

2. *Plans for Economic Development in Underdeveloped Territories*

(i) *The South Pacific Commission: its establishment and functions, 6 February 1947*

AGREEMENT ESTABLISHING THE SOUTH PACIFIC COMMISSION

[Canberra, 6 February 1947]

THE Governments of Australia, the French Republic, the Kingdom of the Netherlands, New Zealand, the United Kingdom of Great Britain and Northern Ireland, and the United States of America (hereinafter referred to as 'the participating Governments'), desiring to encourage and strengthen international co-operation in promoting the economic and social welfare and advancement of the peoples of the non-self-governing territories in the South Pacific region administered by them, have, through their duly authorized representatives met together in Canberra, made an agreement in the following terms:—

ARTICLE I.—*Establishment of the Commission*

1. There is hereby established the South Pacific Commission (hereinafter referred to as 'the Commission').

ARTICLE II.—*Territorial Scope*

2. The territorial scope of the Commission shall comprise all those non-self-governing territories in the Pacific Ocean which are administered by the participating Governments and which lie wholly or in part south of the Equator and east from and including Netherlands New Guinea.

3. The territorial scope of the Commission may be altered by agreement of all the participating Governments.

ARTICLE III.—*Composition of the Commission*

4. The Commission shall consist of not more than twelve Commissioners. Each participating Government may appoint two Commissioners and shall designate one of them as its senior Commissioner.

5. Each participating Government may appoint such alternates and advisers to its Commissioners as it considers desirable.

ARTICLE IV.—*Powers and Functions*

6. The Commission shall be a consultative and advisory body to the participating Governments in matters affecting the economic and social development of the non-self-governing territories within the scope of the Commission

and the welfare and advancement of their peoples. To this end the Commission shall have the following powers and functions:—

- (a) to study, formulate and recommend measures for the development of and, where necessary, the co-ordination of services affecting the economic and social rights and welfare of the inhabitants of the territories within the scope of the Commission, particularly in respect of agriculture (including animal husbandry), communications, transport, fisheries, forestry, industry, labour, marketing, production, trade and finance, public works, education, health, housing and social welfare;
 - (b) to provide for and facilitate research in technical, scientific, economic and social fields in the territories within the scope of the Commission, and to ensure the maximum co-operation and co-ordination of the activities of research bodies;
 - (c) to make recommendations for the co-ordination of local projects in any of the fields mentioned in the previous sub-paragraphs, which have regional significance, and for the provision of technological assistance from a wider field not otherwise available to a territorial administration;
 - (d) to provide technical assistance, advice and information (including statistical and other material) for the participating Governments;
 - (e) to promote co-operation with non-participating Governments and with non-governmental organizations of a public or quasi-public character having common interests in the area in matters within the competence of the Commission;
 - (f) to address inquiries to the participating Governments on matters within its competence;
 - (g) to make recommendations with regard to the establishment and activities of auxiliary and subsidiary bodies.
7. The Commission may discharge such other functions as may be agreed upon by the participating Governments.
8. The Commission may make such administrative arrangements as may be necessary for the exercise of its powers and the discharge of its functions.

[Sections 9 and 10 of Article IV and Article V, which deals with procedure, are omitted.]

ARTICLE VI.—*Research Council*

19. In view of the special importance of research for the carrying out of the purposes of the Commission, there shall be established a Research Council which shall serve as a standing advisory body auxiliary to the Commission.

[Article VII, which deals with the composition of the Research Council, is omitted.]

ARTICLE VIII.—*Functions of the Research Council*

26. The functions of the Research Council shall be:—

- (a) to maintain a continuous survey of research needs in the territories within the scope of the Commission and to make recommendations to the Commission on research to be undertaken;
- (b) to arrange with the assistance of the Secretary-General for the carrying out of the research studies approved by the Commission, using existing institutions where appropriate and feasible;
- (c) to co-ordinate the research activities of other bodies working within the field of the Commission's activities and, where possible, to avail itself of the assistance of such bodies;
- (d) to appoint technical standing research committees to consider problems in particular fields of research;
- (e) to appoint with the approval of the Commission *ad hoc* research committees to deal with special problems;
- (f) to make to each session of the Commission a report of its activities.

ARTICLE IX.—*The South Pacific Conference*

27. In order to associate with the work of the Commission representatives of the local inhabitants of, and of official and non-official institutions directly concerned with the territories within the scope of the Commission, there shall be established a South Pacific Conference with advisory powers as a body auxiliary to the Commission.

[Articles X to XIV are omitted.]

ARTICLE XV.—*Relationship with other International Bodies*

55. The Commission and its auxiliary and subsidiary bodies, while having no organic connexion with the United Nations, shall co-operate as fully as possible with the United Nations and with appropriate specialized agencies on matters of mutual concern within the competence of the Commission.

56. The participating Governments undertake to consult with the United Nations and the appropriate specialized agencies at such times and in such manner as may be considered desirable, with a view to defining the relationship which may in future exist and to ensuring effective co-operation between the Commission, including its auxiliary and subsidiary bodies, and the appropriate organs of the United Nations and specialized agencies dealing with economic and social matters.

57. The Commission may make recommendations to the participating Governments as to the manner in which effect can best be given to the principles stated in this Article.

[Articles XVI to XXI are omitted.]

(ii) *The Colombo Plan*(a) *Commonwealth Meeting on Foreign Affairs, Colombo, 9-14 January 1950*EXTRACT FROM FINAL COMMUNIQUÉ,¹ 14 JANUARY 1950²

... The greater part of this time has been spent in a comprehensive review of the current problems of South-East Asia, both political and economic.

It was recognized that in the changing conditions brought about by recent developments in this area, progress depends mainly on the improvement of economic conditions.

The Conference was impressed by the magnitude of the contribution which the success of progressive policies in this area could make to the peace and prosperity of the world.

Executive decisions are not taken at Commonwealth meetings of this kind, but as a result of the valuable exchange of views which has taken place, recommendations for the furtherance of economic development in South and South-East Asia will be submitted to Commonwealth Governments for their consideration.

These recommendations include a proposal for the establishment of a consultative Committee representing Commonwealth Governments. The Australian Delegation proposed that the first meeting of this Committee, when set up, should be held in Australia. . . .

(b) *Commonwealth Consultative Committee on Economic Aid to South and South-East Asia*FINAL COMMUNIQUÉ, 19 MAY 1950²

At the invitation of the Australian Government, a meeting of the British Commonwealth Consultative Committee was held in Sydney between the 15th and 19th May, 1950 and was attended by the representatives of the Governments of Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom. The Committee, under the Chairmanship of the Honourable P. C. Spender, the Australian Minister for External Affairs, considered ways in which they might assist in the development of the countries of South and South-East Asia in co-operation with other interested Governments. This was the important task entrusted to them by the Commonwealth Meeting on Foreign Affairs held in Colombo in January 1950, which recommended that steps should be taken urgently to raise living standards and promote social welfare amongst the peoples of South and South-East Asia, thus enabling this area with its vast potential resources to play an increasing part in fostering human well-being and furthering world prosperity.

¹ See also pp. 1186-8.

² Text supplied by the Commonwealth Relations Office.

2. In pursuance of the objectives of the Colombo Conference, the Committee decided that the most effective method of tackling the vast and intricate problems facing the peoples of South and South-East Asia and of meeting their urgent need for economic development would be to start immediately a programme based on action by the Commonwealth Governments which have participated in the discussions.

3. The Committee emphasized the importance of keeping the urgent economic requirements of the area under continuous review. Action to meet these requirements is already being taken by Commonwealth Governments and the Committee would welcome further action which individual Commonwealth Governments might be able to take. In addition recommendations are being made to Governments as follows:—

- (1) development should proceed by progressive stages under a plan covering a period of six years taking account of the needs and resources of individual countries. To this end, a realistic and comprehensive statement of its economic situation and development programme should be prepared by each country by 1st September, 1950.
 - (2) these statements of the various countries should be considered at meetings of Governments in London in September 1950. A comprehensive report would then be prepared setting out the needs and resources of countries in the area. The object would be the introduction with the least possible delay of comprehensive plans for a development programme of gathering momentum based on all the resources which can be mobilized by the countries concerned and other countries interested in the area.
 - (3) a Commonwealth technical assistance scheme for the area should be inaugurated within the next few months to organize technical assistance between Governments. The aggregate of assistance involved would be £8,000,000 sterling over a period of three years. A Commonwealth Bureau should be set up at Colombo to co-ordinate the work. While it is recognized that there is already a considerable flow of technical assistance through private and governmental channels to the area and that valuable assistance has already been received from the United Nations, the Specialized Agencies and their regional organizations, it is considered that their existing resources in the area require to be supplemented immediately.
 - (4) a formal approach should be made to governments of non-Commonwealth countries in South and South-East Asia informing them of the Committee's deliberations and of the course of action now contemplated. These governments should be informed that their full association in the enterprise would be welcomed by the Commonwealth Governments.
4. These discussions at Sydney have shown that in the four months since

the Colombo meeting much thought and study have been given by Commonwealth Governments to means by which the Colombo resolutions can be translated into a constructive plan to deal with the many complex economic problems with which the countries of South and South-East Asia are now faced. All Delegations came to Sydney impressed with a sense of the urgency of the task before them, fully aware that a great co-operative effort was called for by the countries which have the interests of the people of the area at heart and determined that all efforts should be inspired by the principles of self-help and mutual help, of friendship and equality among the countries.

(c) *Constitution of the Council for Technical Co-operation in South and South-East Asia, together with an extract from the Colombo Plan Report*

1. THE COUNCIL FOR TECHNICAL CO-OPERATION¹

Constitution

Preamble

The Governments of Australia, Canada, Ceylon, India, New Zealand, Pakistan, and the United Kingdom having considered:—

- (a) the urgent need for further technical assistance, additional to that available from other sources, to promote economic development in South and South-East Asia with a view to raising the living standards of the peoples of the area,
- (b) the desirability of developing further co-operation and enterprise in the provision of technical assistance and
- (c) the need for fullest co-operation with the United Nations and other agencies providing technical assistance in the area, with a view to encouraging and speeding the provision of technical assistance from all sources,

have resolved that a scheme should be organized to provide assistance up to a maximum value of £8 million sterling over the three years commencing 1st July, 1950, and that for the purpose of this work, a Council for Technical Co-operation in South and South-East Asia should be set up with the following constitution.

A.—*Functions*

1. The purpose of the Council for Technical Co-operation is to assist in the economic development of South and South-East Asia by the provision of technical assistance.

2. The Council will organize the provision of such assistance as the following:—

- (1) (a) Training of personnel from countries in the area in countries where suitable instruction is available, and the despatch of missions abroad to study the latest techniques or practices;

¹ Cmd. 8080, Appendix 7.

- (b) Experts, instructors and advisory missions to assist in planning, development or reconstruction, or for use in public administration, in health services, scientific research, in agricultural, industrial, or other productive activities and in the training of personnel;
- (c) The provision of equipment required for training or use by technical experts in the region.

(2) Where any co-operating Government considers that the provision of technical assistance requires the establishment, equipment, extension or endowment of training or other institutions in the countries of the region not available under any other scheme, such facilities may be contributed as technical assistance. It will be for the country requested to provide assistance to decide whether such assistance should be afforded.

3. The Council will investigate any obstacles or difficulties that reduce or prevent the availability or best use of technical assistance, and will use its best endeavours to remove or mitigate all such obstacles or difficulties.

4. For the guidance of co-operating Governments the Council will endeavour to agree on the general conditions such as remuneration and allowances which might best apply to experts and others who are employed in various countries of South and South-East Asia and to trainees, whenever sent out of their own country.

B.—*Organization*

5. The Council will consist of one representative of each co-operating Government. The Council may at any time admit to its membership a Government which applies to co-operate under the Scheme.

6. The Council will establish headquarters in Colombo where it will normally meet as often as business requires. It may, however, meet from time to time at any other convenient place in the area.

7. Each co-operating Government will meet the expenses of its representatives on the Council.

8. To assist the Council in the performance of its duties a Bureau will be established consisting of a Director and such other Staff as the Council may appoint.

9. Under the control of the Council, the Director of the Bureau shall organize the development of the Technical Co-operation Scheme.

10. The Director shall submit for approval by the Council an estimate of expenditure for each year ending 30th June.

11. Contributions by each Government to meet the working expenses of the Council for any year will, unless otherwise determined by the Council, be in the same proportion as the contributions to the Technical Co-operation Scheme for that year.

12. The Council will make appropriate provision for the maintenance and audit of its accounts.

13. The Council will take into account the known views of co-operating Governments unable from time to time to be represented at a Council meeting. Any increase in the membership of the Council or changes in its constitution or office of Director will be made only after proposals have been discussed and agreed between all co-operating Governments. The estimated working expenses of the Council and the proportion in which these expenses will be borne by co-operating Governments will also be discussed and agreed between them. The Council will proceed in the co-operative spirit which is the keynote of the Scheme and endeavour at all times to reach agreement without formal rules of procedure.

C.—Administration

14. The Director of the Bureau shall maintain and make available to all co-operating Governments an up-to-date record of all sources of technical assistance available to the area through any international or national agency.

15. The Director of the Bureau shall establish liaison immediately with the United Nations and the specialized agencies, and with all other organizations or countries not members of the Scheme, which are presently affording technical assistance within South and South-East Asia, or which may in future decide to do so.

16. Each co-operating Government will supply the Director of the Bureau with a statement of the types of technical assistance which it can make available, and will from time to time supplement and revise such information.

17. Co-operating Governments seeking technical assistance under the Scheme will state their requirements to the Director of the Bureau, and will provide such relevant information as may be required to deal with them, including particulars of any application made to any other agency.

18. On receipt of a request for technical assistance, the Director of the Bureau shall give every assistance in documenting the request and bringing it to a successful conclusion.

19. Co-operating Governments to whom requests for assistance are transmitted will advise the Director of the Bureau, as soon as possible, of any assistance that can be arranged, and he shall be responsible for putting the Governments in touch either direct or through the Council.

20. In the furtherance of the work of the Council, members of the Council, the Director of the Bureau or members of the Staff may visit any co-operating country with the agreement of the Government concerned.

21. The Director shall prepare for the Council periodical progress reports of the Scheme at such intervals as the Council may require. For this purpose each co-operating country will maintain contact with the Director on the progress of requests for technical assistance under the Scheme.

D.—*Operation of the Scheme*

22. Technical assistance provided under the Scheme will be arranged on a bilateral basis by agreement between co-operating Governments, and the terms and conditions upon which assistance is provided will, in every case, be solely a matter for the Governments concerned. Bilateral arrangements do not exclude joint schemes where more than two co-operating countries are involved.

23. In order to ensure, in the interests of the area, the best use of resources available, a contributing Government will, in the normal course, be expected to bear, to the fullest extent possible, as a charge against its contribution to the Scheme, the costs of basic salaries of persons whom it makes available under the Scheme, and the Government to whom experts are made available will, in the normal course, be expected to bear, to the fullest extent possible, the local costs of the experts, including subsistence and travelling.

24. In order to assist co-operating countries to secure training for personnel additional to that already available from existing sources, the co-operating countries will normally accept personnel for training on the following basis: So far as practicable the country from which the trainees are sent will defray the costs arising in respect of the trainees in their own country; and, so far as practicable, the Government of the country providing training will bear all costs of training arising within its own territories, including allowances for the maintenance of trainees.

25. The allocation of costs suggested in paragraphs 23 and 24 is intended only as a pattern for the guidance of co-operating Governments and these provisions do not in any way detract from the clear understanding that in every case such arrangements will be solely a matter for the Governments concerned as provided in paragraph 22.

26. Governments will make special efforts to encourage the training of personnel in the trainee's own country, and for this purpose other co-operating Governments will devote as large a proportion of their contribution as is practicable to provide teaching staff and material facilities.

27. Any co-operating Government may, as a contribution under the Scheme, offer to defray the costs of obtaining technical assistance or training facilities, including endowment of existing institutions, in any other country. In the event that the facilities needed to satisfy an application for technical assistance cannot be provided because they are only available either in a country whose Government's contribution to the Scheme is exhausted or in a non-participating country, the Council shall endeavour to arrange for the costs to be met from the uncommitted part of the contribution offered by other co-operating Governments, bearing in mind the desirability of maintaining reasonable equality in the extent to which contributions are fully utilized.

28. Costs met by a co-operating Government in respect of technical assistance received by it will not be regarded as a contribution under the Scheme.

29. To ensure an adequate record of the progress of the Scheme and also of the appropriate distribution of the expenses incurred, the Council will keep accounts of the expenditure incurred by each co-operating Government under the Scheme. For this purpose each co-operating country will forward a periodical statement to the Director showing, for the period in question, particulars of the expenditure incurred and chargeable under the Scheme.

(2) *Extract from the Colombo Plan Report*¹

16. The Council for Technical Co-operation is to be composed of representatives from each of the participating Governments, assisted by a Bureau with headquarters in Colombo. The constitution of the Council is a flexible one, calculated to promote to the maximum practicable extent the provision of trained men and training facilities to meet the varying needs for technical assistance. It is hoped that all countries in the area will come into the scheme on equal terms with the Commonwealth countries to avail themselves of the facilities offered and to make their contribution in the spirit of co-operation in which it is devised. The main functions of the Council will include provision of such assistance as:—

- (a) Training of personnel from countries in the area in countries where suitable instruction is available, and the despatch of missions abroad to study the latest techniques or practices.
- (b) Experts, instructors and advisory missions to assist in planning, development, or reconstruction, or for use in public administration, in health services, scientific research, in agricultural, industrial, or other productive activities and in the training of personnel.
- (c) Equipment required for training or use by technical experts in the region.

Every effort will be made to expand the training facilities in the countries themselves, if necessary, by the use of new methods and techniques. Help in this field includes university facilities for undergraduate and post-graduate study and research; training in government establishments, in technical schools, research institutions and experimental stations; and places in factories and workshops for the training of skilled foremen and skilled workmen. It would appear that there is likely to be a lack of equipment required for training or use by technical experts and instructors since existing agencies are strictly limited in the extent to which they may make such equipment available from the resources at their disposal. The Commonwealth countries participating in the scheme are examining how they might help to remedy these deficiencies by making available suitable types of equipment such as visual aids and specialized equipment for technical training establishments.

17. Even during the period in which the details of the scheme and its organization were still under consideration, work went forward of compiling

¹ Cmd. 8080.

information on the nature of the needs and the ways in which they might be satisfied. India, Pakistan and Ceylon notified other Commonwealth Governments of outstanding requirements of trained men, whom they needed to carry on the work of development already in hand. Ceylon, for example, asked if it could be assisted to fill outstanding vacancies for trained men of various types including draftsmen, mechanical engineers, experts for medical and social schemes, irrigation engineers and expert industrial advisers. Some assistance to meet these demands has been given. Certain Commonwealth Governments have decided that it would be desirable to set up special units to receive requests for technical assistance and find ways and means of meeting them within their own countries. In the short period while this work has gone forward on an *ad hoc* basis, it has been found that the close touch which can be maintained by a body working in the area has much to commend it and is appreciated by the Governments who are seeking assistance. The benefits of these arrangements should increase as the permanent organization grows in experience.

18. The present acute shortage of trained men in the countries of South and South-East Asia is an inevitable result of the endeavours being made to break with traditional methods and to introduce new techniques for using the resources of nature. The shortage has been aggravated by both general changes in conditions of recruitment and service since 1950, and by the resolute efforts now being made to increase the rate of economic development. The Governments of the countries in the area are making every effort to train their own people, by developing their own training facilities, and, with the co-operation of other Governments, by sending students overseas, and by recruiting experts from abroad. The problem can only be solved if countries in the area and overseas, acting individually and collectively, determine to match the size and urgency of the needs by their efforts to meet them. The Council for Technical Co-operation and the United Nations and its Agencies, acting in close consultation, can fulfil their respective and complementary functions of seeing that the available resources of technical man-power are used to greatest effect in carrying forward with increasing momentum the plans which the countries of South and South-East Asia have prepared for their economic and social betterment.

(d) *The Colombo Plan. Extracts from the Report by the Commonwealth Consultative Committee on (1) the need for development, and (2) the sum of the programmes of the Commonwealth countries*

(1) *The Need for Development*¹

1. Throughout South and South-East Asia the standard of living is lamentably low, and the economies are gravely under-developed. Poverty and

¹ Cmd. 8080, Ch. III.

hardship are the rule rather than the exception. The meagre diet of most of the peoples of these countries lacks variety; it is composed mainly of cereals, pulses and starchy foods, which do not supply the amount of proteins and fats necessary to proper nutrition. The average daily consumption of food per head is below 2,000 calories, which contrasts with about 3,000 in the United Kingdom. The absence of adequate medical facilities results in a high mortality rate. Illiteracy is very high. There are many ways in which the lot of the peoples in the area might be compared with that of those in more advanced countries, and all would emphasize the need for urgent measures to improve their position. This can be done most economically and effectively by the development of the natural resources of the area. The longer the initiation of the necessary action is postponed, the greater will the problem become. It brooks no delay.

2. Everywhere in the area populations are growing quickly, as is indicated by the following table:—

Rates of Population Increase in South and South-East Asia

	<i>Annual rate of increase per cent.</i>		<i>Annual rate of increase per cent.</i>
India	1·5	Burma (1931-41)	1·3
Pakistan		Thailand (1937-47)	1·8
Ceylon	2·2	Indo-China (1931-36)	1·4
Malaya	2·4	Indonesia (Java, 1920-30)	1·8

If these rates of increase are maintained, the present population of some 570 million will, before 1970, have grown to 720 million, an increase in less than twenty years roughly equivalent to the total population of the United States. To some extent this increase will reflect the lower death rate resulting from improvements in public health—for example, the eradication of malaria from Ceylon. The inevitable short-term trend towards larger populations only emphasizes the need for rapid development. The additional problem which this increase in population involves may, however, be counterbalanced to some extent by the increased vigour and productivity of the people which might be expected to flow from any advance in their standard of living. In the longer run experience suggests that a general improvement in standards of living eventually exercises a steadying influence on the growth of population. In some countries in the area this influence is already apparent from the declining birth rate of the middle classes. In East Bengal, for instance, it has been found that the average size of families tends to be smaller on holdings of ten acres than on those of five.

3. It is clear that agricultural and industrial production will have to rise to provide for the additional population—even at the existing standard of living. A very substantial programme of development is needed to secure any

improvement. The necessary statistical data do not exist for a reliable estimate of the extent to which production is keeping pace with population growth in South and South-East Asia, but it is highly probable that the events of the last ten years have caused production per head to deteriorate. As far as the land is concerned, this is not a new process, for in undivided India agricultural yields per acre had been falling before 1939. While the area under rice rose slightly from an average of 66 million acres in 1914-19 to an average of 69 million acres in 1934-5, the average yearly production of rice actually fell from 27 to 25 million tons. This decrease in agricultural yields must be checked and some improvement must be achieved. In essence, however, the problem is one of original development of potential resources rather than mere rehabilitation and the restoration of economic activity to a previous level. The problem may be described as one of increasing the capital equipment of the countries in order not only to keep pace with the growth of populations, but also through increased production per head to permit some rise in the level of consumption. This is a formidable task.

4. The present state of development in South and South-East Asia is probably as low as anywhere in the world. International comparisons are difficult and preclude precise conclusions, but it is possible to give a broad picture of the disparity between the national incomes of countries in the area and those of more advanced countries. From such information as is available, it appears that average national income per head in most of South and South-East Asia ranges around £20, whereas in the United Kingdom it is over ten times as large, and in the United States it approaches £400.

5. By far the largest element of national income in South and South-East Asia is derived from agriculture, which in all the countries provides the livelihood for more than half, and in some for as much as 80 per cent., of the population. The heart of the problem is the under-employment which results from the pressure of population on the land. In Ceylon, for example, there are nearly 1,200 people who depend upon agriculture for every 1,000 acres of cultivated land. This contrasts with about 60 in Great Britain.

6. What this difference means in terms of output can be illustrated by a comparison between India, with 306 million acres under cultivation, and the United States with 360 million. In India there are 73 million agricultural workers of all kinds, while in the United States only 8 million are actively occupied on the land. In spite of the much more intense application of manpower, agricultural yields per acre are far below those in the United States; for instance, the yield of wheat is less than 600 lb. compared with over 1,000 lb., and the yield of cotton is only 66 lb. compared with 313 lb. This disparity cannot be explained simply by natural differences of soil fertility; it is the application of capital which enables the farm worker in the United States to produce so much more than the peasant of South and South-East Asia. For example, in the United States there are over 2,400,000 tractors, whereas in

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

7. In communications, fuel and power, and industry the scope for development is illustrated by the comparative examples given in the following table:—

Levels of Economic Development in 1949: Comparative Indicators

	Unit per 000 population	India	Pakistan	Ceylon	Malaya	United Kingdom	United States
Electricity production . . .	000 kwh.	13	1·9	9·6	117	1,033	(a)
Coal consumption . . .	tons	80	18	28	85	3,884	2,296
Petroleum consumption . . .	tons	7·8	11	23	99 (b)	327	3,473
Steel consumption . . .	tons	3·8	1·3	6	16	194	1,638
Cement consumption . . .	tons	7·2	3·6	19	25	148	364
Locomotives . . .	nos. (c)	22	16	32	31	410	229
Carrying capacity of rail- way wagons . . .	tons	10 (d)	8·8	4·5	13	276	309
Rail freight . . .	000 ton miles	65	32	446	556
Load-carrying road vehicles	nos.	0·18	0·17	1·41	3	16	43
All-weather roads . . .	miles	0·32	0·1	0·87	0·93	3·7	2·2
Telephones . . .	nos.	0·37	0·21	2·2	7·7	98	261

(a) In most cases figures refer to 1948.

(b) Excluding Service supplies and bunkers.

(c) Per million population.

(d) Excludes 16,516 wagons for which no carrying capacity is recorded.

8. The scope and the need for development are great, but so also are the potentialities of the region's underdeveloped natural resources. In India it is estimated that improvements in agricultural practices and technique alone, through the use of better seeds and fertilizers and through irrigation works, could by 1956-7 secure increases over the current estimated levels of production of 8 per cent. (3,000,000 tons) in food grains, 30 per cent. (195,000 tons) in cotton, 50 per cent. (375,000 tons) in jute and 30 per cent. (1,500,000 tons) in oil-seeds. In Ceylon it would be possible in the long run to bring another 3 million acres of land under the plough, thus doubling the cultivated area. In Pakistan two irrigation projects at present in hand, at Thal and Kotri, will make an additional 4,800,000 acres available for cultivation, and a further 2,300,000 acres at present lying waterlogged in West Pakistan could be recovered by the construction of tube-wells to lower the water-table in the area. Similarly, in nearly all the other countries of the area the application of capital would enable large tracts to be brought under cultivation. This work, much of which will be accompanied by the development of hydro-electric power, is the first step towards that growth in productivity without which many of the ills which afflict South and South-East Asia—poverty, under-feeding, disease, illiteracy—cannot be relieved. The hydro-electric power resources of the area

have hardly yet been tapped. Pakistan's potential, for instance, is estimated at over 5,000,000 kilowatts; the actual installed hydro-electric capacity is now 9,600 kilowatts, and in the next six years it is to be increased by 200,000 kilowatts. What is true of hydro-electric power is true also of the mineral resources of the area; in many of the countries the extent of these resources has not yet even been ascertained.

9. The human and material resources of the area are large enough to solve its problems. But if they are not brought into effective use, the position will become worse. Even the present inadequate standards of nutrition will not be maintained, for the pressure of increasing populations will bring them still lower, and this will make it all the more difficult to create the social services which are required to combat disease and to educate the millions who are still unable to read. The growth of productive power is a gradual process which must be spread over generations. The levels now reached in the advanced countries, which are themselves insufficient to satisfy their peoples' aspirations, are the result of 150 years of economic development. It is the early stages which are the most costly and difficult. Basic services—railways, roads, ports and harbours, electricity and irrigation—require a vast capital investment and must be undertaken before production can be increased significantly. In democratic countries a certain minimum of social services must be provided concurrently with programmes for economic development if these are to command the popular support without which they would be frustrated.

10. The countries in South and South-East Asia are at very different stages of development, but none has passed the period at which heavy expenditure on basic services is required. Once the process of development gets under way its effects are cumulative and the difficulties become less. This is illustrated by the experience of these countries so far. In India the production of iron and steel increased from an almost negligible amount in 1914 to 400,000 tons in 1925, and to 800,000 tons in 1939; in the next ten years there was a further increase to 1,100,000 tons. In the same way it was possible to expand the production of cement, already doubled in the five years before the war, by another 47 per cent. between 1939 and 1949.

11. The most effective and efficient pattern of development is different for each country. There is no standard formula which can be universally applied. There are, however, no grounds in experience for the view that development implies uneconomic national self-sufficiency. In fact, the countries in South and South-East Asia with specialized economies heavily dependent upon international trade have the largest national incomes per head. In the ordinary way the growth of national income brings with it automatically an increase in trade. The United States, which has the widest and most complete natural resources of any advanced country, and which could be virtually self-sufficient if it wished, has a foreign trade per head some twenty times as great as that of India.

12. Ever since the end of the war, and indeed during the war itself, considerable thought has been given in South and South-East Asia to the need for development. Much useful experience has been gained without which it would have been impossible to proceed with the formulation and execution of realistic programmes. The problems of the whole area have been in the forefront of discussions in the United Nations and its Specialized Agencies, and valuable expert investigations have been made, particularly by the Economic and Social Council and the Economic Commission for Asia and the Far East. Now, for the first time, it is possible, as is shown by such detailed programmes as have been submitted, to proceed with the comprehensive attack on the problem which the situation demands. The different countries have of course approached their problems differently, but there is a common strand which runs through the whole. . . .

(2) *The Sum of the Programmes of the Commonwealth Countries*¹

1. The programmes described in the previous four chapters demonstrate the opportunities which exist in the area for raising the standard of living of the peoples through development. They also show that the countries' resources of capital and trained men are insufficient to make full use of these opportunities. All the Commonwealth countries in the area—and indeed the non-Commonwealth countries too—face the same problem, but their needs and circumstances differ widely. For this reason the course of development charted in the programmes, and the problems which will be encountered, are necessarily different.

2. In India, the problem is one of food and raw material shortage, and the need to overcome inflation; so the programme is directed to the expansion of food and raw material production, and the scale of development which can be undertaken is governed by the need to prevent inflation. Pakistan's problem is one of low productivity and of the need to provide some diversification in an almost completely agricultural economy; so its programme provides for more industry and a general advance in power, transport and agricultural efficiency. In Ceylon, and also in Malaya, the economies are at present highly specialized in the production of export crops; it is therefore necessary, without abandoning specialization in traditional lines of production, to concentrate on opening up new areas for food production in order to give more stability to the economies.

3. All the countries need to undertake basic economic development on a large scale—irrigation, power, communications, railways, roads, ports and harbour installations. Most of this work is normally the responsibility of Governments, and the programmes presented are those of public authorities

¹ Cmd. 8080, Ch. VIII.

and are to be financed almost entirely by public authorities, directly or indirectly. Private investment does not normally undertake work in the field of basic economic development. For however much this development contributes to the prosperity of the countries themselves and to the world as a whole, it is not of a character likely to appeal to the private investor. Moreover, the scale of investment required is far beyond the scope of the domestic capital market in an under-developed country.

4. This is why the programmes mainly relate to public investment. But the fact that the work of basic development is for the most part undertaken by public authorities in no way lessens the importance which is attached to private investment. In general, public investment in these countries is confined to basic services and to industries of strategic importance, such as the production of munitions; the establishment of new basic industries also tends to require Government finance. Both in India and in Pakistan there are a number of undertakings in which Government and private enterprise work in partnership. In the case of Pakistan, the Government found itself compelled to take the initiative in this way, in order to inspire public confidence in the undertakings and to attract private capital to them. It is the intention of the Government to withdraw its participation in these enterprises as soon as private capital is able to provide all the necessary funds. In the general field of industry and commerce, however, the dominant role in all the countries is played by private enterprise.

5. As the development programmes proceed and the national incomes and savings of the countries grow, the scope for private investment will increase. It is expected, for example, that in India private investment will rise by about 60 per cent. in the course of the six-year period. In the Federation of Malaya, where the major export industries are entirely privately owned, private investment in agriculture, mining and industry will be substantially greater than the public investment in these fields. Throughout these countries, public development paves the way for private investment.

6. All the Governments welcome the inflow of foreign private capital, and whilst some regulation is necessary to ensure that the investment is not inconsistent with the wider economic interests of the countries, these regulations are in practice administered in a manner which takes fully into account the countries' need for foreign capital. In the long run, when the emphasis of the investment programmes changes from basic development to investment in industry and commerce, the need will best be satisfied by private capital. Indeed the progress of these countries in later years will depend largely upon the existence of a favourable atmosphere for private foreign investment. While at present the scale of private foreign investment is small in relation to capital needs, all the countries are conducting their policies towards foreign investment in a manner which seeks to build up this favourable atmosphere.

Nature of the Programmes

7. The rate of expenditure under the development programmes is as follows:—

Public Authorities' Expenditure on Development Programmes

	1950-1 £m.	Average annual rate 1951-7		Total 1951-7 £m.
		£m.	Per cent. of national income £m.	
India	169	230	3	1,379
Pakistan (a)	32	47	2 $\frac{3}{4}$	280
Ceylon	10	17	10(b)	102
Malaya and British Borneo	6	18	4	107

(a) The Pakistan programme includes £43 million of private investment in 1951-7.

(b) Based on a probable under-estimate of Ceylon's national income.

8. In framing these programmes, the Governments have been guided by their experience of development work so far. They have included only as much as they could be reasonably confident of completing within the period, given a supply of capital and trained men from overseas on the scale indicated. Previous plans have been ruthlessly curtailed in order to arrive at programmes which are both feasible and balanced within themselves. India, for example, has projects worked out which would cost Rs. 32,000 million; but the programme is limited to Rs. 18,000 million. Pakistan's programme is about 60 per cent. of what it was previously hoped could be accomplished. Post-war experience in most countries, not only in South and South-East Asia, has shown the danger of starting on an over-ambitious investment programme, and consequently of failing to carry it out.

9. The size of the programmes is limited by the shortage of both capital and trained men of all kinds. Even programmes of the size now contemplated could not be accomplished without capital and trained men from overseas. It will be noted that the programmes for Ceylon and Malaya are larger, in relation both to national income and to population, than those of India and Pakistan. This is possible primarily because of their higher national income per head.

10. In all the countries the programmes represent a considerable acceleration in the present rate of development. With the assistance of substantial economic support from overseas and by drawing down their sterling balances, the countries have been able to do a great deal, although in some cases much of the work has been more in the nature of reconstruction than new development. Organizations are therefore in being to carry out development, and a large number of projects are already under way. A total of 94 identifiable projects of £1,000,000 or more, costing in all £569 million, are included in

the programmes, and significant expenditure will have taken place on 71 of these by June, 1951. These development programmes are not a leap in the dark; in great part they involve a speeding up and broadening of work which is already in progress.

11. As far as future development is concerned, the experience already gained is of particular importance. Procedures which have been evolved over the years exist in all the countries for the stringent control of public expenditure. More recently, the problem has been to establish machinery for the co-ordination of large-scale development planning. There are many difficulties in the way of building a sufficiently strong organization of this nature, but the Governments are fully seized of its importance. Moreover they recognize that the administration of development programmes cannot follow a rigid pattern; rather it must be kept under constant review as the development work gathers momentum.

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

Analysis of Development Programmes

	India £m.	Pakistan £m.	Ceylon £m.	Malaya & British Borneo £m.	Total	
					£m.	Per- centage
Agriculture (a)	456	88	38	13	595	32
Transport and communications	527	57	22	21	627	34
Fuel and power	43	51	8	20	122	6
Industry and mining (b)	135	53	6	—	194	10
Social capital	218	31	28	53	330	18
	1,379	280	102	107	1,868	100

(a) Including multi-purpose projects.

(b) Excluding coal.

13. In all the countries (except Singapore, where the problems are entirely different) the programmes concentrate upon agriculture, transport and communications, and electric power. These are the basic development requirements, related to the overriding need to increase production of food and agricultural raw materials. They account for over 70 per cent. of the total of the programmes. They include bringing new land into cultivation in all countries. For example, the Ceylon programme envisages an increase of some 20 per cent. in the land under food production, without interfering with the production of export crops. In India, Pakistan and Ceylon, the basic development will be achieved by big multi-purpose projects which combine irrigation, flood control and the production of hydro-electric power. In India and Pakistan much of the newly irrigated land will be cultivated by modern

techniques. This work will demonstrate throughout the area the possibilities and advantages of new systems of agriculture. The productivity of the land already under cultivation is also to be increased by greater use of fertilizer, double cropping, seed-farms, improved transport and provision of electric power.

14. Industry accounts for about 10 per cent. of the expenditure envisaged in the programmes. In Pakistan the proportion is nearly 20 per cent., but Pakistan is a country with hardly any industry at all, since the parts of undivided India which subsequently formed Pakistan were the agricultural areas serving the towns; the scale of industrialization envisaged in the next six years is the minimum necessary to introduce a better balance into the economy. In India relatively little industrialization is contemplated; the main effort is directed to food and raw material production, and to the provision of power and transport for the countryside, so that rural industries can develop naturally and along economic lines. The general tendency of policy in all the countries is away from the concept of intensive urban development and towards a more balanced economy in the villages.

15. The rest of the programmes is devoted to the provision of social capital—housing, health and education. The need for these services is, of course, very pressing, and it is necessary for them to march in step with the development of productive power. They can moreover have a considerable effect on productivity by enhancing the mobility, physical fitness and efficiency of labour. The expenditure of capital on social services involves a running cost when the services are established, and this becomes a fixed charge on budget revenue. The Governments have therefore had to weigh the relative advantages of the development of production against the extension of social services. In so doing they have had to take into account the fact that the former directly increases the future national income and taxable capacity, whereas the latter represents a call upon future revenue. The countries have struck this balance differently in their programmes. India and Pakistan have

ERRATUM

p. 1069, line 5 from foot: for *J. A. Spender* read *P. C. Spender*

and of the Minister for External Affairs, the Hon. J. A. Spender, in the Australian House of Representatives, 28 November 1950

*The Honourable Mr. Desmukh:*¹ I should like to inform the House that copies of the document will be circulated to all of them individually. I should also

¹ India, Parliamentary Debates, vol. 6, no. 11, pt. 2, col. 841.

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(e) *Extracts from statements by the Indian Finance Minister, the Honourable Mr. C. D. Desmukh, in the Parliament of India, 28 November 1950, and of the Minister for External Affairs, the Hon. J. A. Spender, in the Australian House of Representatives, 28 November 1950*

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¹ India, Parliamentary Debates, vol. 6, no. 11, pt. 2, col. 841.

like to take this opportunity to state that the Government of India attach considerable importance to facilitating the establishment of conditions favourable to the execution of this plan for economic development of the whole of South and South-East Asia. The Government of India themselves will make every endeavour to augment the country's capacity to undertake the execution of such portions of the plan as are within the country's means. They believe that the best support that they can give to the execution of the plan at this moment is by husbanding their own resources towards the advancement of their own plan for development. They have, however, promised and will contribute over the next three years a sum up to Rs. 1 crore equivalent to £750,000 towards the technical co-operation scheme envisaged in the plan.

The plan contains the seeds of international economic co-operation. As such co-operation bears fruit, India, herself strengthened, would find it possible not only to take an increasing part in schemes for the pooling and widening of technical knowledge but also in schemes of investment of capital resources in areas deficient in such resources, thereby aiding in their development and prosperity.

*Mr. Spender:*¹ It is only nine months since the idea was conceived of formulating a comprehensive and co-ordinated economic and technical assistance programme, on a regional basis, for South and South-East Asia. At the conference of Commonwealth Foreign Ministers at Colombo in January of this year, the Australian delegation took the initiative in advancing specific proposals for a concerted Commonwealth approach to the problems associated with the economic progress of the less developed countries in this area. As a result a Commonwealth Consultative Committee was established, and held its first meeting at Sydney in May. A second meeting, of which this report is the outcome, was held in London in September and October, with representatives of the United Kingdom—including the British Territories of the Federation of Malaya, Singapore, North Borneo and Sarawak—Canada, India, Pakistan, Ceylon, New Zealand and Australia participating. Following this meeting a conference was held with representatives or observers from Indonesia, Burma, Thailand, and the Associate States of Indo-China, Cambodia, Laos and Viet-Nam.

The presentation of this report to the Parliament of the Commonwealth, and its publication throughout the world, are the culmination of months of painstaking research, of critical examination and of the discussion of specific plans by the members of the Commonwealth, and represent an important stage in the advancement of a progressive and realistic programme for the economic development of the less developed countries, with the objectives of increasing production and consumption levels and of raising standards of living. The results so far achieved clearly demonstrate the usefulness and the importance of regional co-operation and what can be done to prepare the way

¹ Australia, H. of R. Deb., vol. 211, pp. 3186-8.

for a large-scale attack against poverty, social unrest, political instability and extremist ideologies.

The impetus given at Colombo to the idea of an organized co-operative approach to the problems of South and South-East Asia, was carried through the Consultative Committee Conference at Sydney, where it was agreed that a report should be prepared setting out the need for development and the development programmes of the countries of the area, which might be expected to be completed over a period of the six years ending June, 1957. At the same time it was decided that a technical assistance programme should be established immediately whereby each government would contribute an agreed share of up to £8,000,000 sterling to provide technical aid for the benefit of the less developed countries. The Australian Government accepted this recommendation in August and agreed to contribute up to approximately £3,500,000 Australian over a three-year period for the Commonwealth programme of technical assistance. Under an existing Fellowship and Scholarship programme we have already provided free training facilities for many Asian students. Over 1,000 Asian students are at present taking courses at their own expense in Australian educational institutions. The present scheme will greatly increase the numbers receiving assistance, free study and instruction in Australia. In addition we have already made arrangements for a number of Australian technical experts to serve in the region for varying periods so as to assist the countries with their development and research. Plans are being prepared to provide technical, educational and other equipment, and other forms of assistance. With the heavy demands for training facilities and for technical personnel in Australia for our own development programmes these measures themselves constitute a very substantial contribution by us to the countries concerned.

Following the May conference, detailed programmes of development were prepared by India, Pakistan, Ceylon and the British territories of Malaya, Singapore, North Borneo, and Sarawak, and these were carefully examined at the London conference of the Consultative Committee in September. The essential features of these programmes, their cost, and the financial and economic requirements involved, were critically examined, and are described in the report. At this conference special consideration was given not only to the programmes themselves, but also to the extent to which each country could, by its own unaided efforts and with its immediate or potential resources, implement the whole or a part of the economic development programme. It was recognized that the under-developed countries should help themselves as much as possible, but the analysis of the plans and the discussions clearly indicated that these countries are in a position to furnish only a limited proportion of the needed capital, because there is little margin for domestic savings so long as production levels are low. The under-developed countries, therefore, find themselves caught in a vicious circle, and it is clear that the

solution of the problem is beyond their own resources. The most careful consideration was therefore given to the obvious solution, viz., the provision of an expanded flow of external finance.

It was found at London that the plans put forward rightly laid special stress on measures designed to increase agricultural production, and upon the development of transport systems and new sources of power. The approach to industrial expansion is modest but realistic. Thirty-two per cent. of the cost of all the development programmes is for agricultural development and expansion; 34 per cent. for transport and communications; 10 per cent. is for industrial development and 18 per cent. is for social services. It is expected, as the report points out, that when the programmes are completed something like the following results, among others, can be anticipated: increases of 13,000,000 acres of land under cultivation, of 6,000,000 tons of food grains, of 13,000,000 acres under irrigation, and of 1,100,000 kilowatts generating capacity.

Obviously the critical problem of the development plans is that of providing the necessary external financial and economic assistance. The total of the programmes is estimated at £1,868,000,000 sterling over the six-year period, of which £1,084,000,000 sterling will be required from external sources. Of the sum required from such sources, as the report indicates and on the assumptions stated, £246,000,000 would need to be provided from existing sterling reserves.

By proposing to draw to the fullest possible extent consistent with minimum reserve requirements, on the sterling funds they have built up during the war, the Governments concerned have shown that the policy of self-help, and the utilization of the maximum amount of external finance from their own resources are an essential and important part of their development plans. Commonwealth countries are now examining the extent to which they may be able to contribute. I have on more than one occasion made it clear that this is a world problem and that the combined resources of the countries of the Commonwealth alone are insufficient to solve it no matter what financial or other contribution they are able to make.

The report deals only with the plans of India, Pakistan, Ceylon and the British Territories of South-East Asia. It was not possible in the time available to secure full participation by other countries in the area, but representatives or observers from Indonesia, Burma, Thailand and the Associate States of Indo-China, Cambodia, Laos and Viet-Nam, attended a special session of the conference at which were discussed problems of common interest, and the principle of a concerted regional approach. It is hoped that all these countries will participate in the economic development and technical assistance programmes.

Early in December the first meeting will be held at Colombo of the Council of Technical Co-operation, the constitution of which is contained in the

present report.¹ It will carry on the very useful work already commenced by the Standing Committee of the Consultative Committee in examining requests for, and assisting in the provision of, technical assistance. The activities of the Standing Committee and the technical aid programmes under way amply illustrate what can be done by co-operative effort.

The action initiated by the Australian Government at Colombo in January 1950, for a regional concerted and co-operative approach to problems of such magnitude, importance and urgency as face the people of South and South-East Asia, and exemplified in this report, demonstrates clearly the movement from the discussion of principles into the field of action. The task is, however, only commencing.

My information is that the United Kingdom Government, when presenting this report to Parliament, will indicate the amount of sterling funds which, it estimates, it will be able to release to participating countries over the six-year period of the plan. It is relevant to point out that the Australian Government has in several ways helped to make such releases of sterling possible and that it recognizes the importance of this contribution. The release of sterling funds will necessarily throw a burden upon the economy of the United Kingdom.

In sponsoring the proposal for the joint Commonwealth approach to the plan for economic development in South and South-East Asia, the Australian Government fully recognized its responsibilities towards, and interest in, the countries of this region. Despite the fact that we have already given substantial financial and material aid to other countries in the post-war period, and that the strain on our resources is considerable, the Australian Government is now giving careful and sympathetic consideration to the amount and the type of financial and economic assistance that it is able to provide. . . .

3. *Development and Welfare in the Colonial Empire*

(i) *Colonial Development Act, 1929 (20 Geo. 5, Ch. 5)*

DESCRIPTION AND PURPOSE

An Act to authorize the making of advances for aiding and developing agriculture and industry in certain colonies and territories, to provide for the extension of the Colonial Stock Acts, 1877 to 1900, to stock forming part of the public debt of certain protected and mandated territories, and to amend the Palestine and East Africa Loans Act, 1926, and section eleven of the Trusts (Scotland) Act, 1921 [26 July 1929]

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

¹ See above, pp. 1055-9