes for agricultural development in some countries of the region, very little progress has so far been made on account of the political and economic instability.

Since the end of the war, most of the countries in the region, notably Burma, Ceylon, India, Indonesia, Japan, Thailand and the Philippines, have formulated short-term development plans and programmes to increase production of rice and other cereals and availability of fisheries produce. A few plans also cover tobacco, tea, silk and rubber. The specific projects for carrying out programmes include small and medium-type flow irrigation works, ground-water exploitation and drainage, land reclamation, fertilizer distribution, development of local manures, improvement of seed, tools and implements, control of livestock and crop diseases and improved transport, processing and storage facilities. These, combined with other measures of agricultural rehabilitation, are estimated to have raised food-grain production in the region by some seven million tons against the post-war minimum in 1946. But for the political developments in Burma, China and Indochina, an additional increase by five million tons might have been expected in 1951/52. A broad estimate of total planned expenditure on the implementation of agricultural plans in Asian and Far Eastern countries during 1941-1951 would be placed in the neighbourhood of $750 to $1,000 million. This includes the needs of medium-term — about five years' duration — projects, like land clearance and soil conservation in some countries. The recent loans granted to India and Indonesia by the International Bank and the Export-Import Bank, respectively, cover part of the foreign-capital requirements for these projects.

Principal features of the food and agricultural plans and programmes of countries in the region are as follows.

Increasing food production

The deterioration of the balance-of-payments position of the deficit countries is in part due to large post-war imports of cereals and decreased exports of commercial crops. This radical shift from the pre-war pattern of trade in food grains and commercial crops has profoundly influenced the agricultural plans and programmes of the importing and, to some extent, the exporting countries of the region. The emphasis has been on increasing production of food crops. Under more settled international trade and payments conditions, agricultural planning could, per-

[1] Prepared by the Far East Regional Office of the Food and Agriculture Organization of the United Nations, Bangkok.

haps, have been undertaken on a longer-term basis in the light of ultimate real costs of developing alternative uses of land and resources. The strong tendency to uneconomic self-sufficiency might likewise have been less pronounced.

Priorities for agricultural or industrial development

There is strong and natural pressure everywhere in this region for industrialization. With the average *per capita* availability of food for the population below the inadequate pre-war level, any progress along the road to industrialization is difficult. The investment needs of agriculture compete with those of other industries with respect to both domestic and foreign resources. Planning is called for in this region on a comprehensive basis to ensure simultaneous development of agriculture and industry and to provide, through diversified economy, a secure basis for improving standards of living.

Quality vs. quantity of food

Both the quality and the quantity of the diet in Asia are poor and inadequate from the nutritional point of view. Very often countries are preoccupied with the problem of increasing food quantitatively and neglect the improvement of quality. In many countries more balanced food supplies could probably be ensured by increasing the production of pulses and nuts without reducing the total calories afforded under mixed diets. Increase of fishery products and of fruit and vegetable production may also solve the problem to a large extent in most of the countries in the region. Consideration of improving food quality from the nutritional point of view to provide a relatively more balanced diet should receive more attention in the agricultural development planning alongside quantitative increases.[1]

Industrial Plans [2]

Power and coal

Multiple-purpose hydro-electric power projects. Both in terms of actual or potential capital expenditure or of benefits envisaged for the countries individually and for the region, multiple-purpose hydro-electric power projects rank highest among the industrial projects of the countries. While electric power generation aspects of these projects are mainly responsible for the heavy capital expenditure involved, most countries foresee early benefits from the irrigation or flood control aspects, and are prepared to concentrate on these and wait for electric power genera-

[1] For the role of the Food and Agriculture Organization in endeavouring to help the Governments in formulating their agricultural plans and to obtain technical assistance, see chapter XVIII.

[2] For a fuller account see ECAFE secretariat, *Industrial Development and Planning: Programmes and Priorities* (E/CN.11/I&T/15 and annexes A – L), April 1950.

tion until adequate finance is available. A few countries, realizing that electric power so developed should be mainly consumed by industries, have prepared definite projects for establishing industries, e.g., fertilizers, chemicals, iron and steel, textiles, paper, etc. In fact in some countries, particularly Ceylon and the Philippines, a small beginning has already been made in establishing industries which can utilize electric power when it is available.

The position of the countries in the ECAFE region in regard to specific electric power projects is indicated by table 117.

Table 117. Hydro-electric Power Projects

Country	*Installed capacity*[a] *(Thousand kw.)*	*Estimated cost*[b] *(Millions of United States dollars)*	*Estimated requirement of foreign exchange*[c] *(Millions of United States dollars)*
Burma	20	30	15
Ceylon	25–50	60[d]	30
India	1,639.3	770	300
Indochina	27	35	20
Indonesia	40	87	65
Korea	28.8[e]	2.5	1.7
Malaya	40	42	20
Pakistan	77	152	75
Philippines	297	75	35
Thailand	10	3.2	1.74
TOTAL	2,204.1–2,229.1	1,256.7	563.44

Source: Document E/CN.11/I&T/15, 1948.

[a] Except for Ceylon, the kilowatt capacity to be attained in the first stages is indicated.
[b] Where estimates have been given in terms of local currencies, these have been converted at the prevailing official rate of exchange.
[c] Most of the estimates are unofficial.
[d] Estimates refer to 50,000 kw. capacity to be obtained in the second stage.
[e] Represents expansion and new installations.

These projects are in various stages of survey, preparation and construction. Considerable progress has been made in several countries. In Korea and India, construction of many projects is under way. Plans in great detail have been completed for the Ambuklao and Bingao projects in the Philippines. Planning of multiple-purpose hydro-electric power projects in other countries appears to be incomplete. In only a few have detailed data and estimates for water storage been gathered. Geological examination of the soil, particularly rock foundations, essential for determining the safe height of a dam has, in many instances, not been carried out. Surveys of areas to be irrigated and plans for canals to serve them have frequently been deferred for future consideration. The site and capacity of power stations have not been examined in detail, nor, in many cases, have the requirements for stand-by thermal plants been

established. The benefits of prospective irrigation remain to be fully assessed. The electric power capacity envisaged has often not been related with sufficient accuracy to estimates of the water flow available.

It appears from table 117 that estimates of cost differ widely for projects of the same size; local factors partly explain this divergence, but it is also due to different methods of preparing cost estimates. In India, for example, where construction work on multiple-purpose projects has already commenced, considerable difficulties in financing have arisen, in part due to difficulties of assessing costs.

Coal. The region suffers from a scarcity of coal although estimated reserves in several countries are considerable.[1] Specific projects for increasing production of coal appear to be modest in relation to reserves and in some cases are limited merely to restoration of pre-war output. India plans to increase coal output to 41 million tons by 1956, at the rate of an additional output of 1.5 million tons annually. Indochina plans to reach the pre-war annual production level of 2.5 million tons by 1953. Indonesia plans to raise production to 2 million tons by the same year, and the Philippines plan to increase production to 350,000 tons. Pakistan hopes to attain an annual production of 500,000 tons or more. Burma is still engaged in surveying and drilling the two well-known coal areas, which, if found promising, would perhaps yield 300,000 tons of coal *per annum*. The Republic of Korea is opening four new mines, from which an annual production of 1,200,000 tons is expected by 1953.

While precise estimates are not available, the total financial requirement for implementation of specific projects for coal is likely to be in the neighbourhood of US$50 to US$60 million, of which approximately US$40 million would be in foreign exchange.

Metal mining. The Philippines and Malaya are interested in rehabilitating iron-ore mines with a view to attaining the pre-war level of output. India is the only country which appears to have immediate possibilities of increasing output of iron ore. Projects for developing iron-ore mines in India depend upon implementation of a project for constructing an additional million tons of steel capacity. In Burma good-grade iron deposits are scanty; in Ceylon they are rather more promising. Specific projects can be decided upon, however, only when intensive geological investigations are completed.

In regard to other minerals, such as tin, lead, copper, zinc, tungsten and antimony, there are no important specific projects.

Industry

Iron and steel. Burma, Ceylon, Indochina, Indonesia, India, Pakistan and the Philippines have planned specific projects for developing this industry. Among these countries, initially at least, Burma, Ceylon, Indonesia, Pakistan and the Philippines have projects for starting steel

[1] See chapter XIV.

manufacture on the basis of available scrap. In Ceylon, Indochina, Pakistan and the Philippines, deposits of iron ore can be exploited later on. Coal supply is, however, inadequate in Burma, Ceylon, Indonesia and Pakistan, and the full realization of the iron and steel projects has to await partial or full completion of hydro-electric power projects. In Indonesia and the Philippines, there are large known reserves of coal, but of the non-coking variety. Arrangements for suitable blending of different types of coal and manufacturing of coking coal remain to be developed. For the immediate future, electric power, fuel oil and even charcoal will have to be used.

In India, each of the three large steel companies has prepared details of new installations and other auxiliary equipment to be added to its works. The expansion schemes are expected to be accomplished over a period of five years. Lack of financial sources, shortage of expert personnel, difficulties in procuring plant and equipment in foreign markets, and shortage of raw materials (in part due to transport shortages) have delayed their realization. The Government of India also intends to construct two entirely new plants, which will have a combined annual capacity of 1.44 million tons of pig-iron and 1 to 1.2 million tons of steel ingots. Because of financial difficulty, the projects have not yet been started.

Table 118 shows the annual capacity targets of steel-ingot production in the projects which could be regarded as an indicator of the magnitude of the planned iron and steel industry in each country.

Table 118. Annual Capacity Target of Steel-Ingot Production in Iron and Steel Industry Projects

(In thousands of metric tons)

Burma		5-7[a]
Ceylon		10
Indochina		100
Indonesia		20-40
Pakistan		250[a]
Philippines		120
India		1,790-1,990
Expansion of existing capacity	790	
Development projects	1,000-1,200	
TOTAL		2,295-2,517

Sources: Documents E/CN.11/I&S/2 and E/CN.11/I&S/11, annex E.

[a] Rolling steel.

Engineering. Heavy engineering equipment is not produced in any considerable quantity in the region. Few countries plan projects for the development of these industries, although a beginning is being made

by India and Pakistan, which are planning projects for the production, *inter alia,* of machine tools, motors and generators, Diesel engines, steam engines, textile machinery and shipping.

Textiles. In the total amount of contemplated investment, proposed developments in the textile industry rank next to multi-purpose hydro-electric power projects. Every country in the region, with the single exception of Malaya, has plans and projects for undertaking or expanding the manufacture of cotton textiles.

The reasons for undertaking increased textile production are obvious. Next to food, textiles are unquestionably the greatest consumer need of the people of the region. Textile requirements are today met primarily by imports, which account for considerable foreign exchange expenditure. In 1948, $278 million was spent by the region in importing textiles from the United States, thereby contributing substantially to trade deficit and dollar-shortage problems. For individual countries and for the region the development of this industry assumes, therefore, an added degree of urgency.

Table 119 summarizes the information on specific projects presently envisaged for expanding the cotton textile industry of the region.

Table 119. Cotton Textile Industry Projects[a]

Country	*Proposed capacity (in spindles)*	*Estimated capital cost[b] (Millions of United States dollars)*	*Estimated requirements of foreign exchange[c] (Millions of United States dollars)*
Burma	20,000	3.0	2.0
Ceylon	30,000	6.7	3.5
Hong Kong	250,000	not available	not available
India	4,800,000	52.0	38.0
Indochina	150,000	7.0	3.5
Indonesia	500,000	20.0	17.5
Pakistan	332,000	30.0	16.0
Philippines	17,000	1.25	0.85
Thailand	5,000	not given	not given

Source: Document E/CN.11/I&T/15.

[a] The Republic of Korea has 342,000 spindles; plans for expansion are being discussed, but target figures in spindles had not been set when this chapter was prepared.
[b] Where estimates have been given in terms of local currencies, the same have been converted into United States dollars at the prevailing official rate of exchange.
[c] Most of the estimates are unofficial.

The region is an important producer of raw cotton. India, the largest producer, exported substantial quantities to Japan before the war. Other countries possess favourable soil and climatic conditions for growing cotton, although apart from India, Pakistan and China, current raw cotton production is insignificant. India and Pakistan have prepared projects

for considerable expansion of their textile industry. Projects in the cotton textile industry are relatively modest in other countries, because of current difficulties in expanding raw-cotton production, as well as lack of experience. Most countries except Pakistan envisage importing raw cotton for their projects until such time as local cultivation can be increased.

Although the equipment and capital goods for textile mills are expected to be imported from a very few producing countries, each country has different preferences for machinery and the types of goods to be produced. This factor mainly accounts for the divergence in cost estimates in relation to the capacity planned by various countries.

In executing these projects, all countries except India envisage the need for technical assistance both for preparing blue-prints and for constructing and operating the mills. Such technical services are available within the region.

Other industries. Most countries have included among their specific projects the expansion or development of industries such as sugar, cement, paper, glass, leather goods and processing of agricultural raw materials. Raw materials for these industries are locally available. This availability of raw materials has attracted these countries towards these industries. In a few cases, however, availability of raw materials, e.g., of limestone for cement and of silica sands for glass, depends upon further geological surveys. In regard to paper manufacturing, while forest resources promise adequate supplies of suitable raw materials, these have to be tested for determining suitable manufacturing processes. Raw material supplies at present being exported are available in many countries for processing vegetable oils. Most of the industries mentioned above would require substantial quantities of chemicals and auxiliary materials, which only a few countries are manufacturing at present. Some countries, such as Burma, Pakistan and India, also plan simultaneous development of chemical industries. Most countries hope to use hydro-electric power for these industries because of scarcity of coal or fuel oils. Many projects are thus dependent on simultaneous development of electric power, chemicals and other auxiliary supplies. There is a need for well co-ordinated plans for related industries. In view of the shortage of resources, financial and other, proper phasing remains essential.

Development projects in most of these industries require considerable technical knowledge which few of the countries possess. While the sum total of finance involved may not be as high as for multi-purpose hydro-electric power projects or the expansion of the textile industry, even a small-size plant requires relatively high capital investment. Foreign exchange requirements for imports of capital goods and machinery are also relatively high. In setting targets of production great caution is required. Some countries have fixed targets of capacity on the basis of their current

requirements, and domestic availability of basic raw materials, but seemingly with little regard to the current or prospective availabilities of auxiliary materials, finance and technical personnel.

Transport plans [1]

The transport system of countries in the region sustained severe losses from war-time destruction and heavy depreciation. Post-war disturbances in some countries have added to the losses already sustained during war years, while in others new needs have made it difficult to launch upon any large-scale, expensive development of transport facilities beyond the financial capacity of many Governments. Transport has not been given as much attention as industry, although in the national plans a major share of the planned outlay is usually assigned to transport, for rehabilitation and for development.

Railways

Thailand is giving high priority to transport-development plans, particularly for railways and highways. The 1949 project, as prepared by the Railways Department, calls for both rehabilitation and expansion of the present system over the next ten years at an estimated cost of 1,138 million baht. Rehabilitation consists chiefly of replacement of worn-out and damaged rolling-stock, engineering equipment and parts and repair facilities. Expansion covers construction of 944 kilometres of new lines and extension of existing facilities. Three out of the five new constructions and extensions proposed are to be undertaken in the north-eastern provinces where larger quantities of paddy, livestock and other agricultural produce are available for export; one is scheduled in the southern provinces where tin and rubber could be transported to the Port of Bhuket near Malaya; and one extends the existing line to the Burma border, passing through the territory where a hydro-electric power project and other industrial development plans are contemplated.

In British North Borneo, railways are working with less than one half of the pre-war rolling-stock. The reconstruction plan aims at restoration to the 1941 standard, estimated to cost £432,830 for replacing rolling-stock, purchase of equipment and rebuilding of bridges; the development plan envisages the relaying of the line from Jesselton to Beaufort with 60-pound rail at an estimated cost of £72,100. *Malaya* has planned to build an east-west railway of about 75 miles in length; it is to be completed in five years at a cost of £3 million.

Ceylon's railway plan, as prepared by the Ministry of Communication and Works, requires a non-recurrent outlay of Rs.36 million and a recurrent outlay of Rs.7 million. In *India,* the five-year plan for railway development is estimated to cost Rs.2,300 million, of which one half

[1] See chapter III.

will be spent on construction of new lines and rolling-stock, and the other half on workshops and office buildings. During 1948/49 nine new lines were under construction, with total length of 532 miles, and five surveys have been sanctioned, aggregating about 500 miles.

The Republic of *Korea* has a rehabilitation programme for obtaining more rolling-stock and an expansion programme for the construction of more than 100 kilometres for three new lines which would carry coal from the collieries to the industries. *Indochina* and the *Philippines* are placing greater emphasis on rehabilitation than on expansion.

Roads

As in the case of railways, *Thailand* has a high-priority project for highways also. The five-year plan, as proposed by the Highway Department and approved by the Government, calls for a total expenditure of 923 million baht for the construction, maintenance and extension of 5,934 kilometres of inter-provincial highways and 3,894 kilometres of provincial roads, and the construction of bridges. For 1950 a sum of 257 million baht has been provided for the plan.

In *British North Borneo,* construction of new roads is considered a prerequisite to the movement of agricultural produce. The plan contemplates the building of 112 miles of four first-priority roads at a cost of £270,119, 172 miles of eight second-priority roads at a cost of £260,410, and 199 miles of third-priority roads at a cost of £189,225, in addition to four fourth-priority roads the mileage and cost of which have not yet been decided. In *Malaya,* a sum of £10 million is proposed for the improvement and expansion of roads, but the project has not been given the first priority.

In *Ceylon,* the Ministry of Communication and Works has proposed a road and bridge construction programme calling for a non-recurrent outlay of Rs.192 million and a recurrent cost of Rs.1 million. In *India,* the five-year plan proposes to spend Rs.1,860 million for road development, of which Rs.390 million is for the improvement of 5,421 miles of existing national highways and the construction of 787 miles of new highways, Rs.1,470 million for the improvement of 33,393 miles of provincial and district highways, the construction of 17,509 miles of new roads, and the improvement and construction of 22,990 miles of village roads.

In the *Philippines,* the Government has spent 33 million pesos for the rehabilitation of 274 kilometres of highways and construction of 265 kilometres of new roads. Additional work for the building of 86 kilometres of concrete and 494 kilometres of bituminous paved roads is being planned at an estimated cost of 29.4 million pesos.

Burma has planned to build three roads, as early as possible, without specification of length or cost. Indochina is contemplating rehabilitation and construction of roads and bridges.

Port improvement

Port improvement schemes are to be found in many countries in the region, but the building of merchant fleets is costly and not considered for the present.

In *British North Borneo,* three first-class harbours have been planned to accommodate ocean-going vessels having a displacement capacity of 8,000 tons, three second-class harbours to handle 2,000-ton vessels, and one third-class harbour for small coastal vessels, at a combined cost of £242,000. *In Malaya,* improvement of three ports is under consideration.

In *Ceylon,* the scheme for the improvement and modernization of the port of Colombo has advanced beyond the stage of planning, and the consulting engineers in London called for tenders, the date for the delivery of which was fixed for 21 April 1950. The scheme, to cost a sum of Rs.80.5 million, will be carried out in two stages over a period of ten to twelve years. The programme for the improvement of other ports, as proposed by the Ministry of Communication and Works, is estimated to cost only Rs.5 million. In *Pakistan,* the Government has planned to enlarge the port of Chittagong from its present capacity of 1 million tons to 3 million tons during the first stage, and to 5 million tons during the second, so as to be able to accommodate ships up to a depth of 50 feet.

In the *Philippines,* rehabilitation work has been completed, at an outlay of 10 million pesos, for a number of national and municipal ports and lighthouses. An additional sum of 37.3 million pesos is being provided for the rehabilitation and development of twelve ports. In *Indochina,* top priority has bee naccorded to the clearance of wrecks from the Saigon harbour.

In *Thailand,* more than 80 per cent of the country's foreign trade passes through Bangkok. The presence of a sand bar near the mouth of the Chao Phya River prevents ocean-going vessels from anchoring near the city. Dredging operations have been in progress since the beginning of 1948, and the Harbour Department is planning to widen and extend one quay opposite the water front area from 1,000 to 1,500 metres, so as to make it possible to accommodate ships of 8,000 tons. The harbour improvement and development project, which is estimated to cost 355 million baht over a period of five years, is now under consideration by the International Bank for Reconstruction and Development for a loan.

The two-year development plan for *Burma* includes development of inland water transport and the building and repair of dockyards, and provision of port facilities.

Civil aviation

In *British North Borneo,* Labuan has been considered as the main base of civil aviation for the operation of feeder services to the North Borneo mainland, Brunei and Sarawak. Funds have already been allo-

cated for the construction of three air-fields at Labuan, Jesselton and Sandakan.

In *India,* a five-year outlay of Rs.250 million has been proposed for the establishment of a system of civil aviation services which would link together the principal commercial and administrative centres of the country, and connect them with air centres of neighbouring countries. Civil aviation is open to private enterprise.

Indochina plans to equip two international and several national air-fields. *Malaya* has plans to build seven airports. In the *Philippines,* the further improvement of airports is estimated to cost 35 million pesos, of which the Government Enterprise Council recommended the approval of a sum of 5 million pesos for the fiscal year 1948/49. No plan for civil aviation has been drawn up in *Burma,* but the two-year plan proposes to nationalize civil aviation, for which the early preparation of a business programme is recommended.

Problems of Implementation

Problems in implementing economic development projects are complex and interrelated. The three key economic problems relate to financing, the supply of scarce factors of production and industrial policy. The urgency to find solution varies widely from country to country and from project to project, but the problems are common to all.

Political stability is a prerequisite to economic planning. In Burma, China, Indochina and Indonesia, implementation of economic rehabilitation and development plans has been hindered by civil war and disturbances. The International Bank report recently stressed the political factors limiting economic development. "In some under-developed countries, frequent changes in Government result in economic and financial insecurity and prevent the consistency of policy and continuity of administration that are so important for development. The level of competence in public administration is also frequently unsatisfactory. Moreover, any Government, however good, is apt to be forced by political necessity to put more emphasis on short-run objectives which promise immediate advantage than on the long-run development of the country".[1]

Financing

As estimated in the previous section, the total financial requirements for the implementation of economic plans in the ECAFE countries represent roughly 7 to 10 per cent of the total income of the region over a five-year period. A rate of savings of 7 to 10 per cent of national income may seem to be within reach in the prosperous years in other regions of the world where the people are wealthier than in ECAFE

[1] International Bank for Reconstruction and Development, *Fourth Annual Report, 1948-49,* p. 8.

countries. But in ECAFE countries the *per capita* real income is barely sufficient to maintain a minimum level of subsistence, with little or no margin left for saving. Information on the rates of savings in the ECAFE countries is lacking, but the rates would be much lower than those of western countries. This is the basic reason which makes it extremely difficult to finance the contemplated development programmes in the ECAFE region out of domestic resources. Difficulties which impede the mobilization of domestic savings are discused below.[1]

Hoarding and real estate investment

Although the average income of the people in the region is low, there are certain social classes which enjoy a very high income and are able to save a sizable portion of their annual income. Savings of these high-income social classes are spent on acquiring real estate and precious metals for the high social esteem and security attaching to their ownership. An important part is lent to the distressed social classes, at exorbitant interest rates, for consumption purposes. Among the low-income classes, such saving as does occur usually takes the form of idle cash balances, ornaments and jewellery. Savings thus become immobilized and are not available for productive investment.[2]

Lack of adequate financial institutions

Most countries of the region lack specialized institutions for the mobilization of small savings and provision of finance for industry. This is so because, in the prevailing economic conditions of many countries, short-period lending at high-interest rate is found to be more profitable and less risky. As a result of the want of credit facilities for industry in some countries, the Governments have found it necessary to establish state-owned industrial financing organizations to finance the development projects and other industries.[3] The success of these specialized industrial finance institutions depends mostly on their ability to absorb private savings by deposit arrangements and issue of securities.

Most countries of the region have no stock or security exchanges.[4] In China and India, where stock and security exchanges are available, their scope is still limited. There are few investment trusts or similar financial institutions to act as intermediaries between small savers and the capital market and to undertake diversified investment operations. The development of joint-stock companies which can issue sound securities, whether equities or loans, and provide profitable investments, would greatly

[1] The difficulties related to obtaining external finance are discussed elsewhere. See chapter XVII.

[2] International Labour Organisation. *The Economic Background of Social Policy including Problems of Industrialization*, 1947, p. 3.

[3] See chapter VI.

[4] *Ibid.*

increase the possibility of mobilizing private savings. The few large joint-stock companies and modern enterprises in countries of the region except Japan, India and China are owned or operated by foreign capitalists. Most of the existing firms are single proprietorships or partnerships which limit ownership of business undertakings to, and raise capital from, themselves and their relatives and friends, rather than from a capital market. The sources of investment funds are therefore very limited and the savings of the widest possible circle of savers are not fully tapped.

A country may have some surplus funds, but these will remain dormant for lack of entrepreneurs and technicians who can prepare promising plans and take them to the point of financing. One of the greatest difficulties today, in all under-developed countries, is lack of organizers and technicians who can do this. While the growth of business and technical education will tend gradually to remove this obstacle to rapid progress, the assistance of the technically developed nations will be essential. In most countries this gap is supposed to be filled by state enterprises.

In most countries of the region, positive government action to mobilize savings and encourage private investment was limited until recently. Fiscal policies were aimed almost exclusively at revenue and few attempts were made to use them as a means to postpone consumption and encourage savings and investment. Only recently, however, the Governments have taken to financing large projects from the budget in Burma, Ceylon, China, India, Indochina, Pakistan, the Philippines, Thailand and other countries.

Supply of Scarce Factors of Production

Industrial development requires proper combinations of various factors of production such as technical and trained personnel, capital equipment, machinery and parts, power and transport facilities, most of which are usually scarce in an under-developed economy. In most countries of the region, shortages of coal, fuel oil and certain kinds of raw materials and capital equipment remain to be solved. As the supply of external finance is limited, import of sufficient amounts of all these scarce factors of production is ruled out. Thus the mutual adjustment of the supply of scarce factors to each other at the right moment becomes indispensable to the successful planning of economic development.

Shortage of fuel and power

In almost all countries of the region, current availabilities of fuel and power fall considerably short of current requirements. Almost all countries of the region have to import some fuel from abroad. In terms

of new demands that will arise from new projects, a considerable shortage of coal, electric power and fuel oils is anticipated unless steps are taken to increase supplies. Even for maintaining current production, many countries face coal shortages, particularly in glass, cement and paper industries. An important handicap to implementing specific projects in Pakistan is shortage of fuel and power; even its present industrial activity needs considerable import of coal. Most of the projects in Pakistan are based on the future availability of electric power. Similarly in Ceylon, Burma and the Philippines almost all projects, including textiles, paper and chemicals, are based on the prospective use of electric power. A few countries, including Ceylon and the Philippines, have shown eagerness to go ahead with installation of factories initially using local charcoal or imported coal and oil and changing later to electricity when power is expected to be available. An outstanding example of the need for an assured supply of electric power is that of the Sindri fertilizer plant in India, where it was necessary to install a power-generating station for the plant simultaneously with the construction of the factory. It is evident that implementation of many projects throughout the region will have to await the development of electric power.

Shortage of capital goods

The main problem in obtaining capital goods is shortage of foreign exchange, especially dollars. Where a country has foreign exchange available for imports of capital goods, its main preoccupation is to obtain them at a fairly cheap rate and on easy delivery terms. A few categories of capital goods appear still to be in short supply; for example, India has encountered difficulties in procuring industrial equipment for the manufacture of prefabricated housing. The supply situation in the European countries is considerably easier, and Japan is becoming a significant supplier of capital goods. Very few countries, however, are able at this stage to give detailed descriptions and specifications of the types and quantity of capital goods or machinery required. Certain projects for iron and steel, chemical fertilizers, engineering and other industries have been developed for which the desired time of capital goods delivery is not yet set.

Inadequate supply of raw and auxiliary materials

Expansion or development of industrial capacity without assured supply of raw and auxiliary materials frequently results in idle capacity. This is particularly evident in India where below-capacity production persists. Plans for the textile industry of most countries require either a parallel development in the local cultivation of cotton, or increased imports. In the development of many industries, imports of auxiliary supplies will be necessary. For instance, for the projects related to the manufacture of electric goods and equipment, ferrous and non-ferrous metals, in India and Pakistan, considerable imports of special steels,

refractories, alloys and virgin metals will be needed. For manufacturing paper, soap and fertilizers, Pakistan and the Philippines will need imported heavy chemicals. Finally, the construction of factories and buildings is confronted by obstacles arising from the shortage of construction materials, such as steel, cement, timber and bricks.

Inadequate supply of transport facilities

The current capacity of the transport system of the countries of the region is insufficient even to meet the present needs of industries, agriculture and trade. This is reflected in the allocation to transport plans (see table 116) of the largest share of total estimated expenditure for the development plans of countries in the region; it is also illustrated by the priority which the International Bank assigned to railway rehabilitation when India sought loans for various projects. Inadequacy of wagons, locomotives, and other railway equipment has been responsible for slowing down the progress of oil crushing and refining, glass, paper, and power alcohol industries. In Pakistan, the present inadequacy of transport facilities allows only a few localities near the ports to be utilized for industrial plants.

Need of technical and managerial personnel

As inadequate and irregular supply of raw and auxiliary materials, machinery, tools and changes in market conditions have caused less than full utilization of already scarce capital equipment, high-level managerial skill is particularly necessary in economically under-developed countries. Efficient management alone cannot remove all basic difficulties causing under-capacity production, but may increase productivity by improvement in organization of production, even if other factors remain unchanged.

The planning, construction and operation of specific projects require experts often unavailable in the countries concerned. The shortage of technical assistance is a central reason accounting for delay in the development of Pakistan's projects for the production of fertilizers, chemicals and engineering goods, and also in achieving the next phase in the development of most of the plans now in their early stage of formulation in Ceylon. The entire industrial complex of the Republic of Korea suffered in the period immediately after the war through the removal of a very large proportion of the technical and managerial personnel. Closely related to the need for high-level technical assistance is the shortage in all countries of the region of trained personnel at all levels.

Industrial Policy

Economical and expeditious development of resources requires the adoption of an adequate industrial policy in regard to the disposal of scarce means.

Sequence of industrial development

An adequate supply of motive power and transport facilities are the prerequisites of industrial development. They are given high priority in any programme for national economic development. Machinery industry is not given so high a priority; apart from large capital outlays and advanced technique and skill it presupposes adequate market demand from other industries, which is lacking in the initial stage of economic development. It is, therefore, considered necessary to import these during the early stage of development.

The economic plans of the ECAFE countries follow these principles closely. The distribution of financial requirements in these plans thus gives 38.4 per cent to transportation, 13.4 per cent to electric power (mostly hydro-electric power), 8.0 per cent to textile industries and 26.5 per cent to other industries, mainly light industries such as paper, glass, leather goods, other processing and small-scale industries (see table 116). Heavy engineering in general is not covered in the development plans of countries in the region except, to a limited extent, in India and China where conditions are more favourable.

Scope of state enterprise

Most of the ECAFE countries visualize establishment of certain industries as State-owned enterprises at present and in their development plans. At the one extreme are Burma, China, and North Korea where the sphere of State-owned enterprises is broad and will be enlarged as a necessary step towards the final aim of socialism. At the other extreme are the Philippines, Malaya and Singapore, and Thailand, where all industries (except a few public utilities) are open to private enterprise. In between these two extremes, are Ceylon, India, Indonesia, South Korea and Pakistan.[1]

Although the sphere of State enterprise is not limited in some countries, private enterprise is encouraged in almost all ECAFE countries, even to a limited extent in Burma and China. Private enterprise, however, is concerned that fields of State enterprise have not been defined or may be enlarged in the future. Fair competition between state and private enterprises is also important for the development of the latter and for the maintenance of efficiency of the former.

Protective trade restrictions

At present, almost all ECAFE countries have controls, especially over non-essential imports,[2] to safeguard their respective balance-of-payments positions. In the Philippines and Thailand, non-essential imports are

[1] See chapter XVII and E/CN.11/I&T/25.
[2] See chapter XII.

limited by quotas, while in other countries of the region the import of certain listed non-essential commodities is prohibited. Most countries have also planned protective tariffs and trade controls as long-term policies to protect domestic industries and divert earnings of foreign exchange to purchase of capital goods. In Burma the Industrial Development Committee has suggested restriction of imports of consumer goods and limitation of export of domestic products to countries which can supply machinery and raw materials that Burma needs. In Ceylon, it is regarded as highly desirable for local industries to supply as far as possible the goods which are now imported. Restrictions of imports, protective tariffs or a system of quotas are regarded as necessary. In China, the Common Programme announced by the People's Political Consultative Conference, indicated that "control of foreign trade shall be enforced and the policy of protecting trade shall be adopted". In India, according to the Government's Industrial Policy Statement, "the tariff policy of the Government will be designed to prevent unfair foreign competition and to promote the utilization of India's resources without imposing unjustifiable burden on the consumer". In Pakistan, the Government's Statement of Industrial Policy states that "the Government of Pakistan will always be prepared to give favourable consideration to claims for a reasonable measure of protection to local industries. Such claims will be subjected to examination by a tariff board, to be appointed as and when required." No definite and detailed plans have yet been worked out by these Governments.

To sum up, the problems of implementing economic plans in the region are complex and interrelated. The increase in economic planning is unquestionably one of the most significant post-war phenomena in Asia and the Far East. Nevertheless, the amount of planning already accomplished to date indicates that inadequacy of sound planning remains an important obstacle to economic development. The limited sources of domestic capital, the uncertainty of foreign investment, the short supply of some indispensable factors of production, the proper sequence of industrial development, the scope of State enterprises and their relation to and effects on private enterprises, and the adoption of adequate tariffs and other measures of trade, all require further and fuller consideration. Most of the existing plans are too general for the purpose of implementation. No project can be transformed from aspiration into realization without painstaking prior scrutiny as to the most advantageous sources of equipment, continuing sources of raw materials, availability of necessary technicians, soundness of proposed location, volume and nature of demand for the products or services, and other factors which must be considered in proper planning. As an essential part of national economic planning, priorities between various projects, however difficult, must be set in order to co-ordinate the time-table of the various projects, and the smooth supply and economical use of scarce factors of produc-

tion. The countries will benefit greatly if they can co-ordinate the time-table of power development with that of construction of industrial plants, and plan transport to anticipate the development of industrial projects, with precise estimates of additional transport requirements based upon the location of industries, raw materials, fuel and power, and markets for finished products.

APPENDIX

Post-War Economic Planning in Japan

The stage of economic development, the problems encountered and the nature and extent of Japan's post-war economic planning are different from those of ECAFE countries.

Development of Planning

Over-all economic planning commenced in post-war Japan with the establishment of the long-range Economic Planning Secretariat in the Economic Stabilization Board of the Government in 1947. In December of that year the Secretariat drew up a tentative plan, which in January 1948 was replaced by the first tentative draft of the Economic Rehabilitation Plan. This draft plan aimed at attaining in 1952 a level of production and an industrial structure such as prevailed during 1930-1934, in accordance with the resolution of the Far Eastern Commission. As it was found difficult to balance international receipts and payments at the proposed level without foreign aid, which could not be expected after 1952, the living standard anticipated by 1952 had to be reduced somewhat below the 1930-1934 level.

In May 1948, the Economic Rehabilitation Committee, with the Prime Minister as chairman and the Director-General of the Economic Stabilization Board as vice-chairman, was established to formulate a full-fledged programme of economic rehabilitation. The Committee, with eight subcommittees and 35 divisions, had a staff of 2,000. To this Committee the first tentative draft of the Economic Rehabilitation Plan was submitted. In May 1949 the Committee published its own plan, in which the basic principles set forth in the first tentative draft were incorporated and which examined more carefully the position regarding external trade and the co-ordination of requirements of materials and funds.

Background and Recovery Target

The Japanese economy has changed fundamentally since the surrender. Sources of food and raw materials have been reduced drastically by loss of former colonial areas and on account of difficulties in trade with other Far Eastern countries. Population has increased from natural increase and repatriation from abroad, and has exercised a great pressure on the reduced land area and resources. Industrial production capacity has also been reduced considerably by war-time destruction and deterioration. Lack of fuel and power and raw materials (mainly due to import difficulties) has caused a low rate of operation of almost all industries. In order to speed up the rehabilitation of industries the Government

has incurred a large deficit financed by loans and subsidies, which aggravated the inflation. The population and industries so far have been fed by the large excess of imports paid for by United States Aid, which amounted to a total of $1,000 million up to June 1949, but which, after 1953, will be withdrawn completely. To achieve a self-supporting economy by 1953, the last year of the plan, has been declared a primary objective. This involves the establishment of economic conditions in which devastation of land is made up; capital consumption is converted to capital accumulation; public finance, private enterprise and family economy no longer incur any deficit; a balance is restored in external payments without foreign aid; and the standard of living is raised above the level of bare subsistence.

Allowing for the increase of population and with a view to the stoppage of U.S. Aid after 1953, the indexes of targets of production, external trade and national income are fixed as shown in table 120.

Table 120. Japan: Targets of Recovery

(Base = 1930-1934)

	1949	*1950*	*1951*	*1952*	*1953*
National income	97	106	112	121	129
Standard of living	69	74	80	85	90
Production:					
Agriculture, forestry and fishery	92	97	101	105	111
Mining and manufacturing	74	88	102	119	134
Foreign trade:					
Export	34	45	58	72	87
Import	46	57	66	68	72

International Trade and Balance of Payments

One aspect of the self-supporting economy is the restoration of the balance of international payments by 1953. Foreign trade plays an important role in the Japanese economy; the scale of exports and other non-trade revenue in the final analysis determines, to a great extent, the level of production and the standard of living. The magnitude of various items in the international payments during the five years as planned is shown in table 121.

Table 121. Japan: Planned Balance of International Payments

(In millions of United States dollars)

	Import	*Export*	*Non-trade revenue*	*Non-trade payment*	*Balance I*	*Balance II*[a]
1949	1,005	599	75	19	−350	−533
1950	1,242	787	99	37	−393	−492
1951	1,407	999	131	56	−333	−279
1952	1,488	1,252	180	97	−153	−241
1953	1,581	1,511	252	150	+ 32	0

[a] Time lag between export shipments and their conversion into money is allowed.

According to the plan, the increase of exports will be the main factor in restoring the balance of payments. While exports will increase by $912 million, imports will increase only by $576 million during the five years. Exports to Asia will increase from 59.8 per cent in 1949 to 62.5 per cent of the total exports, while imports from Asia will be reduced from 72.1 to 55.5 per cent of the total imports. The share of both imports and exports to the dollar area will be reduced, while that to other areas will be increased. Details are shown in table 122.

Table 122. Japan: Planned Balance of Trade by Trade Area

(In millions of United States dollars)

	1930-1934			*1949*			*1953*		
	Export	*Import*	*Balance*	*Export*	*Import*	*Balance*	*Export*	*Import*	*Balance*
Asia	959	945	14	358	280	78	944	703	241
Others	651	800	—149	241	723	—482	567	878	—311
TOTAL	1,610	1,745	—135	599	1,003	—404	1,511	1,581	— 70
Dollar area	434	469	— 35	170	651	—481	331	680	—349
Sterling area	336	359	— 23	203	182	21	363	378	— 15
Others	840	917	— 77	226	170	56	818	523	295
				(In percentages)					
Asia	59.6	54.2		59.8	27.9		62.5	44.5	
Others	40.4	45.8		40.2	72.1		37.5	55.5	
TOTAL	100.0	100.0		100.0	100.0		100.0	100.0	
Dollar area	27.0	26.9		28.4	64.9		21.9	43.0	
Sterling area	20.9	20.6		33.9	18.1		24.0	23.9	
Others	52.2	52.5		37.7	16.9		54.1	33.1	

The planned changes in the geographical distribution of trade are based upon two assumptions. First, the economic recovery and development of other Far Eastern countries will increase the demand for imports of machinery from Japan and Japan will increase its import of food and raw materials from these countries, where economic recovery will bring about an increase of production and export. Secondly, Japan's silk market in the United States will be reduced considerably, although its imports from the dollar area will not be reduced to the pre-war share of total imports owing to Japan's continued dependence on the dollar area for imports of wheat and chemical fertilizer.

Export and import structures will also be changed in two important aspects: (1) the share of metallic minerals in imports and the share of machinery and tools in exports will increase, and (2) the share of textile materials in imports and the share of textile goods in exports will decrease, compared both with pre-war and with 1949. These will in turn reflect a change in the production structure: the textile industry will decline in importance while the machinery industry will increase in importance (see tables 123 and 124).

Table 123. Japan: Planned Import Structure

(Per cent distribution)

Classification	*1930-1934*	*1949*	*1953*
Industrial materials	*61.2*	*53.2*	*60.5*
Metallic minerals	5.9	7.6	12.6
Machinery	5.9	7.6	12.6
Machinery		0.1	0.8
Textiles	37.9	24.5	26.4
Petroleum and coal	8.0	12.0	11.6
Chemicals	1.6	3.4	2.1
Foodstuffs:	*37.6*	*46.6*	*39.4*
Foods	28.4	29.2	26.8
Fertilizer and foods	3.8	6.4	4.5
Oil and fats	5.4	11.0	8.6
Others	*0.8*	*0.2*	*0.1*

Table 124. Japan: Planned Export Structure

(Per cent distribution)

Classification	*1930-1934*	*1949*	*1953*
Textile goods	57.0	54.0	52.0
Machinery and tool (including ship and rolling stock)	4.3	14.0	21.5
Porcelain and glass	2.1	4.0	4.5
Chemicals and medicines	2.2	1.6	3.4
Paper and paper goods	2.2	0.6	2.3
Agricultural and marine products	3.9	3.1	3.1
Canned goods and processed foods	2.2	1.4	1.5
Rubber goods	1.8	2.6	1.7
Others	24.3	18.7	10.0

Production

Industry

In industrial production, emphasis is placed on heavy industry and chemicals (see table 125).

Table 125. Japan: Index of Production in 1953

	Compared to 1948	*Compared to 1930-1934*
Mining industry	153	159
Manufacturing industry:	250	130
Textile	273	66
Metals	252	196
Machinery	291	235
Ceramics	229	158
Chemicals	309	251
Foodstuffs	205	123
Miscellaneous	145	153
Over-all production index	227	134

Considerable importance is attached to the fostering of the machinery industry. Its future as an export industry is very promising and the domestic demand for machines is also great in connexion with the rehabilitation and modernization of the country's economy. No expansion of capacity is needed in the machinery industry except in the making of precision machines. For its development as an export industry, it is essential to effect rationalization by renovation and repair of machinery and facilities, increase of technical efficiency and reduction of production cost.

In order to support the development of the machinery industry, the iron and steel industry has to be expanded. It is planned that the production of pig-iron will be 3.2 million tons and that of ordinary steel, 3.05 million tons in 1953, as compared with 1.7 and 1.9 million tons, respectively, in 1949.

Within the chemical industry, emphasis has been placed on the key branches: soda for the production of chemical fibre required for making export textile goods and chemical fertilizer for the increase of food production. Special emphasis has also been placed upon the increase of production of organic compounds for the development of synthetic textiles and plastics.

The textile industry will be restored in capacity and will account for more than half of the total exports for some time to come. Although the target of recovery in 1953 is only 66 per cent of the 1930-1934 level, the increase is more than twofold when compared with the actual production of 1948. More and more emphasis has been placed on synthetic textiles in view of the movement of international markets.

Coal and electricity

In view of the emphasis on the development of heavy and chemical industries the supply of fuel and power has become one of the most important factors in increased production. High priority is given to increased coal production in the earlier period and increased power output in the later period. It is also recognized that the development of hydro-electric power plants is more economical than that of the coal-mines, in view of the greater abundance of water-power resources. It is planned that coal production will be 50 million tons in 1955, compared with 42 million tons in 1949, and hydro-electric power supply will be 36,710 million kwh. in 1953, compared with 30,830 million kwh. in 1949. Eighty-seven sites for dams and reservoirs with a maximum capacity of 1.26 million kw. will be developed within the five years.

Transportation

In railway transportation, priority is given to the movement of freight in the earlier period, in order to avoid transport bottlenecks. In the later period, emphasis will be shifted to passenger transportation. New con-

struction of railway transport equipment will be limited to a minimum and the main effort will be directed towards repair and restoration.

In marine transport, high priority is given to the rebuilding of the merchant fleet, so as to increase invisible exports as well as contribute to the expansion of export trade. The existing merchant fleet is only one fifth of pre-war. It totals 1.2 million gross tons, of which thirty-five vessels totalling 200,000 gross tons are of ocean-going type. It is estimated that 1.7 million gross tons of ocean-going vessels will have to be added in the five-year period in order to carry one-half of the cargo in Japanese foreign trade and to acquire a shipping income of $100 million. It is, therefore, planned to rebuild 1.3 million gross tons of merchant fleet and charter 0.4 million gross tons from foreign countries during the five-year period.

Agriculture

To minimize the volume of basic imports, increased production of food has been planned by increased application of fertilizer, irrigation, land improvement, reclamation and clearing of land, and mechanization of cultivation. In connexion with mechanization, it has been planned to bring about a change from the present individual and partial utilization of machines by farmers to a systematic and joint utilization of efficient farming methods through increased use of domestic animals and tractors. For this purpose, 38,000 tons of steel materials are to be allotted in the first year and 74,000 in the last year. It is also planned to increase the total livestock (stated in "cattle equivalents") by 50 per cent between 1948 and the final year. The rate of yearly increase in the production of agricultural products will be 4 to 5 per cent, production rising from 90 per cent of the 1930-1934 level in 1949 to 106 in 1953.

Investment and Consumption

Although one of the primary aims of the economic recovery programme is to raise the people's standard of living, it is planned at the present stage to put emphasis on the increase of capital formation, with a view to increasing the productive capacity necessary for the attainment of a self-supporting economy. This can be seen from the high percentages of capital formation in national income as planned, compared with pre-war, in table 126.

New investment during the five-year period is planned to be concentrated mainly on important industries, such as electric power, marine transportation, coal-mining, chemical fertilizer, iron and steel and agriculture. The Government will play an important role in the total investment. The percentage of government investment in the total investment will be 35.8 in 1949, increasing steadily to 41.8 in 1953.

Table 126. Japan: Planned Capital Formation

Fiscal year	*Amount in thousands of millions of yen*	*Percentage of capital formation to national income*
1930-34		12.0
1949	682.4	23.3
1950	707.0	22.5
1951	729.1	23.5
1952	782.4	23.1
1953	859.9	23.5

It is also planned that U.S. Aid now used mostly for relief will be gradually shifted to investment and contribute to increase the country's productive capacity. Private foreign investment should increase according to forecasts by the plan, and improve the unfavourable balance of payments.

As effort is concentrated on capital formation, consumption will naturally be repressed. The standard of living of the Japanese people in 1953 will be 10 per cent below the pre-war (1930-1934) level as shown in table 120.

CHAPTER XVII

External Aid and Investment

Introduction

Some countries of the ECAFE region have received external aid in the form of grants and loans from other Governments, loans from certain international agencies and private foreign investment. Since the war, grants and loans from Governments have completely overshadowed other forms of external assistance. United States grants and credits to China, South Korea, the Philippines and other ECAFE countries excluding Indonesia and dependent territories, amounted to US$2,676 million up to 31 December 1949. The United Kingdom extended grants and loans to Burma, British Borneo, Hong Kong and Malaya, amounting in all to US$419 million. It also released for current use the blocked sterling balances[1] of Ceylon, India and Pakistan, to the extent of US$1,356 million. Post-war loans and credits extended to Indonesia by the Netherlands amounted to US$597 million (or 2,269 million Netherlands guilders). French aid to Indochina totalled US$102 million. The external financial assistance received by countries of the ECAFE region thus represents a substantial sum, but is a very small part of the world total of inter-governmental aid extended during the post-war period.

Loans from the International Bank for Reconstruction and Development, and purchases of hard currency from the International Monetary Fund were small. They were extended to India only, and amounted to US$144 million by the end of 1949.

Exact data on private foreign investments are not available. The amount of available information shows that such investments have been extremely small in the post-war period. An explanation for this may be found partly in unsettled political conditions in the post-war period, and partly in other conditions governing private foreign investments in the various countries of the region.

Inter-governmental Aid

United States Aid

In the post-war period the United States has been the most important source of external aid for the rest of the world. Three countries of this region, namely China, South Korea and the Philippines, received most of

[1] These are not really considered as on a par with loans and grants, although they have more or less the same immediate effect on the balance of payments position of these countries.

the direct aid from this source.[1] Another Asian country which benefited from this aid was Japan. The aid was extended in the form of grants and credits. The grants included Economic Cooperation Administration (ECA) grants, civilian supplies furnished by the military authorities, Lend-Lease, and other grants. Relief included assistance provided through UNRRA and post-UNRRA operations. Credits included ECA and other loans, property credits and commodity programmes. The United States grants and credits to China, South Korea and the Philippines as well as to Japan, Western Europe, and the rest of the world, for the post-war period ending 31 December 1949, are summarized in table 127.

Table 127. Post-War Grants and Credits by the United States Government, 1 July 1945 - 31 December 1949

(In millions of dollars)

	Total	*Grants*[a]	*Credits*
ECAFE region:			
China	1,755	1,526	229
South Korea	300	275	25
Philippines	568	488	78
Other ECAFE[b]	53	—	53
Total ECAFE	2,676	2,289	385
Japan and Ryukyu Islands	1,765	1,502	263
Western Europe[c]	18,628	10,147	8,481
Rest of world	2,243	1,153	1,090
International organizations[d]	553	530	23
Unallocated	98	—	98
TOTAL	25,962	15,621	10,341

Source: United States Department of Commerce, *Foreign Transactions of the United States Government* (Washington, March 1950). The figures represent amounts reported as "utilized". This table excludes the United States subscription to the capital of the International Monetary Fund and International Bank for Reconstruction and Development as well as the dollars made available by these institutions.

[a] Includes assistance through UNRRA, post-UNRRA relief, International Children's Emergency Fund, and Palestine Relief Administration.

[b] ECA assistance to Indonesia and other dependencies of participating countries is included in Western Europe.

[c] Countries participating in the European Recovery Program and their dependent areas.

[d] Mainly cash grants to UNRRA.

The aid received by countries of the ECAFE region and Japan consisted mainly of grants. The grants consisted mainly of Lend-Lease and relief in the case of China, and of civilian supplies furnished by the military authorities in the case of South Korea. Another noteworthy

[1] See footnote [c] to table 127.

feature is that the ECAFE region received US$2,676 million out of a world total of $25,962 million of US aid, or about 10 per cent.

A brief account of the aid received by certain countries of the ECAFE region is given below.

China. The details of the post-war United States assistance to China for the period ending 31 December 1949 are as follows:

	(Millions of dollars)
Lend-Lease	722
UNRRA and Post-UNRRA programmes	406
ECA	168
Property credits	146
Miscellaneous grants	237
Miscellaneous loans	76
TOTAL	1,755

According to the United States *White Paper on China,* the latter received since V-J Day external aid in the form of United States grants and credits and other foreign grants and credits amounting to US$2,254 million. The details are as follows:

	(Millions of dollars)
US grants and credits	2,008[1]
Balance of UNRRA China Programme and UNRRA contribution to BOTRA	186
Canadian credit	60
TOTAL	2,254

Of the United States aid, grants amounted to US$1,697 million out of a total of US$2,008 million. In addition there was an element of grant in the United States Government property transfers to China at less than cost. The procurement cost of such property amounted to US$1,078 million, whereas the agreed payment to the United States was only US$232 million.

Of the United States grants and credits about $1,000 million were meant for military aid and the balance for economic aid. The latter was of much assistance in easing the very difficult balance-of-payments position of the country and was helpful in securing essential supplies of food, raw cotton and petroleum.

South Korea. The United States aid to South Korea, amounting to $300 million since the war, has mainly been in the form of grants ($275 million) which were extended mostly for civilian supplies. The aid helped in alleviating the country's balance-of-payments difficulties.

[1] This exceeds the total of United States aid to China as shown in table 127. Presumably it includes certain items which might not have been accounted for in the figures given in the table.

Philippines. As in South Korea, United States aid to the Philippines has been predominantly in the form of grants, which amounted to US$488 million out of a total of US$568 million till the end of 1949, details of which are given below:

	(Millions of dollars)
Civilian supplies (military) ...	28
UNRRA	8
Philippine War Damage Commission and Rehabilitation grants	452
Property credits	9
Miscellaneous loans	71
TOTAL	568

United Kingdom Aid and Sterling Releases

Aid since the war was extended by the United Kingdom to Burma, British Borneo (North Borneo, Brunei and Sarawak), Hong Kong and Malaya in the form of loans and grants. The details of this aid are given in table 128.

Table 128. Post-War Loans and Grants by the United Kingdom Government

(In millions of United States dollars)

Receiving countries	*Particulars*		*Amount*
Burma	Credit 1945/46	51.6	
	Interest-free loan 1946/47	120.9	
	Military Administration expenditure (grant) .	62.5	
	TOTAL		235.0
Malaya	War-damage compensation grant	80.6	
	Colonial Development and Welfare Fund ...	25.4	
	Direct contribution to internal security	32.2	
	TOTAL		138.2
North Borneo ..	Grant and interest-free loan for reconstruction	10.9	
	Grant and interest-free loan for war damage..	5.4	
	Development Fund	5.0	
	TOTAL		21.3
Sarawak	Development grant	4.8	
	War damage grant	0.8	
	Interest-free loan for war damage	1.2	
	TOTAL		6.8

Table 128. Post-War Loans and Grants by the United Kingdom Government (*Continued*)

Receiving countries	*Particulars*		*Amount*
Brunei	Interest-free loan for war damage		0.4
Hong Kong	Grants in aid (representing largely wartime expenditure and a grant of US$1 million for the University)	13.1	
	Colonial Welfare and Development Fund	4.0	
	TOTAL		17.1
	GRAND TOTAL		418.8

Source: Data supplied by the Government of the United Kingdom. Somewhat different figures appear in *Foreign Commerce Weekly*, 13 June 1949, p. 5. The sterling was converted into United States dollars at the pre-devaluation rate as loans and grants were made before devaluation.

Information is not available on the extent of the loans and grants by the United Kingdom actually utilized by the receiving countries. This assistance must have gone a long way in alleviating some of their post-war difficulties. The United Kingdom also released balances held in blocked accounts for Ceylon, India and Pakistan (see table 129).[1]

Table 129. Post-War Sterling Releases by the United Kingdom Government[a]

(In millions of United States dollars)

Receiving country	*Current account*	*Capital account*	*Time period covered*
Ceylon	74	...	1 July 1948 to 30 June 1950
India	1,064	1,078[b]	15 July 1947 to 30 June 1950
Pakistan	181	33[c]	1 January 1948 to 30 June 1950
TOTAL	1,319	1,111	

[a] Conversion rate £1 = $4.03.

[b] For the purchase of annuities for the payment of pensions in the United Kingdom and for the acquisition of installations and stores left behind in India at the end of the war.

[c] For the purchase of annuities for the payment of pensions in the United Kingdom.

The releases on current account are sometimes described as "unrequited exports", as they represent unilateral transfer of goods and services, but are not grants. Like all repayments of debt they result in unilateral transfer of goods and services for the time being. The accumulation of these balances during the war represented a transfer to the United Kingdom of resources in exchange for which these under-developed countries

[1] *Trade and Financial Agreements in the ECAFE Region*, Trade and Finance Paper no. 2, Research and Statistics Series, ECAFE secretariat, January 1950.

with their low levels of income and production would normally have been repaid with much needed imports of consumer goods. The fact that the United Kingdom has been honouring its obligations has been of great value to these countries. These releases have made a vital contribution to the balancing of their external accounts. They helped India to tide over its difficult balance-of-payments position and enabled Pakistan to follow a liberal import policy during 1948/49 as an anti-inflationary measure.

French Aid to Indochina

French aid was extended to Indochina for meeting its balance-of-trade deficit, the reconstruction of war-damaged industries and for other industrial purposes. The details are given in table 130.[1]

Table 130. Post-War French Aid to Indochina

(In millions of United States dollars)

Particulars	*Extended*	*Utilized up to the end of 1948*
Deficit of balance of trade made up by France, 1948	75·5	75·5
Loan by France, for reconstruction of war-damaged industries, by Federal Treasury	27·4	22.4
Loan by France, for industrial purposes, guaranteed by Federal Treasury	4·9	4·4
TOTAL	107.8	102.3

Source: *Foreign Commerce Weekly*, 13 June 1949.

Netherlands Aid to Indonesia

After the war Indonesia received loans and credits from the Netherlands Government and from third countries with the guarantee of the Netherlands Government. Upon the transfer of sovereignty to the Republic of the United States of Indonesia in December 1949, a settlement was made under which the obligation for the credits received from third countries was assumed directly by the Republic and a portion of the credits advanced by the Netherlands Government was also assumed by the Republic, the remainder being cancelled. The Republic assumed full responsibility for the internal debt of Indonesia, a part of which had been incurred for military expenditure by Dutch and Indonesian forces in Indonesia. The Republic also assumed full responsibility for pre-war Indonesian bonds outstanding in the Netherlands, amounting to 784 million Netherlands guilders ($206 million) at the end of 1949.

[1] ECAFE secretariat, *Nature and Extent of Dollar Shortage in ECAFE Countries* (E/CN.11/I & T/24), April 1950.

The post-war loans and credits from third countries assumed by the Republic are as follows:

	(Millions of U.S. dollars)
United States	
Surplus property credit	62.6
Export-Import Bank loan	15.0
Canadian loan	14.1
Australian credit (£A 8.5 million)	19.0
TOTAL	110.7

The credits extended by the Netherlands Government and assumed by the Republic amount to 269 million Netherlands guilders ($71 million at the rate of exchange prevailing at the end of 1949). These represent mainly commercial credits and funds advanced in connexion with Indonesian participation in credits received by the Netherlands from third countries and international agencies. The credits cancelled amount to 2,000 million guilders ($526 million), and represent a variety of expenditures by Indonesia in Netherlands guilders, including interest and amortization on the external debt of Indonesia, pensions, salaries, and personal remittances included in the so-called Treasury Account, and such items as payments for the reconstruction of shipping, insurance premiums, receipts of Netherlands shipping and airline companies, and current income and arrears of income of direct investments on the so-called Financial Account.

The United Kingdom, France and the Netherlands have extended substantial aid to many countries of the region. In view of the damage done to their own economies by the war, it would have been difficult for them to spare resources on such a large scale had it not been for the aid which they received from the United States. Some of the aid which countries of the region have received from the United Kingdom, France and the Netherlands may be regarded as United States Aid which has flowed through these European countries.

Aid from the Fund and the Bank

Funds obtained by this region from the International Monetary Fund and the International Bank for Reconstruction and Development have been small. The only country which has benefited is India. It purchased US$100 million from the Fund during 1948 and 1949 and obtained two loans from the Bank, one for US$34 million for the rehabilitation of railways and the other for US$10 million to purchase agricultural machinery required for land reclamation. The assistance by the Bank in loans has been small, because not all countries are members of the Fund and the Bank and because there is, according to the Bank, a lack of properly planned and soundly conceived projects which it could finance.

Private Foreign Investment

Magnitude of Private Foreign Investment

There is no reliable estimate of private foreign investments in the region. From the incomplete information that is available, it can safely be concluded that both the aggregate amount and the flow of private foreign investments have greatly declined since the war, most external assistance having been received as grants and credits to Governments. This is in sharp contrast with the period before the war when the foreign obligations of the Governments of the countries of the region were much smaller than private foreign investments.

A brief account of the scanty information which is available about the private foreign investments in some countries of the region and in Japan is given below.

Ceylon. According to a government estimate, foreign capital invested by the end of 1947 in 833 locally incorporated companies and 153 foreign companies amounted to US$126 million.

Hong Kong. The capital of private and public companies registered in Hong Kong during 1947, 1948 and 1949, amounted to US$123 million, US$201 million and US$74 million respectively. Foreign capital, chiefly from the Chinese mainland, constituted a substantial part of this investment.

India. According to a statement by the Reserve Bank of India, Rs.68.3 million (or US$14.3 million) was invested in Indian industries during the 21 months ended December 1949. This capital was invested mainly in such industries as electrical, engineering, drugs and chemicals, non-ferrous metals, paints, varnishes, paper and cardboard and radio manufacture. Of the amount, the United Kingdom accounted for Rs.66.2 million, Canada Rs.1.6 million and the United States Rs.650,000.

An estimate of earlier foreign investments in India is not available. While the Reserve Bank of India has conducted a census of foreign investments in India, the report has not been issued.

Malaya. In Malaya (excluding Singapore) the total number of foreign companies registered up to the end of 1949 was 963. Of these sixty-one were registered during 1948, and fifty-six during 1949. A large amount of British capital is invested in the mining industry and in rubber estates. On 1 September 1949, the nominal capital of British companies in these two fields amounted to almost US$200 million. The corresponding United States investments were US$31 million. Much foreign capital is invested in such fields as general merchandise, banking, insurance and shipping. The countries from which capital is drawn include, besides the United Kingdom and the United States, Canada, Australia, India, New Zealand, Hong Kong and Ceylon. The companies registered in 1949 include those from the United Kingdom, India, the United States, Canada, Australia and China.

Pakistan. From 15 August 1947, when Pakistan came into being, to 30 June 1949, the foreign capital invested in the country amounted to US$21 million. Most of the enterprises based on foreign investments are owned by foreigners, local capital being associated with only a few. Most of the foreign capital has come from the United Kingdom (US$14 million), followed by Portuguese East Africa (US$5 million) and India (US$1.8 million). The United States private investments are for industrial and commercial enterprises. Information about foreign investments in Pakistan areas prior to partition is not available.

Philippines. The total paid-up capital of corporations, partnerships and co-operative associations registered locally from May 1945 to August 1948, amounted to US$70.9 million. Its breakdown by the citizenship of the controlling interest is as follows:

	Millions of United States dollars	*Percentage of total*
Philippines	33.5	47
China	22.6	32
United States	8.6	12
Others	6.2	9
TOTAL	70.9	100

According to the United States Department of Commerce the net inflow of the United States capital for direct investment during 1945-1948 was US$59 million.

Japan. According to an estimate prepared by the Industrial Bank of Japan, foreign investments in Japan amounted to Y.106 million in the fiscal year 1941. Of these, American investments amounted to Y.82 million and British investments to Y.22 million. The investments covered industry, trade, banking, insurance and transportation.

After the war, till 13 January 1949, no foreign investments were permitted. The Government has since encouraged private foreign investments but no information is available about the amount of foreign capital since invested.

Conditions Governing Private Foreign Investments

Government policies affecting foreign investments

All countries in the AFE region are anxious to speed their economic development by foreign investment. The Governments of Burma, Ceylon, India, Pakistan, the Philippines and Japan have made statements of policy laying down conditions under which such investment would be welcome. Most of the countries desire that their nationals have a majority share in industries considered to be of national importance and that local

[1] For a fuller account see *Foreign Investment Laws and Regulations in ECAFE Countries*, ECAFE secretariat, April 1950.

capital be associated with foreign enterprises. The foreign-owned concerns are expected to provide training facilities for the nationals of the countries concerned and to ensure that, within a reasonable period, such nationals share administrative and technical posts so that it may be possible eventually to dispense with foreign technical skill. There appears to be no difficulty in any country regarding the immigration and employment of foreign nationals on high-grade technical and managerial staff.

Burma. The Constitution of the Union of Burma stipulates that its citizens should have most of the ownership and control of all public-utility services, and in the exploitation, development and utilization of natural resources such as timber, mineral and agricultural lands, forests, water, fisheries, minerals, coal, petroleum and other mineral oils, and all sources of potential energy. An exception has been made for mining, the Government having been empowered by an Act of Parliament to grant such concessions to foreign nationals under certain conditions.

The Government would welcome foreign investments in such enterprises as are left open. The foreign enterprises should be self-sufficient as regards foreign-exchange requirements for capital expenditure and should make adequate arrangements for the training of Burmans in administrative and technical fields. They should not import unskilled labour from abroad, if the same is locally available. The Government would give protection against foreign competition in suitable cases and would not nationalize the foreign concerns within a period to be determined by mutual agreement in each case. It would welcome the association of foreign enterprise with itself or with local private capital and would provide special facilities for marketing the products of such enterprise.

Ceylon. The Government would like to encourage the investment of foreign capital on such terms and conditions as are mutually advantageous. It does not intend to place any restrictions or impose any conditions on foreign enterprises which are not applicable to Ceylonese enterprises. It desires that the major interest in the ownership and effective control of the various undertakings be by nationals. It would not object to the employment of foreigners in posts requiring technical skill and experience, if the requisite talent is not available locally. Training and employment of Ceylon nationals for such posts should be undertaken as soon as possible.

India. The Government would like foreign capital to be invested in the country on terms and conditions that are mutually advantageous. The Government would require that the major interest in ownership and effective control always be by nationals but would not object to foreign capital controlling a concern for a limited period if it were found to be in the national interest, each case being dealt with on its merits. It would allow the employment of foreigners in posts requiring technical skill and experience when Indians with the requisite qualifications are

not available, but it attaches vital importance to the training and employment of Indians in such posts as soon as possible. It would expect all undertakings, whether Indian or foreign, to conform to the general requirements of its industrial policy. It does not want to discriminate in any way against foreign enterprise.

Indochina and Indonesia. No information is available about the policy of the Associated States of Viet Nam, Cambodia and Laos, or of the United States of Indonesia. Under the existing laws, however, there are very few restrictions on foreign investments. With a few exceptions, there are no conditions requiring a majority share of the nationals of the territories in the various enterprises or concerning the employment or training of such nationals by foreign concerns.

In Indochina a few professions are not open to foreigners, but the latter are free to participate in a wide field of economic activity.

Republic of Korea. Foreign investments are welcomed. The Agreement on Aid between the United States and Korea provides for the granting of facilities to private foreign investments in Korea. The intention of the Government appears to be that property formerly belonging to the Japanese Government and Japanese nationals and now vested in the Republic of Korea, should not be acquired by foreigners. A draft law provides for its sale to nationals or juridical persons of the Republic only. The vested property includes industries such as power generation, metal-working, chemicals, mining, textiles, steamship operation and shipbuilding and food-processing, and constitutes most of the industrial holdings in the country. There are no specific laws laying down requirements for the training of Korean nationals by foreign concerns, but two recent agreements of an international character include provisions for such training.

Malaya and Singapore. Foreign nationals are allowed full liberty to carry on all lawful economic activities. Foreign concerns are not required to take nationals of these territories on their board of directors, or provide them employment or training. Foreign concerns are subject to the same laws and regulations as the local concerns.

Pakistan. The Government would welcome foreign capital which seeks investment for purely industrial and economic objectives and does not claim any special privileges. Participation of nationals of Pakistan must be ensured in the administrative and technical services, and facilities provided for their training. The Government considers that Pakistan nationals should be given the option to subscribe at least 30 per cent of the share capital. If the requisite amount of local capital is not forthcoming, the Government allows the balance to be subscribed by foreign investors. It permits under certain conditions the diversion of control, through a managing agency agreement, to the foreign element in a business if its object is the maintenance of the quality of the products and of standards of raw materials.

Philippines. The Philippines want to reserve the major share in most enterprises for Philippine capital and to ensure that their management and effective control remain with Philippine nationals. The Constitution stipulates that the operation of public utilities and the exploitation, development and utilization of natural resources should be reserved for Philippine citizens or for corporations or associations with 60 per cent of their capital owned by such citizens. To encourage the investment of United States capital in the country, United States citizens are granted parity with Philippine citizens till 1974. All other aliens are excluded from this privilege. The Government is reported to be negotiating a treaty with the United States to promote American investments in the country.

Thailand. No definite policy has been laid down by the Government of Thailand in respect of foreign investments in the country. Except in the case of water and road transport, savings institutions and *crédit foncier,* there is no discrimination against foreign nationals who are free to undertake any lawful business or industrial activity. There is also no compulsion regarding the training or the employment of Thai nationals by foreign concerns or their representation on the board of directors of such concerns.

Japan. Under the direction of SCAP the Government of Japan welcomes such foreign investments as will improve the foreign-exchange position of the country and will contribute to its economic rehabilitation. The acquisition by foreigners of stocks and shares, lands, buildings, plants and mining rights, requires authorization by the Foreign Investment Commission of the Japanese Government. In order to facilitate foreign investments, the Government has made suitable amendments in the Anti-Monopoly Law and the Patent Laws. It has also issued orders for the restoration of allied property and stock that was compulsorily acquired during the war.

Nationalization

A few industries, generally public utilities, are owned and operated by the State in most countries. Some Governments propose to nationalize some other industries, still leaving a wide scope for private enterprise.

While a few countries have provided constitutionally for the payment of compensation in the event of the nationalization of an industry, others have made no such statement of policy. In most cases it is not quite clear whether the compensation is to be determined by an executive decree or by a court of law. Also left obscure is the supply of foreign exchange for the remittance of the proceeds of compensation to the country from which the capital was originally drawn. These are vitally important matters to prospective foreign investors.

Burma, India and Pakistan have made definite statements of policy with regard to the nationalization of industries. Nationalization is to be

confined generally to the defence industries and to those of basic importance in the economies of these countries. A wide field of industrial activity is open to private enterprise. Except in the case of Burma, existing privately-owned industries are not to be nationalized for the present, and the question of payment of compensation has not assumed practical importance. Other countries of the region except China do not seem to have plans for the large-scale nationalization of industries.

Burma. The production of atomic energy and manufacture of arms and ammunition and other defence industries are to be owned and operated by the State, and ten industries of national importance are to be developed by it. These include rail and inland-water transport, production and distribution of electricity, iron and steel, the extraction and milling of teak and control of broadcasting. Private capital is to be permitted to develop these industries until the State is able to undertake production. Other industries are open to private enterprise. The Government has nationalized the Irrawaddy River Transport System, the Rangoon Telephone Company and most of the processing and export of teak. The Constitution contains a provision for the payment of compensation if private property is expropriated for the public interest, but determination of the amount of compensation and the method of its payment for concerns that have been nationalized have been the subject of controversy.

Ceylon. No definite policy has been laid down by the Government about the nationalization of industries or the payment of compensation. The Government takes a direct part in the industrialization of the country and runs a number of industrial undertakings. Private enterprise is not precluded from competing in such fields. The Colombo Municipal Council recently took over operation of the tramways in the city from a private firm and compensation was paid on a value selected by the Municipal Council and the firm concerned.

India. The manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railway transport, are to be monopolies of the Central Government. The State is also to be responsible for the establishment of new undertakings in coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephones, telegraph and wireless apparatus and mineral oils. The cooperation of private enterprise may be secured if it is considered necessary in the national interest. The existing undertakings in these fields are to be allowed all facilities for efficient working. The Constitution provides for the payment of compensation on an equitable basis in the event of compulsory acquisition of a private concern.

Indochina. No information is available about the policy of the Associated States of Viet Nam, Cambodia and Laos. Concerns such as electric-power production and railway transport are under State control.

Indonesia. The salt industry, State agricultural and mining estates, and seaports, are under complete public ownership and management. The tin industry, railways and waterworks and some electricity works are partly State-owned and partly privately-owned. No information is available about the policy on the complete or partial nationalization of other industries. In the event of a dispute between the Government and an expropriated party over compensation, the question can be referred to a court of law.

Republic of Korea. The Constitution provides for the nationalization of transport and communication enterprises, financial and insurance institutions, electricity, irrigation, water supply, gas, mines and so on. The railroads, the telephones and the telegraph system; salt, ginseng and tobacco processing are under complete public ownership and operation. Legislation has been drawn up to nationalize coal and shipping. Part of the gold-mining industry is to be nationalized. Government ownership of a large share of existing enterprise extends practically to every field of industry by the vesting of title of the former Japanese property with the South Korean Government. The Government intends to dispose of most of such property to private interests. No information is available about the policy for payment of compensation.

Malaya and Singapore. Certain public utilities such as railways, posts and water supply are owned and managed by the State. Other industries are open to private enterprise. At present there is no indication of intention by the Government to nationalize other industries. The question of payment of compensation, therefore, does not arise.

Pakistan. The Government considers that monopolies and public utilities are particularly suitable for nationalization. Posts, telegraphs, telephones, wireless, broadcasting and railways are owned and operated by the State. The Government desires that arms and munitions of war, generation of hydro-electric power, and the manufacture of railway wagons, telephones, telegraphs and wireless apparatus be under its ownership and management. Road transport is being taken over by local Governments. Water transport is to be left to private enterprise for the present. Other industries are open to private enterprise. At present the Government does not intend to nationalize any privately-owned undertaking, so that the question of payment of compensation, therefore, has not arisen.

Philippines. All industries are open to private enterprise. The Government has no plan or intention of nationalizing any industry. The National Development Company, which was organized to develop commercial and industrial enterprises for which private capital was not forthcoming, is not intended to compete with private enterprise. It has a definite policy of turning over to private enterprise industries which it has developed and stabilized. The Constitution provides for the payment of just compensation if private property is taken over for public use.

Thailand. The distillation of alcohol and the manufacture of tobacco, opium and playing cards are under State ownership and operation. A textile factory is jointly owned by the State and private enterprise. An electricity-supply company has recently been taken over by the State. No policy has been laid down on the nationalization of other industries or about the payment of compensation. At present there is wide scope for private enterprise.

Japan. Tobacco manufacture, posts, telegraphs and telephones are owned and operated by the State. Railways are partly under both public ownership and private ownership. Nationalization of other industries is not under consideration at present, and no policy has been laid down about payment of compensation.

Remittance facilities

Most countries of the region allow the remittance abroad of current profits, dividends, etc. In sterling-area countries the withdrawal of original capital investment is generally allowed, if the foreign investor is resident in the sterling area.

Remittance of profits, dividends, etc., can be easily permitted by a country if its balance-of-payments position is comfortable; but if it is not so, the limited foreign-exchange resources have to be allocated amongst various competing demands, usually according to a system of priorities.

Foreign exchange transactions are subject to exchange control in all countries of the region except Thailand and Hong Kong where transactions in free exchange markets are allowed.

Burma. Profits, dividends and other income from investments can be remitted abroad freely, provided all taxes have been paid and evidence is produced about the source of the funds to be remitted. The future policy of the Government stipulates that foreign enterprises should be allowed to remit dividends out of the country.

Ceylon. The remittance of dividends, interest and profits accruing to non-residents is freely allowed. The withdrawal of capital investments is also allowed for non-residents who are resident in the sterling area.

India. The remittance of income from foreign investment is permitted, subject to control by the Government which foresees no difficulties in continuing the existing facilities. It has no intention of placing any restrictions on the withdrawal of foreign capital investments and remittance facilities, subject however to availability of foreign exchange. If any foreign concerns are compulsorily acquired, the Government would provide reasonable facilities for the remittance of the proceeds.

Indochina. There are no restrictions on the remittance abroad of dividends, provided that the receiving country gives reciprocal facilities.

Indonesia. Foreign companies are allowed to remit their profits abroad after the payment of taxes.

Republic of Korea. The Finance Minister's permission is necessary for the remittance of dividends abroad.

Malaya and Singapore. Dividends, interest and profits may be remitted to all countries, but the withdrawal of original capital investment by a non-resident is allowed only if he is a resident in the sterling area.

Pakistan. The Government permits the remittance of profits to countries from which the capital was drawn. The Government's intention is to place no restrictions on such remittances other than those of general application arising from foreign exchange limitations and policies to which such remittances are subject everywhere.

Philippines. Under the new regulations introduced in December 1949, the remittance of earnings of foreign capital is freely licensed, but the withdrawal of capital is severely restricted.

Thailand. Profits and dividends may be freely remitted abroad from Thailand. Capital may also be exported. The necessary foreign exchange, however, has to be purchased on the free market.

Japan. No policy regarding the remittance abroad of dividends, profits etc., has as yet been laid down.

Economic controls

Many economic activities are subject to government control in various countries of the region. The controls may cover trade, industry, banking, insurance, foreign exchange, transport services, real estate, mining, capital issues, sale of securities, payment of dividends, and so forth. The scope of these controls varies from one country to another. Except in a few cases, they do not discriminate against foreign nationals. Discrimination may be exercised in their actual administration. No information is available as to whether this is being done or not.

Burma. Transfer of immovable property to foreign nationals is not permissible.

Foreign nationals may be granted the right to exploit or develop mineral resources if local enterprise is unable to do so.

Ceylon. Licences for operating road passenger services are issued only to Ceylonese nationals or to companies of which at least 85 per cent of the capital is held by such nationals, but foreign nationals are allowed to operate goods vehicles.

Outright alienation of Crown lands by foreign nationals is not permitted; the latter may, however, purchase private lands by private treaty.

There are no statutory ceilings or restrictions on the payment of dividends.

Sale of Ceylonese securities to foreign nationals is permitted.

India. Eighteen industries of national importance are subject to regulation and control by the Central Government. According to a Bill which

is before the Parliament, existing industrial undertakings, local and foreign, are required to obtain registration and all new undertakings are required to take out a licence. The licence may include conditions regarding location and minimum standards in respect of size, equipment and technique. The Bill seeks to empower the Government to require industrial undertakings to take the necessary steps, to stimulate the development of an industry, to regulate its production, to fix standards of production and to regulate the use of raw materials.

All banking companies are required to be licensed by the Reserve Bank of India. An essential condition for the grant of a licence to a foreign company is that neither the Government nor the law of the country in which it is incorporated shall discriminate in any way against banking companies registered in India. Every foreign banking company is required to deposit with the Reserve Bank a substantial amount in cash or in approved securities. No new branches may be opened without the prior permission of the Reserve Bank. Every bank is required to keep in India assets equal to at least 75 per cent of its demand and time liabilities in the country.

All insurance companies are required to secure registration. Foreign insurance companies other than British companies are required to keep assets in India equal to 100 per cent of their liabilities in Inda, partly in Government securities and the balance in approved securities. British companies are required to keep in India assets equal to 55 per cent of their liabilities in the country.

No mining concession may be given to a foreign national except with the prior approval of the Central Government.

No ship, whether Indian or foreign, may participate in the coastal trade of India, except under a licence issued by the Controller of Indian Shipping. The licensing system is intended to implement a policy of reserving the coastal trade of India ultimately for Indian shipping.

The consent of the Central Government is necessary for an issue of capital in India by an Indian or a foreign company.

No securities may be exported from India or sold to non-residents except with the permission of the Reserve Bank of India.

Indochina. Mining concessions may be granted only to Indochinese or French nationals or to companies having 75 per cent of such nationals on their board of directors. There are no ceilings on the payment of dividends.

Indonesia. Concessions for mining and for air-transport may be granted only to Indonesians or to Netherlanders or to companies having a majority of Indonesians or Netherlanders on their board of directors.

Foreign vessels are not allowed to participate in the coastal traffic of Indonesia except with special permission.

Foreign nationals and foreign enterprises are not allowed to own land except for such purpose as the construction of factories. They may, however, obtain waste land for agricultural purposes on lease for a period of 75 years. Agricultural land may also be obtained on rent from the present holders on certain conditions.

Sale of bonds to foreigners is free from restrictions.

There are no restrictions on the payment of dividends.

The Government possesses wide powers which enable it to exercise complete control over private enterprises. In practice, however, these powers are reported to be very sparingly used.

Republic of Korea. Foreign trade is subject to government control. A Korean or foreign concern is required to give evidence of possession of W.5 million as capital in order to qualify for import or export licences.

Foreign companies operating in South Korea are required to obtain licences issued by the Ministry of Commerce and Industry and by the local authorities.

There are no restrictions regarding the distribution of dividends of South Korean corporations.

Malaya and Singapore. Foreign banking companies are required to obtain a licence for establishing or keeping a place of business. Every trust company is required to deposit with the Government approved securities of the value of M$100,000.

All fire and life insurance companies are required to deposit approved securities of the value of M$100,000 and M$200,000, respectively. British insurance companies, which have complied with the provisions of the United Kingdom Assurance Companies Act, 1909, are not required to make these deposits.

No capital may be issued except with the permission of the Government.

Every foreign company is required to register certain particulars with the Government.

No resident company may transfer any trade, business, or undertaking to a non-resident except with the consent of the Government.

Sale of securities to persons resident outside the sterling area requires the previous permission of the Government.

There are no ceilings on the payment of dividends.

Pakistan. Twenty-seven industries, including the most important, are subject to central planning and control. The control includes the procurement and distribution of essential raw materials which may be in short supply. The Government is also empowered to ensure that employers maintain fair labour standards.

All banking companies, both foreign and local, are subject to control by the State Bank of Pakistan, which is empowered to issue directions

about the policy to be followed in making advances, the purposes for which advances may or may not be made, the margins to be maintained in respect of secured advances, and the rates of interest to be charged. Prior consent of the State Bank is necessary for the opening of new branches.

Insurance companies are required to make deposits which vary according to the class of business. Life insurance companies have to maintain investments in certain government securities—in the case of the British companies, to the extent of 55 per cent of their liabilities in Pakistan and, in all other cases, 100 per cent.

All foreign ships engaged in the coastal trade of the country are required to obtain a licence from the Government.

Issue of capital by local or foreign companies requires the consent of the Government.

No securities may be exported from the country or transferred to non-residents except with the permission of the State Bank.

There are no ceilings on the payment of dividends.

Philippines. Foreign business corporations are required to take out a licence from the Bureau of Commerce and to comply with all laws, rules and regulations applicable to domestic corporations. Philippine citizens are given preference over foreign nationals in the lease of public market stalls and in the award of contracts for the construction of any class of public works.

The transport services are reserved for Philippine or United States citizens or for corporations in which such citizens hold the major share of the capital. The directors, officers and employees are usually required to be Philippine or United States citizens.

Foreign nationals other than United States citizens cannot acquire land.

Foreign banks are debarred from receiving deposits in the Philippines, but an exception is made for foreign banks which were actually receiving deposits in July 1948, when this restriction came into force. Deposits received by such banks cannot be invested abroad. No banking company can be incorporated in the Philippines unless Philippine citizens hold at least 60 per cent of its capital stock and constitute two-thirds of its board of directors. All foreign banks are required to take out a licence.

All foreign insurance companies are required to obtain the Insurance Commissioner's permission for transacting business in the country. They are also required to have a minimum paid-up capital equal to 250,000 pesos and to deposit at least 250,000 pesos in approved securities, at least 50 per cent of which must be Philippine securities. There are detailed provisions for the investment of the legal reserves held against the policies written in the Philippines.

Thailand. All business enterprises, local and foreign, are required to register certain particulars with the Government.

All banks have to obtain authorization from the Government to carry on the business of commercial banking. Authorization for carrying on the business of a savings institution may be granted only if the majority of its directors are Thai nationals. In the case of a *crédit foncier* business, all the directors are required to be Thai nationals.

Only vessels registered in Thailand are permitted to trade in Thai waters, but an exception has been made in the case of one foreign company.

Licences for road transport are not issued to foreign nationals.

There are no restrictions on the sale of securities to foreign nationals.

Japan. Industrial enterprises are controlled in accordance with the Enterprise Law.

Banks are required to take out a licence and to have a minimum capital of one million yen. In certain cases this minimum is raised to two million yen.

Every trust company is required to deposit with the Government not less than one-tenth of its authorized capital, but not exceeding one million yen, in National Loan Bonds.

Foreign nationals are not allowed to acquire mining rights.

Sales of stock, shares and so on to foreign nationals require validation by the Japanese Foreign Investment Commission.

Rates of taxation

For most of the countries the rates given below were in force in the financial year 1949 or 1949/1950. For India and Pakistan the rates refer to the financial year 1950/1951.

Burma. Companies pay income tax and super-tax at the rate of 50 per cent. Business concerns pay in addition a business profits tax at the ratio of 16⅔ per cent of their taxable profits.

Ceylon. Local companies are taxed at the rate of 25 per cent of their entire profits and foreign companies at the rate of 31 per cent of the profits derived in Ceylon. Business and industrial profits are subject to a tax at the rate of 20 per cent on the surplus over Rs.50,000 or 6 per cent of the capital, whichever is greater. All businesses in Ceylon are liable to excess profits duty at the rate of 55 per cent of the profits which exceed pre-war standard profits by more than Rs.3,000. In the case of businesses which were started during or after the war, the standard profits are calculated at the rate of 10 per cent of the capital. The excess profits duty paid in respect of the profits of a business is a lawful deduction in computing its profits for income tax purposes.

India. The maximum income tax and super-tax on companies is 53.1 per cent of the income. Rebates at varying rates, the maximum being 25 per cent of the income, are allowed on the incomes of certain classes of companies.

Indonesia. Companies are taxed at the rate of 40 per cent of their fiscal profits.

Republic of Korea. Business corporations are taxed at the rate of 35 per cent of their income. There is in addition an enterprise tax of which the rates, as well as the basis of assessment, vary from enterprise to enterprise.

Malaya and Singapore. Companies are taxed at the rate of 20 per cent of their profits.

Pakistan. Companies which declare their dividends in Pakistan pay income tax and super-tax at the rate of 43.7 per cent of their income. Companies which do not declare their dividends in Pakistan pay income tax and super-tax at a slightly higher rate. Business companies are liable to business profits tax at the rate of 16⅔ per cent after allowing an abatement of Rs.100,000, or 6 per cent of the capital, whichever is greater. The amount of the business tax paid is a lawful deduction from the total income determined for income tax purposes.

Philippines. Corporations are taxed at the rate of 12 per cent of the world income in the case of local corporations, and of the income derived in the Philippines in the case of foreign corporations. Building and loan associations are taxed at the rate of 6 per cent of the total net income. Percentage tax is imposed at rates varying from 2 per cent of the gross receipts in the case of buildings, irrigation, etc., to 20 per cent in the case of bars or cafes serving liquors in compounds of race tracks. Banks are taxed at the rate of 5 per cent of their gross income and insurance companies at rates ranging from 1 to 3 per cent of the premiums collected by them. A tax exemption is allowed to new industries approved by the Government for a period of four years from the date of of their organization.

Thailand. Companies are taxed at the rate of 20 per cent of their income. Banks in addition pay a tax of 4,000 baht *per annum.* Exchange banks have to pay an additional tax of 2,000 baht for every million or part of a million baht of exchange business transacted. Insurance companies are taxed at the rate of 1 per cent of the premiums collected for life insurance, and 2 per cent for other insurance business. Banks and insurance companies pay income tax in addition to the above taxes.

Japan. Corporations are taxed at the rate of 35 per cent of their income. Certain parts of such incomes, regarded as excess income, are liable to an additional tax at rates varying from 10 to 45 per cent of this amount. Certain proceeds from liquidation are taxed at the rate of 45 per cent.

Summary

The most important single factor impeding private foreign investments is the lack of political stability. From the foreign investor's point of view political conditions in Burma, China, Hong Kong, India, Indochina,

Indonesia, Malaya, Pakistan and South Korea have left much to be desired, either on account of internal disturbances or on account of the threat of war.

The post-war rates of taxation prevalent in the region, as compared with pre-war, appear to be high to foreign investors, who in pre-war days enjoyed many privileges, and tend to weaken the assumption of risks in making investment in a foreign country.

The laws and regulations governing foreign investments in some countries of the region also restrict the scope of investment.

Private investments from the former metropolitan countries received a setback, because of the changed political conditions resulting in the independence of most of the countries of the region.

Other factors affecting foreign investments are the fear of expropriation without proper compensation, uncertainty about the availability of foreign exchange for the remittance of profits and for the withdrawal of capital.

CHAPTER XVIII

Intra-regional Co-operation

As a factor in economic development, intra-regional co-operation in Asia and the Far East began to emerge only in the immediate post-war years when many ECAFE countries had gained national independence and could consider jointly economic and other issues of common concern. The establishment of the United Nations and of the specialized agencies, and the extension of their activities to the ECAFE region, have further increased the facilities of intra-regional co-operation.

Meantime, other factors are also at work which might affect the growth of intra-regional co-operation. No sudden break in economic relationship can be effected from the traditional links which many newly independent countries in the region have maintained with their former metropolitan Powers. With the achievement of independence by nations, there have been manifestations of a spirit of economic nationalism, with resultant conflict of economic interests in production, trade and finance. National independence has also brought with it the problem of adjustment of economic relationship to the new political status. Because of post-war political and economic developments, notably the decline of Japanese production and trade, the non-complementary character of the region's economy which was already marked in pre-war days has been accentuated in post-war years. The slow recovery of post-war production and trade in all ECAFE countries, attributable in many cases to the devastation wrought by war and in others to post-war civil disturbance, or to both, combined with the increase of population, has given rise to the urgent need for the import not only of consumer goods, especially food and textiles, but also of capital goods for rehabilitation and in a few cases, for development. Such imports, which only extra-regional countries can supply, tend to exhaust the limited volume of foreign-exchange resources which some countries in the region were able to accumulate during the war. While in countries of Western Europe the great need for dollars has been met in the post-war years largely from United States aid, grants and loans, especially under the European Recovery Program, in ECAFE countries these aids were relatively limited and were given to only a few countries, while some others had to draw upon the sterling balances accumulated during war-time. The gradual drying up of foreign-exchange resources has led to the inconvertibility of currencies in ECAFE countries, and the various controls imposed upon trade and exchange in order to conserve the dwindling volume of foreign exchange, especially hard currency, have con-

stituted an obstacle to the promotion of free or multilateral trade relations among countries in the region.

Factors Affecting Intra-regional Co-operation

Traditional Links with the Metropolitan Powers

In the ECAFE region many countries have severed their formal colonial tie with the former metropolitan Powers—India, Pakistan, Burma and Ceylon, that with the United Kingdom; the Philippines, that with the United States; Korea, that with Japan; Indonesia, that with the Netherlands; etc. These countries have, however, concluded treaties and agreements with the metropolitan Powers which tend to sustain the old patterns of economic relations.

The most significant relationship is that arising from the existence of the sterling area with its ramifications in trade and exchange control. Of the countries in the ECAFE region, India, Pakistan, Ceylon, Burma, the Federation of Malaya and Singapore and (with qualifications) Hong Kong are members of the sterling area. Trade both among these countries and between them and the members of the sterling area outside the ECAFE region is conducted in sterling, and their current sterling earnings are freely usable within the sterling area for current and approved capital transactions. Thus, under a general system of exchange control obtaining in the countries of the region, trade tends to be promoted between sterling-area countries within and without the region, especially between sterling countries of the region and the United Kingdom. In 1948, 31 per cent of the total imports and 24 per cent of the total exports of the six sterling-area countries in the region were from, or to, the sterling area as a whole.

Other arrangements, of a similar character but with a more restricted scope of application, have been concluded between the United States and the Philippines, France and Indochina, the Netherlands and Indonesia. The agreement concerning trade and related matters concluded between the United States and the Philippines, effective 2 January 1947, provides, among other things, for free trade between the United States and the Philippines during a period of eight years from 4 July 1946, and for a subsequent twenty-year period of gradually declining customs preferences and for specified quotas for the import of certain commodities. The post-war trade of the Philippines has continued to be largely with the United States. In the post-war years 1946-1948, 84 per cent of the imports into the Philippines were from the United States, as compared to 6 per cent from the rest of ECAFE countries, while 61 per cent of the exports from the Philippines went to the United States, as compared to 7 per cent to the rest of ECAFE countries.

Indochina participates in the numerous trade agreements entered into by France with countries principally on the European continent, and forms part of the French franc area. Furthermore, since France's agreements with the continental countries of Europe are largely payments agreements, the French central monetary arrangements cover the requirements of Indochina in this regard. In the post-war years 1947-1948, 60 per cent of Indochina's imports and 45 per cent of her exports were from and to France, corresponding percentages for ECAFE countries being 12 and 32.

Indonesia is a participant in the numerous bilateral trade and payments agreements entered into by the Netherlands with European countries as well as Argentina. Under the payments agreements, the Netherlands, as a rule, finances the imports into Indonesia and acquires the proceeds of its exports. The relatively close trade relationship between the Netherlands and Indonesia may be seen from the fact that during 1946-1948, 16 per cent of Indonesia's imports and 39 per cent of her exports were from and to the Netherlands, corresponding percentages for ECAFE countries being 17 and 21.[1]

As compared with pre-war years, while the share of metropolitan countries has increased in respect of imports into most countries of the region except Ceylon and Indonesia, chiefly to meet the emergency needs of post-war relief and rehabilitation, the share has declined in exports from most countries except Indonesia on account of slow recovery of production.

Trade of the ECAFE countries with each other in the post-war years, as compared with pre-war, shows that export percentages have generally increased, while import percentages have decreased except in the case of Indonesia, the main reason for the decline of import percentages being the reduced trade with Japan (see table 131).

[1] **Economic Commission for Asia and the Far East, *Trade and Financial Agreements in the ECAFE Region*, February 1950.**

Table 131. Percentage Changes in Trade of ECAFE Countries in Pre-War and Post-War Years

ECAFE country	*With metropolitan country*[a]		*With ECAFE countries*	
	Pre-war 1937-39	*Post-war 1947-48*	*Pre-war 1937-39*	*Post-war 1947-48*
Burma:				
Imports	18.6	42.6	58.6	36.9
Exports	14.0	10.2	69.6	86.4
	1936-38	*1946-48*	*1936-38*	*1946-48*
Ceylon:				
Imports	21.3	18.8	47.6	28.5
Exports	45.9	37.9	4.9	5.4
	1937-40	*1945-47*	*1937-40*	*1945-47*
India (undivided):				
Imports	29.5	30.8	23.5	5.5
Exports	34.6	26.6	16.2	11.6
	1936-39	*1947-48*	*1936-39*	*1947-48*
Indochina:				
Imports	54	60	29	12
Exports	46	45	27	32
	1937-40	*1946-48*	*1937-40*	*1946-48*
Indonesia:				
Imports	19	16	15	17
Exports	15	39	26	21
	1936-39	*1946-48*	*1936-39*	*1946-48*
Philippines:				
Imports	65	84	9	6
Exports	82	61	2	7

Source: International Monetary Fund, *Intra-regional Trade of ECAFE Countries,* October 1949.

[a] The metropolitan country refers to the United States in the case of the Philippines, France in the case of Indochina, the Netherlands in the case of Indonesia, and the United Kingdom in the case of Burma, Ceylon and India.

Rise of Post-War Nationalism

The aspirations towards national economic development in the newly independent countries have often been accompanied by desires for increased national self-sufficiency, thus accentuating a trend of development towards economic nationalism. The spectre of war-time shortages arising from the diversion of civilian production to war production, and the interruption of normal channels of trade and transport, and the dislocation of the economic system arising from the emergence of new nations, as in the case of India and Pakistan, have led to attempts to build up post-war national economies on a pattern somewhat different from that prevailing before the war. The dislocation of the Sub-Continent's economic system arising from partition was further accentuated when divergent decisions were taken by India and Pakistan in connexion with the devaluation of the pound sterling. India along with other sterling-area countries devalued its rupee after September 1949, but Pakistan decided to maintain its rupee at the previous rate. Since devaluation the Reserve Bank of India has not officially taken notice of the new valuation of the Pakistan rupee in terms of the Indian rupee and has refrained from quoting exchange rates. As a result, payments relations between the two countries have been paralysed, and recorded exchange of goods has stopped. As pointed out earlier,[1] cotton and jute illustrate the far-reaching repercussions of the cessation of trade between the two countries.

Non-complementary Character of the Region's Economy

Aside from Japan, and to a lesser extent India and China, countries in Asia and the Far East have not yet developed their own industries, and are still largely in a stage of primary agricultural and mineral production. In countries such as Burma, Ceylon, Indochina, Indonesia, Malaya and British Borneo, Pakistan, the Philippines and Thailand, national economy is characterized by the production of agricultural and mineral commodities for export (chiefly rice, fats and oils, tea, sugar, textile fibres like cotton, jute, abaca and silk, rubber, teak wood, tin, iron ore and petroleum), in exchange for consumer goods chiefly from former metropolitan countries. The character of the region as a supplier of raw materials has been more evident in post-war than in pre-war years, owing to the decline of Japan as a producer and exporter of consumer goods and capital equipment. The imports of the ECAFE countries are made up to the extent of 55 per cent of manufactures and 25 per cent of processed materials, most of which cannot be supplied within the region itself. Because of the non-complementary character of the economies of the countries in the region, the intra-regional trade

[1] See chapter II.

has been limited; it occupied only 28 per cent of the total trade of ECAFE countries in 1948, and compared poorly with the corresponding percentage for Europe, which was 43 in 1948.

Need to Cope with Common Problems of Development

Despite the non-complementary character of the economies of the countries in the ECAFE region, the problems that arise in regard to their post-war national economic development—agricultural production, industrial development, expansion of trade and population movement —are of common concern to many of these countries, and call for intra-regional co-operation in their common attempt to find economic solutions for these problems.

In agricultural production, the outstanding problem is that of increasing food supplies, especially for densely populated countries like India, China and Japan, and food-deficit countries like Ceylon and Malaya. While rice-exporting countries in South-East Asia, e.g., Burma, Indochina and Thailand, are gradually regaining their pre-war level of production, rice-importing countries are finding it increasingly difficult to feed their rapidly growing population, on account of limited supply and high cost. There is thus a need for food-importing and exporting countries in the region to come together and plan for an increased production and equitable distribution of food at a reasonable cost. An increased supply of agricultural requisites, especially chemical fertilizers and irrigation equipment, would assist in increasing the region's food production.

In industrial development, the countries in the region are again faced with common problems of resources, planning and implementation. Only a fraction of the region's industrial resources, especially of coal, iron ore and water power, has been developed; while the vast reservoir of manpower, although endowed with industry and intelligence, remains undernourished and undertrained. The development of untapped resources, both natural and human, requires a considerable amount of capital, much of which may have to be imported in view of the prevailing low rate of national income and savings. Imported capital, meantime, may not be forthcoming unless soundly conceived plans are available, and essential prerequisites for foreign investment, such as security, profitability and mobility of capital investment and earnings, are also assured. Though many of the problems involved in planning are national, none of the countries of the region can hope to function satisfactorily as a closed, self-contained economy. The national plans need to be co-ordinated to take full advantage of the possibilities of trade, of exchange of services and knowledge, and of technical assistance co-operatively organized. By comparing their projects, furnishing assistance to each other and taking account of each country's comparative

advantages, the countries of the region can make more rapid progress both in using their own resources and in persuading foreign lenders that their projects will succeed.

At almost every stage in dealing with the problems of industrial development there is scope for mutual consultation and sharing of experience. As early as November 1947, the Economic Commission for Asia and the Far East at its second session in Baguio, Philippines, adopted a resolution for the establishment of a working party for industrial development, whose functions were, *inter alia,* to "prepare at the earliest possible moment a report upon existing plans for promoting industrial development in each country of the region, with due attention to extractive industries and transport, and the relation of these plans to the industrial progress of the area as a whole." It also asked the working party, in consultation with the Governments concerned, to give special attention to "the technical skill and capital equipment required for industrial development and to the extent to which these requirements can be met from local resources", and where requirements of technical skill or capital equipment necessitate outside assistance, to "consider and report upon the form in which such aid may best be made available to promote the most rapid industrial progress." The Working Party presented its reports to the third and fourth sessions of the Commission in 1948. Its work has since been continued through the establishment of the Committee on Industry and Trade, which held its first meeting in October 1949, and its second in May 1950. The Committee's work has extended to many fields on which concerted action by Governments in the region may prove to be desirable.

In trade there has arisen the problem of disequilibrium common to most countries in the region on account of the slow post-war recovery of production and trade. While import requirements of capital goods for rehabilitation and development purposes have continued to be heavy owing to war-time deterioration and destruction and post-war civil disturbance, the domestic supply of consumer goods has also been insufficient to meet the pent-up demand of war-time and the normal needs of post-war years. The slow recovery in post-war production of the region's staple exports has reduced the foreign-exchange earnings with which to pay for the imports of capital goods and consumer articles. The trade balance, which was active in pre-war years, has become passive for most countries, especially in relation to dollar imports. The sterling-area arrangements, and other bilateral trade and payments agreements referred to above,[1] are designed to cope with a part of the difficulties that have arisen.

Finally, a considerable movement of population in the ECAFE region, chiefly Chinese and Indian, had taken place in pre-war years, from the

[1] See chapter XI.

overpopulated countries to the sparsely populated areas in South-East Asia. This intra-regional movement of population, which was checked after the depression in the early thirties, has not revived in post-war years owing to restrictive legislation by the recipient countries. The movement, viewed as a relief to the growing pressure of population on resources in the emigrant countries, may be limited in significance, as the total emigrant population in South-East Asia does not exceed one per cent of the total population in the AFE region. But its contribution to the development of the under-developed countries should not be overlooked. In the early days Chinese and Indians supplied the much-needed labour force in plantations and mines for staple exports such as rubber, tea, coconut, tin and pertroleum; the more enterprising have gradually risen to become owners, merchants and bankers. In the future, with the spread of industrialization, there may develop a movement of skilled workers and technicians which, though small in magnitude, is sociologically and economically important, for such immigrants may play a vital part in the receiving countries.

Inadequate Transport Facilities

The existence of a number of island countries in the region (Ceylon, Hong Kong, Indonesia, Japan and the Philippines) accounts for the relative importance of coastal and inter-island shipping. Coastal and inter-island shipping, as well as ocean shipping, constitute the principal means of intra-regional transport, which appear inadequate, however, in view of the region's needs. While some further development of intra-regional transport by the various means of inland transport may be expected, their relative importance as compared with sea transport is never likely to be as great as in some other regions, in view of the serious physical barriers which separate many of the countries in the region from neighbouring countries.

As regards inland transport, the region is marked by a paucity of connexions between countries by rail and road, and inland waterways. The intra-regional railway connexions in the region are few. The railways of Thailand, Indochina, Malaya and Burma constitute a sort of intra-regional system since the railways of Thailand connect with those of the three neighbouring countries and all have metre gauge. Traffic is, however, conducted under bilateral agreements between administrations of adjoining countries. Not all of the links in this system are at present effective. The former connexion between Indochina and China is not at present in operation. The partition of India has severed some of the links of a former coherent system, although the Indian and Pakistan railways share repair facilities. The Indian railways have connexions with Ceylon by train ferry. There are also links between Korea and Manchuria.

Some intra-regional highway connexions exist, including those between Thailand and the Federation of Malaya, Thailand and Indochina, Thailand and Burma, the Federation of Malaya and Singapore, Burma and India, India and Pakistan. China is connected with Burma by the Burma Road which is now, however, in very poor condition.

There are few inland waterways of intra-regional importance. India and Pakistan have some common waterways which may require bilateral machinery for development and regulation of navigation, e.g., the Ganges-Brahmaputra delta. The Mekong River has as riparians, Thailand, Indochina, China and Burma. Owing to the numerous rapids and big seasonal changes, the Mekong has, as yet, been of less importance for the inland water traffic of the riparians than might be expected from its size.

The countries of Asia and the Far East, separated by vast distances, are handicapped by inadequate facilities for intra-regional transport across land and sea, in contrast to European countries which are geographically contiguous and economically provided with a network of inland waterways, railways and highways. Air transport, mainly a post-war development, has been a luxury even for passenger traffic in Asian countries.

Inconvertibility of Currencies and Desire to Conserve Foreign Exchange

Apart from the United States dollar, most other currencies are not freely convertible at the official rates of exchange. There are open exchange markets in Hong Kong and Bangkok, but the rates diverge from the official ones. This inconvertibility of the currencies of the ECAFE countries is especially serious on account of the small dollar-assistance received. Unlike the war-devastated countries of Europe whose post-war recovery has been facilitated by the grant of dollar aids under the European Recovery Program, many ECAFE countries have to earn their own dollars to pay for imports of food, clothing and capital goods from the United States. The reliance on the United States for these goods, meantime, has increased in post-war as compared with pre-war years, primarily because of the post-war eclipse of Japan as a source of supply, the drying up of the traditional sources—the metropolitan Powers—in early post-war years, and the slow recovery of production in the ECAFE countries themselves, not to mention the increase in their population. Furthermore, the dollar-earning countries in the Far East sterling area, e.g., Ceylon and Malaya, have under the sterling-area agreement yielded their dollar resources to a common pool which may not be freely spent without prior consultation and concurrence.

Because of the inconvertibility of currencies, each country has attempted to conserve its foreign-exchange resources, especially the United States dollar, in order to pay for much-needed imports. Trade and ex-

change controls have thus been introduced in almost every country in the region and have become serious hindrances to the freer movement of trade among countries within the region, and between them and those outside the region.[1]

However, while trade and exchange controls in the region were being imposed under the pressure of shortage of foreign exchange, especially of hard currency, the countries have not been unaware of the great need for a larger volume of intra-regional trade. At the sessions of the Commission, especially that in October 1949, a resolution on trade was taken which, *inter alia,* recognized the importance of promoting intra-regional trade between ECAFE countries as a means of enhancing the economic reconstruction and development of the national industries of these countries, improving the level of living of their peoples, and strengthening their economic relations.[2]

Non-Economic Factors

Despite the heterogeneity of races, languages, religions, castes, customs and institutions, there have been throughout the ages powerful unifying factors in the countries of Asia and the Far East which tend to foster intra-regional co-operation.

Geographically, AFE countries, despite great distances and though separated by mountains, plateaux, deserts, rivers and oceans, are all located in the same contiguous region. In the two sub-continents, China and Indo-Pakistan and on the Indochinese peninsula, are to be found a majority of the ECAFE countries. British Borneo, Indonesia, Ceylon, the Philippines and Japan are island nations but not inaccessible to the continental countries. Since historical times, contact among nations in the region has been continuous.

Culturally, there has been since historical time continuous inter-play of the three great influences—Chinese, Indian and Moslem. Chinese culture spread in early times to Japan, Korea, Burma, Indochina, Thailand and the Philippines; on the other hand, Buddhism from India came to China, thence to Japan and Korea, during the early Middle Ages. The Indochinese peninsula by its very name bears witness to the meeting of these two great cultural influences. Islam, as a third culture, is to be felt today in Pakistan and other countries of the region. The extensive migrations of Chinese to countries in South-East Asia, and of Indians to Burma, Ceylon, Pakistan and Malaya, brought with them the cultural influences of the immigrants to the newly adopted countries. Several cities in these countries have a large population of Chinese and Indians; indeed the Chinese population constitutes the majority in Singapore, and about one half in Bangkok.

[1] See chapter XI.
[2] Document E/CN.11/221, 28 October 1949.

Intra-regional Co-operation through the United Nations and the Specialized Agencies

The similarity of problems of economic development, and the community of geographical and cultural environment within which similar problems arise and await solution, are by themselves insufficient to bring about, if sufficient to suggest, intra-regional co-operation. Such co-operation was lacking in pre-war days partly because no machinery had been designed by which intra-regional co-operation could have been made effective. It is in this important regard that the United Nations and some of the specialized agencies have broken new ground in post-war years.

The United Nations, established on 24 October 1945, has set up a network of organizations reaching into almost every field of international economic activity and co-operation. These are the Economic and Social Council and its functional commissions—Economic and Employment, Transport and Communications, Fiscal, Population and Statistical—and regional commissions (for Europe, Asia and the Far East, and Latin America), as well as the specialized agencies with which the United Nations works in close collaboration. The six Member States of the United Nations from the region, Burma, China, India, Pakistan, the Philippines and Thailand have played an active part in the activities of the various organs of the United Nations; they have been full members of the Economic Commission for Asia and the Far East. Burma, Ceylon, China, India, Pakistan, the Philippines and Thailand are members of the International Labour Organisation (ILO) and with Indonesia and Korea, of the Food and Agriculture Organization of the United Nations (FAO); while China, India, Pakistan, the Philippines and Thailand are members of the International Monetary Fund (the Fund) and the International Bank for Reconstruction and Development (the Bank).

Regional Activities of the United Nations and the Specialized Agencies

The United Nations, through its regional economic commission for Asia and the Far East, and the specialized agencies, notably FAO and ILO, are the principal organizations by which intra-regional co-operation in the different fields of post-war economic development has rapidly grown in the post-war years in the ECAFE region. Among the specialized agencies some like FAO and ILO have set up regional offices and convened regional conferences for the promotion of intra-regional co-operation. Others, like the Fund and the Bank, ICITO and IRO,[1] have operated largely on a global basis, with Governments from different regions represented on their respective governing boards and at their conferences.

[1] Interim Commission for International Trade Organization and International Refugee Organization.

But in the implementation of their decisions or resolutions, and of agreements as in the case of GATT, they have helped to promote economic development in countries of the region. Regional offices have also been established by the IRO, and recently by the Fund, in ECAFE countries.

Food and Agriculture Organization[1]

The Food and Agriculture Organization of the United Nations was established in October 1945. In view of the predominantly agricultural character of the region's economy and of FAO's expanding operations in the region, it was decided at the Conference on Regional Organization in Baguio, Philippines, in March 1948, to establish a regional office in the Far East. The FAO Regional Office in the Far East, located in Bangkok, has since 1949 expanded to cover the major branches of FAO's programme of work. Apart from field visits by FAO working parties and staff members to countries in the region, many conferences on rice, rinderpest control, nutrition, fisheries, forestry, rural co-operation, regional organization and so forth have been held in the region in Burma (Rangoon); India (Lucknow, Mysore, Trivandrum); the Philippines (Baguio); Indochina; Singapore and Thailand (Bangkok).

In view of the importance of rice as the region's staple food crop, FAO has devoted particular attention to rice improvement. In March 1949, pursuant to resolutions adopted by the countries of the region at rice meetings in Trivandrum, India, in 1947 and in Baguio, Philippines, in 1948, the International Rice Commission was established under the auspices of FAO. This body includes a number of countries outside the region, but ECAFE countries have taken a leading part in its activities. As a result of its two sessions, the first in Bangkok in March 1949, and the second in Rangoon in February 1950, much work on rice breeding and selection has been projected which may ultimately raise the region's rice production by as much as 30 per cent. For the first time in the history of rice improvement, a co-operative international programme for breeding and selection and seed exchange, has been worked out. Plans for seed multiplication and distribution have also been made, but these can only be handled by the individual countries themselves. The most encouraging project is for hybridization between varieties of the Indica and Japonica groups of rice as a means of securing better varieties. One central station in India has been tentatively chosen to carry out the programme, and the member countries are being asked to make contributions towards the initial stages. This project, together with the publication of the *World Catalogue of Genetic Stocks of Rice,* which contains particulars on 322 varieties of rice provided by sixteen countries and territories, will help, if it is approved, to step up the work of rice improvement in the region very considerably.

[1] Partly based on a statement supplied by the FAO on 7 February 1950.

Prior to the establishment of the Bangkok Office, an FAO Special Advisory Group, financed by residual UNRRA funds to undertake work in China, completed, with the assistance of Chinese scientists, an important piece of work on the control of animal diseases through the development and extension of new and improved types of rinderpest vaccines. Rinderpest is a highly contagious and fatal disease, causing an estimated 2 million animal deaths yearly, the economic loss of which must be measured mainly in the loss of animal power on the non-mechanized farms of Asia growing the staple food crop—rice. Throughout 1948-49, advisory assistance in the production of rinderpest vaccines had been given to Burma, China, India, Pakistan and Thailand. In June 1949, representatives of ECAFE countries met in Bangkok for an FAO rinderpest conference and decided on the allocation of the necessary research work among several countries and on the co-ordination of eradication plans.

Following the Forestry and Timber Utilization Conference which was held in Mysore, India, in the spring of 1949, and which recommended the establishment of the Forestry and Forest Products Commission for Asia and the Pacific, the FAO Far Eastern Forestry and Forest Products Working Group was established to work on the principal recommendations of the conference on soil-erosion control and reduction in the waste of available supplies. This working group has since given advice on the creation of Citizen Conservation Corps as a means of carrying out a large-scale afforestation and reafforestation programme. FAO has also carried forward work toward standardization with respect to structural grades, sizes and trade names of timbers, the need for which has been emphasized in ECAFE resolutions. A technical meeting on the standardization of trade names, measurements and grades of local timbers, was held in Indochina in the spring of 1950. Such standardization should help to promote trade for Eastern timber.

The Indo-Pacific Fisheries Council was established at a meeting in Singapore in March 1949, to deal with the relatively untapped source of food supply represented by seas and inland waters. Since this conference, working committees have been established to deal with the nature, extent, abundance and location of the fish resources of the region and the best methods of fishing, and with the problems of handling, preservation, manufacture, marketing and distribution of fishery products. FAO fisheries officers stationed in the region have on request given advice to fisheries officials and assisted in executing plans in many countries of the region, especially in Thailand and Ceylon.

Between November 1949 and January 1950, the FAO, in co-operation with the Government of India and the United Nations Secretariat, conducted at New Delhi the International Training Centre on Census and Statistics to assist Governments in solving problems connected with the 1950 Census of Agriculture, to help them improve their statistics

and statistical techniques in general, and to work toward greater comparability in the statistics collected and disseminated internationally. Fifty-two trainees from nine countries in the region—Burma, Ceylon, India, Indochina, Indonesia, Korea, Nepal, Pakistan and Thailand—attended.

Also, the first FAO Pre-Conference Regional Meeting in Asia and the Far East was held in Singapore in September 1949, to review the current agricultural situation and outlook in the region, to discuss individual country targets and estimates of production, trade and consumption for 1950/51, and to comment on the proposed programme of work of FAO, both under its regular, and under the proposed, expanded programme of technical assistance.

An FAO agricultural economist has been assisting Governments in the by no means easy or simple task of preparing and improving forward-looking goals for production, trade and consumption, not only for short-term periods such as the year ahead but for a longer range.

Pursuant to a resolution taken by the ECAFE Committee of the Whole, in April 1949, a joint study on the social and economic aspects of the production and use of chemical fertilizers has been undertaken by the FAO and ECAFE.

International Labour Organisation

The International Labour Organisation has, in addition to the two branch offices in Shanghai and New Delhi, an Asian Field Office on Technical Training in Bangalore, India, established in 1949.

The ILO held a Preparatory Asian Regional Conference in New Delhi from 27 October to 8 November 1947, which adopted a series of resolutions on social security, labour policy, labour-management co-operation, attainment of ILO social objectives, relations between Japan and ILO, and ILO assistance to Asian countries. Through the Governing Body, the Conference called to the attention of the Economic and Social Council, the Economic Commission for Asia and the Far East, the Food and Agriculture Organization of the United Nations and the Interim Commission on International Trade Organization the need for the provision of industrial employment for excess population, expansion of agricultural production, fair distribution of agricultural income and fair terms of exchange for export of primary products. It also suggested measures to improve existing conditions by international action.

As a step in giving effect to the New Delhi resolution on employment-service organization, and arising from the joint survey between ECAFE and ILO of the existing training facilities in Asia and the Far East,[1] a tripartite Asian Manpower Committee of the Governing Body of the

[1] Published by the ILO under the title *Training Problems in the Far East*, 1948.

ILO, was appointed to assist in the formulation and carrying out of a manpower programme. This programme was part of a comprehensive scheme which the Director-General submitted to the Governing Body at its 107th session in December 1948, with a view to enabling the ILO to undertake operational activities in the manpower field and thus make an effective contribution to the reorganization of the world economy. The Asian Manpower Committee met in March and June 1949, and passed in review some of the regional problems. In September 1949 a conference of experts on vocational and technical training was held in Singapore. In the same year an ILO Asian Field Office on Technical Training was set up in Bangalore to serve as a base for the operational activities of the ILO in Asia. The Office is planning to conduct at Bangalore, on an international basis, a series of training institutes open to all member States of the ILO in the region.

The First Asian Regional Conference, which met at Nuwara Eliya, Ceylon, in January 1950, adopted a resolution recognizing that the level of wages of hired agricultural workers is dependent upon the level of earnings of primary producers and that an increase in earnings of primary producers can be achieved only by an increase in productivity. This resolution recommends that Asian Governments should co-operate fully with the FAO in efforts to augment agricultural production; it also urges that Governments of Asian countries establish wage-fixing machinery "to protect the worker and to ensure that increases in productivity are reflected in wage earnings." The Conference approved recommendations designed to help Asian countries make full use of their manpower through organization and development of employment services and by action to provide vocational and technical training, and requested ILO's Governing Body to consider immediately the establishment of an Asian Advisory Committee as recommended by the ILO Preparatory Asian Conference at New Delhi two years ago.

The International Monetary Fund

The International Monetary Fund established in December 1945, like the International Bank for Reconstruction and Development, serves to promote world co-operation rather than intra-regional co-operation. Countries which become members in doing so agree to co-operate in maintaining stable exchange and monetary systems.

The Fund has, however, shown a continuing and increasing interest in the ECAFE region. In addition to the close relations maintained with its five members in the region, there has been active collaboration with the Economic Commission for Asia and the Far East. In accordance with a resolution adopted at the third session of the Commission in June 1948,[1] a working group was set up with experts nominated by

[1] Document E/CN.11/105.

Governments and the Fund, and met for one month, in August and September 1948, to study the desirability of adopting special financial arrangements to facilitate the trade of countries of the ECAFE region. On the basis of the report presented to the fourth session of the Commission in December 1948,[1] the Commission requested the Fund to undertake a study of the balance of payments, trade movements, etc., in the region, and advise in the light of such study and of similar studies undertaken in other regions, whether and to what extent the establishment of a multilateral clearing system for the ECAFE region might be expected to remove any financial or payment impediments to trade within the region, or otherwise to increase trade.[2] In October 1949, the Fund completed a study, *Intra-regional Trade of ECAFE Countries,* which provides a documented analysis of the pre-war and post-war trade pattern of fourteen ECAFE countries (British Borneo, Burma, Ceylon, China, Hong Kong, India, Indochina, Indonesia, Korea, Malaya and Singapore, Nepal, Pakistan, the Philippines and Thailand), and is completing a study on the balance of payments of countries in the ECAFE region, which may be presented to the second session of the ECAFE Committee on Industry and Trade. There has also been collaboration between the Fund's Research Department and the ECAFE secretariat in a study project on the financial institutions and the mobilization of domestic capital in the ECAFE countries.[3]

Several Fund missions were despatched to its member countries in the Far East, to India, Pakistan, the Philippines and Thailand. In the field of currency and exchange stabilization, the Fund sold $100 million to India during 1948 and 1949. In late 1949, an office for the Technical Representative of the Fund in the Far East was established in Bombay, India; this office, one of three such around the world, will assist in maintaining technical contacts with the Fund's five member countries in the region.

Economic Commission for Asia and the Far East

The largest regional economic organization of the United Nations in Asia and the Far East is the Economic Commission for Asia and the Far East (ECAFE).

During the first three years of the Commission's existence, from June 1947, it has been possible to promote intra-regional co-operation in several directions. The sessions of the Commission and its committees, sub-committees and working groups in different countries of the region —in China, India, the Philippines, Singapore, and Thailand as well as in Australia—have for the first time brought together representatives

[1] Document E/CN.11/128.
[2] Document E/CN.11/171.
[3] Document E/CN.11/AC.11/1.

from Governments in the region and observers from the Supreme Commander of the Allied Powers (SCAP) in Japan, to deliberate on common problems of post-war rehabilitation and development and to design measures for their early solution. International gatherings of this kind tend to promote better understanding and develop closer co-operation, not only among countries of the region, but also between these countries and extra-regional countries (Australia, France, the Netherlands, New Zealand, the United Kingdom, the United States and the Union of Soviet Socialist Republics) which are also full members of the Commission. As was well observed at the ninth session of the Economic and Social Council in July 1949, the work of the Commission has led to the appreciation by the different countries of one another's problems, to the strengthening of habits of co-operation and to the understanding of the mutual obligations of Governments to help one another and of the effects of developments in one country on the situation in other countries.[1]

More specifically, efforts have been made towards intra-regional co-operation in the exchange of information, co-operative use of research and training facilities, common assessment of development needs and adoption of measures for standardization in a few basic fields.

Exchange of information

In December 1947, the ECAFE secretariat was directed by the Commission to publish a comprehensive annual survey on economic conditions and problems of the countries in the region.[2] To assist the secretariat in the preparation of the survey each Government was asked in June 1948 to nominate a liaison officer who would be responsible at staff level for dealing with the secretariat for the supply and exchange of documents and data.[3] In December 1948, the Commission recommended that Governments should designate economists or other appropriate officers as correspondents for the purpose of expediting the provision of necessary information.[4]

In a resolution taken in June 1948 for the establishment in the secretariat of a trade-promotion section,[5] the section was changed, *inter alia,* with the function "to act as a clearing house of commercial information and other economic information bearing on trade and, in particular, to make arrangements for the collection and dissemination of information relating to trade possibilities within and outside the region." The periodical release of information by the secretariat on matching export availabilities and import requirements has been found useful in the promotion of intra-regional trade; so has the recent publication of the *Trade*

[1] Document E/SR.297, 22 July 1949.
[2] Document E/CN.11/63.
[3] Document E/CN.11/107.
[4] Document E/CN.11/179.
[5] Document E/CN.11/109.

Promotion Handbook and other documents. In October 1949, the Commission further recommended that "where practicable, countries contemplating changes in policy governing trade and exchange controls should make available advance information for circulation through the Trade Promotion Division" of the secretariat.[1] The secretariat is endeavouring to disseminate such information as early and as widely as possible. Its studies on exchange controls and trade and financial agreements in the region, already issued, provide information useful to Governments and commercial organizations.

In other fields such as industrial development, transport, flood control etc., information has been collected and disseminated by the secretariat.

Joint use of research and training facilities

In view of the region's inadequacy of research and training facilities, the Commission, in October 1949, endorsed the recommendation of the Committee on Industry and Trade that "with the approval of Governments concerned and in collaboration with them and with the Field Science Offices of UNESCO in India, the Philippines and China, a survey be made of the geological and industrial research laboratories under governmental and private auspices in the ECAFE region, in the nearby member countries of Australia and New Zealand, and in Japan, in the first instance those dealing with coal and mineral research and with iron and steel manufacturing, and to ascertain whether or not their facilities would be at the disposal of ECAFE countries".[2] This survey is now in progress in collaboration with UNESCO. Earlier, in the first meeting in August 1949, the Sub-Committee on Iron and Steel resolved that the secretariat should make a study on the assistance that might be given by countries with such laboratory and research facilities, in testing the ores of other countries of the region not having such facilities.[3] The study has been completed and the facilities referred to are being provided by some countries including Japan and India.[4] The Bureau of Flood Control, established in April 1949, has also made arrangements with the East Punjab Irrigation Research Institute, Amritsar, India, regarding a joint programme of experiment and study of the silt problem. Work has commenced, emphasis being laid on the silting or sluicing of flood control reservoirs and the silting or scouring of river beds.[5]

In technical training, the Commission, in June 1948, authorized the creation of a working section in the secretariat whose functions include, *inter alia,* (1) the securing of opportunities for technical training and the use of expert assistance within countries of the region and abroad, and (2) stimulating Governments represented on the Commission to

[1] Document E/CN.11/221.
[2] Document E/CN.11/216.
[3] Document E/CN.11/I & S/4.
[4] Document E/CN.11/I & S/8.
[5] Document E/CN.11/201.

encourage trainees to take advantage of exchange opportunities. Since then, offers have been made by some countries and requests by others regarding training facilities in different fields, with the secretariat serving as a liaison body between both parties.[1] This function has, however, since the fourth session in December 1948, been transferred to the ILO Asian Field Office on Technical Training, now located in Bangalore, India.[2] Meantime, with the operation of the United Nations technical assistance programme, it has been possible since 1949 for the secretariat to assist the United Nations headquarters in the examination and assessment of applications for United Nations fellowships and scholarships in the different specialized fields, from countries in the region.[3]

Assessment of development needs

The work of the Industrial Development Working Party in this field has been referred to in a previous section. The Committee on Industry and Trade, established by a resolution taken at the Committee of the Whole meeting in April 1949,[4] has gone a step further in more concretely ascertaining the development needs of the countries in the region in a few specific fields such as iron and steel, coal, power and chemical fertilizers, as well as trade, travel and finance, through the establishment of a Committee on Industry and Trade, and under it the Sub-Committees on Iron and Steel and Travel. The Sub-Committee on Iron and Steel in its first meeting in August 1949, resolved that studies should be undertaken by the secretariat on estimates of requirements of iron and steel products, production plans and obstacles in their execution, survey of availabilities of auxiliary raw materials and study of methods of scrap collection.[5] These studies were completed and presented to the second meeting at Calcutta in April 1950.[6]

Among the functions of the Committee on Industry and Trade was an instruction that it should "devote its attention to those specific projects and programmes in the field of industry or trade which are considered to be of special importance to the region, which have already developed or may in the future be developed, and which afford a promise of early and successful realization, giving priorities to those fields where a subsidiary body may have been set up".[7] Arising from this resolution, the secretariat undertook a study on the progress of industrial planning and development and problems of priorities,[8] which was presented as a preliminary report to the first session of the Committee in

[1] Document E/CN.11/111; E/CN.11/136, annex C.
[2] Document E/CN.11/176.
[3] Documents E/CN.11/136, annex D.; E/CN.11/200 and Corr. 1 and Add. 1.
[4] Document E/CN.11/AC.11/8.
[5] Document E/CN.11/I & S/4.
[6] Document E/CN.11/I & S 6-16.
[7] Document E/CN.11/AC. 11/8.
[8] Document E/CN.11/I & T/3 and Corr. 1.

October 1949. A second report has been completed and was presented to the second session of the Committee in May 1950.[1]

The countries of the region were amongst those most seriously affected by the post-war shortage of food. A joint FAO/ECAFE Working Party on Agricultural Requisities was set up in the fall of 1948 to (1) examine the stated requirements of Governments in the ECAFE region for agricultural requisites, (2) advise Governments on action that can be taken nationally to meet these requirements from indigenous sources, (3) determine the circumstances and conditions under which Governments in the ECAFE region would be benefited by taking joint action with reference to both the production and distribution of agricultural requisites, and (4) analyse and examine the national food and agricultural plans in the ECAFE region in the light of the stated requirements of agricultural requisites and the supplies thereof which were expected to become available from indigenous production and international trade.[2] The report was presented to the Commission in December 1948, and its recommendations duly brought to the attention of member Governments, the FAO, and appropriate international organizations for possible action by producing countries elsewhere to meet the stated requirements of countries in the region.[3]

Adoption of measures for standardization

In December 1947, the Commission requested the secretariat, with a view to the standardization of measurement units and statistical methods, so as to provide a basis for comparison, to study and report on the work done in this field by the World Congress of Statistics in accordance with Economic and Social Council resolution 40 (IV) of 29 March 1947, the United Nations Secretariat, the Statistical Commission, and the specialized agencies and other bodies.[4] Subsequently, at the first meeting of the Sub-Committee on Iron and Steel in August 1949, the ECAFE secretariat was asked to make a study on uniform statistical reporting with regard to iron and steel.[5] Also, as a result of the meeting of the Inland Trasport Experts in October 1949,[6] the secretariat was directed to arrange for the collection of existing transport statistics and their analysis with a view to indicating the minimum data required to be maintained on a uniform basis for the region.[7]

At the first meeting of Inland Transport Experts referred to above, recommendations for the standardization of railway and road-transport

[1] Document E/CN.11/I & T/15.
[2] Document E/CN.11/117.
[3] Document E/CN.11/135 Add. 1 and E/CN.11/175.
[4] Document E/CN.11/63.
[5] Document E/CN.11/I & S/4.
[6] Documents E/CN.11/TRANS. 5 and E/CN.11/204.
[7] Document E/CN.11/227.

equipment were made, and they were subsequently adopted by the Commission in October 1949. In a preliminary paper issued by the secretariat it is suggested that the most practical method of approaching the problem would be by restricting the field of possible short-term standardization, in regard to railways, to certain specific equipment, in particular for metre-gauge railways. A Working Party of Experts from countries interested was held at Bangkok in February 1950, to consider the proposals made in this paper. While drawing attention to the almost complete absence of any form of international standardization in the region itself, apart from Pakistan, India and Ceylon, the Working Party stressed the short-term possibilities especially in the standardization of continuous braking gear equipment, acceptance of the 60-lb. flat-bottomed steel rail as the minimum standard for main lines in the region, and the adoption of the double-wire type signal as the future standard.

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